

Bill Comparison Summary of House File 785 (3rd engrossment)/House File 785 (Senate unofficial engrossment)

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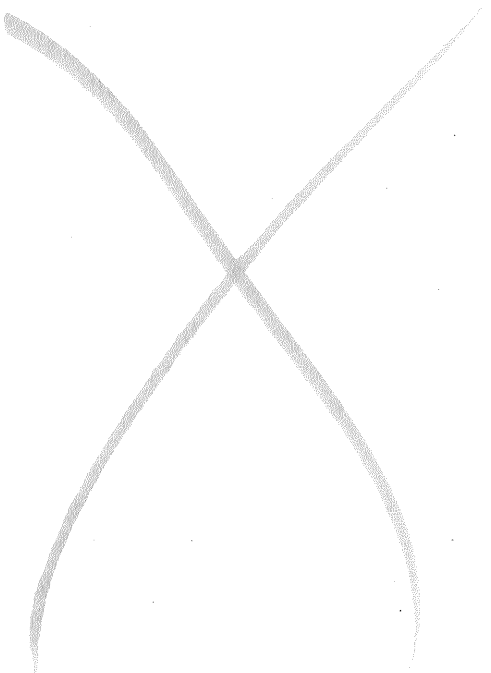
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Sec.		Article 1: Income and Corporate Franchise Taxes – SF 1209
	Art. 5, sec. 8. Same	Sec. 1. Withholding on nonresident income. Requires partnerships, S corporations, and trusts to pay Minnesota withholding tax on Minnesota source income on a quarterly basis. Current law allows these to be paid annually.
	No comparable provision  	Sec. 2. Withholding by contractors. Requires businesses that hire individual independent contractors to perform construction work in Minnesota to withhold and remit to Minnesota two percent of the amount they paid the independent contractors if the amount of the payment exceeds \$600.00.
Sec.		Article 2: Federal Update – SF 1209
	Art. 6 updates to same provisions of the American Jobs Create Act of 2004 as Senate, and also to provisions of the Military Family Tax Relief Act of 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003, the Working Families Tax Relief Act of 2004, Public Law 109-1, relating to tsunami relief, and Public Law 109-7, relating to federal disaster mitigation payments.	This article selectively updates income tax law to incorporate changes enacted by Congress in the American Jobs Creation Act of 2004. This federal act contained numerous business provisions that limited business deductions, created new deductions, and was intended to close certain loopholes.
Sec.		Article 3: Sales, Use, and Special Taxes – SF 1209
	Art. 7, sec. 1. Same	Sec. 1. Contracts with foreign vendors. Requires the Department of Administration and the legislature to cancel contracts for goods or services with any vendors who have not registered to collect sales or use tax on their taxable sites in Minnesota. It also bars future contracts with such vendors by state agencies or the legislature. The prohibition does not apply to the judicial branch or higher education system, and it may be waived if the vendor is the exclusive provider of the goods or services being purchased, or in an emergency, or when it is in the best interests of the state to do so.
	Art. 8, sec. 7. Same	Sec. 2. Liquor Tax. Imposes a gross receipts tax at a rate of 2.5 percent on the gross receipts from retail liquor sales. This tax is intended to replace the additional 2.5 percent sales tax on alcoholic beverages that will terminate on December 31, 2005.
	Art. 7, sec. 18. Includes same language as Senate (House makes additional unrelated changes)	Sec. 3. Materials consumed in industrial production. Provides that for purposes of the sales tax exemption for materials consumed in industrial production, industrial production will not include the transportation, transmission, or distribution of petroleum, liquified gas, natural gas, water or steam through pipes, or other means of transporting those products.
	Art. 7, sec. 19. Includes same language as Senate	Sec. 4. Capital Equipment. Provides that the

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Sec.		Article 3: Sales, Use, and Special Taxes – SF 1209
	(House makes additional unrelated changes) 	sales tax exemption for purchases of capital equipment is also not available to machinery or equipment used in the transportation, transmission, or distribution of petroleum, liquified gas, natural gas, water or steam in or through pipes, or similar means of transporting those products.
	Art. 8, sec. 22. Same	Sec. 5. Direct Business. Defines “direct business” for purposes of the insurance tax law to include, among other things, stop-loss insurance coverage.
	Art. 7, sec. 42. Same	Sec. 6. Repealer. Eliminates the 2001 repealer of the car rental tax that had been scheduled to go in effect after 2005.
Sec.		Article 4: Miscellaneous – SF 1209
	Art. 3, sec. 2. Same	Sec. 1. Residential homestead market value credit. Changes the computation of homestead market credits for residences that are part homestead and part nonhomestead, for example, when one of the owners or spouse of an owner does not occupy the property as a homestead. This provision will prorate the credit for partial occupancies by owners.
	Art. 3, sec. 20. Similar. Minor word difference. Senate states that “no city’s market value credit reimbursements are reduced to less than zero” while the House language references “2005 and 2006 market value credit reimbursements”.	Sec. 2. 2005 and 2006 City Aid Payments. Extends the market value credit reimbursement reductions that had occurred in 2003 for payments in 2005 and 2006.
Sec.	Article 1: Taxpayer Satisfaction Survey	No comparable article
1	<p>Definitions. (Note: Most of the definitions in section 1 are not new definitions but are moved to this definition section from elsewhere in the truth-in-taxation statute. New definitions are described below.)</p> <p>Subd. 5. Property tax levy subject to approval. “Property tax levy subject to approval” means a jurisdiction’s entire levy excluding any debt levy and any levy that has previously been approved by the voters.</p> <p>Subd. 6. Debt levy. “Debt levy” means a levy for: bonded debt of the jurisdiction, certain certificates of indebtedness issued by the jurisdiction, payments to another taxing jurisdiction for general obligation debt, or payments to the State Armory Building Commission for armory construction bonds.</p> <p>Subd. 8. Jurisdiction subject to taxpayer satisfaction survey. “Jurisdiction subject to taxpayer satisfaction survey” means any county, or any city with a population of 500 or more.</p>	
2	Levy for shared, merged, or consolidated services. Accelerates the deadline for finalizing	

Sec.	HOUSE Article 1: Taxpayer Satisfaction Survey	SENATE No comparable article
	levies for shared, merged, or consolidated services that are in the process of negotiation from October 10 to October 1.	
3	<p>Notice of proposed property taxes. Makes numerous changes in the notice of proposed property taxes:</p> <ul style="list-style-type: none"> ▶ Changes the timeframe for delivering notices to taxpayers to November 8 through November 19. (Current timeframe is November 10 through November 24.) ▶ Requires that all renters, tenants, and lessee's receive a copy of the proposed notice and taxpayer satisfaction survey. (Current law allows the landlord to post the notice in a conspicuous place on the premise <i>or</i> to mail or deliver a copy of the notice.) ▶ Eliminates all references to required public meetings (since the public meeting requirement is eliminated). ▶ Makes minor changes in the way tax amounts are to be shown on the notice (due to space constraints). The only substantive changes are that the net taxes attributable to all special taxing districts are to be aggregated to a single line, and some levies that were allowed to be shown separately from a jurisdiction's general levy (e.g., Minneapolis Park and Recreation district) must now be included in the general levy. ▶ Requires the notice to state the estimated amount of any additional tax that would apply pending successful passage of a referendum at the November general election. ▶ Eliminates unnecessary language stating that if the taxpayer notices that the property is listed as nonhomestead and can prove that the property qualifies for homestead treatment, the classification will be changed. ▶ Accelerates the deadline for landlords to notify tenants of the contents of the truth-in-taxation statement for the property from November 27 to November 22. ▶ Authorizes counties, cities, and schools to include supplemental information with the notice of proposed property taxes, with the consent of the county auditor. Contains a listing of what 	<p style="text-align: center;">Art. 4, Sec. 11 (TAX3). Authorizes same supplemental information.</p>

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Sec.	Article 1: Taxpayer Satisfaction Survey	No comparable article
	information may be included.	
4	<p>Taxpayer satisfaction survey. (a) Requires a taxpayer satisfaction survey form to be attached to or enclosed with each TnT notice. The form is required to include a property description or code that allows the property to be uniquely identified [Note: the identifying code requirement does not become effective until taxes payable in 2007.]</p> <p>(b) The question presented on the survey form is whether the respondent is satisfied with the proposed levy (for each jurisdiction subject to the taxpayer satisfaction survey); space is to be provided to answer either “Yes “ or “No.” The form is required to state that if the number of respondents answering “No” exceeds the threshold required in section 7, a referendum will be held on the proposed tax increase. [Note: the requirement for the form to state that a critical number of “No” responses would trigger a referendum election is not effective until taxes payable in 2007.]</p> <p>(c) The mailing is required to include a preaddressed envelope for responding to the survey; postage to return the survey must be provided by the taxpayer. Survey responses must be received by December 1, in order for them to be counted as to whether or not a referendum is triggered.</p>	
5	<p>Additional information to be included on survey form. The survey form is required to show the proposed budget and the proposed property tax levy subject to approval, along with the corresponding amounts for the current year, for each jurisdiction subject to the taxpayer satisfaction survey. The requirement in current law for this kind of information to be shown in a newspaper advertisement is eliminated.</p>	
6	<p>Format of taxpayer satisfaction survey. The commissioner of revenue prescribes the format of the survey form and presents the form to the chairs of the House and Senate Tax Committees for review.</p>	
7	<p>Results of taxpayer satisfaction survey. (a) The agency designated to receive taxpayer satisfaction surveys under section 8 must verify the authenticity of the responses received to the extent possible, and tabulate the survey results for each subject jurisdiction. If at least twenty percent of respondents indicate that they are not satisfied with a jurisdiction’s proposed levy, a referendum election is automatically scheduled for the last Tuesday in January (if the proposed levy subject to taxpayer satisfaction survey is greater than the corresponding levy for the current year). The designated agency announces the results of the survey by December 8 of each year.</p> <p>(b) Provides that if the county auditor determines</p>	

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Sec.	Article 1: Taxpayer Satisfaction Survey	No comparable article
	<p>that a single person or entity owns more than 10 percent of the parcels of property within a jurisdiction subject to the survey, then the number of responses indicating dissatisfaction with the proposed levy must exceed the percentage owned by the single person or entity plus 20 percent of the total number of proposed notices in order to initiate the referendum process under paragraph (a).</p> <p><i>Note:</i> the portion of this section pertaining to triggering a referendum election does not become effective until taxes payable in 2007.</p>	
8	<p>Designated agency. For taxes payable in 2006, the county is the designated agency for receiving and tabulating taxpayer satisfaction surveys. For each subsequent year, the commissioner of revenue announces the designated agency or agencies by January 1 of the year preceding the year in which the proposed taxes are payable.</p>	
9	<p>Costs of proposed property tax notices and taxpayer satisfaction surveys. Allows the county to apportion the costs of preparing and mailing proposed property tax notices and taxpayer satisfaction surveys as follows: one-third to the county, one-third to the cities and towns in the county, and one-third to school districts in the county.</p> <p><i>Note:</i> this is the same way that costs are currently allocated for TnT notices.</p>	
10	<p>Certification of compliance. Provides that if a taxing jurisdiction does not comply with Truth-in-taxation requirements, its levy will be certified as its previous year's levy plus any additional amounts necessary to fund a required increase in the jurisdiction's debt levy.</p>	
11	<p>Recertification of proposed levy. Allows a jurisdiction that is required to hold a referendum election based on responses to its taxpayer satisfaction survey to recertify its levy by December 15, so that the portion of the recertified levy subject to voter approval is the same as it is for the current year. Such a recertification would automatically cancel the referendum election.</p> <p><i>Note:</i> this section is effective for taxes payable in 2007 and thereafter.</p>	
12	<p>Levy approval; referendum. Formally requires that a levy requiring voter approval under the provisions of this bill may be imposed only upon approval of a majority of those voting at the special election to be held on the last Tuesday in January. If the referendum election is not successful, the levy certified is the levy subject to voter approval for the current year plus any additional amounts for increases in the levy not subject to voter approval (i.e., debt levies and levies previously approved by</p>	





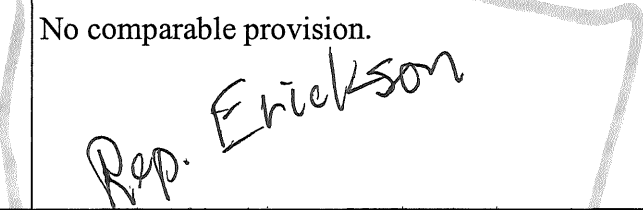
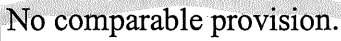


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Sec.	Article 1: Taxpayer Satisfaction Survey	No comparable article
	<p>voters). States that a levy approved under this subdivision is to be levied against net tax capacity.</p> <p><i>Note:</i> this section is effective for taxes payable in 2007 and thereafter.</p>	
13	<p>Certification of levy. Changes slightly the date for final levy certification to December 28 (instead of five working days after December 20). A jurisdiction whose levy is subject to a referendum certifies two levy amounts on December 28, one amount if the referendum election is successful and another amount if the referendum election is not successful. Requires a jurisdiction whose levy is subject to a referendum election to make its final levy certification the day following the election.</p> <p><i>Note:</i> this section is effective for taxes payable in 2007 and thereafter.</p>	
14	<p>Repealer. Repeals the requirement for a jurisdiction to:</p> <ul style="list-style-type: none"> ▶ publish a notice of its proposed budget and levy amounts in the local newspaper. ▶ hold public hearings prior to adopting final certified levy amounts, and specifying how the hearings are to be conducted. <p>Effective for taxes payable in 2006 and thereafter.</p>	
Sec.	Article 2: Property Taxes	Articles 8 and 22: Property Taxes
	<p>No comparable provision.</p>	<p>Art. 8, Sec. 1-2 (TAX2). Soil and Water Districts Levy Authorization. Allows a soil and water conservation district to levy as a special taxing district if the county authorizes the levy. This decision is an annual one. The levy is limited to 0.048 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. No specific effective date.</p>
	<p>Art. 2, Sec. 51 establishes a pilot program for an alternative tax base for school capital levies.</p>	<p>Art. 8, Sec. 3-6 (TAX2). 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.</p>
	<p>No comparable provision.</p>	<p>Art. 8, Sec. 7-10 (TAX2). Referendum Equalization. Provides a new definition of "local</p>

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Sec.	Article 2: Property Taxes	Articles 8 and 22: Property Taxes
		effort level” for referendum equalization that includes income tax revenues from a school district referendum imposed on income tax liability under section 56.
No comparable provision.		Art. 8, Sec. 11 (TAX2). 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.
No comparable provision.		Art. 22, Sec. 1 (TAX3). Equalized debt service levy. Changes the tax base used to calculate school debt service equalization aid from adjusted net tax capacity to “debt service net tax capacity,” defined in section 2.
No comparable provision.	 	Art. 22, Sec. 2 (TAX3). Debt service net tax capacity definition. Defines debt service net tax capacity as a school district's net tax capacity adjusted by an alternative sales ratio calculated based on estimated market value rather than taxable market value. Basing the sales ratio on estimated market value removes the effects of limited market value and Green Acres.
No comparable provision.	 <i>Rep. Erickson</i>	Art. 22, Sec. 3 (TAX3). Debt service net tax capacity calculation. Requires the Commissioner of Revenue to calculate the alternative sales ratio for each district by comparing the sales price to the estimated market value of the property.
No comparable provision.		Art. 8, Sec. 13 (TAX2). Commissioner to notify county auditor. Requires the Commissioner of Transportation to notify the county auditor of property acquired by the Department of Transportation.
No comparable provision.	 <i>\$1.6-06</i> <i>\$1.7-07</i>	Art. 22, Sec. 4 (TAX3). Chemical dependency consolidated fund. Provides for reductions of county CCDTF maintenance of effort liability. Maintenance of effort requirements are limited to 55 percent in fiscal year 2005 and are reduced by five percent per year until maintenance of effort liability is eliminated. There is no change to the requirement that the normal county share of CCDTF liability is 15 percent.
No comparable provision.		Art. 8, Sec. 14 (TAX2). 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

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Sec.	Article 2: Property Taxes	Articles 8 and 22: Property Taxes
		improved with the wind energy conversion system. Effective for payable 2006 and thereafter.
1	<p>Biomass generation facility–Benson. Extends the date by two years, from 2003 to 2005, that construction must begin in order for a facility to qualify for a personal property tax exemption</p> <p>A personal property exemption was granted by the 2001 Legislature for this plant that was proposed to be built in the City of Benson (Swift County). It was designed to use poultry litter as a primary fuel source and was to be constructed for the purpose of generating power to satisfy a portion of power sold under the Prairie Island biomass mandate. Construction was to begin by December 31, 2002. The 2003 Legislature amended the construction date to December 31, 2003. This section provides an additional two years.</p> <p>Effective payable in 2006 and thereafter.</p>	Art. 8, Sec. 15 (TAX2). Same
2	<p>Hydroelectric generation facility–Minneapolis. Extends the date by two years (Jan.1/2005 to Jan. 1, 2007) that construction must begin in order for a facility to qualify for a personal property tax exemption</p> <p>A personal property exemption was granted by the 2002 Legislature for this plant proposed to be built in the City of Minneapolis. It was a 3.2 megawatts run-of-the-river hydroelectric generation facility. Construction was to begin by January 1, 2004. The 2003 Legislature amended the construction date to January 1, 2005. This section provides an additional two years, and deletes the requirement that the facility be located on publicly owned land.</p> <p>Effective for taxes payable in 2006 and thereafter.</p>	Art. 22, Sec. 5 (TAX3).
3	<p>Electric generation facility personal property–Faribault. (a) Exempts from personal property tax attached machinery and other personal property which is part of an electric generation facility that exceeds 150 megawatts of installed capacity (natural gas), owned and operated by a municipal power agency as defined in section 453.52, subdivision 8; has received the certificate of need, is located outside the seven county metropolitan area; and is designed to be a combined-cycle facility.</p> <p>(b) Provides that to qualify, an agreement must be negotiated between the municipal power agency and the host city for a payment in lieu of property taxes to the host city.</p> <p>Current law provides that municipal power agencies (i.e., MPAs) are required to pay in lieu payments to each taxing authority within whose taxing jurisdiction its property is situated. This section exempts this facility from these in lieu payments to all taxing jurisdictions, and instead, requires that the</p>	Art. 8, Sec. 18 (TAX2).

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Sec.	Article 2: Property Taxes	Articles 8 and 22: Property Taxes
	<p>MPA negotiate an in lieu payment with the host city (paragraph b).</p> <p>This exemption is for a proposed facility in the City of Faribault (Rice County.)</p> <p>Effective for taxes payable in 2006, and thereafter.</p>	
4	<p>Electric generation facility personal property—Cannon Falls. (a) Exempts from personal property tax attached machinery and other personal property which is part of a proposed simple-cycle combustion-turbine electric generation facility that exceeds 290 megawatts of installed capacity, that uses natural gas, not be owned by a public utility, at certain location outside of the seven county metropolitan area; and designed to provide peaking capacity energy and ancillary services that have satisfied the certificate of need requirements.</p> <p>(b) Provides that construction of facility must be commenced after January 1, 2005, and before January 1, 2009. Exemption is for a proposed 290 megawatts plant in Cannon Falls (Goodhue County.)</p> <p>Local approval by county, city, and school district was inadvertently left out of the House bill (adopted in Division).</p> <p>Effective for taxes payable in 2007, and thereafter.</p>	<p>Art. 8, Sec. 25 (TAX2). Same facility. Both section 25 and section 17 relate to the proposed Cannon Falls facility. Section 17 should be eliminated except that the local approval clause is only in section 17.</p> <p>Art. 8, Sec. 17 (TAX2).</p>
5	<p>Electric generation facility personal property—Shakopee. (a) Exempts from personal property tax attached machinery and other personal property part of an existing simple-cycle, combustion-turbine electric generation facility that exceeds 300 megawatts of installed capacity, designed to utilize natural gas, owned by a public utility, designed to provide peaking, emergency backup, or contingency services, and satisfies a resource need (renewable energy); and has received approval from the county and city for the exemption.</p> <p>(b) Provides that construction of facility must be commenced after January 1, 2004, and before January 1, 2005. Exemption is for the new attached machinery and personal property for the expansion of an existing plant in Shakopee (Scott County.)</p> <p>Effective for taxes payable in 2006, and thereafter.</p>	<p>Art. 8, Sec. 24 (TAX2). Same</p>
6	<p>Electric generation facility personal property—Cambridge. (a) Exempts from personal property tax attached machinery and other personal property which is part of a single-cycle combustion-turbine electric generation facility that exceeds 150 megawatts of installed capacity, utilizes natural gas, owned by an electric generation and transmission cooperative; at specific location, provides peaking, emergency backup, or contingency services; has received a certificate of need, and has received the</p>	<p>Art. 8, Sec. 23 (TAX2). Same</p>



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Sec.	Article 2: Property Taxes	Articles 8 and 22: Property Taxes
	<p>approval from county and township for exemption.</p> <p>This exemption is for a proposed generating facility is to be built by Great River Energy in the City of Cambridge (Isanti County.) Construction of the facility must be commenced after January 1, 2005, and before January 1, 2009.</p> <p>Effective for taxes payable in 2007, and thereafter.</p>	
7	<p>Electric generation facility personal property—Blooming Grove Township. Exempts from personal property tax the attached machinery and other personal property which is part of a simple-cycle or combined-cycle, combustion-turbine electric generation facility that does not exceed 325 megawatts of installed capacity, that utilizes natural gas, connected to an existing 115-kilovolt high-voltage electric transmission line, located on an underground natural gas storage aquifer, designed as either a peaking or intermediate load facility; and has received the approval from the county for the personal property exemption.</p> <p>This facility is proposed to be built in Blooming Grove Township (Waseca County.) Construction of the facility must be commenced after January 1, 2006, and before January 1, 2008.</p> <p>Effective for taxes payable in 2006, and thereafter.</p>	<p>Art. 22, Sec. 6 (TAX3). Same</p>
	<p>No comparable provision.</p>	<p>Art. 8, Sec. 16 (TAX2). Electric generation facility personal property. Alters the requirements that apply to a personal property exemption for an electric generation facility that was enacted in 2003. The capacity of the facility is reduced from 550 megawatts to 300 megawatts. Current law provides that the exemption applies to a facility at which 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, without regard to the date when the construction of the expansion begins. This provision is for Calpine, that is located in Mankato (Blue Earth County).</p> <p>Effective for payable in 2006, and thereafter.</p>
	<p>No comparable provision.</p>	<p>Art. 8, Sec. 19 (TAX2). 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.</p> <p>Construction of the proposed facility, which will be</p>

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Sec.	Article 2: Property Taxes	Articles 8 and 22: Property Taxes
		located in Minneapolis must be commenced between January 1, 2004, and December 31, 2007. Effective for taxes payable in 2006, and thereafter.
	No comparable provision. 	Art. 8, Sec. 20 (TAX2). 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 that provides at least 150 megawatts, or a combined cycle, combustion turbine that provides at least 225 megawatts of installed capacity. The facility must be designed to use natural gas, not be owned by a public utility, be located in a metropolitan county that has a population between 190,000 and 225,000, meet certain location criteria, be designed to provide energy and ancillary services, and received a certificate of need for a large energy facility. Construction of the proposed facility, which will be located in Cottage Grove (Washington County), must begin between January 1, 2005, and December 31, 2007. Effective payable in 2006, and thereafter.
8	Electric generation facility; efficiency determination and certification. Clarifies the formula for determining a plant's efficiency for the market value exclusion under this section. It uses a ratio of energy output to energy input during normal base load operation. Effective for taxes payable in 2006, and thereafter.	Art. 22, Sec. 7 (TAX3). Same, except the requirement for the commissioner of commerce to determine the facilities efficiency every two years and certify it to the commissioner of revenue is eliminated.
9	Electric generation facility; sliding scale exclusion. Increases the threshold for a generating facility to qualify for the sliding scale market value exclusion from 35 percent to 40 percent, and increases the exclusion for each percentage point above the threshold from 5 percent to 8 percent. This increase is to update the sliding scale exclusion to today's efficiency standards, given the new technology currently available. This has not been updated since it was enacted in 1996. Effective for taxes payable in 2006, and thereafter.	Art. 22, Sec. 8 (TAX3). Same
10	Personal property tax exemption; electric generating plants. Provides an automatic personal property exemption for new electric generating plants and additions to capacity for existing plants. Subd. 1. New electric generating plants. Exempts personal property of electric generating plants built after January 1, 2005, if a siting agreement signed by the utility and the host county and city or town is filed with the commissioner. Subd. 2. Existing plants with increase in nameplate capacity. Provides a partial	No comparable provision. 

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Sec.	Article 2: Property Taxes	Articles 8 and 22: Property Taxes
	<p>exemption for existing electric generating plants that increase nameplate capacity after final enactment. Requires a siting agreement signed by the utility and the host county and city or town to be filed with the commissioner.</p> <p>Subd. 3. In-lieu payments; limitation. Provides that if in-lieu payments or service fees have been negotiated between the facility and the host county, city or town, the payment or fee may not exceed the amount of property tax revenue that the jurisdiction would have derived from the facility if it were not exempt.</p> <p>Subd. 4. Definitions. Defines “personal property” as tools, implements, and machinery of the generating plant. The exemption does not apply to transformers, transmission lines, distribution lines, and substations.</p>	
	<p>No comparable provision.</p>	<p>Art. 8, Sec. 21 (TAX2). 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 provides service to the public on a continuous basis and is operated independent of any government subsidies. Effective for taxes payable in 2006, and thereafter.</p>
	<p>No comparable provision.</p>	<p>Art. 8, Sec. 22 (TAX2). Qualified Elderly Living Facility. Provides that an elderly living facility is exempt from the property tax if it:</p> <ul style="list-style-type: none"> ▶ is located in the city of the first class with a population of more than 350,000; ▶ is owned and operated by a nonprofit corporation, or by a limited liability company, or the sole member of which is a nonprofit corporation; ▶ 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 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



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Sec.	Article 2: Property Taxes	Articles 8 and 22: Property Taxes
		<p>units in the facility are occupied by persons whose annual income does not exceed 60 percent of the median family income for the area.</p> <p>The exemption would remain in effect for the term of the facilities initial permanent financing or 25 years, whichever is later. Located in Minneapolis. Effective for taxes payable in 2006, and thereafter.</p>
11	<p>Supermajority vote to transfer authority. Provides that the election to have the county assessor assess a township or city in the county that currently has its own local assessor requires at least a two-thirds majority vote of the county board. Current law requires a majority vote.</p>	<p>No comparable provision.</p>
12	<p>Training and education of property tax personnel. Requires every assessor to attend and participate in a seminar that focuses on ethics, professional conduct and the need for standardized assessment practices at least once every four years. The seminar is to be developed and given by the commissioner of revenue. Effective the day following final enactment.</p>	<p>No comparable provision.</p>
13	<p>Limited market value. Extends the phase-out schedule of LMV for two years and expands LMV to cover all types of property. For taxes payable in 2006 and 2007, increases in taxable property value are limited to 15 percent, or 25 percent of the difference between the current value and the previous year's limited value. These are the same parameters that are in effect for taxes payable in 2005. Under the revised phase-out schedule, the last year of limited market value is assessment year 2008 (taxes payable year 2009).</p> <p>Provides that in its initial year of inclusion in LMV (payable year 2006), the taxable value of class 1c property will be computed under section 14.</p>	<p>Art. 8, Sec. 28 (TAX2). Limited market value. Eliminates the phase out of the limited market value law. For assessment year 2005 and every year thereafter, the limited market value system would continue as it is for assessment year 2004; i.e., the increase in market value would be limited to the greater of 15 percent of the previous year's assessment or 25 percent of the difference between the current assessment and the previous assessment.</p> <p>Also extends limited market value to class 1c homestead resort property.</p> <p>Art. 22, Sec. 9 (TAX3). Adds a cross reference pertaining to the changes made in Art. 22, Secs. 1-3 (TAX3).</p>
14	<p>Class 1c resort property; 2005 assessment only. Provides that for the 2005 assessment, the market value for class 1c property cannot increase by more than the greater of (1) 30 percent of the value of its 2003 assessment, or (2) 40 percent of the difference between its 2005 assessment and its 2003 assessment.</p> <p>This formula requires the assessor to "look back" two years rather than one in determining the maximum allowable valuation for assessment year 2005.</p> <p>For the 2006 assessment and thereafter, the valuation increase will be determined using the same schedule as for all other property subject to the limitation. Effective day following final enactment.</p>	<p>Art. 8, Sec. 29 (TAX2). Homestead resorts; 2005 assessment. Provides that for the 2005 assessment, the market value on homestead resorts cannot increase by more than the greater of (1) 15 percent of the 2003 assessment or (2) 25 percent of the difference between the 2005 assessment and the 2003 assessment.</p> <p>For the 2006 and subsequent assessments, homestead resorts will be included in the classes which receive the regular limited market value treatment. Effective the day following final enactment for assessment year 2005 and thereafter.</p>

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	<p>No comparable provision.</p> 	<p>Art. 8, Sec. 30 (TAX2). 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. Effective for taxes payable in 2006, and thereafter.</p>
<p>15</p>	<p>Lead hazard reduction valuation exclusion. Allows cities to authorize valuation exclusion for lead hazard reduction projects, provided that the city establishes guidelines for the projects and designates a city agency to certify completion of qualifying projects for individual properties. Provides that owners of property classified as either homestead or residential nonhomestead may apply for valuation exclusion under this subdivision, provided that the property is located in a city that has authorized such exclusions. Only projects originating after April 1, 2004, are eligible for valuation exclusions. The valuation exclusion is equal to 50 percent of the actual costs incurred, as certified by the designated city agency, up to a maximum exclusion of \$15,000. The valuation exclusion applies for a period of five years, and terminates upon sale of the property. Effective for taxes payable in 2006 and thereafter.</p>	<p>Art. 8, Sec. 31 (TAX2). Same, except House includes minor technical language on the city authorizing the exclusion.</p>
	<p>No comparable provision.</p> 	<p>Art. 8, Sec. 32 (TAX2). 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</p>

2004 bill
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Only new
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		<p>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. Effective for assessments in 2006, taxes payable 2007 and thereafter.</p>
<p>16</p>	<p>Green acres applications; denied by county. Requires each county to forward to the Department of Revenue all applications for “green acres” participation that the county has denied. Requires the Department to compile a list of the denials along with the reasons for the denials and file an annual report by February 1 with the chairs of the House and Senate Tax Committees.</p> <p>Effective for applications filed after the day following final enactment.</p>	<p>No comparable provision.</p>
	<p>No comparable provision.</p>	<p>Art. 8, Secs. 33 and 40 (TAX2). Aggregate resource preservation property tax law. Establishes an Aggregate Resource Preservation Property Tax Program. (Similar to the Green Acres program) Real estate will be included under this program if it is classified as homestead or agricultural (homestead and nonhomestead) property, it contains at least ten contiguous acres, there are no delinquent taxes and a covenant on the land restricts its use. In applying for the valuation deferment, the owner must provide proof that the land contains a restrictive covenant limiting its use for the property’s surface to that which exists on the date of the application, and limiting its future use to the preparation and removal of the aggregate commercial deposit under its surface.</p> <p>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.</p> <p>The covenant may be canceled by the owner or by the municipality in which the property is located. If the owner cancels, there is a recapture of additional taxes. The additional taxes are determined by:</p> <ol style="list-style-type: none"> (1) computing the difference between the actual taxes that were paid in the current year and the amount that would have been paid in the current year based on the assessor’s current year estimated market value based on its highest and best use, and



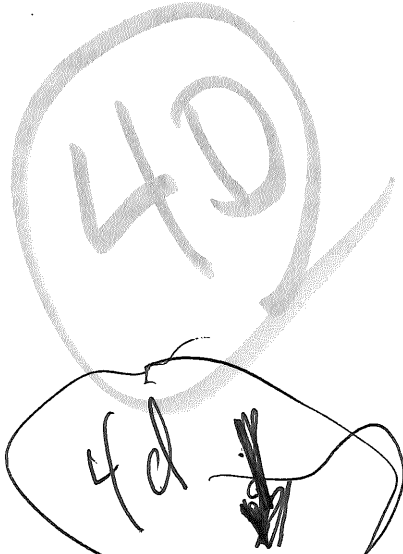
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Sec.	Article 2: Property Taxes	Articles 8 and 22: Property Taxes
		<p>(2) multiplying the amount in (1) by the number of years the land was in the program.</p> <p>If the municipality cancels the covenant there is no recapture of the taxes. A county government is allowed to terminate the application of these sections prospectively within the county after giving notice and public hearing. When land that was in the program begins to be mined, it will be eliminated from the program but with no recapture of taxes, and it will be classified and valued as commercial-industrial property. Effective for taxes payable 2006 and thereafter. The application date for payable 2006 is September 1, 2005.</p>
	<p>No comparable provision.</p> <p><i>No</i></p>	<p>Art. 8, Sec. 34 (TAX2). 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.</p>
	<p>No comparable provision.</p> <p><i>2004 bill</i></p>	<p>Art. 8, Sec. 35 (TAX2). Open space valuation; polo. Includes real estate devoted to polo in the list of uses that qualify for the open space valuation and deferment program. Effective for taxes payable in 2006 and thereafter.</p>
<p>17</p>	<p>Local option; tax reduction for homesteads contaminated by mold. Current law allows the county board to grant a valuation reduction (and corresponding tax abatement) to a property that is uninhabitable or unusable due to accidental damage. This section adds property that is uninhabitable or unusable due to mold contamination to that local option provision.</p> <p>Effective for taxes payable in 2005 and thereafter.</p>	<p>[alternate treatment of same issue]</p> <p>Art. 8, Sec. 36 (TAX2). 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:</p> <ul style="list-style-type: none"> ▶ 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. <p>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</p>

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		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 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. Effective for taxes payable in 2005 and thereafter.
	No comparable provision. 	Art. 8, Sec. 37 (TAX2). Homestead used for licensed child care. Provides that if a portion of a homestead property (single family, duplex, or triplex) is used to provide licensed child care, that portion must be classified as homestead property. Effective for taxes payable in 2006, and thereafter.
18	Agricultural homestead; special provisions. Extends agricultural homestead classification and benefits to agricultural property that is actively farmed by the grandson or granddaughter of the property's owner or the owner's spouse. Property currently qualifies for agricultural homestead classification under this "special agricultural homestead" provision when it is actively farmed by the son or daughter of the property's owner or the owner's spouse. Effective for taxes payable in 2006, and thereafter.	Art. 8, Sec. 38 (TAX2). Same
	No comparable provision. 	Art. 8, Sec. 12 (TAX2). 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.
19	Manufactured homes; designation as personal property. Provides that a manufactured home shall be considered personal property (and correspondingly taxed as personal property) if it is located in a manufactured home park, campground or resort. This allows a manufactured home to be sold or transferred by paying only the tax liability on the manufactured home, without requiring that the <u>total</u> real property taxes due on both the home and the land have been paid at the time of sale or transfer. This change does not affect the amount of tax, only the timing. (There is no uniformity in how this is currently handled.) Effective payable 2006 and thereafter. (Requires the current assessment rolls to be adjusted to reflect the change when these manufactured homes become personal property.)	No comparable provision. 
20	Certification of low-income rental property. Subd. 1. Requirement. Provides that low-income rental property is entitled to classification as class 4d property if at least	Art. 8, Sec. 42 (TAX2). Valuation of low-income rental property; capitalized value of net operating income. Similar except also includes a fourth category of qualifying projects beyond the

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	<p>75 percent of the units are:</p> <ol style="list-style-type: none"> (1) subject to a housing assistance payments contract under Section 8 of the U.S. Housing Act of 1937, as amended; (2) rent-restricted and income-restricted units of a qualified low-income housing project receiving tax credits under section 42(g) of the Internal Revenue Code; or (3) financed by the Rural Housing Service of the U.S. Department of Agriculture and receive payments under the rental assistance program under Section 521(a) of the Housing Act of 1949. <p>(These types of apartment units are often referred to as “deemed” units. These units receive some form(s) of government financing, tax credits, section 8 vouchers, etc.)</p> <p>Subd. 2. Application. (a) Requires an application for certification to be filed by March 31 of the levy year, or at a later date if the Housing Finance Agency (MHFA) deems practicable. Provides that the application be filed with MHFA, on a form prescribed by the agency. Provides that a certification qualifies a property for 4d classification for a maximum period of five years.</p> <p>(b) Requires the application to contain the property identification number, evidence that the property qualifies under subdivision 1, and true and correct copy of the property’s financial statement.</p> <p>(c) Allows the MHFA to charge an application fee approximately equal to its administrative costs, but not to exceed \$10 per unit. The revenue from the fees collected must be deposited in the housing development fund.</p> <p>(d) Requires the owner of a property qualifying for class 4d must reapply for certification every five years.</p> <p>Subd. 3. Certification. Requires the MHFA to certify to the local assessors by June 1 of each levy year, the qualifying properties and the number of units in the buildings that qualify.</p> <p>Effective for taxes payable in 2006 and thereafter.</p>	<p>“deemed” units in the House provision:</p> <ol style="list-style-type: none"> (4) subject to rent and income restrictions under terms of financial assistance provided by a federal, state or local unit of government. These restrictions require the assisted units to be occupied by residents whose income, at the time of initial occupancy, does not exceed 60 percent of the greater of area or state median income, adjusted for family size. Also restricts the rent to 30 percent of the 60 percent income requirements. <p>Also provides that valuation will be determined on the basis of restricted rents (House version does not provide for valuation based on restricted rents).</p> <p>Does not require owners to reapply every 5 years, as required by the House language (Subd. 2, (d))</p>
21	<p>Class 1; homestead resorts (1c); blind/disabled homesteads (1b).</p> <p>Homestead resorts. Restructures the classification and taxation of homestead resort (1c) property.</p>	<p>Art. 8, Sec. 39 (TAX2).</p> <p>Similar provision with regard to homestead resorts (class 1c), except that:</p>

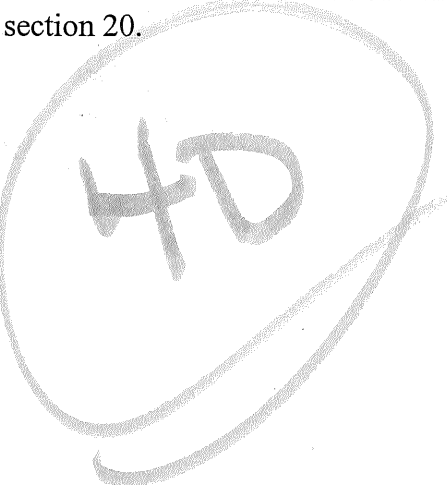
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	<p>Provides a different limit for the amount of property value eligible to be included in class 1c. Currently, class 1c is at a uniform class rate of one percent and rather than limited by value is limited by area—all property value within an area of 800 feet by 500 feet in depth measured away from the lakeshore, but not exceeding 100 feet of lakeshore for each cabin or campsite, qualifies as class 1c, with the remaining value classified as 4c. This section replaces the area-based limit for class 1c with a limit based on value—the first \$300,000 of market value has a class rate of 0.55 percent, and the remainder up to \$1.5 million has a class rate of one percent. Any remaining value is classified as class 4c.</p> <p>Blind/disabled homesteads. Extends the amount of market value of class 1b property qualifying for a reduced class rate of 0.45 percent from \$32,000 to \$50,000. (Class 1b property consists of homesteads owned by persons who are blind or permanently and totally disabled.)</p> <p>Effective for taxes levied in 2005, payable in 2006 and thereafter.</p>	<p>(i) the first \$600,000 market value has a class rate of 0.55 percent (House has first \$300,000 at 0.55 percent);</p> <p>(ii) the value in excess of \$600,000 but not to exceed \$1,600,000 has class rate of one percent; i.e., \$1,000,000 is at one percent. (House provision has \$1,500,000 at one percent);</p> <p>(iii) the remaining value is class 4c (for the Senate, that would be any value in excess of \$1,600,000; for the House it would be any value in excess of \$1,800,000).</p> <p>No provision for blind/disabled homesteads (1b).</p>
22	<p>Class 2a; Agricultural homesteads. Increases the amount of agricultural homestead market value that qualifies for the 0.55 percent class rate from \$600,000 to \$750,000. <i>Dormin</i></p> <p>Effective for taxes payable in 2006, and thereafter.</p> <p>No comparable provisions.</p>	<p>No comparable provision.</p> <p>Art. 8, Sec. 40 (TAX2). Agricultural classification. Provides that the definition of agricultural products is expanded to 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.</p> <p>This section also includes land with a commercial aggregate deposit not actively being mined within the agricultural classification (Art. 8, Sec. 33 TAX2).</p>
23	<p>Class 4; noncommercial aircraft storage hangars (4c); low-income housing (4d).</p> <p>Noncommercial aircraft storage hangars. Provides that privately owned noncommercial aircraft storage hangars and the land on which they are located are class 4c property, if the following conditions are met:</p> <ul style="list-style-type: none"> ▶ the land abuts a public airport, and ▶ the owner of the aircraft storage hangar provides the assessor with a signed agreement restricting the use of the premises, prohibiting commercial use 	<p>Art. 8, Sec. 41 (TAX2).</p> <p>Same.</p>



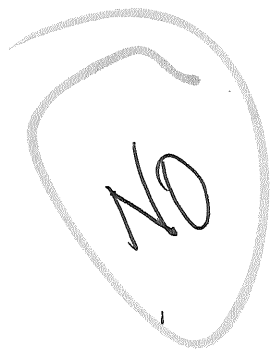
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Sec.	Article 2: Property Taxes	Articles 8 and 22: Property Taxes
	<p>or activity performed at the hangar</p> <p>The class rate will be 1.25 percent.</p> <p>Effective for assessment year 2005, payable in 2006 and thereafter.</p> <p>Low-income rental housing. Reinststitutes class 4d property for qualifying low-income rental housing certified to the assessor by the MHFA under section 20, with a class rate of 1.0 percent of market value. (Note: the definition of class 4d is significantly more restrictive than the definition used under the 4d classification in effect prior to 2004.)</p> <p>Provides that if only a portion of the units in the building qualify as low-income rental housing units, then only that proportion of qualifying units to the total number of units in the building qualify for class 4d. The same proportion determines the proportion of the land market value to be classified 4d. The remaining portion of the property is to be classified by the assessor based upon its use.</p> <p>Provides that the market value determined by the assessor for class 4d property must be based on the normal approach to value using unrestricted rents, in the same manner as all other apartment property.</p> <p>Strikes obsolete language in the subdivision.</p> <p>Effective for taxes payable in 2006 and thereafter.</p>	<p>Similar. Senate class rate is 0.55%. Major policy differences are described in summary of House section 20.</p>  <p>Senate provides that value be based on restricted rents.</p>
24	<p>Valuation exclusion for homestead of disabled veteran or surviving spouse. (a) Excludes from property taxation the first \$200,000 of value of the homestead of a veteran with a total and permanent service-connected disability. Certification of the veteran's disability status must be provided by the United States Veterans Administration.</p> <p>(b) Provides that if a veteran qualifying for the valuation exclusion predeceases the veteran's spouse, the exclusion shall remain with the property unless/until the spouse either remarries or disposes of the property.</p> <p>(c) Provides that in the case of an agricultural homestead, the exclusion applies only to the house, garage and surrounding one acre of land.</p> <p>(d) Provides that an application for the valuation exclusion must be filed initially with the county assessor, accompanied by supporting documentation. Once an exclusion is granted the property continues to qualify until there is a change in ownership of the property.</p> <p>(e) Provides that any value over \$200,000 shall be given the same class rate as if the first \$200,000 in value had not been exempted. Provides that a property qualifying for the exclusion is not eligible to receive the homestead market value credit.</p>	<p>No comparable provision.</p> <hr style="border: 1px solid black; width: 30%; margin-left: 0;"/>

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	<p>No comparable provision.</p>  <p style="text-align: center;"><i>Langseth 2004</i></p>	<p>Art. 8, Sec. 43 (TAX2). Vacant commercial-industrial properties; disparity reduction credit. Authorizes a city to establish a program 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.</p>
	<p>No comparable provision.</p> 	<p>Art. 8, Sec. 45 (TAX2). 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. Effective day following final enactment.</p>
25	<p>Local board of review. Strikes a provision of law that prohibits a local board of review from making a favorable adjustment in value or classification for a property whose owner does not allow the assessor access to inspect the property and the interior of any buildings or structures.</p>	<p>No comparable provision.</p>
	<p>(See section 26)</p> 	<p>Art. 22, Sec. 10 (TAX3). State general levy; tax rate. Fixes the rate of the state property tax levy on commercial industrial property at the rate imposed for taxes payable in 2002. The amount of the state levy on seasonal recreational property would continue to be increased based on the rate of inflation as under current law. Beginning with taxes payable in 2008, the Commissioner of Finance is required to deposit the increase in the state general levy over the amount levied in 2002 in the Education Reserve Account.</p>
26	<p>Apportionment and levy of the state general tax. Provides that the state general tax will be permanently apportioned into a commercial-industrial share at 95 percent and a seasonal recreational share at 5 percent. (This is the approximate breakout of the state general tax for</p>	<p>(See Art. 22, Sec. 10 (TAX3))</p>

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	<p>taxes payable in 2002, the first year of the state general tax. The breakout for taxes payable in 2005 is 92.8 percent commercial-industrial versus 7.2 percent seasonal recreational.)</p> <p>Provides that the commissioner of revenue will annually certify separate state tax rates for commercial-industrial property and seasonal recreational property.</p>	
	<p>This change is not included in H.F. 785 since some items currently listed on separate lines on the proposed notice are grouped together to allow the taxpayer satisfaction survey to fit on the form. The Ramsey County library levy is, however, shown separately on the property tax statement.</p>	<p>Art. 8, Sec. 46 (TAX2). 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.</p>
	<p>No comparable provision.</p>	<p>Art. 8, Sec. 47 (TAX2). 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 in 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.</p>
	<p>No comparable provision.</p>	<p>Art. 8, Sec. 48 (TAX2). Truth-in-taxation joint hearing. Authorizes Nobles County, the city of Worthington, and Independent School District No. 518 of Worthington, or any two of them, to hold a joint public hearing under the Truth in 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.</p>
	<p>No comparable provision.</p>	<p>Art. 8, Sec. 49 (TAX2). Special taxing districts. Adds soil and water conservation districts to the definition of special taxing districts.</p>
	<p>No comparable provision.</p> <p><i>Jan. Hanson</i> <i>NO</i></p>	<p>Art. 8, Sec. 50 (TAX2). Cruelty to animals special levy. Provides that a levy by a city or county for 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, its levy in the previous levy year for this purpose must be deducted from its levy limit base.</p>
<p>27</p>	<p>Ramsey county library levy and regional rail authorities; property tax statement. Provides that if Ramsey County levies for public library service, the levy amount for that purpose may be listed separately from the remaining county levy amount on the property tax statement.</p> <p>Also provides that if a metropolitan area county levies for its regional rail authority, the amount of the regional rail authority levy will be shown separately from the county levy on the tax statement.</p>	<p>Art. 8, Sec. 51 (TAX2).</p> <p>Same provision with regard to Ramsey County library levy.</p> <p>No comparable provision with regard to regional rail authority levies.</p>
	<p>Also makes technical changes to certain aid references.</p>	<p>Art. 14, Sec. 33 (TAX2) contains technical aid reference provisions.</p>

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Sec.	Article 2: Property Taxes	Articles 8 and 22: Property Taxes
	Effective for property tax statements for taxes payable in 2006 and thereafter.	
	No comparable provision.	<p>Art. 8, Sec. 52 (TAX2). 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 same county owned by the petitioner. Under current law, multiple parcels in a petition must all be within the same city or township.</p> <p style="text-align: right;"><i>From 2004</i></p>
	No comparable provision.	<p>Art. 8, Secs. 53 to 55 (TAX2). 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.</p>
28	<p>Notification to homestead property owners; tax delinquency. Requires the county auditor to notify owners of homestead property whose taxes are delinquent and were also delinquent in the preceding year. Provides that the notification must be mailed in the year after the second year that the property taxes were not paid. Requires the notification to contain:</p> <ol style="list-style-type: none"> (1) contact information to make it easy for a taxpayer to contact the county to discuss questions relating to the delinquency; (2) a list of assistance programs and other options that might be available to the taxpayer to help pay the delinquent taxes, (3) information about the property tax refund and the additional property tax refund (targeting) that may be available once the delinquent taxes are paid; and (4) when the property will forfeit if the taxes are not paid. <p>This notification is in addition to any other notice, and is required <i>only</i> for homestead property. This extra notice is required to be mailed between June 1 and August 1, so that it may get more attention due to its timing. Some counties already provide a voluntary notification somewhat similar to what is proposed.</p> <p>Effective for property tax delinquencies beginning January 1, 2006, provided that for calendar year 2006, the county auditor shall notify the owners of each homestead property in the county that has been delinquent for two or more years.</p>	<p>No comparable provision.</p> <p style="text-align: center;"><i>Rep. O'Rourke</i></p> <p style="text-align: right;"><i>Income tax for school</i></p>
	No comparable provision.	<p>Art. 8, Sec. 56 (TAX2). 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</p>

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Sec.	Article 2: Property Taxes	Articles 8 and 22: Property Taxes
	<p style="text-align: center; font-size: 2em; opacity: 0.5;">NOT possible</p>	<p>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.</p>
<p>29</p>	<p>Rent constituting property taxes. Redefines "rent constituting property taxes" for the purposes of the property tax refund program as the actual amount of property taxes attributable to the rental unit. In the case of a claimant whose rent is subsidized, "rent constituting property taxes" is defined as 20 percent of the gross rent actually paid.</p> <p><i>Background:</i> Under current law, "rent constituting property taxes" is defined as 19 percent of gross rent for all renters.</p> <p>Effective for claims based on rent paid in 2005 and following years.</p>	<p>No comparable provision.</p>
<p>30</p>	<p>Property taxes payable; manufactured homes. Provides that manufactured homes shall include actual property taxes paid for the site on which the home is located in determining property taxes payable for purposes of the homeowner property tax refund. Under current law, they include 19 percent of the site rental fee as part of property taxes payable.</p> <p>Effective for claims based on rent paid in 2005 and following years.</p>	<p>No comparable provision.</p>
<p>31</p>	<p>Scheduled rent. Defines "total scheduled rent" for a residential property as the sum of the monthly rents assigned to all the residential rental units multiplied by a factor of 12. No deductions are allowed for vacant units, uncollected rent or reduced rents for units occupied by employees or agents of the owner.</p> <p>Effective for claims based on rent paid in 2005 and following years.</p>	<p>No comparable provision.</p>
<p>32</p>	<p>Net tax. Defines net tax for the purposes of the renter property tax refund to include special assessments imposed in lieu of ad valorem taxes. Provides that if a portion of the property is used for purposes other than residential rental, only the portion of the tax attributable to residential rental units is used in the computation of rent constituting property taxes, and requires the county treasurer to separately list the amount of tax attributable to residential rental value on the property tax statement.</p>	<p>No comparable provision.</p>

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Sec.	Article 2: Property Taxes	Articles 8 and 22: Property Taxes
	Effective for claims based on rent paid in 2005 and following years.	
33	<p>Early payment; e-file property tax refund claims. Authorizes the commissioner of revenue to pay a property tax refunds up to 30 days earlier than permitted under present law for claims submitted electronically.</p> <p>Present law provides for payment of property tax refunds as follows:</p> <ul style="list-style-type: none"> ▶ For renters and homeowners of a manufactured home or park trailers – after August 1 and before August 15 or 60 days after filing the claim, whichever is later; ▶ For homeowners – after September 15 and before September 30. <p>Effective the day following final enactment.</p>	Art. 12, Sec. 13 (TAX2). Same.
34	<p>Rent certificate. Provides that if the owner of a rental unit fails to provide the renter with a certificate of rent constituting property taxes, the commissioner of revenue shall allocate the tax between units on a square footage basis or other appropriate basis that the commissioner determines.</p> <p>Effective for claims based on rent paid in 2005 and following years.</p>	No comparable provision.
	HF 2498; Public Finance bill. Same.	<p>Art. 8, Sec. 57 (TAX2). 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.</p>
35	<p>Total revenue defined. Defines “total revenue” for town spending purposes as property taxes payable in that year as well as revenue from other sources and amounts carried forward from previous years. Provides that a town must not spend more than its total revenue without a vote by the electors.</p> <p>This change is in response to a clarification of a town’s spending authority by the Minnesota Association of Townships and a letter from the State Auditor endorsing the need for this clarification.</p>	Same provision in S.F 310, passed Senate Floor; currently in House Taxes.
36	<p>Amount voted at meeting is tax limit. Allows a town to impose a tax as authorized by other laws in addition to those voted on at the annual town meeting (e.g., subordinate service districts, special assessments, etc.).</p>	Same provision in S.F 310, passed Senate Floor; currently in House Taxes.
37	<p>Charges for emergency services; collections. Allows a town that has not been paid for a service to collect the unpaid amount as a charge against any real property owned by the recipient in the state,</p>	Art. 12, Sec. 26 (TAX2). Same except lacks effective date.

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Sec.	Article 2: Property Taxes	Articles 8 and 22: Property Taxes
	rather than just within the town (see also section 38).	
38	<p>Collection of unpaid service charges. Expands the authority of a town to seek reimbursement for emergency services it has provided. Permits a town to collect the unpaid amount as a charge against any real property owned by the recipient within the state. Allows the town to certify the amount due to the county auditor of the county in which the recipient owns real property. These charges shall be collected along with the property taxes levied against the property.</p> <p>Effective the day following final enactment.</p>	<p>Art. 12, Sec. 27 (TAX2). Same except lacks effective date.</p>
39	<p>Nursing home not owned by county. Requires that a county that (i) owns a nursing home funded in whole or in part with county general revenues, and (ii) has within its borders other nursing homes owned by governmental units, must distribute proceeds of its property tax levy to all the government-owned nursing homes within the county, pro-rated by the number of beds in each of the homes. Provides that any additional levy resulting from this section is outside of any levy limit that would otherwise apply.</p> <p>Applies only to a county with a population of 150,000 or more located outside the metropolitan area.</p> <p>Effective for taxes payable in 2007 and thereafter.</p>	<p>[alternate treatment of same issue]</p> <p>Art. 8, Sec. 71 (TAX2). 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.</p> <p><i>St. Louis Co.</i></p>
	<p>No comparable provision.</p> <p><i>WBL</i></p>	<p>Art. 24, Sec. 4 (TAX3). Improvement. Allows the council of a municipality to assess affected property owners for all or a portion of the agreed to costs with an electric utility, telecommunications carrier, or cable system operator to bury or alter a distribution system under certain conditions.</p>
	<p>No comparable provision.</p> <p><i>4D</i></p>	<p>Art. 8, Sec. 58 (TAX2). Section 8, tax credit and rural housing service districts. Provides method for Housing Finance Agency to qualify units for eligibility for class 4d.</p>
	<p>No comparable provision.</p>	<p>Art. 22, Sec. 12 (TAX3). HRA tax levies. Provides that the levy limit for housing and redevelopment special taxing districts is calculated based on the taxable market value for the current assessment year rather than the previous year.</p>
40	<p>St. Paul airport fiscal disparities exclusion. Clarifies that the St. Paul airport is excluded from the fiscal disparities program.</p> <p><i>Background:</i> Cleanup provision from 1996 legislation seeking to have the St. Paul airport treated the same as MSP International Airport for property tax purposes. Property tax administrators feel there is ambiguity with regard to how fiscal disparities should be handled.</p>	<p>No comparable provision.</p>

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Sec.	Article 2: Property Taxes	Articles 8 and 22: Property Taxes
	Effective for taxes payable in 2006.	
	<p>No comparable provision.</p> <p><i>Sen Belanger</i></p>	<p>Art. 22, Sec. 13 (TAX3). Bloomington fiscal disparities contribution. Delays for eight years the beginning of the repayment required from the city of Bloomington to the metropolitan area fiscal disparities pool. From 1988 to 1999, the city essentially borrowed from the fiscal disparities pool the amount necessary to make interest payments on bonds that were sold for highway improvements related to the Mall of America development. Under current law, Bloomington's contribution to the fiscal disparities pool is scheduled to be increased for property taxes payable in 2006 through 2015. This bill would delay the commencement of that repayment obligation to taxes payable in 2014, continuing through 2023.</p>
	<p>No comparable provision.</p> <p><i>HCMC</i></p>	<p>Art. 8, Sec. 59 (TAX2). 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.</p> <p>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.</p> <p>The amount of qualifying uncompensated care is certified as an addition to the fiscal disparities areawide levy. Effective for contribution and distribution tax capacities for taxes payable in 2007 and 2008 only.</p>
	<p>No comparable provision.</p> <p><i>Public defenders</i></p>	<p>Art. 8, Sec. 60 (TAX2). 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 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.</p>
41	<p>Recategorizes land utilization project land. Takes land utilization project (LUP) land out of the "other natural resources land" category. (See section 42.) Sections 41 through 45 are effective</p>	<p>Art. 8, Sec. 62 (TAX2). Same</p> <p><i>Rep. Anderson</i></p>

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Sec.	Article 2: Property Taxes	Articles 8 and 22: Property Taxes
	for aids paid in 2006 and thereafter.	
42	Land utilization project land. Establishes "land utilization project land" as a separate category.	Art. 8, Sec. 63 (TAX2). Same
43	PILT payments; LUP land. Increases the PILT for LUP lands to 75 cents/acre, adjusted for inflation. Currently, LUP lands are classified as commissioner-administered "other natural resources land" with in lieu payments of 37.5 cents/acre, adjusted for inflation. (This is at about \$0.50/acre for 2006.) For aids paid in calendar year 2006 (the effective date of this change), LUP lands will be receiving about \$1.00/acre.	Art. 8, Sec. 64 (TAX2). Increases the PILT for LUP lands to \$3.00/acre, adjusted for inflation. (For 2006 this is \$4.00). Currently they are receiving the 37.5 cents/acre, adjusted for inflation (For 2006 this will be \$.50/acre.)
44	Certification; LUP land. Requires the commissioner of natural resources to certify to the Commissioner of Revenue each year the number of acres in each county of LUP land.	Art. 8, Sec. 65 (TAX2). Same, except that it also requires the commissioner of natural resources to certify to the commissioner of revenue the net proceeds from timber sales on LUP land in each county.
45	General distribution; LUP land. Treats LUP land like "other natural resources land" in determining distribution of payments by the county to organized townships.	Art. 8, Sec. 66 (TAX2). Same
	No comparable provision. <i>Thase</i> <i>Co.</i>	Art. 22, Sec. 22 (TAX3). Lakeview Cemetery. Increases the authorization for certain cities and towns to levy for the Lakeview Cemetery Association from \$15,000 to \$25,000 annually.
46	Recapture; Caponi Art Park. Allows the Caponi Art Park property to be exempted from paying any of the deferred /additional taxes if the transfer for ownership or public easement rights is made to: (i) one or more nonprofit foundations or corporations, and (ii) one or more local governments. Those entities shall separately or jointly operate the property as an art park. Some of the property may also be used for other public purposes as determined by the local governments. Further provides that if the portion of the property transferred to the nonprofit foundation or corporation for the art park is not used as an art park for the full 10 years (as required by the original legislation that granted them the "green acres" tax deferral), the county board, with the approval of the city council, would determine the amount of additional taxes due on that portion of the property no longer utilized as an art park. No interest and penalties would be imposed on these additional taxes provided that they are paid within 30 days of the county's notice. (Section 53 is also related to the Caponi Art Park.) Effective March 1, 2005.	Art. 8, Sec. 68 (TAX2). Same, except the effective date is the day following final enactment.
47	Emergency medical services special taxing district. Extends the sunset date for establishing new emergency medical services (EMS) special taxing districts by two years from taxes payable in	Art. 8, Sec. 69 (TAX2). Same.

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	2008 to taxes payable in 2010. These EMS taxing districts largely support volunteer ambulance providers and other emergency responders in rural Minnesota.	
	HF 2498; Public Finance bill. Same	Art. 8, Sec. 70 (TAX2). 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.
48	Disabled Veterans Rest Camp; Big Marine Lake. Makes the property exemption for the Disabled Veterans Rest Camp on Big Marine Lake in Washington County effective for taxes payable in 2005. This property became exempt under Laws 2005, Chapter 43, section 1; this section makes that 2005 law retroactive to taxes payable in 2005.	Art. 22, Sec. 23 (TAX3). Same
49	Report; proposed standardized assessment and classification standards. Requires the commissioner of revenue to issue a report to the chairs of the House and Senate Tax Committees by February 1, 2006. The report is to contain recommendations and proposed requirements for achieving standardized assessment and classification of property. Effective the day following final enactment.	No comparable provision. <i>Vanderveer</i>
50	Code of conduct and ethics; assessors. Directs the commissioner of revenue to develop a code of conduct and ethics for assessors to ensure public confidence in property assessment. The code must include language that promotes fairness and uniformity and recommends assessment practices that do not promote the perception of a conflict of interest. The code must be completed and recommended to the state Board of Assessors for adoption by January 1, 2006. Code must be presented as part of a course taught by the department (see section 12).	No comparable provision. <i>Vanderveer</i>
	No comparable provision.	Art. 22, Sec. 26 (TAX3). Crow Wing County Sewer District. Authorizes Crow Wing County to create a sewer district (which would be a special taxing district) under chapter 116A, with the power to adopt and levy a property tax levy. Effective for taxes payable in 2006 and thereafter.
	No comparable provision. <i>Tie to language on TNT</i>	Art. 22, Sec. 27 (TAX3). Dakota County Regional Railroad authorization. Authorizes the Dakota County Regional Railroad Authority to spend funds to develop and maintain a bus rapid transit system within the Cedar Avenue transitway corridor. The authority is authorized to levy for this purpose to the extent that its levy authority is not required to be used for railroad purposes.
51	Alternative tax base for school debt service	Art. 8, Sec. 3-6 (TAX2) provides for any school district to use an alternative tax base for new debt

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Sec.	Article 2: Property Taxes	Articles 8 and 22: Property Taxes
	<p>levies; pilot project.</p> <p>Subd. 1. Commissioner designation. Allows the commissioner of education to designate up to three school districts to participate in the pilot project provided in this section.</p> <p>Subd. 2. Election by school board. Grants a local school board designated by the Commissioner the authority to finance a school bond issue with debt service to be levied against the alternative net tax capacity specified in subdivision 6. This authority to issue bonds expires on July 1, 2007.</p> <p>Subd. 3. Debt service equalization revenue. Provides that a district's debt service equalization aid and levy will be the same regardless of whether the school board decides to levy against net tax capacity or the alternative tax capacity specified in subdivision 6.</p> <p>Subd. 4. Apportionment of debt service aid. Allocates a school district's total debt service equalization aid and debt service levy proportionately between "regular" net tax capacity and the alternative tax base specified in subdivision 6 based on the amount of revenues derived from bonds levied against the respective tax bases.</p> <p>Subd. 5. Alternative net tax capacity debt service levy. Requires the levy against alternative net tax capacity to be the gross levy needed to pay the bonds levied against that tax base minus the equalization aid allocated to that portion of the levy in subdivision 4.</p> <p>Subd. 6. Alternative net tax capacity. Creates a new hybrid tax base called alternative net tax capacity that is the same as "regular" net tax capacity with the following exceptions:</p> <ul style="list-style-type: none"> ▶ first tier agricultural homestead land and buildings has a class rate of 0.14 percent (regular rate is 0.55 percent); ▶ upper tier agricultural homestead land and buildings, agricultural nonhomestead, and timberland, have a class rate of 0.25 percent (regular rate is 1 percent); ▶ noncommercial seasonal recreational property has a class rate of 0.75 percent (regular rate is one percent up to \$500,000, 1.25 percent over \$500,000); ▶ apartments and two/three unit residential nonhomestead property has a class rate 	<p>levies.</p> <div style="border: 1px solid black; border-radius: 50%; padding: 10px; width: fit-content; margin: 20px auto;"> <p>Broed local pilot up to 3 districts</p> </div>

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Sec.	Article 2: Property Taxes	Articles 8 and 22: Property Taxes
	<p>of one percent (regular rate is 1.25 percent); and</p> <ul style="list-style-type: none"> commercial/industrial property has a class rate of 1.25 percent on the value up to \$150,000 and 1.5 percent on the value over \$150,000 (regular rates are 1.5 percent up to \$150,000 and 2 percent over \$150,000). <p>Effective for taxes payable in 2006 and thereafter.</p>	
52	<p>School property; exemption payable 2005 only. Exempts the Great River School, which is one of five "Star Schools," from taxation for the 2004 assessment, taxes payable in 2005.</p> <p>Effective the day following final enactment.</p>	<p>Art. 8, Sec. 72 (TAX2). Same</p> <p><i>Hausman</i></p>
53	<p>Repealer. Caponi Art Park. Repeals the special assessment provisions in the 1998 law related to the Caponi Art Park since all of the required special assessments have already been paid to the City of Eagan.</p> <p><i>House - assess paid</i></p> <p>Effective day following final enactment.</p>	<p>Art. 8, Sec. 67 (TAX2). Caponi Art Park. Provides that any deferred special assessment must be paid in full, or else a payment agreement must be approved by the city, if the property is transferred. This section can be repealed because all of the special assessments have been paid to the City of Eagan.</p>
	<p>No comparable provision.</p> <p><i>\$ to pension</i></p>	<p>Art. 8, Sec. 73 (TAX2). Education reserve account. Establishes an education reserve account in the state treasury. Appropriates \$24,961,000 to the education reserve account in fiscal year 2006. 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.</p>
	<p>No comparable provision.</p>	<p>Art. 8, Sec. 74 (TAX2). 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.</p>
	<p>HF 2498; Public Finance bill. Increases the watershed's levy limit by \$100,000.</p>	<p>Art. 8, Sec. 75 (TAX2). 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.</p>
	<p>No comparable provision.</p> <p><i>Site based prop tax</i></p>	<p>Art. 8, Sec. 76 (TAX2). 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</p>

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Sec.	Article 2: Property Taxes	Articles 8 and 22: Property Taxes
		<p>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.</p>
	<p>No comparable provision.</p> <p><i>Sen Belonger</i></p>	<p>Art. 8, Sec. 77 (TAX2). Fiscal disparities study. Requires legislative fiscal staff to conduct a study of the fiscal disparities program that applies to the Twin Cities metropolitan area by February 1, 2006, 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.</p>
	<p>No comparable provision.</p> <p><i>Department of Education Earnings Report</i></p>	<p>Art. 8, Sec. 78 (TAX2). 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 or 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.</p> <p>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.</p> <p>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</p>

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		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.
	No comparable provision.	Art. 22, Sec. 29 (TAX3). Chemical dependency appropriation. Appropriates \$1,287,000 in FY 2006 and \$1,933,000 in FY 2007 to the Commissioner of Human Services for the consolidated chemical dependency treatment fund.
Sec.	Article 3: Property Tax Aids and Credits	Article 4: Miscellaneous – S.F. 1209; Article 8: Property Taxes – S.F. 1683; Article 14: Department of Revenue Property Taxes – S.F. 1683; Article 22: Property Tax and Aids – S.F. 2206
1	<p>State demographer. Modifies the dates by which the state demographer must prepare and certify population and household estimates for counties, cities, and towns to match the timelines required for the metropolitan council population and household estimates under section 4. Currently, the demographer must certify estimates to political subdivisions by May 1, and the political subdivisions have until June 10th to challenge the estimates. Under the proposal, the dates are moved to June 1 and June 24. Also requires that the demographer certify estimates to the commissioner of revenue by July 15 for use in calculating state aids.</p> <p>Effective the day after final enactment.</p>	Art. 14. Section 1. (TAX2) Same.
2	<p>Residential homestead market value credit. Changes the computation of homestead market value credits for residences that are part homestead and part nonhomestead. This happens when one or more of the owners, or a spouse of the owner, does not use the property as their homestead. Under current law, the credit is computed using the value of the homestead portion. This can result in a larger credit (and lower taxes) for a part-owner residing in a home, than if a full-owner resided in that same home; depending on the value of the home. The proposed language will prevent that from occurring by prorating the credit in those situations based on the occupant's percentage of ownership or to 50% in the case of an absent spouse.</p> <p>Effective for taxes payable in 2006 and thereafter.</p>	Art. 4. Section 1. (TAX1) Same.
3	<p>Population. Changes the effective date for population estimates used in the Iron Range fiscal disparities calculations to match the certification date in section 1.</p> <p>Effective the day after final enactment.</p>	Art. 14. Sec. 35. (TAX2) Same.
4	<p>Population estimates. Requires the metropolitan council to prepare and certify population and household estimates for all counties, cities, and towns in the metropolitan area on the same</p>	Art. 14. Sec. 46. (TAX2) Same.

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Sec.	Article 3: Property Tax Aids and Credits	Article 4: Miscellaneous – S.F. 1209; Article 8: Property Taxes – S.F. 1683; Article 14: Department of Revenue Property Taxes – S.F. 1683; Article 22: Property Tax and Aids – S.F. 2206																		
	<p>schedule followed by the state demographer for all other political subdivisions under section 1. Although the metropolitan council has traditionally prepared these numbers, it has never been subject to any formal timetable for finalizing the estimates, nor has a formal process existed for challenging estimates.</p> <p>Effective the day after final enactment.</p>																			
5	<p>Population. Changes the effective date for population estimates used in the metropolitan area fiscal disparities calculations to match the certification date in section 4.</p> <p>Effective the day after final enactment.</p>	Art. 14. Sec. 47. (TAX2) Same.																		
6	<p>Population. Changes the effective date for population estimates used in LGA and county program aid calculations to match the certification dates in sections 1 and 4.</p> <p>Effective the day after final enactment.</p>	Art. 14. Sec. 48. (TAX2) Same.																		
7	<p>City revenue need. This section provides a transition period of five years to phase cities from the small city need measure to the large city need measure when they cross the 2,500 population threshold. There are currently two formulas for measuring city “need”—one applies to small cities with a population less than 2,500 and one applies to cities with a population of 2,500 or more. These formulas were modified in 2003.</p> <p>During the five-year transition period a city’s “need” is based on both formulas in the following proportions:</p> <table border="1" data-bbox="203 1774 808 2217"> <thead> <tr> <th>Year after reaching 2,500 population</th> <th>Percent of need based on small city formula</th> <th>Percent of need based on large city formula</th> </tr> </thead> <tbody> <tr> <td>1st year</td> <td>80 %</td> <td>20%</td> </tr> <tr> <td>2nd year</td> <td>60 %</td> <td>40%</td> </tr> <tr> <td>3rd year</td> <td>40 %</td> <td>60%</td> </tr> <tr> <td>4th year</td> <td>20 %</td> <td>80%</td> </tr> <tr> <td>5th year</td> <td>0</td> <td>100%</td> </tr> </tbody> </table> <p>The transition period applies to all cities that cross the 2,500 population threshold after the new LGA need formulas went into effect. It is effective beginning with aids payable in 2006. Four cities are currently affected—the cities of Wells, Crystal Lake, Rush City and Cohasset.</p>	Year after reaching 2,500 population	Percent of need based on small city formula	Percent of need based on large city formula	1 st year	80 %	20%	2 nd year	60 %	40%	3 rd year	40 %	60%	4 th year	20 %	80%	5 th year	0	100%	<p>Art. 22. Sec. 14. (TAX3) Similar.</p> <p>Contains identical language for the small city transition period.</p> <p>Also changes the inflation factor applied to the city revenue need. Under current law, the inflation factor is the most recent annual implicit price deflator (IPD) compared to the 2003 annual IPD. Under this section, the ratio will be based on the most recently available first quarter IPD to the first quarter IPD for 2002.</p>
Year after reaching 2,500 population	Percent of need based on small city formula	Percent of need based on large city formula																		
1 st year	80 %	20%																		
2 nd year	60 %	40%																		
3 rd year	40 %	60%																		
4 th year	20 %	80%																		
5 th year	0	100%																		
8	<p>Tax effort rate. Allows the tax effort rate used in</p>	No comparable provision.																		

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Sec.	HOUSE Article 3: Property Tax Aids and Credits	SENATE Article 4: Miscellaneous – S.F. 1209; Article 8: Property Taxes – S.F. 1683; Article 14: Department of Revenue Property Taxes – S.F. 1683; Article 22: Property Tax and Aids – S.F. 2206
	<p>the LGA formula to decrease to insure distribution of the total LGA appropriation if the need increase percentage (or percent of “unmet need” paid) under section 13 is equal to 100%.</p> <p>Effective beginning with aids payable in 2006.</p>	<p><i>House cuts off @ 100%</i></p>
9	<p>City aid base. Provides a permanent increase in city aid of \$25,000 beginning with aids payable in 2006 to a city if its 2003 population is at least 1,000 and a state park comprises at least 14 percent of the total geographic area within the city in 2000. The city of Taylor Falls is the only city to qualify.</p> <p><i>out</i></p>	<p>Art. 22, sec. 15. (TAX3) One identical provision. Provides identical language for the city of Taylors Falls.</p> <p>Corrects an error in the 2003 Omnibus Tax Act. (Already corrected in Minnesota Laws 2005, Chapter 38)</p> <p>Provides for increases in the city aid base of \$250,000 for the city of Osseo, \$500,000 for the city of Hutchinson, \$25,000 for the city of Champlin in calendar year 2006.</p> <p>Also changes the city aid base for nonmetro cities having a population greater than 10,000. Under current law, a city’s population must have been greater than 10,000 according to the 2000 census in order to qualify for additional aid. This section allows cities to receive the additional aid based on their current population.</p> <p>Art. 8. Sec. 61. (TAX2) Also increases the city aid base for the city of Osseo by \$250,000 in calendar years 2006 to 2015.</p> <p>Art. 14. Sec. 49. (TAX2) Also corrects the same error in the 2003 Omnibus Tax Act, that is corrected in Minnesota Laws 2005, Chapter 38.</p>
10	<p>Household size. Changes the effective date for household size estimates used in LGA calculations to match the certification dates in sections 1 and 4.</p> <p>Effective the day after final enactment.</p>	<p>Art. 14. Sec. 50. (TAX2) Same.</p>
11	<p>Definitions (county program aid). Changes the effective date for estimates of population over 65 used in county program aid calculations to match the certification dates in sections 1 and 4.</p> <p>Effective the day after final enactment.</p>	<p>Art. 14. Sec. 51. (TAX2) Same.</p>
12	<p>County tax-base equalization aid. Provides that beginning with aids payable in 2006, that \$73,259 is allocated to Anoka county and \$59,664 is allocated to Washington county to pay postretirement health insurance costs for court employees. This is part of an aid and budget base adjustment agreed to between the districts courts and these counties related to aid offsets due to the state takeover of courts. The other related provisions are in sections 17, 21, and 22.</p>	<p>Art. 22. Sec. 16. (TAX3) Same</p>

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Sec.	Article 3: Property Tax Aids and Credits	Article 4: Miscellaneous – S.F. 1209; Article 8: Property Taxes – S.F. 1683; Article 14: Department of Revenue Property Taxes – S.F. 1683; Article 22: Property Tax and Aids – S.F. 2206
13	<p>City formula aid. Changes the formula used to distribute the formula portion of LGA to include the amount raised by a one-half cent sales tax in the first class cities of Minneapolis, St. Paul, and Duluth in the measure of “ability to raise revenue locally.” Duluth currently has a one percent local sales tax that may be used for general city services and Minneapolis and St. Paul are allowed to impose an additional one-half of one percent local sales tax for general city services, upon voter approval, under article 7.</p> <p>Adds a provision that prohibits the percent of “unmet need” paid by the formula from exceeding 100 percent. The projected percent of unmet need paid in LGA under current law is about 84 percent for aids payable in 2006. Under the proposed changes, the percent of unmet need paid would increase to about 90 percent for aids payable in 2006 and 99 percent for aids payable in 2007.</p> <p>Effective beginning with aids payable in 2006.</p>	<p>Art. 22. Sec. 17. (TAX3) Different. Eliminates the addition of taconite aid to the city revenue base. Under current law, taconite aids are added into the city revenue base beginning in 2005 (25 percent in 2005, 50 percent in 2006, 75 percent in 2007 and 100 percent in 2008 and thereafter).</p> <p>Art. 22, Sec. 20. (TAX3) Provides that the total aid shall not exceed the amount required for the need increase percentage to equal one.</p>
14	<p>City aid distribution. Removes the limit on annual decreases in LGA for the cities of Minneapolis and St. Paul. Also deletes obsolete language.</p> <p>Effective beginning with aids payable in 2006.</p> <p><i>New grandfather for small cities</i></p>	<p>Art. 22. Sec. 18. (TAX3) City aid distribution. Raises the limit on the maximum LGA increase to a city in any year from 10 percent to 50 percent of a city's levy in the previous year. The current law limiting aid decreases for both large and small cities is retained. This section also provides that the aid for cities under 1,000 population cannot be less than 105 percent of their 2005 certified LGA. Obsolete language relating to the 2004 aid distribution is eliminated.</p>
15	<p>Levy adjustment for aid decreases. Provides that a city may increase its levy above any charter or local ordinance limits to compensate for lost LGA.</p> <p>Effective beginning with property taxes payable in 2006.</p>	<p>No comparable provision.</p> <p><i>Bernardy Betzold</i></p>
16	<p>Cities (LGA appropriation). Decreases the maximum amount that may be paid in LGA for aids payable in 2006 by \$17.5 million, to \$419,552,000. Returns the maximum amount to be paid in LGA for aids payable in 2007 and thereafter to \$437,052,000, the amount under current law, provided that the taxpayer satisfaction surveys in article 1 are in effect; otherwise the limit remains at the Pay 2006 amount.</p> <p>Effective beginning with aids payable in 2006.</p>	<p>Art. 22. Sec. 20. (TAX3) Cities (LGA appropriation). Increases the appropriation for city LGA from \$437,052,000 to \$523,052,000 for aids payable in 2006. For aids payable in 2007 and subsequent years, the appropriation is indexed for inflation with a minimum of 2.5 percent and a maximum of five percent each year until the need increase percentage equals one. The increased aid is intended to be used by cities to pay costs related to public safety.</p> <p><i>+ \$85 million</i></p>
17	<p>Counties (program aid appropriation). Beginning with aids payable in 2006, provided an additional \$132,923 to the annual county tax base equalization aid appropriation to fund the extra aid paid to Anoka and Washington counties under</p>	<p>Art. 22, sec. 21. (TAX3) Same.</p>

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Sec.	Article 3: Property Tax Aids and Credits	Article 4: Miscellaneous – S.F. 1209; Article 8: Property Taxes – S.F. 1683; Article 14: Department of Revenue Property Taxes – S.F. 1683; Article 22: Property Tax and Aids – S.F. 2206
	section 12.	
18	2004 city aid reductions. Retroactively corrects some language in the provision for calculating the 2004 city aid reductions to reflect the procedure used.	Art. 14. Sec. 54. (TAX2) Same.
19	Definition (county aid reductions). Retroactively corrects some language in the provision for calculating the 2004 county aid reductions to reflect the procedure used.	Art. 14. Sec. 55. (TAX2) Same.
20	2005 and 2006 city aid payments. Extends the market value credit reimbursement reductions for cities for credits paid in 2005 and 2006. Each city’s reduction amount for 2005 and 2006 will be the lesser of its 2003 reduction or the amount of its current year reimbursement. Effective the day following final enactment.	Art.4. Sec. 2 (TAX1) Similar. Minor word difference. Senate states that “no city’s market value credit reimbursements are reduced to less than zero” while the House language references “2005 and 2006 market value credit reimbursements”.
21	Court aid adjustment. Makes a one time adjustment to the court aid paid in calendar year 2005 to Anoka and Washington counties equal to one-half of the payment under section 12. Only half the payment amount is needed since the state assumption of the court costs occurs July 1; 2005, six months into the calendar year.	Art. 22, Sec. 24. (TAX3) Same.
22	District court budget. Provides a base adjustment to the district court general fund appropriation beginning in fiscal year 2006 to offset the appropriation increases in sections 17 and 21. Effective the day after final enactment.	Art. 22. Sec. 25. (TAX3) Same.
	No comparable provision.	Art. 8. Sec. 44. (TAX2) 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.
	No comparable provision	Art. 22. Sec. 19. (TAX3) County Criminal Justice Aid. Re-enacts the County Criminal Justice Aid program that was repealed in 2003. The formula distributes half of the aid based on each county’s share of statewide population and half based on each county’s share of Part I crimes. The appropriation is limited to \$15 million in 2006 and 2007 only.

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	<p>Article 3: Property Tax Aids and Credits</p>	<p>Article 4: Miscellaneous – S.F. 1209; Article 8: Property Taxes – S.F. 1683; Article 14: Department of Revenue Property Taxes – S.F. 1683; Article 22: Property Tax and Aids – S.F. 2206</p>
	<p>No comparable provision</p> <p><i>Meslow</i></p>	<p>Art. 22, Sec. 28. (TAX3) White Bear Lake LGA. Appropriates \$104,964 to the Commissioner of Revenue to make payments to the city of White Bear Lake. One half of that amount would be paid on July 20, 2005, and one half on December 6, 2005, the same dates on which local government aid payments are made.</p>
Sec.	<p>Article 4: Department of Revenue Property Taxes</p>	<p>Article 14: Department of Revenue Property Taxes – S.F. 1683</p>
1	<p>Payment of current taxes requirement for manufactured homes. Clarifies a 2003 law change that requires all personal property taxes on a manufactured home to be paid before the title may be transferred. The proposed changes clarify that these include taxes payable in the current year. Current law refers to taxes levied on the manufactured home, but since the levy date for manufactured home taxes is May 30, there would otherwise be a five-month window during which the new owner could obtain a certificate of title without paying all the personal liability taxes assessed to the seller. Collection problems would arise if these taxes are not paid when the title is transferred because neither the property nor the new owner would be liable for those taxes without this proposed change.</p> <p>Effective the day following final enactment.</p>	<p>Art. 14, Sec. 2 (TAX2). Same.</p>
2	<p>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 collect the necessary information from local officials.</p> <p>Effective the day following final enactment.</p>	<p>Art. 14, Sec. 3 (TAX2). Same.</p>
3	<p>Quintile assessments. Corrects a provision that refers to appraising one-fourth of the parcels rather than one-fifth. A 2003 law changed the requirement to appraise one-fourth of the listed parcels annually to appraising one-fifth of the parcels. Other statutes referring to a quartile assessment were amended to refer to a quintile assessment, but this section was inadvertently omitted.</p> <p>Effective the day following final enactment.</p>	<p>Art. 14, Sec. 4 (TAX2). Same.</p>
4	<p>Exemption for property used under cooperative farming agreements and for leased housing and redevelopment authority property. Includes in the list of property exemptions, property used under a cooperative farming agreement and housing and redevelopment authority (HRA) leased property that</p>	<p>Art. 14, Sec. 5 (TAX2). Same. (House language does not show headnote.)</p>

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Sec.	Article 4: Department of Revenue Property Taxes	Article 14: Department of Revenue Property Taxes – S.F. 1683
	<p>is exempt from property tax elsewhere in statutes. These do not create new exemptions since these uses are exempt under other sections of statute.</p> <p>Effective the day following final enactment.</p>	
5	<p>Property tax exemptions. Replaces obsolete references to repealed provisions with a general reference to other provisions of applicable law.</p> <p>Effective the day following final enactment.</p>	<p>Art. 14, Sec. 6 (TAX2). Same.</p> <p style="text-align: right; font-size: 2em; opacity: 0.5;">NO</p>
6	<p>Institutions of purely public charity. Clarifies that in determining whether rental housing property qualifies for a property tax exemption as an institution of pure public charity, government rent assistance and government financing assistance or tax credits provided to the owner are not gifts or donations to the owner in making that determination.</p> <p style="text-align: center; font-size: 1.5em; opacity: 0.5;">HOUSE</p> <p>Effective for taxes payable in 2004 and thereafter.</p>	<p>Art. 14, Sec. 7 (TAX2). In addition to the House language clarifying the exemption, the Senate language includes additional provision allowing rent assistance or financing assistance to be considered when making determinations related to the exemption of whether the recipient of housing or housing services is required to pay in whole or in part for the housing. Effective payable 2004 and thereafter.</p>
7	<p>Property subject to taconite production tax or net proceeds tax. Adds a new subdivision that describes the property tax exemptions related to the taconite production tax and net proceeds tax (not a new exemption).</p> <p>Effective the day following final enactment.</p>	<p>Art. 14, Sec. 8 (TAX2). Same.</p>
8	<p>Cross-reference to exemption for religious corporations. Adds a new subdivision providing a cross-reference in the property tax chapter to language in the nonprofit corporation chapter that exempts real and personal property that a religious corporation necessarily uses for a religious purpose (not a new exemption).</p> <p>Effective the day following final enactment.</p>	<p>Art. 14, Sec. 9 (TAX2). Same.</p>
9	<p>Cross-reference to exemption for children’s homes. Adds a new subdivision providing a cross-reference in the property tax chapter to language in the nonprofit corporation chapter that exempts property owned by children’s home corporations (not a new exemption).</p> <p>Effective the day following final enactment.</p>	<p>Art. 14, Sec. 10 (TAX2). Same.</p>
10	<p>Cross-reference to exemption for housing and redevelopment authority property and tribal housing authority property. Adds a new subdivision providing a cross-reference in the property tax chapter to language in the economic development chapter that exempts property owned by a housing and redevelopment authority or a tribal housing authority (not a new exemption).</p> <p>Effective the day following final enactment.</p>	<p>Art. 14, Sec. 11 (TAX2). Same.</p>
11	<p>Cross-reference to exemption for housing and redevelopment authority property. Adds a new</p>	<p>Art. 14, Sec. 12 (TAX2). Same.</p>

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Sec.	Article 4: Department of Revenue Property Taxes	Article 14: Department of Revenue Property Taxes – S.F. 1683
	<p>subdivision providing a cross-reference in the property tax chapter to language in the economic development chapter that exempts project property owned by a housing and redevelopment authority (not a new exemption).</p> <p>Effective the day following final enactment.</p>	
12	<p>Cross-reference to exemption for regional rail authority property. Adds a new subdivision providing a cross-reference in the property tax chapter to language in the regional rail authority chapter that exempts property owned by a regional rail authority (not a new exemption).</p> <p>Effective the day following final enactment.</p>	Art. 14, Sec. 13 (TAX2). Same.
13	<p>Cross-reference to exemption for Spirit Mountain Recreation Area authority property. Adds a new subdivision providing a cross-reference in the property tax chapter to language in Laws 1973 that exempts property owned by the Spirit Mountain recreation authority (not a new exemption).</p> <p>Effective the day following final enactment.</p>	Art. 14, Sec. 14 (TAX2). Same.
14	<p>Definition of installed capacity. Adds a new subdivision that 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.</p> <p>Effective the day following final capacity.</p>	Art. 14, Sec. 15 (TAX2). Same.
15	<p>Annual reporting dates for wind energy production tax (WEPT). Advances the 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 also be advanced 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.</p> <p>Effective for reports and certifications due in 2006 and thereafter.</p>	<p>Art. 14, Sec. 16 (TAX2). Same.</p> <p>Art. 8, Sec. 26 (TAX2). Same.</p>
16	<p>New distribution formula for wind energy production tax (WEPT). Clarifies that the distribution of the WEPT revenues for taxes payable in 2004 and 2005 are based upon the local tax rates; i.e., the proportion that each of the local taxing jurisdiction’s tax rates are to the total tax rate where the wind energy conversion system is located. Also provides that beginning with taxes payable in 2006, the distribution of the WEPT will</p>	<p>Art. 14, Sec. 17 (TAX2). Same.</p> <p>Art. 8, Sec. 27 (TAX2). Also amends this section of statute, but provides that the distribution will be based on previous year tax rates.</p> <p><i>House language</i></p>

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Sec.	Article 4: Department of Revenue Property Taxes	Article 14: Department of Revenue Property Taxes – S.F. 1683
	<p>be set percentages: 80% to counties, 14% to cities/townships, and 6% to school districts. Lastly, clarifies that the state is not included in the distribution of revenues.</p> <p>Effective the day following final enactment.</p>	
17	<p>Cross-reference; cooperatives organized under chapter 308B. Updates a property tax exemption cross-reference so that limited equity cooperative apartments receive the same tax treatment whether they are organized under chapter 308A or chapter 308B, enacted in 2003.</p> <p>Effective for taxes payable in 2004 and thereafter.</p>	<p>Art. 14, Sec. 18 (TAX2). Same.</p>
18	<p>Cross-reference; cooperatives organized under chapter 308B. Updates a property tax exemption cross-reference so that cooperatives receive the same tax treatment whether they are organized under chapter 308A or chapter 308B, enacted in 2003.</p> <p>Effective for taxes payable in 2004 and thereafter.</p>	<p>Art. 14, Sec. 19 (TAX2). Same.</p>
19	<p>Cross-reference; cooperatives organized under chapter 308B. Updates a cross-reference so that leasehold cooperatives receive the same property tax treatment whether they are organized under chapter 308A or chapter 308B, enacted in 2003.</p> <p>Effective for taxes payable in 2004 and thereafter.</p>	<p>Art. 14, Sec. 20 (TAX2). Same.</p>
20	<p>Agricultural homesteads for entity-owned land. Clarifies that a limited liability company must operate a “family farm” in order to receive an agricultural homestead classification.</p> <p>Effective the day following final enactment.</p>	<p>Art. 14, Sec. 21 (TAX2). Same.</p>
	<p>No comparable provision.</p>	<p>Art. 14, Sec. 22 (TAX2). 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 chapter 290A.</p>
21	<p>Agricultural homesteads for entity-owned land. Clarifies that in order to receive an agricultural homestead classification, limited liability companies must operate a “family farm” as defined in Minn. Stat. § 500.24. Also allows certain trust-held property to qualify for the homestead</p>	<p>Art. 14, Sec. 23 (TAX2). Same.</p>

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	<p>classification. Provides that the person actively farming the trust-held land must be a qualified relative of the person who created the trust in order to qualify for the benefits.</p> <p>Effective for taxes payable in 2006 and thereafter.</p>	
22	<p>Determination dates for the blind/disabled homestead classification. Provides 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 for that year.</p> <p>Effective the day following final enactment.</p>	<p>Art. 14, Sec. 24 (TAX2). Same.</p>
23	<p>Cross-reference to exemption for cooperative farming agreements and leased HRA property. Provides that cooperative farming agreements and occupancy agreements are not considered leases and do not cause property to become subject to property tax. These are cross-references to existing laws and do not create new exemptions.</p> <p>Effective the day following final enactment.</p>	<p>Art. 14, Sec. 25 (TAX2). Same. (House language does not show headnote.)</p>
24	<p>Utility and railroad; proceedings and appeals. Clarifies two procedural matters for Tax Court appeals of property taxes involving state-assessed property: (1) the case must be brought before 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. Also clarifies administrative and judicial appeals. The language is reorganized and rewritten to make the procedures easier to understand.</p> <p>Effective September 1, 2005, and thereafter.</p>	<p>Art. 14, Sec. 26 (TAX2). Utility and railroad appeals. Substantively the same, but the House language has been recodified.</p>
25	<p>Appeals and equalization course. Clarifies that local boards of equalization and review have until the meeting dates in 2006 to achieve training requirements related to that year.</p> <p>Effective the day following final enactment.</p>	<p>Art. 14, Sec. 27 (TAX2). Same.</p>
26	<p>Local boards of appeal and equalization; documentation of annual quorum and training requirements. Provides that any city or town that conducts local boards must notify the county assessor by December 1, 2006, and each year thereafter that they are in compliance with the training requirement. Also, clarifies that the proofs of compliance with annual quorum and training requirements that local boards must provide in December of each year, beginning in 2006, refer to compliance in the current year, rather than to compliance in the prior year.</p> <p>Effective the day following final enactment.</p>	<p>Art. 14, Sec. 28 (TAX2). Same.</p>

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Sec.	Article 4: Department of Revenue Property Taxes	Article 14: Department of Revenue Property Taxes – S.F. 1683
27	<p>County board meeting dates. Strikes obsolete language that allowed county boards of equalization to meet on any ten consecutive days in June, rather than the last ten days, if the actual meeting days were listed on the valuation notices. Other provisions of law require meeting dates to be listed on the valuation notices, making the stricken language superfluous. Also clarifies that “meeting day” excludes Saturdays and Sundays.</p> <p>Effective the day following final enactment.</p>	<p>Art. 14, Sec. 29 (TAX2). Same.</p>
	<p>No comparable provision (Senate provision somewhat conflicts with House article 1 which generally moves T-n-T timelines ahead slightly).</p>	<p>Art. 14, Sec. 30 (TAX2). 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.</p>
28	<p>Disparity reduction aid levy adjustment. Strikes language requiring levies to be reduced by Disparity Reduction Aid (DRA), since DRA acts to reduce disparities in local tax rates, not levies. This change will not affect the amount of DRA received by a jurisdiction.</p> <p>Effective the day following final enactment.</p>	<p>Art. 14, Sec. 31 (TAX2). Same.</p>
29	<p>Reporting special levies on surveys. Gives the commissioner the option of excluding detailed special levy information from the levy information county auditors annually report.</p> <p>Effective the day following final enactment.</p>	<p>Art. 14, Sec. 32 (TAX2). Same.</p>
30	<p>Transmittal of state property tax levy receipts. Changes the date by which county treasurers must transmit the state’s share of property tax receipts to the commissioner of revenue from “on or before June 29” to “on or before June 28.” This insures that the property taxes transmitted to the state are within the same fiscal year of receipt by the county, even during years in which June 29 falls on a Saturday.</p> <p>Effective the day following final enactment.</p>	<p>Art. 14, Sec. 34 (TAX2). Same.</p>
31	<p>Tax-forfeited property; prohibited purchasers. Clarifies the language prohibiting county auditors, treasurers, attorneys, court administrators, and assessors from purchasing or from having someone purchase on their behalf tax-forfeited land. Further clarifies that these prohibitions only apply to tax-forfeited land in the county for which the specified office-holders perform duties. Provides that a person prohibited from purchasing property under this section must not directly or indirectly have</p>	<p>Art. 14, Sec. 36 (TAX2). Same except does not include prohibition against having another person purchase on behalf of prohibited person.</p> <p style="text-align: center;">OK DOR</p>

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Sec.	Article 4: Department of Revenue Property Taxes	Article 14: Department of Revenue Property Taxes – S.F. 1683
	<p>another person purchase it on their behalf for their benefit or gain.</p> <p>Effective the day following final enactment.</p>	
32	<p>Apportionment of forfeited tax sale fund net proceeds. Changes the annual apportionment of net proceeds in each county's forfeited tax sale fund to eliminate the state's share. 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. Effective the day following final enactment for state general tax levy amounts payable in 2004 and thereafter.</p>	Art. 14, Sec. 37 (TAX2). Same.
33	<p>Taxability of certain forfeited lands upon sale. Conforms the tax status of tax-forfeited land in a reforestation area classified as suitable for agriculture that is sold to be consistent with general provisions relating to tax-forfeited lands. Under current law, when such land in a reforestation is sold it becomes taxable in the next assessment year, while other tax-forfeited land that is sold becomes taxable in the current assessment year. This change makes tax-forfeited land suitable for agriculture in a reforestation area taxable in the assessment year in which it is sold.</p> <p>Effective for sales occurring on or after July 1, 2005.</p>	Art. 14, Sec. 38 (TAX2). Same.
34	<p>Tax-forfeited land; duties of the commissioner of finance. Clarifies that the commissioner of finance's responsibility for issuing conveyances for tax-forfeited land applies only to lands in conservation areas.</p> <p>Effective the day following final enactment.</p>	Art. 14, Sec. 39 (TAX2). Same, except deletes Commissioner of Finance and replaces with Commissioner of Natural Resources.
35	<p>Tax-forfeited land; duties of the commissioner of natural resources. Clarifies that the commissioner of natural resources' responsibilities with respect to issuing conveyances of tax forfeited property apply only to tax forfeited agricultural lands in the Red Lake Preserve. Effective the day following final enactment.</p>	Art. 14, Sec. 40 (TAX2). Same.
36	<p>Tax-forfeited land; duties of the commissioner of revenue. Clarifies that statutory procedures and the duties of the commissioner of revenue with respect to repurchases of tax-forfeited land relate to all repurchases of tax forfeited land authorized in chapter 282.</p> <p>Effective the day following final enactment.</p>	Art. 14, Sec. 41 (TAX2). Same.
	No comparable provision.	Art. 14, Sec. 42 (TAX2). Electronic filing of certificates of rent paid. Authorizes the commissioner to require owners or managing agents

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Sec.	Article 4: Department of Revenue Property Taxes	Article 14: Department of Revenue Property Taxes – S.F. 1683
		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 requirement would only apply to owners or managing agents who are required to issue at least 100 certificates. Effective beginning with certificates issued for rent paid in 2006.
37	<p><i>omit</i></p> <p>Senior citizens' property tax deferral program. Extends the senior citizens' deferred property tax amount to include any amount billed on the property tax statement for the property, including special assessments (assessment, fee, or any charge that is on the property tax statement), subject to the existing dollar amount limitations of the program.</p> <p>Effective for amounts deferred in 2006 and thereafter.</p>	<p>Art. 14, Sec. 43 (TAX2). Same.</p>
38	<p>Sustainable forest incentive act annual certification. Clarifies that failure to return the annual certification required under the sustainable forest program by the due date is treated like any other program violation and does not result in immediate removal from the program. Current language requires that land be removed from the program immediately upon failure to return the annual certification by the due date; however it has been administered to treat late filing of the annual certification like other program violations and allow 60 days for appeal.</p> <p>Effective the day following final enactment.</p>	<p>Art. 18, sec. 13 (TAX2). Same.</p>
39	<p>Sustainable forest incentive act; length of covenant. Adds a new section to the sustainable forest incentive act that addresses issues related to the length of the covenant. It:</p> <ul style="list-style-type: none"> ▶ specifies that the covenant remains in effect for a minimum of 8 years, unless an exception applies; ▶ explains how the 4-year waiting period in § 290C.10 functions and ▶ explains how to determine when the covenant ends. <p>This language is elsewhere in the act, but by having it in one section, it is easier to use and understand.</p> <p>Effective the day following final enactment.</p>	<p>Art. 18, sec. 14 (TAX2). Same.</p>
40	<p>Sustainable forest incentive act; early withdrawal. Allows early withdrawal of land from the sustainable forest 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</p>	<p>Art. 18, sec. 15 (TAX2). Same.</p>

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	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.	
41	<p>State may guarantee county building debt. Repeals obsolete references to state aid payments to counties that may be offset 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 the new county program aid.</p> <p>Effective for aid payable in 2005 and thereafter.</p>	Art. 14, Sec. 44 (TAX2). Same.
42	<p>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 border city development zone 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.</p> <p>Effective for reimbursements of taxes payable in 2005 and thereafter.</p>	Art. 14, Sec. 45 (TAX2). Same.
43	<p>Property tax proceeds to state by electronic funds transfer. Changes the effective date for a provision enacted in 2003 that eliminated the state from the list of taxing authorities to which funds are apportioned on the various settlement days provided for in general law, and also from the list of authorities for which the county auditor issues a warrant for payment. The provision and the provision in section 44 took effect for taxes payable in 2004 and thereafter; this change makes it effective for distributions occurring on or after June 10, 2003. The new effective date is the same as that provided for a corresponding 2003 provision that added new language requiring county treasurers and auditors who collect the state levy amounts to transmit those collections to the commissioner of revenue by electronic means annually on or before June 29, December 2, and the following January 25 (these dates are the three settlements when the treasurer distributes property tax revenues to all taxing districts).</p>	Art. 14, Sec. 52 (TAX2). Same.
44	<p>Property tax proceeds to state by electronic funds transfer. Changes the effective date for a provision enacted in 2003 that eliminated the state from the list of taxing authorities to which the county treasurer makes payment of property tax</p>	Art. 14, Sec. 53 (TAX2). Same.

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	collections following issuance of a warrant by the auditor after each of the various settlement days that are provided for in general law. The new effective date is the same as that provided for a corresponding 2003 provision relating to county treasurers and auditors.	
45	Township levy adjustment for wind production tax; payable 2004 only. Grants the authorization (notwithstanding the normal township levy deadlines), to towns located in Lincoln and Pipestone county to adjust their payable 2004 levy for all or a portion of their estimated wind energy production tax amounts for 2004, as computed by the commissioner of revenue. Also grants the authorization or the county auditors of Lincoln and Pipestone counties to make the necessary adjustments for those towns that recertified their levies by March 15, 2004. This provision was in the 2004 Omnibus, which was not enacted.	Art. 14, Sec. 56 (TAX2). Same.
46	<p>Repealer. Paragraph (a) repeals</p> <ul style="list-style-type: none"> ▶ § 273.19, subd. 5, which provides a limited exemption for some hydroelectric facilities on government owned sites, duplicating a non-limited exemption provided in § 272.02, subd. 15. ▶ § 274.05, which is obsolete certification between county auditors and assessors ▶ § 275.15, containing obsolete language relating to levy limits. ▶ § 275.61, subd. 2, an expired subdivision ▶ § 283.07, containing obsolete language relating to refunding of property taxes on railroad property in certain circumstances. <p>Effective the day following final enactment.</p> <p>Paragraph (b) 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.</p> <p>Paragraph (c) repeals language allowing the Alexandria Lake Area sanitary sewer district and the Central Lakes region sanitary sewer district to levy property taxes on an alternative tax base that is</p>	<p>Art. 14, Sec. 57 (TAX2). Paragraph (a) is same.</p> <p>No comparable provision.</p> <p>Art. 14, Sec. 57 (TAX2). Paragraph (b) is same.</p> <p><i>House</i></p>

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	not going to be used.	
	Paragraph (d) repeals sections 270.85; 270.88; and 273.37 which are all related to the proceedings and appeals for utility and railroad valuations that was rewritten in section 24. Effective September 1, 2005.	No comparable provision. <i>House</i>
Sec.	Article 5: Income, Corporate Franchise, and Estate Taxes	Article 1: Income and Corporate Franchise Taxes – SF 1209; Article 5: Income Tax – SF 1683; Article 13: Department of Revenue Income, Corporate Franchise, and Estate Taxes – SF 1683; Article 19: Individual Income Tax – SF 2206; Article 20: Corporate Franchise Tax – SF 2206
	No comparable provision <i>N/A</i>	Art. 19, sec. 1 (TAX3). Priorities. Adds to the list of items to which the Commissioner of Finance must allocate money after determining that there will be a positive unrestricted budgetary general fund balance under Minnesota Statutes, section 16A.152, subdivision 2. The additional priorities include the amount necessary to eliminate the accelerated payment of June tax liabilities; the amount necessary to provide interest on claims for refunds on capital equipment sales tax; and the amount necessary to make local government aid payments in six installments from July through December.
1	Adjutant general; authority. Authorizes the adjutant general to administer the funds collected through the income tax checkoff created in section 34.	No comparable provision
2	Filing requirements; military personnel. Provides that military compensation qualifying for the new subtraction under section 17 is ignored in determining the filing requirement. Thus, a member of the military whose other Minnesota source income—beside military pay that qualifies for the subtraction—is below the filing requirement would not be required to file a Minnesota return. This will avoid requiring these individuals to file a tax return as a result of the subtraction.	No comparable provision
3	Electronic payment of refunds. Requires corporations to include information on returns to allow the commissioner to pay tax refunds electronically. Effective for returns filed after December 31, 2005.	Art. 13, sec. 1 (TAX2). Electronic payment of refunds. Same
4	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 that is a partner, shareholder, or beneficiary to be included on a composite return that fulfills the Minnesota nonresident owner filing requirement for flow-through income. Clarifies that the bonus	Art. 13, sec. 2 (TAX2). Bonus Depreciation Included on Composite Returns Filed by Partnerships, “S” Corporations, and Trusts for Nonresident Individual or Trust Partners, Shareholders or Beneficiaries. Same

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	<p>depreciation addition coming from the flow-through entity is included on the Minnesota composite return. Provides that a subtraction for bonus depreciation may be taken on the composite return to the extent the owner would have been entitled to the subtraction had the owner filed his or her own Minnesota return.</p> <p>Effective for tax years beginning after December 31, 2004.</p>	
5	<p>Local use tax. Directs the commissioner of revenue to include information about payment of local use taxes, including a list of jurisdictions that impose local sales and use tax, in the income tax booklet along with the information that is already included about state use tax.</p>	No comparable provision
6	<p>Fractional year returns of unitary corporations. Permits a corporate member of a unitary group to file a fractional year return on the same date the unitary group's corporate return is due.</p> <p>Effective for fractional years closing after December 31, 2004.</p>	Art. 13, sec. 3 (TAX2). Fractional Year Returns of Unitary Corporations. Same
7	<p>Extension to file estate tax return. Replaces the requirement that the commissioner find good cause in allowing a Minnesota estate tax return filing extension with an automatic filing extension for requests received within nine months of the decedent's death.</p> <p>Effective for estates of decedents dying after December 31, 2004.</p>	Art. 18, sec. 6 (TAX2). Extension to File Estate Tax Return. Same
8	<p>Payment of withholding on nonresident income. Requires partnerships with nonresident partners (and S corporations with nonresident shareholders and trusts with nonresident beneficiaries) to pay Minnesota withholding tax on Minnesota source income on a quarterly basis during the year, like all other taxpayers, rather than paying with the entity's return filed after the tax year has ended.</p> <p>Effective for tax years beginning after December 31, 2005.</p>	Art. 1, sec. 1 (TAX1). Withholding on nonresident income. Same
9	<p>Limits on recalculation of separate spouse liability. Exempts the commissioner from recalculating separate liability for an ex-spouse when a request is made six years or longer after the due date of the return. Also exempts the commissioner from recalculating separate liability if the remaining unpaid liability for which the recalculation is requested is \$100 or less.</p>	Art. 18, sec. 7 (TAX2). Recalculation of Separate Spouse Liability. Same

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	<p>Effective for requests for relief made on or after the day following final enactment.</p>	
<p>10</p>	<p>Federal tax changes. Clarifies that corporate franchise tax returns are included among the returns that must be filed by a taxpayer when the taxpayer is notified of changes to a federal return.</p> <p>Effective the day following final enactment.</p>	<p>Art. 13, sec. 4 (TAX2). Federal Tax Changes. Same</p>
	<p>No comparable provision</p>	<p>Art. 5, sec. 1 (TAX2). 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.</p> <p>Effective date: For taxable years beginning after December 31, 2002, and for property taxes payable after 2003.</p>
<p>11</p>	<p>Electronic payment of refunds. Authorizes the commissioner to require corporations to include information on returns to allow the commissioner to pay tax refunds electronically.</p> <p>Effective for returns filed after December 31, 2005.</p>	<p>Art. 13, sec. 5 (TAX2). Electronic Payment of Refunds. Same</p>
<p>12</p>	<p>Preparer penalty. Extends the preparer penalties to those who act with reckless disregard of the law or rules. Present law applies only to “willful” actions. The penalty is \$500.</p> <p>Effective for returns submitted after December 31, 2005.</p>	<p>No comparable provision</p>
<p>13</p>	<p>Penalty for improperly claiming a refundable credit. Adds a penalty for individuals who claim the working family credit, dependent care credit, K-12 education credit, or property tax refund fraudulently or with reckless or intentional disregard of the law. Individuals who fraudulently claim a credit would be barred from claiming the same credit for the next ten years. Individuals who claim a credit with reckless or intentional disregard of the law would be barred from claiming the same credit for the next two years.</p> <p>Effective for credits or refunds claimed after December 31, 2005.</p>	<p>Art. 13, sec. 6-7 (TAX2). Fraudulent Claims for Refund. Different. Senate amends two different sections of statute to provide a 50 percent penalty for the portion of any refund claim that is found to be fraudulent, and strikes language that disallowed the amount of a fraudulent property tax refund claim without imposing any additional penalty.</p>
	<p>No comparable provision</p>	<p>Art. 20, sec. 1 (TAX3). Foreign Operating Corporation. Modifies the definition of a foreign operating corporation by requiring that the average of the percentages of its property and payrolls assigned to locations outside of the United States is 80 percent or greater, and it has at least \$2 million</p>

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Sec.	<p>Article 5: Income, Corporate Franchise, and Estate Taxes</p>	<p>Article 1: Income and Corporate Franchise Taxes – SF 1209; Article 5: Income Tax – SF 1683; Article 13: Department of Revenue Income, Corporate Franchise, and Estate Taxes – SF 1683; Article 19: Individual Income Tax – SF 2206; Article 20: Corporate Franchise Tax – SF 2206</p>
		<p>of property and \$1 million of payroll outside the United States.</p>
<p>14</p>	<p>Definition of nonresident. Removes military personnel in active service outside Minnesota from the definition of nonresident. These individuals are provided with a subtraction in place of nonresident treatment in section 17.</p> <p>In addition, the section prohibits the commissioner or a court from considering any of the following factors in applying the domicile test of Minnesota residency for individual income tax purposes:</p> <ul style="list-style-type: none"> ▶ The state in which the individual has professional licenses ▶ The location of union memberships ▶ The location of bank accounts or where the individual conducts transactions with financial institutions ▶ The location of a place of worship of which the individual is a member ▶ The location of business relationships and where the individual transacts business ▶ The location of organizations (country clubs, social organizations and similar) to which the individual belongs ▶ Statements the individual makes to insurance companies regarding residence. <p>This will prevent the taxpayer from using these factors as evidence to prove non-resident status. The overall effect likely will make the 183-day test more important, as well as the remaining factors (ownership of property, homestead status, location of living quarters, where the individual works, drivers license, schools attended by individual or family members, and so forth).</p> <p>Effective for tax year 2005.</p>	<p>Art. 5, sec. 2 (TAX2). Resident status of military personnel. Same for military personnel.</p> <p>No comparable provision</p>
<p>15</p>	<p>Resident trust. Modifies the rules for determining whether “grandfathered” non-grantor type trusts are resident trusts. The modification only applies to trusts not covered by the changes made to the law in 1995; these are trusts that became irrevocable by December 31, 1995 or were administered in Minnesota by that date. Present law treats these trusts as Minnesota resident trusts if they are “administered in Minnesota.” (This test does not appear in the current statutory language, but was in the law in 1995 before the current test was enacted</p>	<p>Art. 19, sec. 2 (TAX3). Resident trust. Same</p>

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	<p>prospectively—for trusts that became irrevocable or were administered in Minnesota by December 31, 1995—and, thus, continues to apply to these “old” trusts, even though it is not in the current edition of the statutes.)</p> <p>The section establishes a clearer or more “bright line” test of resident status for these trusts. If the trust meets two out of three criteria, it is treated as a Minnesota resident trust:</p> <ul style="list-style-type: none"> ▶ A majority of the discretionary investment decisions are made in Minnesota (However, hiring an agent to make investments is not considered making an investment decision, if the relationship meets the test described below.); ▶ A majority of discretionary distribution decisions are made in Minnesota; and ▶ The official books and records of the trust are kept in Minnesota. <p>Decisions by an appropriately hired agent or custodian are not taken into account, if the trustees (1) can revoke the delegation and (2) regularly monitor the agent or custodian’s performance. Put another way, the agent or custodian cannot be the <i>de facto</i> trustee.</p> <p>Effective for tax year 2005.</p>	
<p>16</p>	<p>Individuals; additions to taxable income. Makes two changes:</p> <ul style="list-style-type: none"> ▶ Changes references from “income taxes” to “taxes based on net income” to be consistent with other statutes; ▶ Eliminates the addition for expenses attributable to interest on U.S. bonds. Instead these expenses will be netted in computing the subtraction for U.S. bond interest. <p>No comparable provision</p> <p>Effective for tax years beginning after December 31, 2004.</p>	<p>Art. 13, sec. 8 (TAX2). Addition for Expenses for Income Taxable Federally but Not by Minnesota. Same with respect to references to “income taxes” and expenses attributable to interest on U.S. bonds.</p> <p>Art. 5, sec. 3 (TAX2). Additions to taxable income. Amends section 290.01, subdivision 19a, by adding clause (8), to require individual 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, dealing with fines, penalties, damages and expenses.</p> <p>Effective for tax years beginning after December 31, 2004.</p>

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<p>17</p>	<p>Individuals; subtractions from taxable income. Makes several changes:</p> <ul style="list-style-type: none"> ▶ Provides that the subtraction for interest on U.S. bonds is interest net of expenses. ▶ Eliminates the subtraction for Youth Works post-service benefits. These federal benefits were last paid in 2002, and while the benefits are still authorized at the federal level no funding is available. ▶ Allows owners of an “S” corporation that converted from a “C” corporation to claim pro-rata subtractions of any remaining bonus depreciation subtractions remaining that resulted from the add-back of 80 percent of federal bonus depreciation required by the predecessor “C” corporation. ▶ Clause (11) allows an income tax subtraction to members of the national guard or reserves for compensation paid while on active service in Minnesota, whether funded by the state or federal government. The subtraction does not apply to regular training or drill pay. ▶ Clause (12) allows an income tax subtraction for members of the military in active service outside Minnesota. This subtraction replaces current law treatment of these individuals, which deems them to be nonresidents during the time they are outside Minnesota. ▶ Clause (13) allows an income tax subtraction of up to \$10,000 for travel, lodging, and lost wages (net of sick pay) related to human organ donation for transplantation by a living donor. Allows the subtraction for donation of all or part of an individual’s liver, pancreas, kidney, intestine, lung, or bone marrow. <p>The elimination of the Youth Works subtraction, the subtraction for U.S. interest income, the two military compensation subtractions, and the organ donor expense subtraction are effective for tax years beginning after December 31, 2004. The change to the bonus depreciation subtraction is retroactively</p>	<p>Art. 13, sec. 9 (TAX2). Subtractions from Federal Taxable Income. Same with respect to subtraction for interest on U.S. bonds, Youth Works subtraction, and bonus depreciation for “S” corporations that converted from “C” corporations.</p> <p>Art. 5, sec. 4 (TAX2). Exclusions. Clause (13) is the same for in-state active service.</p> <p>Art. 6, sec. 4 (TAX3). Subtractions. Clause (13) provides a subtraction for in-state active service, but includes Active Guard Reserve compensation and does not provide references for explicitly excluding regular drill and training pay.</p> <p>Art. 5, sec. 4 (TAX2). Exclusions. Clause (14) is the same for out-of-state active service.</p> <p>Art. 5, sec. 4 (TAX2). Exclusions. Clause (12) is similar for organ donors. House limits to living organ donors, and extends subtraction to expenses incurred by a parent for an organ donation made by a child. House ties subtraction to year in which donation made, Senate to year in which expenses incurred. House references expenses <i>not deducted</i> in computing federal taxable income; Senate expenses <i>included</i> in federal taxable income. Other minor language differences.</p>

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	<p>effective to tax years beginning after December 31, 2001.</p>	
<p>18</p>	<p>Corporations; additions to federal taxable income. Makes two changes:</p> <ul style="list-style-type: none"> ▶ Eliminates the subtraction for the federal environmental tax. This tax has not been imposed since 1995. ▶ Clarifies a reference to bonus depreciation in the Internal Revenue Code. <p>No comparable provision</p>	<p>Art. 13, sec. 10 (TAX2). Corporations; Additions to Federal Taxable Income. Same with respect to federal environmental tax and bonus depreciation reference.</p> <p>Art. 5, sec. 5 (TAX2). Additions to corporate taxable income. Amends section 290.01, subdivision 19c, by adding clause (17), 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, that addresses fines, penalties, damages, and expenses.</p>
	<p>No comparable provision</p> <p style="font-size: 2em; opacity: 0.5; transform: rotate(-15deg); position: absolute; top: 50px; left: 300px;">out</p>	<p>Art. 20, sec. 2 (TAX3). Foreign Royalty Deduction. Repeals the foreign royalty subtraction currently available to an FOC or foreign corporation.</p>
	<p>No comparable provision</p>	<p>Art. 5, sec. 6 (TAX2). 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.</p> <p>Effective date: For taxable years beginning after December 31, 2008.</p>
	<p>No comparable provision</p> <p style="font-size: 1.5em; font-family: cursive;">\$ 75,000 Single</p> <p style="font-size: 1.5em; font-family: cursive;">Approx. \$ 120,000 Married</p> <p>No comparable provision</p>	<p>Art. 5, sec. 7 (TAX2). 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.</p> <p>Effective date: For taxable years beginning after December 31, 2004, but only if the changes to the individual alternative minimum tax are enacted.</p> <p>Art. 19, sec. 4 (TAX3). Individual income tax rates. Provides for new brackets and rates, and establishes a fourth bracket with an 10.65 percent tax rate for married joint filers with taxable income over \$250,000; \$166,665 for single filers; and \$208,330 for head of household filers. The fourth bracket terminates in the first taxable year beginning after the Commissioner of Finance reports that there is a sufficient fund balance to</p>

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	<p>No comparable provision</p>	<p>complete all the allocations outlined in Minnesota Statutes, section 16A.152, subdivision 2.</p>
19	<p>Credit for taxes paid to other states; income taxes paid to other states. Changes references from “taxes on or measured by net income” to “taxes based on net income” to be consistent with other statutes. Corrects a cross-reference.</p> <p>Effective for tax years beginning after December 31, 2004.</p>	<p>Art. 19, sec. 5 (TAX3). Indexing of brackets. provides for indexing of the income tax brackets for tax year 2006 and following years.</p>
	<p>No comparable provision</p>	<p>Art. 5, sec. 8 (TAX2). 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.</p>
20	<p>Investment tax credit for dairy farms. Establishes a dairy investment credit against individual income or corporate franchise taxes owed to the state. The credit amounts to ten percent of the first \$500,000 of investment and a declining amount as the qualifying investment increases to \$1,000,000 (at which level the total tax credit caps out at \$75,000).</p> <p>Eligible expenditures include barns, fences, water and feed facilities; milking, robotic, and milk storage equipment; manure handling equipment and storage facilities; methane digesters and energy production equipment; on-farm processing; and pasture development (but not land acquisition).</p> <p>To be eligible for the dairy investment credit a taxpayer must apply to the commissioner of agriculture on a form that includes a statement of qualifying expenditures. The commissioner of agriculture must issue credit certificates to qualified applicants on a first-come, first-served basis, until certificates for the full amount authorized for the tax year have been issued. Applications which do not receive certificates remain in line for certificates in following tax years. The total amount of certificates is limited to \$900,000 in tax year 2005 and \$1 million per year in following years.</p> <p>The credit may be applied to the taxpayer’s liability in the year the certificate is received, and unused credit amounts may be carried forward for a maximum of 15 successive tax years.</p> <p>The credit is available for qualifying expenditures</p>	<p>Art. 19, sec. 6 (TAX3). Dairy investment credit. Similar, except House includes pasture development (but not land acquisition) in eligible expenditures, and maximum statewide credit under Senate is \$900,000 in 2005, \$2,000,000 in 2006, \$3,500,000 in 2007, and \$4,000,000 in 2008 and subsequent years (House limits to \$900,000 in 2005 and \$1,000,000 per year in following years).</p>

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	made after December 31, 2004.	
	<p>No comparable provision</p> <p><i>\$90,000</i></p>	<p>Art. 5, sec. 9 (TAX2). 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.</p> <p>Effective date: For taxable years beginning after December 31, 2005.</p>
	<p>No comparable provision</p>	<p>Art. 5, sec. 10 (TAX2). Regional investment credit. Amends section 290.06, by adding a subdivision that creates a nonrefundable income tax credit for investments into a “Regional Angel Investment Network Fund.” The credit equals 25 percent of the amount invested in the fund, limited to the lesser of the tax imposed or the amount certified by the Commissioner of Trade and Economic Development, unused credit amounts may be carried forward to the 15 succeeding taxable years.</p> <p>An investment fund qualifies as a R.A.I.N. fund if it is a limited liability company whose members are accredited by the Securities and Exchange Commissioner, it primarily invests in emerging and expanding small businesses or cooperative associations located in communities outside the metro area, and does not invest in residential real estate. A total of \$10,000,000 in credits are available.</p> <p>Effective date: For taxable years beginning after December 31, 2005, and for investments made after a certification of a fund.</p>
21	<p>Dependent care credit; subtractions for military pay included in apportionment for residents. Provides that the two new subtractions for military pay are considered earned income assignable to Minnesota for purposes of apportioning the dependent care credit.</p>	<p>Art. 6, sec. 11 (TAX2). Dependent Care Credit Exempt Income Ratio. Same with respect to combat pay and in-state military active service pay; Senate does not reference out-of-state military active service pay.</p>
22	<p>Dependent care credit; income definition. Provides for subtracting the income of the lesser earning spouse from the measure of income under the phaseout of the dependent care credit. This</p>	<p>No comparable provision</p>

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Sec.	Article 5: Income, Corporate Franchise, and Estate Taxes	Article 1: Income and Corporate Franchise Taxes – SF 1209; Article 5: Income Tax – SF 1683; Article 13: Department of Revenue Income, Corporate Franchise, and Estate Taxes – SF 1683; Article 19: Individual Income Tax – SF 2206; Article 20: Corporate Franchise Tax – SF 2206
	eliminates the “marriage penalty” that results from the income phaseouts under the credit insofar as earned income is concerned.	
23	<p>Working family credit; subtractions for military pay included in apportionment for residents. Provides that the two new subtractions for military pay are considered earned income assignable to Minnesota for purposes of apportioning the working family credit.</p> <p>In addition, to provide relief from “marriage penalties,” the phase-out thresholds are increased for married filers:</p> <ul style="list-style-type: none"> ▶ In tax year 2006, by the greater of (1) \$2,000 or (2) the earned income of the lesser earning spouse ▶ In tax years 2007 through 2010, by the greater of (1) \$3,000 or (2) the earned income of the lesser earning spouse ▶ In tax years after 2010, by the earned income of the lesser earning spouse. 	<p>Art. 6, sec. 13 (TAX2). Working family credit exempt income ratio. Same with respect to combat pay and in-state military active service pay; Senate does not reference out-of-state military active service pay.</p> <p>No comparable provision with respect to marriage penalty relief.</p>
24	Working family credit; definition. Updates a reference to adjusted gross income; the old reference was to a language in the Internal Revenue Code that has been repealed.	No comparable provision
25	<p>Long-term care insurance credit. Allows the long-term care insurance credit on premiums, regardless of whether the taxpayer claimed the premiums as an itemized deduction. Present law does not allow the credit on the premiums to the extent claimed as an itemized deduction, but does allow credit on premiums paid by self-employed individuals who can claim an “above-the-line deduction” for those premiums. This equalizes the treatment of self-employed and all other taxpayers.</p> <p>Effective for tax years beginning after December 31, 2004.</p>	No comparable provision
26	<p>Long-term health insurance credit. Is a complementary provision to section 25.</p> <p>Effective for tax years beginning after December 31, 2004.</p>	No comparable provision
27	K-12 education credit; qualifying curriculum areas. Updates a reference specifying curriculum areas of study for which fees for instruction qualify for the education credit, made necessary by the 2003 repeal of the graduation standards and profiles of learning.	Art. 13, sec. 12 (TAX2). Education Credit Cite to Education Code. Same

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Sec.	<p>Article 5: Income, Corporate Franchise, and Estate Taxes</p>	<p>Article 1: Income and Corporate Franchise Taxes – SF 1209; Article 5: Income Tax – SF 1683; Article 13: Department of Revenue Income, Corporate Franchise, and Estate Taxes – SF 1683; Article 19: Individual Income Tax – SF 2206; Article 20: Corporate Franchise Tax – SF 2206</p>
<p>28</p>	<p>K-12 education credit. Removes the \$2,000 per family limit for the K-12 education credit. The maximum credit per child would remain at \$1,000, but for an unlimited number of children. Taxpayers would be able to distribute the maximum per family among children at their discretion.</p> <p>For tax year 2005, retains the credit phaseout at the rate of \$1 for each \$4 of household income over \$33,500 for families claiming the credit for one child, and at the rate of \$2 for each \$4 of household income for families claiming the credit for two or more children. The credit would fully phase out for incomes between \$33,500 and \$37,500 for families with one or two children, and the phaseout would extend by an additional \$2,000 of income for each additional child for whom the credit is claimed.</p> <p>For tax year 2006 and following years, starts the credit phaseout at the greater of \$33,500 or 185% of the federal poverty guideline in effect for the tax year, adjusted for family size (in 2005 185% of the guideline for a family of four is \$35,798. The credit would phase out at a rate of \$1 for each child for whom the credit is claimed for each \$4 over the threshold.</p> <p>Under current law, the K-12 education credit is subject to limits of \$1,000 per child and \$2,000 per family. The credit begins to phase out when household income reaches \$33,500, and is not available to families with incomes over \$37,500. The credit equals 75 percent of qualifying expenses.</p>	<p>Art. 5, sec. 11 (TAX2). Education credit. Same on removal of family cap and sharing of expenses among children.</p> <p>Different on corresponding changes to phaseout. Senate phases out credit at rate of \$1 for every \$4 over \$33,500 for all families, regardless of number of qualifying children. House phases out credit in tax year 2005 at a rate of \$1 for every \$4 over \$33,500 for families with one child, and \$2 for every \$4 over \$33,500 for families with two or more children. In tax year 2006 and following years House phaseout is at the rate of \$1 for each qualifying child for every \$4 over the greater of \$33,500 or 185% of federal poverty guideline as adjusted by family size.</p>
	<p>No comparable provision</p>	<p>Art. 5, sec. 12 (TAX2). 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.</p> <p>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.</p> <p>In lieu of receiving the tax credit, the taxpayer may</p>




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Sec.	Article 5: Income, Corporate Franchise, and Estate Taxes	Article 1: Income and Corporate Franchise Taxes – SF 1209; Article 5: Income Tax – SF 1683; Article 13: Department of Revenue Income, Corporate Franchise, and Estate Taxes – SF 1683; Article 19: Individual Income Tax – SF 2206; Article 20: Corporate Franchise Tax – SF 2206												
		<p>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.</p> <p>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.</p>												
29	<p>Alternative minimum tax subtraction. Eliminates the adjusted gross income (AGI) threshold for subtraction of charitable contributions under the alternative minimum tax beginning for tax year 2006. Under current law (through tax year 2005), subtractions in excess of 1% of AGI may be subtracted.</p> <p>No deduction allowed for federal exemption for dependents.</p> <p>Provides an alternative minimum tax (AMT) subtraction equal to the military pay and organ donor expense subtractions in section 17. This prevents individuals claiming the military pay and organ donor expense subtractions from shifting from the regular tax to the AMT.</p>	<p>Art. 5, sec. 13 (TAX2). Alternative minimum tax. Same except Senate is effective for tax year 2005, and contingent on enactment of the increase in the top individual income tax rate and the increased exemption amounts for AMT.</p> <p>Senate also allows a deduction for the amount of the federal exemption for dependents.</p> <p>Same for organ donor expense, Senate does not provide AMT subtraction for military pay.</p>												
30	<p>Alternative minimum tax exemption amount. Increase the exemption amount under the AMT. The table shows the amounts for married joint filers. The amounts for married separate and single filers are increased proportionately.</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Tax year</th> <th>Exemption – Married Joint</th> </tr> </thead> <tbody> <tr> <td>Present law</td> <td>\$40,000</td> </tr> <tr> <td>2005</td> <td>42,000</td> </tr> <tr> <td>2006</td> <td>45,000</td> </tr> <tr> <td>2007</td> <td>50,000</td> </tr> <tr> <td>2008 and later</td> <td>indexed for inflation</td> </tr> </tbody> </table>	Tax year	Exemption – Married Joint	Present law	\$40,000	2005	42,000	2006	45,000	2007	50,000	2008 and later	indexed for inflation	<p>Art. 5, sec. 14 (TAX2). AMT exemption amounts. Different. Senate 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.</p> <p>Effective date: Taxable years beginning after December 31, 2004, only if the increase in the top individual income tax rate and the additional</p>
Tax year	Exemption – Married Joint													
Present law	\$40,000													
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2008 and later	indexed for inflation													

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Sec.	HOUSE	SENATE										
	Article 5: Income, Corporate Franchise, and Estate Taxes	Article 1: Income and Corporate Franchise Taxes – SF 1209; Article 5: Income Tax – SF 1683; Article 13: Department of Revenue Income, Corporate Franchise, and Estate Taxes – SF 1683; Article 19: Individual Income Tax – SF 2206; Article 20: Corporate Franchise Tax – SF 2206										
		deductions for AMT are also enacted.										
31	Cross-reference; cooperatives organized under chapter 308B. Updates a corporate franchise tax cross-reference so that cooperatives receive the same tax treatment whether they are organized under chapter 308A or the newer chapter 308B. Effective for taxes payable in 2004 and thereafter.	Art. 13, sec. 13 (TAX2). Cross Reference to Cooperatives Organized Under Chapter 308B. Same										
	No comparable provision 	Art. 5, sec. 15 (TAX2). Nondeductible payments to government. Adds a subdivision to section 290.10 that provides that amounts 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, 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.										
	No comparable provision 	Art. 19, sec. 7 (TAX3). Deferred Payment of Compensation. Extends state taxation of compensation earned in Minnesota by a Minnesota resident but which is received by the recipient when the recipient was not a resident of the state for any part of the taxable year in which the wages are received.										
	No comparable provision 	Art. 20, sec. 3 (TAX3). Dividends received deduction. Disallows a dividend received deduction from an FOC if the deemed dividend includes dividends, interest, royalties, or capital gains.										
32	Single factor sales apportionment; regular corporations. Provides for a 3-year phase-in of single factor sales apportionment of income beginning with tax year 2007 for regular corporations. The phase-in schedule is as follows: <table border="1" data-bbox="250 2188 764 2368"> <thead> <tr> <th>Tax year</th> <th>Sales Percentage</th> </tr> </thead> <tbody> <tr> <td>Present law</td> <td>75%</td> </tr> <tr> <td>2007</td> <td>78%</td> </tr> <tr> <td>2008</td> <td>95%</td> </tr> <tr> <td>2009</td> <td>100%</td> </tr> </tbody> </table> Effective for tax years beginning after December 31, 2006.	Tax year	Sales Percentage	Present law	75%	2007	78%	2008	95%	2009	100%	No comparable provision
Tax year	Sales Percentage											
Present law	75%											
2007	78%											
2008	95%											
2009	100%											
33	Single factor sales apportionment; financial	No comparable provision										

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Sec.	<p>Article 5: Income, Corporate Franchise, and Estate Taxes</p>	<p>Article 1: Income and Corporate Franchise Taxes – SF 1209; Article 5: Income Tax – SF 1683; Article 13: Department of Revenue Income, Corporate Franchise, and Estate Taxes – SF 1683; Article 19: Individual Income Tax – SF 2206; Article 20: Corporate Franchise Tax – SF 2206</p>
	<p>institutions. Phases-in single factor sales apportionment for financial institutions under the same schedule applicable to regular corporations under section 32.</p> <p>Effective for tax years beginning after December 31, 2006.</p>	
<p>34</p>	<p>National guard and reserves checkoff.</p> <p>Subd. 1. Tax checkoff created. Directs the commissioner of revenue to amend the individual income tax form to permit tax filers to voluntarily designate that \$1 or more shall be paid into the Minnesota Military Families Relief Account. The amount designated is subtracted from the refund or added to the tax due. Establishes a standing appropriation of all checkoff revenues to the Adjutant General for making the grants as needed. Provides that the checkoff is subject to removal from the income tax form as provided in section 37.</p> <p>Subd. 2. Grants. (a) Authorizes the Adjutant General to make grants either directly to eligible individuals, or to one or more eligible foundations to administer for that same purpose.</p> <p>(b) Defines “<i>eligible individual</i>” as a National Guard or Reserve member who has been ordered to federal active service (under Title 10) since 9/11 and has a financial need as a result of that service, or the spouse or dependent child or surviving spouse or dependent child of that member provided that person is a Minnesota resident who is currently residing within Minnesota.</p> <p>(c) Defines “<i>eligible foundation</i>” as any organization that:</p> <ol style="list-style-type: none"> (1) is tax-exempt under 501(c)(3); (2) is incorporated with the stated purpose of providing financial assistance to members of the Minnesota National Guard and other military Reserves and their families and survivors; and (3) agrees to administer the funds as directed by the adjutant general. <p>(d) Establishes the maximum grant amount at \$2,000 for an eligible individual in any</p>	<p>No comparable provision</p>

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	<p align="center">Article 5: Income, Corporate Franchise, and Estate Taxes</p> <p>calendar year.</p> <p>(e) and (f) Provide that the state pledges that amounts contributed will be used solely for the purposes of this law, and that additional conditions or restrictions will not be imposed.</p> <p>(g) Defines “<i>federal active service</i>” by reference to statute, but excludes service exclusively for training, as well as full-time employment in Active Guard & Reserve status (AGR).</p> <p>Subd. 3. Annual report required. Requires the Adjutant General to report annually to the legislature on the number, amounts and uses of the grants. The first report is due by February 1, 2007.</p> <p>Effective date. For income tax returns for taxable year 2005 and thereafter.</p>	<p align="center">Article 1: Income and Corporate Franchise Taxes – SF 1209; Article 5: Income Tax – SF 1683; Article 13: Department of Revenue Income, Corporate Franchise, and Estate Taxes – SF 1683; Article 19: Individual Income Tax – SF 2206; Article 20: Corporate Franchise Tax – SF 2206</p>
35	<p>Public safety officer checkoff. Provides for a checkoff on the individual income tax form, allowing individuals to designate that \$1 or more be directed towards a public safety memorial and survivors account. The amount designated in the checkoff would be added to the tax due or deducted from the refund. Provides that the checkoff is subject to removal from the income tax form as provided in section 37.</p> <p>Credits amounts contributed through the checkoff to the public safety officer memorial and survivor account. Money in the account may be used to make grants to associations that assist in building and preserving state memorial monuments, assist the families of public safety officers killed in the line of duty, award scholarships to surviving family members, and otherwise provide services relating to officers killed in the line of duty. Provides that interest earned on the account is credited to the account. Appropriates the money to the commissioner of public safety for the designated purposes.</p> <p>Provides that the state pledges that amounts contributed will be used solely for the purposes of this law, and that additional conditions or restrictions will not be imposed.</p> <p>Directs the commissioner of public safety to report annually to the chairs and ranking minority members of criminal justice policy and funding committees on grants awarded, excluding the amount transferred to the public safety officer’s</p>	<p align="center">No comparable provision</p>

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Sec.	<p>Article 5: Income, Corporate Franchise, and Estate Taxes</p>	<p>Article 1: Income and Corporate Franchise Taxes – SF 1209; Article 5: Income Tax – SF 1683; Article 13: Department of Revenue Income, Corporate Franchise, and Estate Taxes – SF 1683; Article 19: Individual Income Tax – SF 2206; Article 20: Corporate Franchise Tax – SF 2206</p>
	<p>benefit account.</p> <p>Establishes an eight-member council to advise the commissioner of public safety on the distribution of grants. Provides that members serve without compensation. Requires the commissioner to consider the council’s recommendations.</p> <p>Provides a cross-reference to current definitions of the terms “killed in the line of duty” and “public safety officer.”</p> <p>The section is effective for income tax returns relating to taxable years beginning in 2005.</p>	
<p>36</p>	<p>K-12 education, higher education, transportation, health care, nursing home, and clean water checkoffs.</p> <p>Subd. 1. Allows individual taxpayers to designate on their income tax return that \$1 or more be added to their tax or deducted from their refund and directed to one or more of six special accounts for:</p> <ul style="list-style-type: none"> ▶ K-12 education, for technology and capital improvement grants ▶ Higher education, for state assistance to students based on need ▶ Transportation, for local road and bridge funds ▶ Health care, to provide for public health care programs ▶ Nursing home assistance, for state reimbursement of nursing home costs ▶ Environmental clean water, for grants to cities for wastewater treatment <p>Requires individuals at least \$1 to each account designated.</p> <p>Subd. 2. Creates special accounts to receive contributions made under the surcharge in subdivision 1 and provides for the amounts in the accounts to be appropriated annually. Appropriations are made as follows:</p> <ul style="list-style-type: none"> ▶ K-12 education contributions are appropriated to the commissioner of education to make one-time grants to school districts 	<p>No comparable provision</p>


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Sec.	<p>Article 5: Income, Corporate Franchise, and Estate Taxes</p>	<p>Article 1: Income and Corporate Franchise Taxes – SF 1209; Article 5: Income Tax – SF 1683; Article 13: Department of Revenue Income, Corporate Franchise, and Estate Taxes – SF 1683; Article 19: Individual Income Tax – SF 2206; Article 20: Corporate Franchise Tax – SF 2206</p>
	<ul style="list-style-type: none"> ▶ Higher education contributions are appropriated to the Higher Education Services Office to provide assistance to postsecondary student with financial need ▶ Transportation contributions are appropriated to the commissioner of transportation for improvements to local roads and bridges ▶ Health care contributions are appropriated to the commissioner of human services to provide for additional adult participation in MinnesotaCare ▶ Nursing home contributions are appropriated to the commissioner of human services to fund a one-time increase in the state paid nursing home reimbursement rate ▶ Environmental clean water contributions are appropriated to the public facilities authority to make one-time grants to municipalities for wastewater treatment facilities <p>Provides that appropriations under this section are one-time and do not become part of base level funding. Provides that each of the checkoffs in this section are subject to removal from the income tax form as provided in section 37.</p>	
	<p>No comparable provision</p>	<p>Art. 5, sec. 16 (TAX2). 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.</p>
<p>37</p>	<p>Administration of checkoffs. Directs the commissioner to list the nongame wildlife checkoff, the state elections campaign checkoff, the national guard and reserves checkoff, the public safety officer checkoff, and the checkoffs proposed in section 36, on a separate form, with the total amount contributed transferred to a line on form M-1. Provides that each of the new checkoffs, including each individual checkoff in section 36, is subject to removal from the income tax form if the checkoff fails to receive at least \$100,000 of contributions from at least 8 percent of all returns</p>	<p>No comparable provision</p>

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Sec.	<p align="center">Article 5: Income, Corporate Franchise, and Estate Taxes</p>	<p align="center">Article 1: Income and Corporate Franchise Taxes – SF 1209; Article 5: Income Tax – SF 1683; Article 13: Department of Revenue Income, Corporate Franchise, and Estate Taxes – SF 1683; Article 19: Individual Income Tax – SF 2206; Article 20: Corporate Franchise Tax – SF 2206</p>
	<p>contributing to the new checkoffs for two consecutive years.</p>	
<p>38</p>	<p>Withholding by publicly traded partnerships. Exempts publicly traded partnerships from the requirement that the partnership withhold Minnesota income tax on income shares distributed to nonresident partners. Under present law, this withholding requirement only applies when the amount assignable to Minnesota exceeds \$1,000. Publicly traded partnerships are defined by reference to federal law, which defines them as partnerships whose interests trade on an established securities market (e.g., the New York Stock Exchange or the NASDAQ) or are readily tradable on a secondary market. Under federal law, many of these entities are taxed as C corporations (i.e., they are subject to an entity level tax, not flow through taxation of the partners), not as partnerships. This exemption would not affect entities taxed as corporations, since the withholding requirement applies only to entities taxed as partnerships. Effective date: Beginning for tax year 2005.</p>	<p>Art. 5, sec. 17 (TAX2). Publicly traded partnerships. Same</p>
	<p>No comparable provision</p> 	<p>Art. 1, sec. 2 (TAX1). Withholding by contractors. Requires businesses that hire individual independent contractors to perform construction work in Minnesota to withhold and remit to Minnesota two percent of the amount they paid the independent contractors if the amount of the payment exceeds \$600.00.</p>
<p>39</p>	<p>Estate tax; definition of “Minnesota taxable estate.” Defines “Minnesota adjusted taxable estate” to disallow the federal deduction for state death taxes incurred by the estate.</p> <p>Effective for estates of decedents dying after December 31, 2004.</p>	<p>Art. 13, sec. 14 (TAX2). Estate Tax Computation and Deduction for State Death Taxes. Same</p>
<p>40</p>	<p>Estate tax computation. Provides that the Minnesota estate tax is calculated based on the value of the Minnesota adjusted taxable estate. State death taxes became deductible in computing federal taxable estate beginning with estates of decedents dying after December 31, 2004. This change prevents a circular computation (i.e., subtracting Minnesota estate tax in calculating the taxable estates for the Minnesota tax). Effective for estates of decedents dying after December 31, 2004.</p> <p>QTIP. This section also allows a Minnesota QTIP election that differs from the federal election. This will allow electing differing state and federal amounts to qualify for the full exemption under</p>	<p>Art. 13, sec. 15 (TAX2). Estate Tax Computation and Deduction for State Death Taxes. Same with respect to change preventing a circular computation.</p> <p>Senate has no comparable provision with respect to QTIP election.</p>

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Sec.	Article 5: Income, Corporate Franchise, and Estate Taxes	Article 1: Income and Corporate Franchise Taxes – SF 1209; Article 5: Income Tax – SF 1683; Article 13: Department of Revenue Income, Corporate Franchise, and Estate Taxes – SF 1683; Article 19: Individual Income Tax – SF 2206; Article 20: Corporate Franchise Tax – SF 2206
	both taxes. Effective for decedents dying after June 30, 2006.	
41	Apportionment, occupation tax nonferrous metals. Provides that the occupation tax on non-iron ores will continue to be apportioned using the 75%-12.5%-12.5% apportionment formula.	No comparable provision
42	Apportionment, occupation tax on taconite and iron ore. Provides that the occupation tax on taconite and iron ores will continue to be apportioned using the 75%-12.5%-12.5% apportionment formula. Since all of these sales are non-Minnesota sales (i.e., the steel plants are all located outside of Minnesota), single sales apportionment would effectively eliminate the occupation tax.	No comparable provision <i>Single sales</i>
	No comparable provision	Art. 5, sec. 18. (TAX2) Determination of economic impact. Directs the Minnesota Historical Society to annually determine the economic impact to the state from the rehabilitation of eligible property for which credits are provided under Article 5, section 12.
	No comparable provision	Art. 5, sec. 19. (TAX2) 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.
43	Rule repealer. Repeals: <ul style="list-style-type: none"> ▶ Minnesota Rules, part 8093.2000, providing guidance for corporate taxpayers subject to estimated tax provisions, and recently replaced with statutory language. ▶ Minnesota Rules, part 8093.3000, permitting the commissioner to grant a reasonable extension of time for filing a declaration of estimated tax. The corresponding subdivision of statute was recently repealed. 	Art. 13, sec. 16 (TAX2). Repealer. Same
Sec.	Article 6: Federal Update	Article 2: Federal Update – SF 1209; Article 6: Federal Update – SF 1683
1	Update of tax administration provisions. Adopts	Art. 6, sec. 1 (TAX2). Update of tax

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Sec.	Article 6: Federal Update	Article 2: Federal Update – SF 1209; Article 6: Federal Update – SF 1683
	<p>federal tax administrative provisions made between June 15, 2003, and April 15, 2005, that Minnesota references for state tax administration purposes under chapter 289A. None of the six federal acts enacted since June 15, 2003 changed federal provisions that Minnesota provisions refer to in chapter 289A.</p> <p>Effective the day following final enactment.</p>	<p>administration provisions. Similar but updates through December 31, 2004.</p>
<p>2</p>	<p>Update to federal definition of taxable income. Adopts all of the federal changes to taxable income effective at the same time the federal changes were effective. The six new federal laws and important changes were:</p> <ul style="list-style-type: none"> ▶ Military Family Tax Relief Act of 2003 provides a number of new exclusions and deductions for members of the military retroactively effective to the beginning of 2003. Among those was an increase in the exclusion from income of the death gratuity benefit paid to survivors of members of the military who are killed in the line of duty from \$3,000 to \$12,000 (also increased the benefit from \$6,000 to \$12,000), effective for deaths after September 10, 2001. ▶ The Medicare Prescription Drug, Improvement and Modernization Act of 2003 allows the deduction of contributions to a health savings account (HSA) for individuals with high-deductible medical health plan coverage. The maximum deduction is \$2,250 for individuals with self-only coverage and \$4,500 for individuals with family coverage. The maximum deduction is \$500 higher for individuals age 55 or older, and is increased by an additional \$100 per year until tax year 2009, when it will be \$1,000 higher than the maximum deduction for individuals under age 55. “High-deductible” plan is defined as having an annual deductible of at least \$1,000 for self-only coverage and \$2,000 for family coverage, and having a maximum combined deductible and out-of-pocket expense requirement of at most \$5,000 for self-only coverage and \$10,000 for family coverage. Earnings on amounts contributed to HSAs are tax-exempt. Distributions from HSAs are tax-exempt if used for medical expenses. Effective beginning in tax year 2004. <p>Exempts federal subsidies paid to employers who provide prescription drug</p>	<p>Art. 2, sec. 1 (TAX1). Federal update. Updates to provisions of American Jobs Creation Act of 2004.</p> <p>Art. 6, sec. 2 (TAX2). Federal update. Similar to House but does not update to Public Law 109-7 (exclusion of federal disaster mitigation payments).</p>

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Sec.	Article 6: Federal Update	Article 2: Federal Update – SF 1209; Article 6: Federal Update – SF 1683
	<p>coverage for their retirees. Provides for federal subsidies to be paid beginning in 2006 (sections 3 and 5 require these subsidies to be added to Minnesota taxable income).</p> <ul style="list-style-type: none"> ▶ Working Families Tax Relief Act of 2004 extended the sunset dates of a number of expiring tax provisions (teacher material expense, Archer medical savings accounts, clean fuel vehicle deduction), modified the definitions of “dependent” and “qualifying child” to make them similar, increased the standard deduction available to married couples, and made a number of technical changes. Increases the standard deduction for married taxpayers starting in 2005 and ending in 2011 to twice the standard deduction of an unmarried single taxpayer. This article conforms to the increased standard deduction for married joint filers for 2005 and 2006; section 3 requires the additional deduction to be added back in tax year 2007 and 2008. Minnesota’s standard deduction would equal the federal deduction in 2009 and following years. <p>American Jobs Creation Act of 2004 contained a large number of business provisions, which limited some business deductions, created some new deductions and closed some perceived loopholes. It also allowed the itemized deduction of the greater of state income taxes or state sales taxes and limited the expensing of heavy sport utility vehicles (SUVs). Additions for the manufacturing activities deduction and the extension of the increased limit on expensing are provided in sections 3 and 5.</p> <ul style="list-style-type: none"> ▶ Public Law 109-1 allows charitable contributions for tsunami relief made in January of 2005, at the election of the taxpayer, to be deducted as a charitable contribution for the 2004 tax year. Effective for the calendar 2004 tax year. (Note: this change was enacted in Laws 2005, chapter 1) ▶ Public Law 109-7 excluded federal disaster mitigation payments from adjusted gross income. Previous law excluded disaster relief payments. Effective for payments received before, on, or after April 15, 2005. 	
3	Additions to federal taxable income for individuals, trusts, and estates. Requires	Art. 2, sec. 2 (TAX1). Additions to taxable income. Same with respect to the new

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Sec.	Article 6: Federal Update	Article 2: Federal Update – SF 1209; Article 6: Federal Update – SF 1683
	<p>individuals, trusts, and estates to add back to FTI:</p> <ul style="list-style-type: none"> ▶ the new manufacturer’s deductions; ▶ the difference between the standard deduction for married couples allowed under the 2003 Internal Revenue Code and the deduction allowed under the current Internal Revenue Code, for tax years 2007 and 2008; ▶ 80% of the difference between the I.R.C. section 179 expenses allowed under the 2003 Internal Revenue Code and the amount allowed under the current Code; ▶ the amount of deduction a taxpayer claims for non-business state sales and use tax, but only to the extent the deduction generates a federal tax benefit compared to the standard deduction amount in effect in Minnesota; and ▶ federal subsidies paid to employers who provide prescription drug coverage for their retirees, exempted federally under the Medicare Prescription Drug, Improvement and Modernization Act. <p>Generally effective for tax years beginning after December 31, 2004, except add-back of consumer sales taxes deducted is effective for tax years beginning after December 31, 2003.</p>	<p>manufacturer’s deductions, the 80% add-back for section 179 expenses, and the deduction a taxpayer claims for non-business state sales and use tax.</p> <p>Art. 6, sec. 3 (TAX2). Additions to taxable income. Same with respect to the new manufacturer’s deductions, the 80% add-back for section 179 expenses, the deduction a taxpayer claims for non-business state sales and use tax, the deduction for federal subsidies for retiree prescription drug coverage.</p> <p>Senate also requires an addition for contributions to health savings accounts, and Senate requires an addition for the difference between the federal standard deduction allowed for married couples under the 2003 Code and the current deduction in tax years 2005 to 2008 (House requires addition for 2007 and 2008 only).</p> <p>Art. 19, sec. 3 (TAX3). Strikes the addition for the difference between the federal standard deduction allowed for married couples under the 2003 Code and the current deduction. [NOTE: Senate appears to omit conforming changes to add-back of state income or sales/use tax in excess of standard deduction amount in clause (2) of this subdivision]</p>
4	<p>Subtractions from FTI for individuals, trusts, and estates. Allow subtractions for</p> <ul style="list-style-type: none"> ▶ one-fifth of the addition required for I.R.C. section 179 expenses in section 3 above which exceeds the taxpayer’s net operating loss generated in the year of the addition, in each of the 5 years succeeding the year of the addition (similar to the subtraction for bonus depreciation). ▶ contributions made in January 2005 for tsunami relief when computing 2004 Minnesota charitable contributions (Note: this provision was enacted in Laws 2005, chapter 1); and ▶ military pay received by members of the military stationed in Minnesota but domiciled in another state. Current law provides for these individuals to calculate their tax based on total taxable income and then apportion the result based on the ratio of Minnesota source income to taxable income. Public Law 108-189 revised the Soldiers’ and Sailors’ Civil Relief Act of 1940 to require states to allow a subtraction for nonresident active service members of the military rather than apportioning tax. 	<p>Art. 2, sec. 3 (TAX1). Subtractions from taxable income. Same with respect to the subtraction for one-fifth of the section 179 addition.</p> <p>Art. 6, sec. 4 (TAX2). Subtractions from taxable income. Same with respect to subtractions for one-fifth of the section 179 addition, tsunami relief contributions, military pay received by members of the military stationed in Minnesota but domiciled in another state.</p> <p>Senate also provides a subtraction for distributions from health savings accounts that represent the return of contributions not allowed as a subtraction at the state level. This corresponds to the Senate’s disallowance of the deduction for contributions to health savings accounts.</p>

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	<p>The Department of Revenue is complying with this change as required under federal law.</p> <p>Effective for tax years beginning after December 31, 2004, except that the charitable contribution change is effective for contributions made in January, 2005.</p>	
5	<p>Additions to FTI for corporate franchise tax. Requires “C” corporations to add to federal taxable income</p> <ul style="list-style-type: none"> ▶ the new federal manufacturer’s deduction; ▶ 80% of the difference between the I.R.C. § 179 expenses allowed under the code and the amount that would have been allowable under the 2003 Internal Revenue Code (similar to the modification made by individuals); and ▶ federal subsidies paid to employers who provide prescription drug coverage for their retirees, exempted federally under the Medicare Prescription Drug, Improvement and Modernization Act. <p>Effective for tax years beginning after December 31, 2004.</p>	<p>Art. 2, sec. 4. Additions to taxable income. Same with respect to the manufacturer’s deduction and the 80% addition for section 179 expenses.</p> <p>Art. 6, sec. 5. Additions to taxable income. Same with respect to the manufacturer’s deduction and the 80% addition for section 179 expenses.</p> <p>Senate does not require addition by corporate taxpayers of federal subsidies paid to employers who provide prescription drug coverage for their retirees, but does require this addition of individual taxpayers (Art. 6, sec. 3).</p>
6	<p>Subtraction 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 I.R.C. § 179 expenses required in section 5 above, in each of the five years succeeding the year of add-back.</p> <p>Effective for tax years beginning after December 31, 2004.</p>	<p>Art. 2, sec. 5 (TAX1). Subtractions from taxable income. Same</p> <p>Art. 6, sec. 6 (TAX2). Subtractions from taxable income. Same</p>
7	<p>Update to other references to the Internal Revenue Code in chapter 290. Adopts federal changes to federal adjusted gross income used for computing individual alternative minimum tax and household income which is used to compute the dependent care and K-12 education credit; changes to the definitions of “dependent” and “qualified child” used for the individual refundable credits; changes to the federal earned income tax credit; and the changes to qualifications for electing “S” corporation status. The main changes to federal adjusted gross income are described in section 2.</p> <p>The federal changes to “dependent child” and “qualified child” were designed to make the two terms synonymous. The main change in “dependent child” is that under the old dependency test the taxpayer must have provided more than half of the support of the child. Under the new test the child meets the test if the child does not provide more</p>	<p>Art. 2, sec. 6 (TAX1). Update chapter 290. Same with respect to federal changes to federal adjusted gross income used for computing individual alternative minimum tax and household income in the American Jobs Creation Act of 2004.</p> <p>Art. 6, sec. 7 (TAX2). Update chapter 290. Similar but Senate updates to December 31, 2004, House to April 15, 2005 in order to update to PL 109-1 or PL 109-7.</p>

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	<p>than half their own support (scholarships are disregarded). The three tie breakers where more than one taxpayer can claim a child are: 1) closeness of relationship; 2) if two parents can claim child, the tie breaker goes to the parent whom the child lived with longer; or 3) if the child lived with each parent the same amount of time during the year, the child is the qualifying child of the parent with the higher adjusted gross income.</p> <p>For the federal earned income credit that Minnesota uses as a basis for the Working Family Credit, the new federal law provides that combat pay which is excluded from federal adjusted income and earned income for employment tax purposes, if elected by the taxpayer, is nevertheless earned income for purposes of calculating the federal earned income tax credit for tax years 2004 and 2005.</p> <p>For “S” corporations the main change increased the maximum number of shareholders from 75 to 100 shareholders and treated families (parents, children, grandchildren, aunts, uncles, nieces, nephews, as opposed to just husband and wife) owning stock in one corporation as one shareholder. Effective for 2005 and thereafter.</p> <p>The proposed Minnesota law would adopt the federal changes effective at the same time the federal changes were effective.</p>	
8	<p>Technical change to additional tax on certain lump sum pension plan distribution. Corrects an obsolete cite to a section of the Internal Revenue Code that has been removed from the Code and made an uncodified provision of federal law.</p> <p>Effective for tax years beginning after December 31, 1999.</p>	<p>Art. 6, sec. 8 (TAX2). Technical change to additional tax on certain lump sum pension plan distribution. Same</p>
9	<p>Technical change to additional tax on certain lump sum pension plan distribution. Corrects an obsolete cite to a section of the Internal Revenue Code that has been removed from the Code and made an uncodified provision of federal law.</p> <p>Effective for tax years beginning after December 31, 1999.</p>	<p>Art. 6, sec. 9 (TAX2). Technical change to additional tax on certain lump sum pension plan distribution. Same</p>
10	<p>Change in ratio nonresidents use to compute Minnesota tax. Provides that the numerator of the ratio used by nonresidents, which is Minnesota assignable federal adjusted gross income, is modified for the portion of the additions for the manufacturing and I.R.C. § 179 expensing additions and subtractions that are assignable to Minnesota, and the subtraction for active service pay for service in Minnesota performed by non-domiciliaries. The denominator is modified by the total amount of the modifications.</p>	<p>Art. 2, sec. 7 (TAX1). Nonresident Ratio. Similar but does not include subtraction for compensation of nonresidents who are in active military service in Minnesota (Service Member Civil Relief Act, PL 108-189).</p> <p>Art. 6, sec. 10 (TAX2). Nonresident Ratio. Same</p>

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	Effective for tax years beginning after December 31, 2004.	
11	Dependent care credit; combat pay included in apportionment for residents. Provides that combat pay, which is excluded from federal adjusted income and earned income for employment tax purposes, if elected by the taxpayer, is nevertheless earned income assignable to Minnesota for purposes of apportioning the dependent care credit.	Art. 6, sec. 11 (TAX2). Dependent Care Credit Exempt Income Ratio. Same with respect to combat pay; Senate also adjusts for in-state active service military pay subtraction in House Article 5.
12	Household income change for dependent care credit and education credit. Provides that the new manufacturer's deduction and deductions for contributions to health savings accounts are not allowed as deductions in computing household income for the dependent care and K-12 education credits. Effective for tax years beginning after December 31, 2003.	Art. 2, sec. 8 (TAX1). Dependent care credit. Same with respect to disallowing new manufacturer's deduction in computing household income. Does not disallow contributions to health savings accounts. Art. 6, sec. 12 (TAX2). Household income. Same
13	Working family credit; combat pay included in apportionment for residents. Provides that combat pay, which is excluded from federal adjusted income and earned income for employment tax purposes, if elected by the taxpayer, is nevertheless earned income assignable to Minnesota for purposes of apportioning the working family credit.	Art. 6, sec. 13 (TAX2). Working family credit exempt income ratio. Same with respect to combat pay; Senate also adjusts for in-state active service military pay subtraction in House Article 5.
14	Old standard deduction used in the computation of marriage penalty credit. Provides that in calculating the marriage penalty credit (additional amount a married couple pays in Minnesota tax over what they would have paid as two single taxpayers which is attributable to the tax brackets) the old federal standard deduction rather than the new standard deduction is used in tax years 2007 and 2008, since Minnesota is adopting the new standard deduction for tax years 2005 and 2006 only. Effective for tax years beginning after December 31, 2004.	Art. 6, sec. 14 (TAX2). Marriage penalty credit computation. Similar but Senate does not conform to new standard deduction in 2005 and 2006, so requires the adjustment to the credit in those years as well as in 2007 and 2008. [NOTE: Senate conforms to new standard deduction in Art. 19, sec. 3, making language in Sen. Art. 6, sec. 14 unnecessary]
15	Change to the individual alternative minimum tax. Includes the new additions for I.R.C. § 179 expenses and the manufacturer's deduction and the new subtraction for I.R.C. § 179 expenses, and active service military pay for service in Minnesota by non residents in the computation of Minnesota alternative minimum taxable income. Effective for tax years beginning after December 31, 2004.	Art. 2, sec. 9 (TAX1). Alternative minimum tax. Same with respect to additions for section 179 expenses and manufacturer's deduction, and the subtraction for section 179 expenses. Does not include the subtraction for active service pay of nonresidents. Art. 6, sec. 15 (TAX2). Individual Alternative Minimum Tax. Same
16	Household income for property tax refund. Makes parallel changes to the definition of household income for the property tax refund, as	Art. 2, sec. 10 (TAX1). Household income for property tax refund. Same with respect to changes resulting from American Jobs Creation Act

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	were noted in section 12. Effective for property tax refunds based on household income for 2004 and thereafter.	of 2003. Art. 6, sec. 16 (TAX2). Property Tax Refund Household Income. Same
17	Update of references to Internal Revenue Code in the property tax refund chapter. Adopts the federal changes that affect household income, which uses the definition of federal adjusted gross income as a starting point and the definition of a dependent, as discussed in sections 2 and 7. The new federal exclusions and exemptions from federal adjusted income will still not be applicable to the computation of household income. Only new federal deductions from income that are not specifically mentioned in section 12 will lower household income from current law. Effective for property tax refunds based on property taxes payable on or after December 31, 2004, or rent paid after December 31, 2003.	Art. 2, sec. 11 (TAX1). Update of Property Tax Refund chapter. Same with respect to changes resulting from American Jobs Creation Act of 2003. Art. 6, sec. 17 (TAX2). Update References for Property Tax Refund. Similar but Senate updates through December 31, 2004, House through April 15, 2005.
	No comparable provisions	Art. 6, sec. 18 (TAX2). Provides that if the federal update provisions in SF 1209 were enacted, they would be replaced by the provisions in this article.
Sec.	Article 7: Sales and Use Taxes	Article 3: Sales, Use, and Special Taxes – S.F. 1209; Article 7: Sales Tax – S.F. 1683; Article 15: Department of Revenue Sales and Use Taxes – S.F. 1683; Article 21: Sales Tax – S.F. 2206
1	Contracts with foreign vendors. Provides that the department of administration and the legislature must cancel a contract for goods or services with a vendor or bar a vendor from future contracts if the vendor is not registered to collect sales or use tax on its taxable sales in Minnesota. This section only applies to the executive and legislative branches of government and does not apply to the judicial branch contracts or Minnesota state colleges and university contracts. The commissioner of revenue periodically will provide a list of vendors who are subject to being debarred or having their contracts canceled. Provides that the cancellation and debarment provisions may be waived if the vendor is the sole source of goods or services, in the case of an emergency, or when it is in the best interests of the state. Effective for contracts entered into after December 31, 2005.	Art. 3. Section 1. (TAX1) Same.
2	Omission of use tax. Clarifies that the period for assessing additional taxes is 6½ years after the due date of the return if the return omits use tax in excess of 25 percent of the amount of use tax reported. Current law references only sales and withholding tax returns and omits the complementary use tax. Effective the day following final enactment.	Art. 15. Sec. 1. (TAX2) Same.

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Sec.	Article 7: Sales and Use Taxes	Article 3: Sales, Use, and Special Taxes – S.F. 1209; Article 7: Sales Tax – S.F. 1683; Article 15: Department of Revenue Sales and Use Taxes – S.F. 1683; Article 21: Sales Tax – S.F. 2206
3	<p>Time limitation for assessments; purchaser filed refund claims. Extends the time for the commissioner to make an assessment against a seller 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’s taxable inputs 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.</p>	<p>Art. 15. Sec. 2. (TAX2) Same.</p>
4	<p>Definition of “bad debt.” Clarifies that the exclusions from the definition of “bad debt” enacted in 2003, as part of conforming to the Streamlined Sales Tax Agreement, only apply to sales tax refund claims attributable to a loss from a bad debt. The definition for purposes of refund claims for other taxes continues to follow the federal definition.</p>	<p>Art. 15. Sec. 3. (TAX2) Same.</p>
5	<p>Time limitation on purchaser filed refund claims. Provides that purchaser filed 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 or one year from the date of an order assessing tax. Effective for refund claims filed on or after the day following final enactment.</p>	<p>Art. 15. Sec. 4. (TAX2) Same.</p>
6	<p>Time limitation on capital equipment refund claims. Provides that capital equipment sales and use tax refund claims must be filed by the later of 3½ years from the 20th day of the month following the month of the invoice date of the purchase or one year from the date of an order assessing tax. Effective for refund claims filed on or after the day following final enactment.</p>	<p>Art. 15. Sec. 5. (TAX2) Same.</p>
7	<p>Sale and purchase. Clarifies that dietary supplements are a taxable food item. Dietary supplements are currently taxable but are not included in the definition of food. This change is made to conform to the Streamlined Sales Tax Agreement (SSTA) definition of food. 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.</p> <p>Excludes milk from the taxable vending machine sales. Also clarifies that tree, bush and stump removal is not taxable if it is part of a land clearing contract as defined in section 23.</p> <p>Effective the day following final enactment, except the milk provision is effective July 1, 2005 and the</p>	<p>Art. 15. Sec. 6. (TAX2) Similar. Has identical provisions related to dietary supplements and lodging.</p> <p>No comparable provisions regarding milk sold in vending machines or tree, bush and stump removal.</p>

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	portion related to tree, bush and stump removal is effective retroactive to October 28, 2002, but no refunds are allowed for contracts where the tax was collected and remitted.	
8	<p>Retail sales. Clarifies that for a purchase to be considered a “purchase for resale” rather than a retail sale, items must be purchased to be resold, subleased or sub rented in the “normal 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.</p> <p>Also excludes leases of motor vehicles with a gross weight rate of 11,000 pounds or less from the provision that treats each lease payment as a separate retail sale. This exclusion does not apply to vehicle rentals of not more than 28 days. The total amount of the sales tax on these leases will be due at the time that the lease is executed.</p> <p>Effective for leases entered into after September 30, 2005; the other change is effective the day after final enactment.</p>	<p>Art. 15. Sec. 7. (TAX2) Same. Contains the identical provision related to a purchase for resale in the normal course of business.</p> <p>Art. 12, sec. 14 (TAX2). Motor vehicle leases. Similar but applies to vehicles with gross weight rate of 10,000 pounds or less.</p>
9	<p>Personal rapid transit (PRT) system. Defines a PRT system as a system consisting of small 1-3 passenger automated vehicles operating on elevated guideways. Effective after June 30, 2005.</p>	<p>Art. 7. Sec. 4. (TAX2) Similar. Adds the requirement that the system provides service on a regular and continuing basis and operates independent of any government subsidies.</p>
10	<p>Vehicle rental tax and fee. Amends Minn. Stat. § 297A.64, subd. 4, to clarify that if a vehicle rental is exempt from the general state sales tax it is also exempt from the short-term rental motor vehicle tax and fee. Effective the day following final enactment.</p>	<p>Art. 15. Sec. 8. (TAX2) Same.</p>
11	<p>Sourcing; watercraft, aircraft, modular homes, manufactured homes, and mobile homes. Clarifies that the sourcing provisions enacted as part of the Streamlined Sales Tax Project apply to sourcing for watercraft, aircraft, modular homes, manufactured homes, and mobile homes. The Streamlined Sales Tax Agreement does not require member states to apply the sourcing rules to these items, but Minnesota does so. Effective the date following final enactment.</p>	<p>Art. 15. Sec. 9. (TAX2) Same.</p>
12	<p>Sourcing of transportation equipment purchases. Adds:</p> <ul style="list-style-type: none"> ▶ aircraft operated by air carriers for the transport of persons or property in interstate commerce 	<p>Art. 15. Sec. 10. (TAX2) Same.</p>

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	<p>▶ containers designed for use on and component parts attached or secured on railcars, tracks, and aircraft</p> <p>to the list of items subject to the sourcing provisions for 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. Effective for sales and purchases made on or after January 1, 2004, consistent with the effective date of the language enacted in 2003.</p>	
13	<p>Dietary supplements. Clarifies that dietary supplements are excluded from the food exemption. This is necessary because dietary supplements are included in the definition of food in section 7. The net effect is that dietary supplements remain taxable. Effective for sales made on or after the day following final enactment.</p>	Art. 15. Sec. 11. (TAX2) Same.
14	<p>Drugs; medical devices. Changes the tax exemption for drugs and medical devices to conform to definitional requirements for these items contained in the Streamlined Sales Tax Agreement (SSTA). Under current law, only analgesics and prescribed medicine are exempt. The change would exempt all medicine. This change would also exempt all mobility enhancing devices (currently limited to prosthetic devices), limit the exemption for durable medical equipment to purchases for home use only (currently some of these items are exempt while others are taxable but taxability is not based on where the item is used); and continue the exemption for single use medical devices, insulin, oxygen and prescription eyeglasses. Effective for sales after June 30, 2005.</p>	Art. 21. Sec. 3. (TAX3) Same
15	<p>Baby products. Makes changes to conform with standard product definitions in SSTA by removing shampoos, powders, ointments and lotions from the exemption for baby products. Some ointments, lotions, and powders may continue to be exempt under the definition of medicine in section 14.</p>	No comparable provision.
16	<p>Solar energy products. Exempts all solar energy systems from the sales and use tax beginning August 1, 2005. Currently only photovoltaic systems, which convert solar power to electricity, are exempt under an existing provision for certain energy efficient products. That exemption expires August 1, 2005.</p>	Art. 21, sec. 5. (TAX3) Same.
17	<p>Sales tax on cigarettes. Exempts the sale of cigarettes from the sales tax. Cigarettes will be subject to a new tax in article 8 that is imposed upon the sale of cigarettes by distributors to retailers and cigarette subjobbers. Effective for sales and</p>	Art.12, sec. 15 (TAX2) Same.

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	purchases made after July 31, 2005.	
18	<p>Materials consumed in industrial production. Clarifies that the definition of industrial production does not include providing services that were added to the sales tax base in 1987. Materials used in providing these services are exempt under another statutory provision. Effective the day following final enactment.</p> <p>Also provides that for purposes of this exemption, industrial production does not include transportation, transmission or distribution of petroleum, liquefied gas, natural gas, steam, or water through pipes, lines, tanks or main. This exclusion does not apply to blending of petroleum or biodiesel fuel. This reverses the Minnesota Supreme Court ruling in <i>Great Lakes Gas Transmission, L.P. v. Commissioner</i>, 638N.W.2d 435 (Minn. 2002).</p> <p>The clarification is effective the day after final enactment but the change reversing the court case is effective for sales and purchases made after June 30, 2005.</p>	<p>Art. 15. Sec. 12. (TAX2) Contains the identical provision clarifying that industrial production does not include providing taxable services.</p> <p>Art. 3. Sec. 3. (TAX1) Contains the identical provision reversing the Minnesota Supreme Court ruling in <i>Great Lakes Gas Transmission, L.P. v. Commissioner</i>, 638N.W.2d 435 (Minn. 2002).</p>
19	<p>Capital equipment. Provides an upfront exemption for small businesses that apply for a special exemption certificate as provided in section 28. Effective for sales made after December 31, 2005.</p> <p>Clarifies that the provision of taxable services and prepared foods are not considered to be tangible personal property and equipment used in restaurants or in providing these services are not eligible for the capital equipment exemption. Effective the day following final enactment.</p> <p>Corrects a reference to equipment used primarily in providing online data retrieval services that was inadvertently omitted during recodification. Effective the day following final enactment.</p> <p>Also clarifies that repair parts for ready-mixed concrete trucks qualify as capital equipment. This codifies current practice. Both the purchase and lease of ready-mixed concrete trucks are currently exempt from sales tax. Effective the day following final enactment.</p> <p>Provides that for this exemption, industrial production does not include transportation, transmission or distribution of petroleum, liquefied gas, natural gas, steam, or water through pipes, lines, tanks or mains would not qualify as capital equipment. This exclusion does not apply to machinery or equipment used to blend petroleum or biodiesel fuel. The change is consistent with the</p>	<p>No comparable provision regarding the upfront exemption for small businesses.</p> <p>Art. 15. Sec. 13. (TAX2) Capital Equipment. Contains identical language regarding:</p> <ol style="list-style-type: none"> (1) the clarification on the exemption not applying to taxable services and equipment used in restaurants; (2) the correction for equipment used in online data retrieval services; and (3) the clarification on parts for ready-mix concrete trucks. <p>Art. 3. Sec. 4 (TAX1) Contains the identical provision reversing the Minnesota Supreme Court ruling in <i>Great Lakes Gas Transmission, L.P. v. Commissioner</i>, 638N.W.2d 435 (Minn. 2002).</p>

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	change in section 18 and is effective for sales and purchases made after June 30, 2005. No comparable provision	Art. 7. sec. 7. (TAX2) Different. 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.
20	Medical supplies. As part of the SSTA conforming provisions, removes durable medical equipment from the exemption for medical supplies purchased by a licensed health care facility or professional. Also removes a reference to nonprescription drugs that are now exempt under the general exemption for medicine in section 14. Effective for purchases made after June 30, 2005.	Art. 21, sec. 6. (TAX3) Same
21	Telecommunications equipment. Clarifies that the exemption for telecommunications equipment does not apply to machinery and equipment used to provide the services that are excluded from the definition of telecommunication services contained in section 297A.61, subdivision 24. Effective the day following final enactment.	Art. 15. Sec. 14. (TAX2) Same.
22	Preexisting construction contracts and bids. Clarifies that the transition period for preexisting construction contracts and construction bids applies to tax rate increases in addition to sales tax base changes. Effective the day following final enactment.	Art. 15. Sec. 15. (TAX2) Same.
23	Land clearing. Explicitly exempts tree, bush, stump and stump removal from the sales tax when the removal is for land clearing for site development. This codifies department interpretation under a revenue notice on the taxation of tree and stump removal that was in effect from 1984 to October 28, 2002. Effective retroactively to October 28, 2002, except that no refunds will be made if the tax was collected and remitted on contracts in effect after October 28, 2002.	No comparable provision.
24	Personal rapid transit (PRT) system. Exempts materials, equipment, and supplies used directly in the provision of a PRT system, as defined in section 9, provided it is operated independent of government subsidies. Effective for sales and purchases made after June 30, 2005.	Art. 7. Sec. 10. (TAX2) Similar. The extra provision included in the senate definition on PRT system is included in the House exemption provision.
25	Nonprofit tickets and admissions. Expands the sales tax exemption on tickets and admissions for arts events sponsored by nonprofits to include tickets and admissions to arts events held by a state university or a private non-profit college or university at their own facilities. This is the same as the exemption currently given to the University of Minnesota for arts events. Effective for events	No comparable provision.

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	held on or after July 1, 2005, unless tickets and admissions for the event were sold before July 1, 2005.	
26	Chairs, lifts, ramps, elevators. Modifies the exemption to include elevators and building materials used to install chair lifts, ramps, and elevators. The actual chair lifts and ramps would now be exempt under the new SSTA definition of mobility enhancing equipment in section 14. Effective for sales made after June 30, 2005.	Art. 21. Sec. 7. (TAX3) Same
27	Personal rapid transit systems (construction). Exempts materials, equipment, and supplies used to construct, expand, or improve a PRT system, as defined in section 9, provided it is operated independent of government subsidies. Effective for sales made after June 30, 2005.	Art. 7. Sec. 15. (TAX2) Similar. The extra provision included in the senate definition on PRT system is included in the House exemption provision.
28	Exemption certificate for small businesses. Allows a business that is not an affiliate of a larger business in the same industry, and that either has fewer than 20 employees or \$1 million in annual sales, to apply for a special exemption certificate that will allow them to purchase capital equipment without paying the sales tax and filing for a refund. The exemption certificate is good for two years. May apply for the certificate beginning July 1, 2005, but the certificate cannot be used until the upfront exemption in section 19 becomes effective December 31, 2005.	No comparable provision.
29	Tax collected (refunds). Makes a technical correction to reflect the change in section 26. Effective for sales made after June 30, 2005.	No comparable provision.
30	<p>Motor vehicle leases. Provides how to calculate the motor vehicle lease price when an accelerated sales tax is due on a motor vehicle lease.</p> <p>Subd. 1. Motor vehicle lease price; payment. Bases the tax on the total amount of the lease minus manufacturer's rebates and trade-in allowances, and also excludes title and registration fees, and insurance which are currently excluded from the tax when paid upfront at the beginning of a lease. Provides for taxation of charges not known when the lease is executed and for lease renewals.</p> <p>The subdivision also provides for a refund when a lease is terminated within 90 days or when the vehicle is returned to the manufacturer under Minnesota's "Lemon Law." It also allows for a credit for a portion of the tax paid on a lease if it is terminated early, provided that the lessee either enters into a new lease or purchases a motor vehicle</p>	Art. 12, sec. 16 (TAX2). Motor Vehicle Lease Price. Same except different headnote for subdivision 2.

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	<p>within 30 days of termination of the lease.</p> <p>Subd. 2. Lease of motor vehicle. Provides that when a leased motor vehicle that is subject to the accelerated sales tax, is brought into the state and registered in Minnesota in mid-lease, the total tax on the remaining lease payments is due at the time of registration. A credit is provided for taxes paid to another state if the other state had previously taxed the lease payments.</p> <p>Effective for leases entered into after September 30, 2005, and for vehicles registered in Minnesota after September 30, 2005, if the lease originated in another state.</p>	
31	<p>Seller’s permit or alternative statement. Expands the alternatives of documentation that a organizer of a flea market or similar event must obtain from all sellers at an event to include a written statement that the seller meets the requirements for the isolated and occasional sales exemption allowed in section 32. The written statement must contain the seller’s name, address, and telephone number. Effective for selling events occurring after June 15, 2005.</p>	Art. 7. Sec. 24. (TAX2) Same.
32	<p>Occasional sales provisions applicable under limited circumstances. Allows a seller at a flea market or other similar event to qualify for the isolated and occasional sales exemption in current law for persons not engaged in business provided that:</p> <ul style="list-style-type: none"> ▶ the seller participates in only one event per calendar year and for no more than three days; ▶ the seller makes sales of \$500 or less during the event; and ▶ the seller provides a written statement to that effect to the organizer of the event. <p>The isolated and occasional sales provision for business continues to be disallowed for sales at these events. Effective for selling events occurring after June 15, 2005.</p>	Art. 7. Sec. 25. (TAX2) Same.
33	<p>Local sales taxes; certain cities of the first class. Allows the cities of Minneapolis and St. Paul to impose an additional local sales and use tax of one-half of one percent upon approval of the voters at a general or special election. The proceeds of the tax may be used for any city purpose. The tax would be collected, administered and enforced by the Department of Revenue, as required under the general law. Effective for referenda held after June 30, 2005.</p>	No comparable provision.

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34	<p>Authorization; scope (local sales taxes). Provides a cross reference to sections 33 and 35 in the general local sales tax provisions. Effective for authorizing referendum held after June 30, 2005.</p>	<p>No comparable provision.</p>
35	<p>Local sales taxes; general authority certain cities. Grants general authority for cities or a group of cities acting under a joint powers agreement to impose a local sales tax of one-half of one percent to fund specific capital projects.</p> <p>To impose the tax the following conditions must be met:</p> <ul style="list-style-type: none"> ▶ the city or cities must be outside of the seven county metropolitan area; ▶ imposition of the tax must be approved by the voters at a general election; ▶ the existing statutory conditions regarding adoption use and termination of the tax apply; ▶ in the case of a group of cities imposing the tax, they must be located within a five mile radius; and ▶ imposition of the tax must not raise the total local tax rate to more than one-half of one percent. This means that cities that already impose a local sales tax may not impose another one under this law; neither may cities in Cook County which has a one percent county sales tax rate. <p>The proceeds of the tax can only be used for specific capital projects that meet a regional test. At least three months before holding a referendum, the city must provide information to the commissioner of revenue regarding the specific projects and the amount to be raised. The commissioner of revenue must verify that the projects to be funded meet the regional criteria.</p> <p>Certain lake improvement projects, road projects, and railroad overpass/crossing projects are automatically deemed to meet the regional test. Projects funded by more than one city under a joint powers agreement are also assumed to be regional if no more than 80 percent of the funding comes from one city. The remaining projects are only regional if the city can demonstrate that at least 20 percent of the users or 20 percent of the benefits of the project go to persons located outside of the city. Projects subject to this test include:</p> <ul style="list-style-type: none"> ▶ regional convention or civic center; ▶ regional airport; ▶ Regional public libraries, history centers, and performing arts centers; 	<p>No comparable provision.</p>

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	<ul style="list-style-type: none"> ▶ Regional parks, trails, recreational centers, and open space; ▶ flood control and protection; ▶ Regional wastewater project to mitigate water pollution; and ▶ Regional government center or jail owned and operated by two or more local governments. <p>The question to the voters must state the specific project, the amount to be raised, and the maximum time the tax would be imposed to fund the project. The city may hold a referendum to fund more than one project at the same election but each project must be stated as a separate question and the total amount needed to fund all the projects on the ballot cannot exceed the amount that could be raised by the tax in a 12-year period.</p> <p>The voter approval for imposing the sales tax to fund a project also meets the requirements for issuing bonds for the project in the same amount. The bonds would not be included in any debt or levy limits applicable to the city.</p> <p>The tax expires when the specified revenues are raised or the maximum time in the approving referendum is reached, whichever is sooner. No tax may be imposed for more than 12 years.</p> <p>The city is prohibited from using public funds to promote or advertise the passage of the ballot question to impose the tax, beyond legal requirements related to providing notice of the question. Meetings regarding imposing the local tax may be held in city building provided that both opponents and proponents to the question are allowed to use the building for meetings on similar terms.</p>	
36	<p>Requirements for adoption, use, termination. Removes the current requirement that a local government with a local sales tax must let it lapse for one year before seeking to re-impose the tax.</p> <p>Effective July 1, 2005.</p>	<p>No comparable provision.</p>
37	<p>Local sales tax base (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.</p>	<p>Art. 15. Sec. 16. (TAX2) Same.</p>
38	<p>Refunds made after local sales tax terminates. Amends Minn. Stat. § 297A.99, subd. 9, to provide that if the commissioner is required to make refunds of local sales taxes after a tax has terminated and the amount of the refunds exceeds the amount of taxes held by the commissioner for the local</p>	<p>No comparable provision.</p>

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	jurisdiction, the commissioner may offset the jurisdiction’s local government aids and credits in order to reimburse the state for the amount of the excess refunds paid. Effective for all refunds made on or after the day following final enactment.	
39	Notification of use tax. Requires cities and counties that impose a local sales and use tax to inform city residents and businesses of their duty to remit local use tax on purchases made outside the city or county limits. The notification must be on the city or county website and on any public utility bills issued by the political subdivision, and must include information on how the taxpayer may get information and forms for calculating and paying the tax. Effective January 1, 2006.	No comparable provision.
40	New taxes prohibited. Exempts the local sales tax authority under section 33 and 35 from the prohibition on new local sales taxes. Effective July 1, 2005.	No comparable provision.
41	Use of revenues (Rochester local sales tax). Modifies the current use of \$20 million of local sales tax revenues to include other facilities available for both community and student use, regardless of the location of the facility. Currently this portion of the local sales tax revenues may only be used to pay for a regional recreation and sports center located at or adjacent to the Rochester center. Effective upon a resolution by the city council and filing of the resolution with the secretary of state.	No comparable provision.
42	Repealer–rental motor vehicle tax. Re-imposes the rental motor vehicle tax that is currently scheduled to expire on December 31, 2005. Effective the day following final enactment.	Art. 3. Sec. 6. (TAX1) Same.
43	Effective date: ready-to-eat meat and seafood. Amends an effective date to make permanent the temporary exemption for ready-to-eat meats and seafood. Effective the day after final enactment.	Art. 7. Sec. 35. (TAX2) Same.
44	City of Mankato; local sales tax expiration date. Allows the city of Mankato to extend its current local sales tax, authorized in 1991, and extended in 1996, to continue until December 31, 2018. Limits the use of the tax revenues to pay off existing bonds and to fund renovations and capital improvements of the projects funded by the original laws – the regional airport and civic center. The extension only requires approval by the city council.	Art. 7. Sec. 26 and 43. (TAX2) Similar. Extends the tax but does not limit the use of revenues to capital spending and debt redemption. Removes language that capped the total amount of direct spending and bonds issued by the city of Mankato for Riverfront 2000. The city council must give public notice regarding a proposed resolution on this issue and hold a hearing within four weeks of publication of the resolution. Voters may request a referendum on extension of the sales tax.
45	St. Cloud area cities; sales and use tax authorized. Allows certain cities in the St. Cloud area to impose a sales tax, based on previous referendum. List authorized uses and the expiration	Art. 7. Sec 47. (TAX2) St. Cloud Area Cities. Similar.

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	<p>date for the tax in each city.</p> <p>Subdivision 1. Tax authorized. Authorizes imposition of the one-half percent tax in the following cities based on the following successful referenda:</p> <ul style="list-style-type: none"> ▶ St. Cloud and St. Joseph, based on elections in 2004; ▶ Waite Park, based on an election in 2003, and ▶ Sartell passed on an election in 1999. ▶ The City of St. Augusta must hold a referendum at the next general election. <p>Subd. 2. Use of revenues. Lists the specific capital projects to be funded from the tax in the city of St. Cloud; the main projects are a regional library and the regional airport. Specifies that the revenues from the taxes imposed in Waite Park, Sartell, and St. Augusta must be used to fund the projects approved in the referenda and the portion used to fund a regional airport and regional library is determined under their joint powers agreement.</p> <p>Subd. 3. St. Cloud bonding authority. Allows St. Cloud to issue up to \$30 million in bonds for its regional public library without further approval. Allows the other cities to issue bonds for their authorized projects provided that the ballot question contained information on the issuance of bonds.</p> <p>Subd. 4. Termination of the tax. The tax in the cities of St. Joseph and St. Cloud terminate at the earlier of (1) the amount collected from the tax is sufficient to pay the library bonds, or (2) 11 years. The tax imposed in Waite Park expires July 1, 2007, and the one in St. Augusta expires 5 years after its imposition. The tax in Sartell expires December 31, 2006. The last three cities may extend the allowed tax up to the eleven years allowed in St. Cloud and St. Joseph, if approved by the voters at a subsequent election.</p> <p>Effective in each city upon approval of the city and filing with the secretary of state.</p>	<p>Subdivision 1. Authorizes the cities of St. Cloud and Sauk Rapids, as well as St. Augusta, St. Joseph, Sartell, and Waite Park to impose a one half of one percent sales tax within the respective city boundaries. Sauk Rapids and St. Augusta must get voter approval at the next general election.</p> <p>Subd 2 and 3. Similar. Allows the revenues to be used for similar purposes but allows Waite Park and Sartell to fund the regional library without it being included on their approval ballot questions. 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.</p> <p>Subd. 4. Similar. But the issuance of bonds is limited to the amount listed for each project in the authorizing referenda. No specific limit on bonds for the regional library.</p> <p>Subd. 5. Similar. The St. Cloud sales tax expires when the bonds have been retired or redeemed but no later than 17 years after the tax is first imposed. The sales taxes imposed by the remaining cities expire the earlier of 20 years or when the projects listed in subdivision 2 are complete.</p> <p>Effective Date. For sales and purchases on and after January 1, 2006, if approved by the voters of the city.</p>
46	<p>City of Bemidji; local sales tax. Allows the city of Bemidji to impose a local sales tax of one-half of one percent, based on voter approval at the 2002</p>	<p>Art. 7. Sec 40. (TAX2) Bemidji. Similar. The Senate language is more detailed and allows the city to issue bonds in an amount not to exceed</p>

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	<p>general election. The revenues may be used to pay for capital costs related to parks and trails included in the city’s parks, open space and trails system plan that was adopted in 2001.</p> <p>Effective upon approval of the city and filing with the secretary of state.</p>	<p>\$9,826,000, outside of debt and levy limits, without further voter approval. The tax terminates when the revenues are sufficient to retire the bonds.</p>
47	<p>City of Rochester; ; local sales tax existing date. Allows the city of Rochester to extend its current local sales tax, authorized in 1998, to continue until December 31, 2014. The revenues from the tax must be used for the purposes listed in the original law and for regional highway improvements undertaken with Olmsted county. Both the county and city may issue bonds without additional voter approval, and outside of debt limitations, for the highway improvements, up to a combined amount equal to the amount raised by the sales tax extension.</p> <p>Effective upon approval of the city and filing with the secretary of state.</p>	<p>Art. 7. Sec. 28 and 29. Rochester-Olmstead County. Similar. Allows the city of Rochester to raise \$40 million more in local sales tax revenues and amends the use of the revenues to include construction of a regional highway and higher education facilities. The city of Rochester is also authorized to enter into an agreement with Olmstead County to jointly undertake and finance certain highway and roadway infrastructure improvements. Bonding authority is also increased by \$40 million, to an amount not to exceed \$111,500,000.</p>
48	<p>Repeal of obsolete sales and use tax rules. Repeals sales and use tax rules that are obsolete or that merely duplicate statutory language. Some are obsolete due to specific law changes; some were incorporated into statute as part of the 2001 sales tax recodification; while others conflict with language enacted as part of the Streamlined Sales Tax Project.</p> <ul style="list-style-type: none"> ▶ Minnesota Rules, parts 8130.0110, subpart 4, stating that the order of subject matter in the sales and use tax rules follows the order in statutes; ▶ 8130.0200, subparts 5 and 6, relating to the tax incidence on the transfer of title for special tooling, and stating that sales tax on title transfers not specifically described in the rule must be decided on the basis of relevant facts; ▶ 8130.0400, subpart 9, providing guidance for distinguishing a lease from a conditional sales contract; ▶ 8130.1200, subparts 5 and 6, relating to the application of sales tax to construction contracts; ▶ 8130.2900, providing that all sales are presumed to be subject to sales tax unless the seller proves otherwise; ▶ 8130.3100, subpart 1, specifying the content of sales tax exemption 	<p>Art. 15. Sec. 18. (TAX2) Same.</p>

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	<p>certificates;</p> <ul style="list-style-type: none"> ▶ 8130.4000, subparts 1 and 2, specifying the incidence of the duty to collect sales tax; ▶ 8130.4200, subpart 1, relating to the duty to obtain a sales tax permit; ▶ 8130.4400, subpart 3, limiting the credit paid to other states; ▶ 8130.5200, relating to sales taxation of cartons and containers used by moving and transfer companies; ▶ 8130.5600, subpart 3, relating to the sales taxation of paper and ink products; ▶ 8130.5800, subpart 5, relating to sales by nonprofit organizations; ▶ 8130.7300, subpart 5, relating to remitting local use taxes; and ▶ 8130.8800, subpart 4, relating to exemption certificates presented to commercial artists and photographers. <p>Effective the day following final enactment.</p>	
	<p>No comparable provision</p>	<p>Art. 7. Sections 1-3, 22 and 53. (TAX2) 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.</p>
	<p>No comparable provision</p>	<p>Art. 7. Sec. 5. (TAX2) 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.</p>

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	No comparable provision	Art. 7. Sec. 6. (TAX2) 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.
	No comparable provision	Art. 7. Sec. 8 and 19. (TAX2) 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.
	No comparable provision	Art. 7. Sec 9. (TAX2) 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.
	No comparable provision	Art. 7. Sec. 11. (TAX2) 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.
	No comparable provision	Art. 7. Sec. 12. (TAX2) 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.
	No comparable provision	Art. 7. Sec. 13 and 20. (TAX2) 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.
	No comparable provision	Art. 7. Sec. 14. (TAX2) 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 for sales and purchases made on and after July 1, 2005.
	No comparable provision	Art. 7. Sec. 16. (TAX2) 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.
	No comparable provisions	Art. 7 Sec. 17, 19, 20, and 21. (TAX2) Municipal Utilities. Provides a sales tax exemption for the

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		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.
	No comparable provision	Art. 7. Sec. 18. (TAX2) Chatfield Wastewater 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.
	No comparable provision	Art. 7. Sec. 22. (TAX2) 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.
	No comparable provision	Art. 7. Sec. 25. (TAX2) 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 for sales made after June 30, 2005, and before July 1, 2008.
	No comparable provision	Art. 7. Sec. 27. (TAX2) 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.
	No comparable provision	Art. 7. Sec. 30 to 32. (TAX2) 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.
	No comparable provision	Art. 7. Sec. 33. Poultry Litter. Provides a sales tax exemption for materials and supplies used in the construction, improvement or expansion of poultry litter and other biomass generation facilities.
	No comparable provision	Art. 7. Sec. 34. (TAX2) Duluth. 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.

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	No comparable provision	Art. 7. Sec. 36. (TAX2) 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.
	No comparable provision	Art. 7. Sec. 37. (TAX2) 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.
	No comparable provision	Art. 7. Sec. 38. (TAX2) Baxter. Authorizes the city of Baxter to authorize a sales tax of up to one-half of one percent to finance the acquisition and betterment of water and wastewater facilities, a fire substation, and the Paul Bunyan Bridge as approved by the voters at the referendum authorizing the tax.
	No comparable provision	Art. 7. Sec. 39. (TAX2) 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.
	No comparable provision	Art. 7. Sec. 41. (TAX2) 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.
	No comparable provision	Art. 7. Sec. 42. (TAX2) 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

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		tax. The tax expires when project costs have been paid and the bonds have been retired.
	No comparable provision	Art. 7. Sec. 44. (TAX2) 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.
	No comparable provision	Art. 7. Sec. 45. (TAX2) 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.
	No comparable provision	Art. 7. Sec. 46. (TAX2) 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.
	No comparable provision	Art. 7. Sec. 48. (TAX2) 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.
	No comparable provision	Art. 7. Sec. 49. (TAX2) 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.
	No comparable provision	Art. 7. Sec. 50. (TAX2) 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

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		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.
	No comparable provision	Art. 7. Sec. 51. (TAX2) 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, cultural or library projects. The city voters must approve the tax. The tax expires the earlier of 15 years or when sufficient funds have been raised to retire the bonds.
	No comparable provision	Art. 7. Sec. 52. (TAX2) Hubbard County. Authorizes Hubbard County to impose a local lodging tax.
	No comparable provision	Art. 7. Sec. 53. (TAX2) Use Tax Enforcement. Directs the commissioner to establish a use tax enforcement unit within the department of revenue to conduct direct use tax compliance activities.
	No comparable provision	Art. 7. Sec. 54. (TAX2) 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.
	No comparable provision	Art. 15. Sec. 17. (TAX2) 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.
	No comparable provision	Art. 21. Section 1. (TAX3) Event Souvenir Clothing. Establishes a definition of "event souvenir clothing" as clothing sold at a state-subsidized facility and that bears a name, image or logo of the entertainer, athlete, or team that performs at the following state-subsidized facilities: Target Center, Metrodome, Excel Arena, and

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		DECC in Duluth.
	No comparable provision	Art. 21. Sec. 2. (TAX3) Other exempt meals. Adds to the list of meals which are exempt from sales tax those which are purchased for and served exclusively to children under the age of 14 (or 16 if disabled), and who are attending a child care or early childhood education program. To be exempt, the meals must be purchased by a nonprofit child care facility that is otherwise tax exempt and that primarily serves families with income no greater than 250 percent of the federal poverty guidelines. The meals must be prepared at the site of the child care facility. This provision is retroactive to sales after December 31, 1997.
	No comparable provision	Art. 21. Sec. 4. (TAX3) Clothing. Makes the sales of event souvenir clothing at the facilities listed in article 22, section 1 taxable effective for sales after June 30, 2005.
	No comparable provision	Art. 21. Sec. 8. (TAX3) Hydroelectric generating facility. Exempts materials and supplies used or consumed in the construction of a hydroelectric generating facility that utilizes two turbine generators at a dam site existing on March 31, 1994, and is located on land within 1500 feet of a 13.8 kilovolt distribution circuit, and is eligible to receive a renewable energy production incentive payment. This section is effective for sales made after December 31, 2004, and before December 31, 2007.
	No comparable provision	Art. 21. Sec. 9. (TAX3) St. Paul Sales Tax. Clarifies that the use of revenues received from the St. Paul sales tax does not include the payment of principal, premium, or interest on any bonds or other obligations except bonds issued for the expansion or remodeling of the St. Paul Civic Center.
	No comparable provision	Art. 21, Sec. 10. (TAX3) Solar Energy Exemption. Strikes the sunset on the subdivision that provides a sales tax exemption for solar energy systems.
	No comparable provision	Art. 21. Sec. 11. (TAX3) Mower County. Authorizes Mower County to impose sales and use tax of up to one half of one percent. The proceeds of the tax must be used to pay the cost associated with a criminal justice center for Mower County. This facility would be used for jail, law enforcement, dispatch, courts, court administration, correctional services, and county attorney functions. The county is authorized to issue bonds to finance the cost of this project. The issuance is not subject to a referendum, nor to the requirement that the debt service be levied against the referendum market

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Sec.	Article 7: Sales and Use Taxes	Article 3: Sales, Use, and Special Taxes – S.F. 1209; Article 7: Sales Tax – S.F. 1683; Article 15: Department of Revenue Sales and Use Taxes – S.F. 1683; Article 21: Sales Tax – S.F. 2206
		value. The taxes would expire when the county board determines that sufficient revenues have been raised to pay for the project or at an earlier time determined by the county.
	No comparable provision	Art. 21. Sec. 12. (TAX3) Worthington Sales Tax. Authorizes the city of Worthington to impose a sales and use tax at a rate of up to one half of one percent. The sales tax is subject to approval by the voters at the next general election or at a special election held before January 1, 2006. The city is also authorized to impose an excise tax of up to \$20 per motor vehicle purchased from a person engaged in the business of selling motor vehicles at retail within the city. The revenues from the taxes are required to be used to pay for the cost of a multipurpose city facility which would include meeting rooms, a swimming pool, a senior citizens center, and to renovate the Memorial Auditorium. If the voters approve imposition of the tax, then the city is authorized to issue up to \$7,800,000 in bonds to pay for the cost of the improvements that may be financed by the tax proceeds. An additional referendum on the issuance of the bonds is not required. This bond issuance is exempt from the requirements that the levy for debt must be levied against the referendum market value of property in the city. The debt is not included in the municipal debt limitation and any levy of taxes to pay the debt service is not subject to any levy limitation. The tax will expire at the earlier of ten years or the time when the city council determines that the revenue from the taxes is sufficient to pay for the project financed by this tax.
Sec.	Article 8: Special Taxes	Article 3: Sales, Use, and Special Taxes – SF 1209; Article 12: Miscellaneous – SF 1683; Article 16: Department of Revenue Special Taxes – SF 1683
1	<p>Card club fee. Requires a pari-mutuel licensee to pay a fifteen percent franchise fee to the Racing Commission as a condition for operating a card club. This fee would be imposed on the card club’s gross revenues (i.e., amounts charged for table rents or the club’s percentage of “pots”). The fee would be paid, collected, and administered by the Racing Commission in the same manner as the tax on pari-mutuel betting. Amounts paid are deposited in the state general fund.</p> <p>The fee does not affect the licensee’s obligation to pay a share of gross revenues to the breeder’s fund and for horse racing purses. These computations would continue to be made in the same manner as before imposition of the fee, i.e., the fee would not be deducted before applying the percentages to be paid for those purposes.</p>	

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	Effective for charges and revenues received after June 30, 2005.	
2	<p>Mortgage registry tax; armory exemption. Provides that the mortgage registry tax does not apply to mortgages on armories.</p> <p>Effective the day following final enactment.</p>	<p>Art. 16, sec. 1 (TAX2). Mortgage Registry Tax Exemption. Same</p>
	No comparable provision	<p>Art. 16, sec. 2 (TAX2). Blood and blood components. Add a new subdivision to section 295.50 defining “blood components.” The amendment clarifies that blood components do not include blood derivatives</p>
	No comparable provision	<p>Art. 16, sec. 3 (TAX2). Blood and blood components. 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 section 151.44, paragraph (a), clause (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.</p>
3	<p>MinnesotaCare tax; use tax on prescription drugs. Exempts purchase of prescription drugs for personal use from the MinnesotaCare use tax. The use tax applies to purchases made from sellers who do not collect the MinnesotaCare tax, typically because they are outside of Minnesota’s jurisdiction to tax.</p>	
4	<p>MinnesotaCare tax; Tricare program. Exempts military payments received under the federal Tricare program from the MinnesotaCare tax. Tricare is a medical program for military active service members, retirees and their dependents. The new provision clarifies that enrollee deductibles, coinsurance, and co-payments are subject to tax, but that payments under the federal employees health benefits act(FEHBA) remain exempt.</p> <p>Effective for gross revenues received after December 31, 2004.</p>	<p>Art. 16, sec. 4 (TAX2). FEHBA copayments; blood and blood components. Same with respect to FEHBA. Senate has no provision with respect to Tricare; House has no provision with respect to blood and blood components.</p>
5	<p>Transfer or pass-through authority of MinnesotaCare tax. Makes a number of changes in the authority of providers and pharmacies to transfer or pass-through liability for the MinnesotaCare tax to third party payers. It:</p> <ul style="list-style-type: none"> ▶ Clarifies that if a provider chooses to use the statutory transfer authority (i.e., to bill the health plan company for the MinnesotaCare tax), it may still itemize the tax on patient bills and that itemizing 	

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Sec.	Article 8: Special Taxes	Article 3: Sales, Use, and Special Taxes – SF 1209; Article 12: Miscellaneous – SF 1683; Article 16: Department of Revenue Special Taxes – SF 1683
	<p>the tax on patient bills does not affect the ability to use the statutory transfer authority.</p> <ul style="list-style-type: none"> ▶ Provides that the tax is in addition to the “usual and customary fee schedule” often provided in these health plan contracts and extends to tax attributable to patient copayments and deductibles. For payments that are subject to health plan contracts, the pass-through would be limited to the contract amount. ▶ Requires the third party purchasers (typically insurers or health plan companies) to document how they are complying with these new requirements. ▶ Requires contracts between a health plan company and a registered pharmacy to allow the pharmacy to exercise its authority under the law’s pass-through language either to: <ul style="list-style-type: none"> (1) Transfer (bill) to the health plan company (or contract pharmacy benefits manager or third party purchaser) any MinnesotaCare wholesale drug distributor tax that its suppliers have transferred (or charged) to the pharmacy; or (2) Raise its fees under the contract to recover the amount of the MinnesotaCare provider tax that it has paid. 	
6	<p>Fur tax. Modifies the estimated payment rules under the gross receipts tax on fur clothing. Present law requires taxpayers to make quarterly payments based on 90 percent of the current year liability, or 100 percent of the previous year liability. The payment option based on 90 percent of the total liability in the current year is replaced with an alternative payment based on the gross revenue actually received during the quarter.</p> <p>Effective for gross revenues received after December 31, 2004.</p>	<p>Art. 16, sec. 5 (TAX2). Fur tax. Same</p>
7	<p>Liquor gross receipts tax. Replaces the additional 2.5 percent sales tax on alcoholic beverages (which is scheduled to end on December 31, 2005) with a 2.5 percent gross receipts tax on retail liquor sales.</p> <p>Subd. 1. Definitions. Defines terms for purposes of the gross receipts tax: commissioner, gross receipts, liquor, liquor retailer, and retail sale.</p> <p>Subd. 2. Gross receipts tax imposed.</p>	<p>Art. 3, sec. 2 (TAX1). Liquor Tax. Same</p>

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Sec.	HOUSE Article 8: Special Taxes	SENATE Article 3: Sales, Use, and Special Taxes – SF 1209; Article 12: Miscellaneous – SF 1683; Article 16: Department of Revenue Special Taxes – SF 1683
	<p>Imposes on each retailer a 2.5 percent tax on gross revenues from the sales in Minnesota of alcoholic beverage.</p> <p>Subd. 3. Use tax; credit for taxes paid. Provides for a complementary use tax and a credit for taxes paid to another jurisdiction.</p> <p>Subd. 4. Tax collection required. Requires retailers with nexus in Minnesota, who aren't subject to the gross receipts tax, to collect the use tax.</p> <p>Subd. 5. Taxes paid to another jurisdiction; credit. Provides that a liquor retailer that has paid a similar tax to another jurisdiction qualifies for a credit for the tax paid to another jurisdiction.</p> <p>Subd. 6. Exemptions. Provides that all the exemptions applicable to the sales and use taxes are applicable to the taxes imposed under this section.</p> <p>Subd. 7. Sourcing of sales. Provides that all of the sourcing provisions under the sales and use taxes apply to the taxes imposed by this section.</p> <p>Subd. 8. Payment; reporting. Provides that the reporting must be made on a form prescribed by the commissioner and that the tax must be filed and paid using the filing cycle and due dates provides for the taxes imposed under chapter 297A.</p> <p>Subd. 9. Administration. Provides that the audit, assessment, refund, penalty, interest, enforcement, collection remedies, appeal and administrative provisions of chapter 270 and 289A that are applicable to the sales and use taxes apply to the taxes imposed under this section.</p> <p>Subd. 10. Interest on overpayments. Provides that interest must be paid on an overpayment or credited to the taxpayer from the date of the tax payment until the refund is paid or credited; and the date of payment is the due date of the return or the date of actual payment of the tax, whichever is later.</p> <p>Subd. 11. Deposit of revenues. Requires the commissioner to deposit revenues from the tax, including penalties and interest, in the general fund.</p> <p>Effective for sales and purchases on or after January 1, 2006.</p>	

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Sec.	Article 8: Special Taxes	Article 3: Sales, Use, and Special Taxes – SF 1209; Article 12: Miscellaneous – SF 1683; Article 16: Department of Revenue Special Taxes – SF 1683
	No comparable provision	Art. 16, sec. 6 (TAX2). 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 sections 296A.07 and 296A.08 from gasoline and special fuel tax for ambulance service licensed under chapter 144E. Effective for purchases made on or after July 1, 2005.
8	Petroleum tax penalty abatement. Provides general penalty abatement authority to the commissioner under the petroleum tax and specifies a time frame for appealing penalty abatement denials. Effective for penalties imposed on or after the day following final enactment.	Art. 16, sec. 7 (TAX2). Petroleum Tax Penalty Abatement. Same
9	Distributor. Expands the definition of distributor under the gambling taxes to include a linked bingo game provider, requiring reporting of sales of gambling products. Effective the day following final enactment.	Art. 16, sec. 8 (TAX2). Linked Bingo Game Distributor. Same
10	Gambling product. Expands the definition of gambling product to include linked bingo paper sheets. Effective the day following final enactment.	Art. 16, sec. 9 (TAX2). Linked Bingo Game Gambling Product. Same
11	Linked bingo game. Defines “linked bingo game” for use in administering the gambling tax. Effective the day following final enactment.	Art. 16, sec. 10 (TAX2). Linked Bingo Game Definition. Same
12	Linked bingo game provider. Defines “linked bingo game provider” for purposes of the gambling tax. Effective the day following final enactment.	Art. 16, sec. 11 (TAX2). Linked Bingo Game Gambling Provider. Same
13	Business records. Provides that business records include copies of new electronic checks (under 2003 federal law) for purposes of the gambling taxes. Effective July 1, 2005.	Art. 16, sec. 12 (TAX2). Business Records. Same
14	Inspection rights. Authorizes the commissioner of revenue to inspect the place of business of a linked bingo game provider and the books, records, and other documents required to be maintained under law. Effective the day following final enactment.	Art. 16, sec. 13 (TAX2). Inspection Rights. Same
	No comparable provision	Art. 12, sec. 17 (TAX2). Out of State Tobacco Retailers. Defines “out of state retailer” as a person engaged outside of this state in the business

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Sec.	Article 8: Special Taxes	Article 3: Sales, Use, and Special Taxes – SF 1209; Article 12: Miscellaneous – SF 1683; Article 16: Department of Revenue Special Taxes – SF 1683
		of selling or offering cigarettes or tobacco products for sale to consumers located in Minnesota.
	No comparable provision	Art. 12, sec. 18 (TAX2). Out of State Tobacco Retailers. Requires retailers to file a statement with the Department of Revenue with the retailer's name, trade name and address.
15	Cigarettes in interstate commerce. Clarifies that reporting requirements for cigarettes transported outside of Minnesota only apply to cigarettes manufactured by companies that are not participating manufacturers in the Master Settlement Agreement with other states. Effective the day following final enactment.	Art. 16, sec. 14 (TAX2). Cigarettes in Interstate Commerce. Same
	No comparable provision	Art. 12, sec. 19 (TAX2). Out of State Tobacco Retailers. 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.
16	Bond requirement. Authorizes the commissioner of revenue to require cigarette distributors that are delinquent in paying tax or filing returns to post surety bonds or certified checks. Effective the day following final enactment.	Art. 16, sec. 15 (TAX2). Bond Requirement. Same
17	Cigarette tax returns; June acceleration. Clarifies the due dates of returns for May and June liability for cigarette distributors subject to the June accelerated payment requirements. Effective the day following final enactment.	Art. 16, sec. 16 (TAX2). Cigarette Tax Return; June Acceleration. Same
18	Tobacco products tax return; June acceleration. Clarifies the due dates of returns for May and June liability for tobacco products distributors subject to the June accelerated payment requirements. Effective the day following final enactment.	Art. 16, sec. 17 (TAX2). Tobacco Products Return; June Acceleration. Same
19	Bad debt. Amends the cigarette tax bad debt provisions to clarify when the offset may be claimed and that any recovery of the debt must be reimbursed to the commissioner. Effective for claims filed on or after July 1, 2005.	Art. 12, sec. 20 (TAX2). Bad Debt. Same
20	Cigarette sales tax. Replaces the sales tax on cigarettes with a wholesale tax on the sale of cigarettes from distributors to retailers and cigarette subjobbers. Subd. 1. Imposition. Imposes the tax at the rate of 6.5 percent of the weighted average retail price that must be determined annually by the commissioner of revenue by	Art. 12, sec. 21 (TAX2). Cigarette Sales Tax. Same except Senate specifies the initial rate as 21 cents per pack of 20 cigarettes. This is the rate initially provided by the Department of Revenue; House 20 cent rate reflects change made in early May to the Department's estimate of the initial rate.

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Sec.	Article 8: Special Taxes	Article 3: Sales, Use, and Special Taxes – SF 1209; Article 12: Miscellaneous – SF 1683; Article 16: Department of Revenue Special Taxes – SF 1683
	<p>surveying cigarette retailers statewide. The initial rate is set at 20 cents per pack of 20 cigarettes.</p> <p>Subd. 2. Payment. Provides that the tax payments must be made on the same dates prescribed for the cigarette excise taxes.</p> <p>Subd. 3. Return. Provides that the tax return must be filed on the same dates prescribed for the cigarette excise tax returns.</p> <p>Subd. 4. Form of return. Provides that the tax return must contain the information and be in the form prescribed by the commissioner.</p> <p>Subd. 5. Tax as debt. Requires the distributor to collect the tax and specifies it is a debt of the retailer or subjobber to the distributor recoverable at law in the same manner as other debts and that retailers and subjobbers must pay the tax to the distributor before the 12th day of the month following the month in which the cigarettes were purchased from the distributor.</p> <p>Subd. 6. Sales tax stamp. Provides that payment of the cigarette tax and of the tax imposed by this section is evidenced by a dual purpose single stamp affixed to each package.</p> <p>Subd. 7. Administration. Provides that the administrative provisions of chapter 297F apply to this tax.</p> <p>Subd. 8. Deposit of revenues. Provides that the tax and penalties and interest are deposited in the general fund.</p> <p>Effective for all sales made on or after August 1, 2005.</p>	
21	<p>Quarterly or annual returns and payments. Allows for quarterly or annual rather than monthly liquor tax returns and payments in certain situations.</p> <p>Effective for tax returns and payments due on or after January 1, 2006.</p>	<p>Art. 16, sec. 18 (TAX2). Liquor Taxes; Quarterly or Annual Returns and Payments. Same</p>
22	<p>Direct business. Defines direct business under the insurance premiums tax to include premiums for stop loss coverage. This overturns the Minnesota Supreme Court decision in BCBSM, Inc. vs. Commissioner of Revenue, 663 N.W.2d 531 (Minn. 2003).</p> <p>Effective for insurance premiums received after December 31, 2005.</p>	<p>Art. 3, sec. 5 (TAX1). Direct business. Same</p>

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Sec.	Article 8: Special Taxes	Article 3: Sales, Use, and Special Taxes – SF 1209; Article 12: Miscellaneous – SF 1683; Article 16: Department of Revenue Special Taxes – SF 1683
23	<p>Reinsurance. Defines “reinsurance” for purposes of the insurance premiums tax. The tax applies to gross premiums, less reinsurance.</p> <p>Effective the day following final enactment.</p>	<p>Art. 16, sec. 19 (TAX2). Reinsurance. Same</p>
24	<p>Mutual property and casualty insurance. Changes reference to life insurance premiums tax to conform to the separate (lower) tax imposed on life insurance under section 26.</p> <p>Effective January 1, 2008.</p>	<p>Art. 12, sec. 22 (TAX2). Insurance Taxes. Different; Senate 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, but does not include conforming change to lower tax rate on life insurance in Senate section 24.</p>
25	<p>Gross premiums tax. Clarifies that the gross premiums tax on health maintenance organizations, nonprofit health service plan corporations, and community integrated service networks does not apply to return premiums on direct business whether received in cash or otherwise.</p> <p>Effective January 1, 2005.</p>	<p>Art. 16, sec. 20 (TAX2). Health Maintenance Organizations, Nonprofit Health Service Plan Corporations, and Community Integrated Service Networks. Same</p>
26	<p>Life insurance premiums tax. Reduces the premium tax on life insurance from 2 percent to 1.5 percent.</p> <p>Effective January 1, 2008.</p>	<p>Art. 12, sec. 23 (TAX2). Insurance premiums tax. Same</p>
27	<p>Production tax; direct reduced ore. Clarifies the time periods before the production tax is imposed on the direct reduced ore by: (1) providing that no tax is imposed during the facility’s noncommercial production of direct reduced ore (i.e., during the experimental/research phase), (2) providing that no tax is imposed during the first two years of the facility’s “commercial production” period, and (3) phasing in the tax during the next three years.</p> <p>Nothing in present law specifically addresses the tax during the experimental/research phase of a project. This section:</p> <ul style="list-style-type: none"> (1) defines “commercial production” as more than 50,000 tons per year and “noncommercial production” as 50,000 or less tons per year; (2) does not impose the tax on the direct reduced ore until the plant achieves commercial production; and (3) provides that for the two-year time period when the commercial production level is reached, the production tax will not be imposed on the direct reduced ore; and no tax will be imposed on the taconite or iron sulphides consumed in the commercial production for those same two years. 	

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	<p>Iron concentrate used to produce the direct reduced ore (i.e., the iron nuggets) will be taxed like other taconite concentrates and pellets during the noncommercial production years. However, in the first two years of commercial production, no tax will be paid on the iron concentrate or on the direct reduced ore. After the facility has been in commercial production for two years, the direct reduced ore will be subject to the phased-up tax (i.e., 25% in the 3rd year, 50% in the 4th year, 75% in the 5th year, and 100% beginning in 6th year). Once the facility has reached the 50,000 tons per year, the tax will continue to apply even if the facility in some future year does not produce 50,000 tons in that year.</p> <p>Effective for direct reduced ore produced after the day following final enactment.</p>	
28	<p>Gravel tax; town of Sylvan. Authorizes the town of Sylvan to impose a gravel tax if Cass County does not impose one. The town of Sylvan would retain all of the proceeds.</p> <p>If Cass County imposes a gravel tax, the gravel tax authorized under this subdivision would be repealed on the effective date of the Cass County tax.</p> <p>Effective upon local approval.</p>	
	No comparable provision	Art. 12, sec. 25 (TAX2). Out of State Tobacco Retailers. Requirements for accepting orders for shipping and delivery sales are imposed on tobacco retailers.
29	<p>Metropolitan solid waste landfill fee penalty. Clarifies that the penalties provided for corporate franchise taxes apply to determine penalties under the metropolitan solid waste landfill fee. Present law applies the penalties under the tax in chapter 290 and it is unclear whether this refers to corporate franchise or individual income tax penalties.</p> <p>Effective the day following final enactment.</p>	Art. 18, sec. 17 (TAX2). Metropolitan Solid Waste Landfill Fee Penalty. Same
	No comparable provision	Art. 12, sec. 28 (TAX2). Compacts. Authorizes the commissioner of revenue to enter into compact agreements with other states to eliminate retaliatory insurance premiums tax provisions between Minnesota and other states.
30	<p>Floor stocks tax. Imposes a floor stocks cigarette tax on all persons selling cigarettes as distributors, retailers, subjobbers, vendors, manufacturers, or manufacturer's representatives who have stamped cigarettes and unaffixed stamps in their possession at 12:01 am on August 1, 2005. The tax is imposed at the rate of 20 cents per pack of 20 cigarettes. The floor stock tax payments are due by September 7,</p>	Art. 12, sec. 29 (TAX2). Floor Stocks Tax. Same except Senate specifies the initial rate as 21 cents per pack of 20 cigarettes. This is the rate initially provided by the Department of Revenue; House 20 cent rate reflects change made in early May to the Department's estimate of the initial rate.

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	2005. Effective August 1, 2005.	
31	Repealer. Repeals a lawful gambling tax provision dealing with allocation of payments since Minnesota Statutes, section 270.652 already deals with allocation of payments. Effective the day following final enactment.	Art. 16, sec. 21 (TAX2). Repealer. Same
Sec.	Article 9: Economic Development	S.F. 1683, Article 5 (TAX2) Local Development
	No provision	Art. 9, sec. 1 (TAX2). 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.
	No provision	Art. 9, sec. 2 (TAX2). 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.
	No provision	Art. 9, sec. 3 (TAX2). 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, 2005, and applies to subsidy agreements entered into on or after that date.
	No provision	Art. 9, sec. 4 (TAX2). 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.
	No provision	Art. 9, sec. 5 (TAX2). 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.
	No provision	Art. 9, sec. 6 (TAX2). Enforcement. Allows a

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Sec.	Article 9: Economic Development	S.F. 1683, Article 5 (TAX2) Local Development
		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.
	No provision	Art. 9, sec. 7 (TAX2). 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.
1	JOBZ property exempt from property taxation. Requires property to be occupied by a qualified business with a signed business subsidy agreement (and relocation agreement if required) by July 1 of the assessment year to qualify for exemption. Present law simply requires occupancy on July 1 st by a qualified business. Effective beginning for taxes payable in 2006. House Public Finance bill is very similar to section 3, except it applies to districts certified before January 1, 2005 and does not contain the limit that the exception is restricted to the extent necessary to collect tax increments.	Art. 24, sec. 3 (TAX3). JOBZ property exempt from property taxation. Senate provides that the property tax exemption for improvements to real property located within a job opportunity building zone would not apply to the captured net tax capacity in a tax increment financing district to the extent necessary to meet the debt repayment obligations of the authority, if the property is also located within an agricultural processing zone.
2	Border city development zone, property tax exemption. Provides that the property tax exemption for border city development zones may be for a period shorter than the duration of the zone designation. Effective for development agreements approved after the day following final enactment beginning for taxes payable in 2006.	Art. 9, sec. 8 (TAX2). Exemption. Same
3	Limits on exemption, border city development zone. Authorizes a city to limit the property tax exemption under the border city development zone law to (a) a time period less than the duration of the zone designation, or (b) a portion of the property	Art. 9, sec. 9 (TAX2). Limits on Exemption. Same

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	<p>tax, or both. Effective for development agreements approved after the day following final enactment beginning for taxes payable in 2006.</p>	
4	<p>Bioscience zone refunds of interest overpayments. Provides that interest sales and use tax refunds under the bioscience zone law is computed from 90 days after the refund claim is filed. Effective for refund claims filed on or after July 1, 2005.</p> <p>Present law applies the general sales and use tax refund rules to these refunds: (1) if a refund claim includes a detailed schedule of covered tax periods, interest is paid from the date of payment to the date the refund is paid; or (2) if a detailed schedule is not included, interest is computed from the date the claim was filed.</p>	<p>No provision</p>
5	<p>JOBZ; sales tax exemption. Makes two changes in the JOBZ sales tax exemption. It:</p> <ul style="list-style-type: none"> ▶ Provides that certain aircraft engaged in aerial surveying (and any aerial camera packages used in the aircraft) qualify as “primarily used or consumed” in a JOBZ <i>if</i> (1) the aircraft is based, maintained, and dispatched in a JOBZ, and (2) images taken in the air are processed in the JOBZ. Exempts equipment used to improve real property in a JOBZ if the improvement will be used by a qualified business. ▶ Provide that if the business subsidy agreement does not provide for paying prevailing wages on the construction project, the sales tax exemption does not apply. No effective date is provided, so this will likely apply to business subsidy agreements entered into after June 30, 2005 under the general rule for bills containing appropriations. 	<p>No provision</p>
6	<p>Bioscience zone business exemptions from general sales and use taxes. Exempts equipment used to improve real property in a bioscience zone if the improvement will be used by a qualified business. Makes this section effective for sales after December 31, 2003.</p>	
	<p>House Public Finance bill is very similar</p>	<p>Art. 24, sec. 5 (TAX3). Competitive bidding. Provides that a housing and redevelopment authority need not require competitive bidding until August 1, 2009, with respect to a facility built for the purpose of facilitating the operation of public transit or encouraging its use; constructed in conjunction with or directly above or below a development; and financed with the proceeds of parking ramp general obligation or revenue bonds or with at least 60 percent of the construction cost being financed with federal funds.</p>

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	House Public Finance bill contains a similar provision	Art. 9, sec. 10 (TAX2). 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.
7	Additional border city zone allocations. Allocates \$1.5 million for border city enterprise zone and border city development zone tax reductions. This allocation is divided equally between the two programs, but the cities can reallocate the amounts between the two programs. The allocation is divided among the qualifying border cities on a per capita basis. The five cities that qualify are Moorhead, Dilworth, East Grand Forks, Breckenridge, and Ortonville.	Art. 9, sec. 11 (TAX2). Border City Allocations. Same
	No provision	Art. 9, sec. 12 (TAX2). Urban Renewal. Defines an "urban renewal area" to be a contiguous geographic area designated within a tax increment financing project. Art. 9, sec. 18 provides exemptions from certain general law restrictions on tax increment financing districts for urban renewal areas.
	No provision	Art. 9, sec. 13 (TAX2). Tax Increment Financing Plan. 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.
	No provision	Art. 24, sec. 6 (TAX3). Tax Increment Financing. Defines fiscal and economic implications of proposed tax increment financing districts to include an estimate of the total amount of increment that will be generated over the life of the district; a description of the probable impact of the district on local government units and levies and any additional requested information.
	No provision	Art. 9, sec. 14 (TAX2). Tax Increment Financing Plan. Provides that the modification of a tax increment financing plan pursuant to a decision to pay for job training must follow the process

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		required for approval of the original plan.
	No provision	Art. 9, sec. 15 (TAX2). Tax Increment Financing Plan. 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.
	No provision	Art. 9, sec. 16 (TAX2). 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.
8	<p>Use of increments for gambling facilities. Prohibits cities or development authorities from spending tax increments for a facility that includes a casino or other facility conducting class III gaming, as defined under federal law. Class III gaming includes banking card games, including baccarat, chemin de fer, and blackjack (21), electronic games of chance, slot machines, roulette, craps, and other similar games.</p> <p>Effective for expenditures of increments made after June 30, 2005 whether in a new or existing TIF district.</p>	No provision
	No provision	<p>Art. 9, sec. 17 (TAX2). Tax Increment Financing Plan. 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.</p>
9	Including parcels in TIF districts. Prohibits including a parcel in a TIF district if it contains or is expected to contain a casino or other uses, facilities,	No provision

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	<p>properties, or businesses containing class III gaming.</p> <p>Effective for districts or modifications to districts for which the request for certification was made after June 30, 2005.</p>	
	<p>No provision</p>	<p>Art. 9, sec. 18 (TAX2). 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. Within an urban renewal area, defined in Art. 9, sec. 12, 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. 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:</p> <ul style="list-style-type: none"> ▶ 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.
	<p>No provision. Provisions of the House Public bill will allow mixed income and tenure housing by repealing the restrictions on the amount of the market value of housing that must be for low- and moderate-income families.</p>	<p>Art. 9, sec. 19 (TAX2). 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</p>

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		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.
	No provision	Art. 9, sec. 20 (TAX2). 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.
	No provision. The House Public Finance bill makes changes to the special deficit authority to provide a “safe harbor,” simpler alternative calculation.	Art. 9, sec. 21 (TAX2). 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.
10	<p>Definition of qualified business in a JOBZ. Modifies the criteria for a business to be considered “qualified” for JOBZ purposes as follows:</p> <ul style="list-style-type: none"> ▶ Specifies that a person is a qualified business only on parcels of land for which the person has entered into a business subsidy agreement with the appropriate local government; ▶ Requires the local government to consider several factors before executing a business subsidy agreement: <ul style="list-style-type: none"> (a) how wages plus benefits compare to 110 percent of the statewide poverty rate for a family of four; (b) how wages compare to the regional industry average; (c) the number of jobs created relative to overall employment in the community; (d) the economic outlook for the relevant industry; (e) anticipated sales generated from outside Minnesota; (f) how the business will diversify the regional economy or build on regional strengths; (g) how the business will increase capital investment in the JOBZ; and (h) any other criteria the commissioner deems necessary. ▶ Provides that a person relocating a trade 	<p>Art. 9, sec. 22 (TAX2). Qualified Business.</p> <p>S.F. 2776, article 2, section 105, same as House provision, except as noted.</p> <p>Not included</p>

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	<p>or business into a JOBZ is not a qualified business unless the above requirements are met, <i>and</i> the trade or business increases full-time employment in the first full year of operation within the JOBZ by a minimum of five jobs, or 20 percent, whichever is greater. (Current law requires only a 20 percent job increase.) Permits the commissioner to waive this requirement upon determining that the qualified business will “substantially achieve” the factors stated above.</p> <ul style="list-style-type: none"> ▶ Disqualifies a retailer from receiving JOBZ benefits if it is primarily engaged in retail sales to buyers physically present at the business’s zone location. ▶ Requires qualifying businesses to pay each employee wages plus benefits that equal or exceed 110 percent of the federal poverty guideline for a family of four (\$21,285 in 2005). <p>Effective the day following final enactment for businesses entering a JOBZ business subsidy agreement after that date, except that the requirement that a person is a qualified business only on those parcels for which the person has entered a business subsidy agreement is effective retroactively from June 9, 2003.</p>	<p>Same</p> <p>Also in Article 9, section 22</p>
11	<p>Definition of relocation payroll percentage. Defines “relocation payroll percentage” as a fraction representing (1) the zone payroll of the business for the tax year less the payroll from relocated operations in the last full year of operations before relocation (<i>the numerator</i>), in relation to (2) zone payroll of the business for the tax year (<i>the denominator</i>). States that the relocation payroll percentage of a business that is not relocating is 100 percent. Effective the day following final enactment; applies to qualified businesses with business subsidy agreements fully executed after June 30, 2005.</p>	<p>No provision</p>
12	<p>Prevailing wage requirements and JOBZ. Modifies the JOBZ list of tax incentives to provide that the sales tax exemption is not:</p> <ul style="list-style-type: none"> ▶ Financial assistance under the prevailing wage law that applies to DEED grants; or ▶ A business subsidy under the business subsidy law <p>unless the business subsidy agreement provides for the business to pay prevailing wage.</p> <p>Section 5 provides that the sales tax exemption effectively does not apply unless the business</p>	<p>No provision</p>

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	subsidy agreement requires paying prevailing wage. Effective retroactive to the start of the JOBZ program.	
13	JOBZ individual income tax exemption. Allows estates and trusts to qualify for the JOBZ income tax exemptions that now apply only to “individuals.” The exemption for rents is limited to properties rented to qualified businesses. This will eliminate the possibility of providing an exemption for housing—e.g., an apartment building. Business income must be apportioned using the relocation percentage. Effective for tax years beginning after December 31, 2003, but the requirement to apportion income using the relocation payroll percentage is effective the day following final enactment (and apply to qualified businesses with business subsidy agreements fully executed after June 30, 2005).	No provision
14	JOBZ corporate franchise tax exemption. Requires apportionment of exemptions from the corporate franchise tax and the corporate alternative minimum tax by the relocation payroll percentage. Effective the day following final enactment; applies only to qualified businesses with business subsidy agreements fully executed after June 30, 2005.	No provision
15	Repayment obligation. Clarifies that “commissioner” refers to the commissioner of employment and economic development.	S.F. 2276, article 2, section 106
16	Reconciliation. Clarifies that the JOBZ law controls regarding repayment of tax benefits if there are inconsistencies between the JOBZ and business subsidies (§§ 116J.993 to 116J.995) laws. Effective the day following final enactment.	S.F. 2276, article 2, section 107
17	Remedies. Eliminates the requirement for publishing orders modifying a JOBZ in the State Register and on the Internet. Effective the day following final enactment.	S.F. 2276, article 2, section 108
18	Definition of qualified business in a bioscience zone. Modifies the criteria for a business to be considered “qualified” for bioscience zone purposes by specifying that a person is a qualified business only on parcels of land for which the person has entered into a business subsidy agreement with the appropriate local government. Effective retroactively from June 9, 2003.	S.F. 2276, article 2, section 109
19	Biotechnology and health sciences funding. Allows unused tax benefit certificates available in the \$1,000,000 appropriation for the bioscience zone in fiscal years 2004-2005 to carryforward to the FY2006-07 biennium.	No provision

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20	<p>Bioscience zone corporate franchise tax exemption. Exempts a qualified business from the minimum fee if all of its property and payroll are located in the Bioscience zone.</p> <p>Effective for tax years beginning after December 31, 2003.</p>	<p>No provision</p>
21	<p>Repayment obligation. Clarifies that “commissioner” refers to the commissioner of employment and economic development.</p> <p>Effective the day following final enactment.</p>	<p>No provision</p>
	<p>No provision</p>	<p>Art. 9, sec. 23-24 (TAX2). Brooklyn Park. 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.</p>
	<p>House Public Finance bill allows the duration to equal that permitted under general law.</p>	<p>Art. 9, sec. 25 (TAX2). 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.</p>
22	<p>Fergus Falls; tax exemption. Extends the period during which the city of Fergus Falls can hold property for economic development purposes from 8 years to 15 years. This allows Fergus Falls to qualify under the rule applicable to cities with populations under 5,000, located outside of the seven county, Twin Cities metropolitan area. All other cities (those in the metropolitan area and those with populations greater than 5,000) are limited to an 8-year property tax exemption.</p> <p>Effective upon approval by the governing body of Fergus Falls.</p>	<p>Art. 9, sec. 33 (TAX2). City of Fergus Falls: Economic Development Property. Similar (has identical effect to the House language). 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.</p>
23	<p>Taylor Falls; border city development zone. Allows the City of Taylor Falls to designate all or any part of the city as a border city development zone. The bill allocates \$100,000 to the city to</p>	<p>No provision</p>

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	<p>provide state tax benefits under the zone. This dollar limit does not apply if the commissioner of revenue waives the limit under the general law rules.</p> <p>The general law rules for border city development zones apply to this zone. This law allows businesses locating or expanding in a designated zone to qualify for property tax exemptions, corporate franchise tax credits, and sales tax exemptions. Cities with these powers also can extend some of these benefits to businesses located within their cities, but outside a development zone. To receive these tax reductions, a business must apply to the city in which it is located. Under present law, the cities of Breckenridge, Dilworth, East Grand Forks, Luverne, Moorhead, and Ortonville have border city development zone powers.</p> <p>Effective upon approval by a majority of the voters of the city of Taylor Falls voting on the question at a general election.</p>	
	<p>No provision</p>	<p>Art. 9, sec. 26 (TAX2). 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.</p>
	<p>House Public Finance bill contains same provision.</p>	<p>Art. 9, sec. 27 (TAX2). Bemidji. Authorizes the city of Bemidji to extend the duration of the tax abatement for development within the fairgrounds district for an additional four years.</p>
	<p>No provision</p>	<p>Art. 9, sec. 28 (TAX2). 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.</p>
	<p>No provision</p>	<p>Art. 9, sec. 29 (TAX2). City of Brooklyn Park Tax Increment Financing. Extends the duration of the Brooklyn Park economic development district to December 31, 2020.</p>
	<p>No provision</p>	<p>Art. 9, sec. 30 (TAX2). 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</p>

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		<p>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.</p>
	<p>No provision</p>	<p>Art. 9, sec. 31 (TAX2). 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.</p>
	<p>House Public Finance bill allows city, county, and school district to grant abatement to replace the lost increment.</p>	<p>Art. 9, sec. 32 (TAX2). 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.</p>
	<p>No provision</p>	<p>Art. 9, sec. 34 (TAX2). Ramsey. Authorizes the city of Ramsey to create a housing tax increment district for the development of housing geared to low- and moderate-income persons, disabled persons, and people over the age of 55.</p>
	<p>House public finance bill is the same.</p>	<p>Art. 9, sec. 35 (TAX2). 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</p>

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		<p>designation of redevelopment districts. Additionally, this district would be exempt from the "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.</p>
	<p>No provision</p>	<p>Art. 9, sec. 36 (TAX2). St. Michael. Authorizes the city of St. Michael to establish a redevelopment tax increment financing district within a described area, including the downtown and town center areas, as well as all parcels adjacent to Highway 241 within the city. The bill provides that this district will be considered a redevelopment district, notwithstanding the requirements that would ordinarily apply to the area to be designated as a redevelopment district. The bill provides that tax increments from this district may be used for land acquisition, removal of buildings in the highway right-of-way acquisition area, and other costs incurred by the city of St. Michael in the expansion and improvement of Highway 241 within the city. Thus, the expenditures would not be subject to the usual restrictions in the tax increment financing law that provide that the revenues must be used for the general purposes of the authority, as well as the requirement that within a redevelopment district, 90 percent of the revenues must be used to finance the cost of correcting conditions that allow designation of the area as a redevelopment district. The limitation on the amount of acreage that may be acquired and held by a redevelopment agency at any one time is made inapplicable to this project.</p>
	<p>House public finance bill is the same.</p>	<p>Art. 9, sec. 37 (TAX2). 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.</p> <p>Each subdistrict would then be treated as a separate tax increment financing district.</p>
	<p>House public finance bill is similar. It provides the inconsequential increment received in 2001 does not count in computing the duration limit (at the election of the city). This will allow the district to receive the full duration limit, starting with receipt of the next increment. (No increments have been received since 2001.)</p>	<p>Art. 9, sec. 38 (TAX2). 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</p>

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		approval of the city, the county board, and school board.
	No provision	Art. 9, sec. 39 (TAX2). Winona. Extends the duration of the Winona Riverfront tax increment district to December 31, 2020. Any increment received after December 31, 2005, must be used solely to pay capital and administrative costs related to the Pelzer Street project.
	No provision	Art. 24, sec. 9 (TAX3). Rosemount TIF. Authorizes the city of Rosemount or a development authority of the city to spend increment from its Downtown Brockway Tax Increment Financing District to acquire parcels of property acquired by the Dept. of Transportation or Dakota County in conjunction with the realigned of Trunk Highway 3 without regard to the limits on the amount of increment that may be spent outside the district on the purposes for which increments may be spent.
	No provision	Art. 9, sec. 40 (TAX2). 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.
24	Revisor's instruction. Requires the revisor to renumber § 469.310, subdivision 11 (which defines "qualified business,") as § 469.3135 and to insert a reference to § 469.3135 in § 469.310, as the definition of "qualified business."	No provision
25	Repealer. Repeals <ul style="list-style-type: none"> ▶ Minn. Stat. § 272.02, subd. 65: the definition of Bioscience zone property in the property tax code. Effective beginning for taxes payable in 2006. ▶ Minn. Stat. § 477A.08: local government JOBZ aid. Effective beginning for aid payable in 2005. 	Art. 9, sec. 41 (TAX2). Repealer. Different. Senate repeals the exemption from section 273.1399 for the Brooklyn Park economic development tax increment financing district. That section of statute was itself repealed in 2001.
Sec.	Article 10: Tax Shelters	S.F. 2206, Article 7 (TAX3): Tax Shelter and Voluntary Compliance Initiative
1	Equitable actions. Authorizes the commissioner of revenue to seek injunctions of actions by tax shelter promoters, tax preparers, or taxpayers that violate a	No comparable provision

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Sec.	Article 10: Tax Shelters	S.F. 2206, Article 7 (TAX3): Tax Shelter and Voluntary Compliance Initiative
	list of penalties related to tax shelters.	
2	<p>Special rules for tax shelters.</p> <p>Subd. 1. Scope. Limits application of the section to tax shelters that:</p> <ul style="list-style-type: none"> ▶ Are organized in Minnesota; ▶ Do business in Minnesota; ▶ Derive income from sources in Minnesota; or ▶ Have one or more investors who are Minnesota taxpayers. <p>Subd. 2. Definitions. Defines terms by reference to the definitions under the Internal Revenue Code and regulations governing tax shelters. Explicitly provides that “tax shelter” includes a reportable transaction defined under subdivision 5.</p> <p>Subd. 3. Registration. Requires a tax shelter organizer who is required to register with the Internal Revenue Service (I.R.S.) to register with and provide the same information to the commissioner of revenue. The tax shelter organizer must register by the date the shelter is offered for sale. For existing tax shelters that are listed transactions by the I.R.S., the organizer must register with the commissioner within the latest of (1) 60 days after entering into the transaction, (2) 60 days after becoming a listed transaction, or (3) December 31, 2005.</p> <p>Subd. 4. Registration number. Requires promoters and organizers with federal tax shelter registration numbers to file the number with the commissioner of revenue and to furnish the number to each investor. Taxpayers must include the shelter number of the tax return.</p> <p>Subd. 5. Reportable transaction. Requires taxpayers to file copies of their federal disclosure statements for reportable transactions (generally done using I.R.S. Form 8886) with the commissioner of revenue. Corporations that are part of a unitary group must make the disclosure, if any member of the unitary group is required to do so under federal law. Disclosure applies to pre-existing transactions entered into after December 31, 2001. For transactions in which the taxpayer participated for tax year 2005 or earlier, disclosure must be made by the due date of the first return that is required after</p>	<p>Section 1. Registration of tax shelters. Is similar (see below for a full summary), but with some significant differences. The Senate extends these rules to Minnesota tax shelters that “substantially reduce[] a tax imposed under chapter 290” while the House limits the rules to tax shelters under federal law. The reporting requirements differ as to the timing and items that are required to be reported.</p> <p>Requires registration of tax shelters. A Minnesota tax shelter is defined as a transaction that is not a reportable transaction and that substantially reduces a tax imposed under Minnesota Income and Franchise Tax laws and has one or more of the following characteristics:</p> <ul style="list-style-type: none"> ▶ it is offered to taxpayer under conditions of confidentiality and the taxpayer has paid a fee for it; ▶ the terms of the transaction offer the taxpayer or related party, the right to a refund of fees if not all of the intended tax consequences of the transaction are realized, or the fees are contingent upon the taxpayer realizing tax benefits; ▶ it results in a corporation or a partnership with only corporate partners claiming a reduction in net income in excess of \$10,000,000 in any combination of tax years; ▶ it is a transaction or a series of related transactions that result in an individual partnership with one or more corporate partners as a corporation or a trust claiming a reduction in that income in excess of \$4,000,000 in any combination of taxable years; or ▶ it is the transaction identified as a Minnesota tax shelter in a rule promulgated by the Commissioner of Revenue. <p>When material advisors sell Minnesota tax shelters or reportable transactions, the material advisor must file a copy of the federal tax shelter registration information with the Commissioner of Revenue. Material advisors are also required to report to the Commissioner regarding federal and Minnesota tax shelters that were offered for sale between February 28, 2000, and January 1, 2006, as well as transactions entered into after April 14, 2006, that become listed as reportable transactions or Minnesota tax shelters. Organizers or sellers of Minnesota tax shelters and reportable transactions are required to maintain lists of participants that are subject to Minnesota income or corporate franchise taxes and must provide information regarding</p>

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	<p>enactment. For new transactions (made in tax year 2006 or later), disclosure must be made at the same time as it is required for federal purposes. Disclosure is not required, if the taxpayer files an amended return that reversed the tax treatment.</p> <p>Subd. 6. Abusive shelters, investor lists. Requires organizers and sellers of potentially abusive tax shelters (as defined under federal law) to file with the commissioner the same investor lists that are required under federal law. This applies to pre-existing listed transactions, if they were entered into after December 31, 2001. The lists must be filed by the later of 60 days after the transaction was listed by the I.R.S., 60 days after the transaction was entered, or December 31, 2005, whichever is the latest.</p>	<p>taxpayers when requested by the Commissioner of Revenue. Taxpayers who have participated in tax shelters are required to file disclosure statements with the Commissioner.</p>
3	<p>Extension of statute of limitations. Extends the statute of limitations from 3½ years to 6 years for tax attributable to reportable transactions.</p>	<p>Section 2 provides an assessment date for taxes related to a reportable transaction or Minnesota tax shelter that is not reported in the voluntary compliance initiative of eight and one half years after the return is filed.</p>
4	<p>Substantial understatement of liability penalty. Redefines the threshold tax amount that triggers a substantial understatement of liability penalty for corporations engaged in a reportable transaction. The test under present law is that liability must be understated by the greater of (1) 10 percent or (2) \$10,000. If the commissioner contacts the taxpayer regarding a potentially abusive tax shelter, under this section the penalty threshold becomes the <i>lesser</i> of (1) 10 percent or (2) \$5 million. Thus, this will trigger a penalty, if the tax shelter reduced a corporation's tax by less than 10 percent, but by more than \$5 million.</p> <p>The penalty does not apply if the taxpayer had a "reasonable belief that the tax treatment was more likely than not the proper treatment." Present law has a broader standard (that will continue to apply in other circumstances): there is "substantial authority for the treatment." The penalty will not apply, if the relevant facts are adequately disclosed on the tax return.</p>	<p>No provision</p>
5	<p>Frivolous return penalty. Increases the minimum frivolous return penalty to \$5,000 (compared with \$1,000 under present law) if the commissioner of revenue has contacted the taxpayer regarding the use of a potentially abusive tax shelter.</p>	<p>No provision</p>
6	<p>Penalty for promoting abusive tax shelters. Increases the penalty for promoting abusive tax shelters from 20 percent of the gross income derived from the activity to 50 percent.</p>	<p>No provision</p>

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7	<p>Penalty for aiding and abetting understating of tax liability. Imposes a new penalty on persons who are involved in preparing tax shelter returns, affidavits, documents, and so forth and knows or has reason to know that it will result in an understatement of Minnesota tax liability for another person. The general penalty is \$1,000 per document for individual taxpayers and \$10,000 for corporations. The penalty applies to only one document per tax year or taxable event. The penalty does not apply to typists, printers, and others providing essentially mechanical assistance in preparing tax shelter documents. This penalty is substitute for, not an addition to, the penalty for promoting abusive tax shelters under section 7.</p>	<p>No provision</p>
8	<p>Penalties for failure to register a tax shelter. Imposes a number of new penalties in connection with tax shelters. These penalties apply to organizers and promoters, as well as “material advisors” (e.g., tax lawyers who write opinions used to sell the shelters). These terms are defined by reference to federal law.</p> <ul style="list-style-type: none"> ▶ Failure to register shelter. A \$15,000 penalty applies for failing to register a tax shelter. This increases to \$100,000 or 50 percent of the gross income derived from the activity (whichever is more), if the tax shelter is a “listed transaction” – i.e., the I.R.S. has listed it under Treasury Regulation § 1.6011-4. The percentage is 75 percent for intentional refusals. ▶ Failure to provide tax shelter numbers to investors. A \$100 penalty is imposed for failure to furnish investors with the tax shelter registration number. ▶ Failure to include tax shelter number on return. Failure to include the tax shelter registration number on the tax return is subject to a \$250 penalty. ▶ Failure to provide list of investors to commissioner. A penalty of \$10,000 per day applies to organizers and material advisors who provide investor lists to the commissioner 20 days after receiving a request from the commissioner. This increases to \$100,000 or 50 percent of the gross income derived from the activity for listed transactions. 	<p>Section 3. Is similar. It imposes penalties on:</p> <ul style="list-style-type: none"> ▶ persons who fail to register tax shelters: \$15,000 penalty; ▶ persons who fail to report to the Commissioner of Revenue a Minnesota tax shelter or reportable transaction: \$10,000 initial penalty; additional \$10,000 per day for prolonged failure to file; ▶ persons who fail to make required reports: greater of \$100,000 or 50 percent of income from the activity; ▶ persons who intentionally disregard the requirement to maintain and provide information or provide lists: greater of \$100,000 or 75 percent of income from the activity; and ▶ persons who fail to provide required lists: \$15,000 penalty. <p>No comparable penalty</p> <p>No comparable penalty</p>

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	<p>These penalties are in addition to any other penalties that may apply.</p>	
9	<p>Failure to report reportable transactions. Imposes a new penalty for failing to include the required disclosure statement with a tax return for “reportable transactions” (defined above in section 2). The penalty is \$15,000 or \$30,000 for listed transactions. It only applies to:</p> <ul style="list-style-type: none"> ▶ High net worth individuals (\$2 million or more in assets) ▶ Large entities (corporations, partnerships, and so forth with annual gross receipts of \$10 million or more) <p>These penalties are in addition to any other penalties that may apply.</p>	No comparable provision
10	<p>Reportable transaction understatement. Imposes a 20 percent penalty on reportable transaction understatements. This applies to increases in taxable income that result from disallowance of listed transaction or a reportable transaction.</p> <p>These penalties are in addition to any other penalties that may apply.</p>	No comparable penalty
11	<p>Addition to tax. Adds to tax liability an amount equal to 100 percent of the interest normally payable, if the taxpayer is:</p> <ul style="list-style-type: none"> ▶ Contacted by the commissioner regarding the use of a potentially abusive tax shelter; and ▶ There is deficiency. <p>Potentially abusive shelter means a shelter that is required to be registered under federal law.</p> <p>These penalties are in addition to any other penalties that may apply.</p>	No comparable penalty
12	<p>Abatement authority. Limits the authority of the commissioner to abate the tax shelter penalties under sections 6 to 11 to situations where all of the following conditions are met:</p> <ul style="list-style-type: none"> ▶ The violation is not for a listed transaction. ▶ The person has a history of complying with the income and corporate franchise tax. ▶ The violation is due to an unintentional mistake of fact. ▶ Imposing the penalty would be against equity and good conscience. 	No comparable provision

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	<ul style="list-style-type: none"> ▶ Abating the penalty would promote compliance with the individual income and corporate franchise tax. 	
13	<p>Interest computation. Increases the interest rate by 50 percent for taxpayers with understatements due to reportable transactions who have not been contacted by either the I.R.S. or the commissioner of revenue. (Section 11 doubles the interest rate for taxpayers who are contacted by the I.R.S. or the commissioner regarding use of a potentially abusive shelter.)</p> <p>Effective beginning for tax year 2006.</p>	
14	<p>Voluntary Compliance Initiative (“VCI”).</p> <p>Subd. 1. Establishment. Directs the commissioner of revenue to establish a voluntary compliance initiative (a type of amnesty) for taxpayers who have engaged in listed or reportable transactions.</p> <p>Subd. 2. Time period, scope. Provides for conduct of the VCI from 7/1/2005 through 12/31/2005 for taxpayers who have engaged in (as defined under federal law) abusive tax shelter defined as:</p> <ul style="list-style-type: none"> ▶ Listed transactions ▶ Potentially abusive tax shelters ▶ Reportable transactions <p>Subd. 3. Eligibility. Disqualifies the following persons from participating in the VCI (all others are eligible):</p> <ul style="list-style-type: none"> ▶ Taxpayer was convicted of a crime related to an abusive tax shelter ▶ A criminal complaint was filed against the taxpayer related to an abusive tax shelter ▶ The taxpayer is the subject of a criminal investigation related to an abusive tax shelter ▶ The taxpayer was eligible to participate in the I.R.S.’s Offshore Voluntary Compliance Initiative <p>Subd. 4. Election; commissioner’s authority. Authorizes taxpayers to participate in the VCI under either of two options (1) without right of appeal or (2) with right of appeal. Either option may be elected for each taxable year. The commissioner prescribes the forms and instructions for participating.</p>	<p>Section 4 authorizes the Commissioner of Revenue to develop a Minnesota tax shelter voluntary compliance initiative for taxpayers who would be subject to the penalties set forth in Section 3.</p> <p>Time period: Same</p> <p>Scope: applies to tax shelters and reportable transactions.</p> <p>Same</p> <p>Same except that the House allows a taxpayer to chose to participate in the VCI for any tax year or transaction and to choose to participate for one year without right of appeal and another with right of appeal. The Senate program requires a taxpayer to participate for <i>all</i> the years in which it entered an abusive tax avoidance transaction on the same basis.</p>

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	<p>Subd. 5. Option without right of appeal. Provides participants under this option forgo the right to seek a refund, an administrative appeal, or court action. To participate a taxpayer must:</p> <ul style="list-style-type: none"> ▶ File an amended return, reversing the abusive tax shelter transaction, and ▶ Pay all taxes and interest due (or enter an installment payment agreement) <p>In return, all penalties are abated and no criminal action may be brought against the taxpayer for each year the taxpayer participates in the VCI without right of appeal.</p> <p>Subd. 6. Option with right of appeal. Allows participants in the VCI to retain the right to seek a refund, file an administrative appeal, or bring a court action contesting the tax liability. To participate a taxpayer must:</p> <ul style="list-style-type: none"> ▶ File an amended return, reversing the abusive tax shelter transaction, and ▶ Pay all taxes and interest due (or enter an installment payment agreement) <p>In return, all penalties are abated, except the substantial understatement penalty, but without the enhancement of the penalty under section 4. Also, no criminal action may be brought against the taxpayer for each year the taxpayer participates.</p> <p>The taxpayer may file an appeal, claim for refund, or court action whenever the first of the following occurs:</p> <ul style="list-style-type: none"> ▶ Commissioner takes action on the refund claim or ▶ The later of: <ul style="list-style-type: none"> ○ 180 days after the I.R.S. makes a final determination; or ○ 4 years pass after filing the claim for refund. <p>The substantial understatement penalty may be applied when the commissioner denies the claim for refund or the I.R.S. makes a final determination. The penalty applies to the difference between the amount on the original return (i.e., reflecting the tax shelter</p>	<p>Same except that for taxpayers participating with right of appeal, the House imposes the 20% substantial understatement penalty, if the state prevails. The Senate imposes a 10% penalty.</p> <p>No provision</p>

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	<p>treatment) and the qualified amended return (i.e., when the tax shelter treatment was reversed and tax paid). The difference cannot be less than the claim for refund. The taxpayer must pay the penalty in order to file an administrative appeal with the commissioner.</p> <p>Subd. 7. Commissioner orders and penalties. Authorizes the commissioner to issue orders (within the statute of limitations) or seek initiation of criminal actions based on underreporting of tax on the amended return.</p> <p>Subd. 8. Exception to penalty relief. Provides that the abatement of penalties does not apply, if the commissioner determines that the correct amount of tax was not paid for a taxable year when the taxpayer participated in the VCI program.</p>	<p>Section 5 contains an equivalent provision with regard to assessment on underreported tax on VCI amended returns.</p>
15	<p>Appropriation. Appropriates a blank amount of money to the commissioner to administer VCI and the tax shelter registration and compliance provisions of the article.</p>	<p>Senate does not appropriate money for administration either.</p>
16	<p>No provision</p>	<p>Section 5 [in addition to the provisions described above] also imposes penalties on those eligible to participate in the VCI and who choose not to. The penalties are equal to 200 percent of the underreported tax that is attributable to the abusive tax shelter transaction.</p>
Sec.	Article 11: Miscellaneous	Article 12: Miscellaneous – SF 1683; Article 18: Department of Revenue Miscellaneous – SF 1683; Article 24: Miscellaneous – SF 2206
1	<p>American flag patch or pin. Provides that public employers may not forbid peace officers or firefighters from wearing a patch or pin depicting the flag of the United States on the employee’s uniform, according to customary and standard flag etiquette.</p> <p>Requires the commissioner of finance or revenue to suspend disbursement of any state appropriation or aid, not to exceed \$10,000, to a public employer who does not comply with this section until the commissioner determines the employer is in compliance.</p>	<p>No comparable provision</p>
2	<p>Taxpayer rights advocate as case reviewer. Authorizes the taxpayer rights advocate to act as case reviewer in the collection of non-tax debt and to issue debtor assistance orders if the manner in which state non-tax debt collection is being administered would create an unjust and inequitable result for the debtor. The taxpayer rights advocate has this authority under present law for tax debts.</p> <p>Effective the day following final enactment.</p>	<p>Art. 18, sec. 2 (TAX2). Taxpayer Rights Advocate Assumes Duties of Case Reviewer. Same</p>

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Sec.	Article 11: Miscellaneous	Article 12: Miscellaneous – SF 1683; Article 18: Department of Revenue Miscellaneous – SF 1683; Article 24: Miscellaneous – SF 2206
3	<p>Delegation of commissioner’s authority. Provides that delegations of authority granted by the commissioner of revenue remain in effect until revoked by that commissioner or a successor commissioner.</p> <p>Effective the day following final enactment.</p>	<p>Art. 18, sec. 1 (TAX2). Delegations of Authority. Different. Senate amends a different section of statute to provide that the delegations of authority granted by any commissioner remain in effect until revoked by that commissioner or a successor commissioner, or until termination of the employee’s employment. Authorizes single delegation order to cover up to 10 employees. Specifies process for continuation of delegation by successor commissioner . Effective the day following final enactment.</p>
	<p>No comparable provision</p>	<p>Art. 24, sec. 1 (TAX3). Distribution. Modifies a provision in the taxpayer bill of rights by clarifying that failure to receive the statement does not modify any statutory time limits applicable to the determination or collection action, including the time limit for filing a claim for refund.</p>
	<p>No comparable provision</p>	<p>Art. 24, sec. 2 (TAX3). Fees. Directs the Department of Revenue to include fees in its tax incidence study.</p>
4	<p>Scope. Deletes language excluding certain tax preparers from provisions regulating tax preparation services. Section 12 provides similar exclusions.</p>	<p>Art. 12, sec. 1 (TAX2). Tax Preparers. Same</p>
5	<p>Itemized bill requirement. Removes the requirement that tax preparers separately itemize the cost of electronic filing on bills provided to clients.</p>	<p>Art. 12, sec. 2 (TAX2). Tax Preparers Itemized Bills. Same</p>
6	<p>Nongame wildlife checkoff notification. Requires tax preparers to notify individual and corporate clients of the nongame wildlife checkoff on the income tax and property tax refund forms. Requires preparers to provide clients with information on the nongame wildlife account, and to include this information with any preliminary worksheets that they send to clients. The preliminary worksheets must include a line for clients to use in specifying contributions to the checkoff.</p> <p>Requires the notification, to substantially state: “You can help preserve Minnesota’s nongame wildlife, such as bald eagles and loons, by donating to the nongame wildlife fund.”</p> <p>The notification requirement proposed would be added to § 270.30, which does not apply to individuals who prepare returns for fewer than six clients per year, who prepare returns for members of their immediate families, or to individuals who prepare the tax return of their employer. The nongame wildlife checkoff notification requirement proposed would not apply to these individuals.</p> <p>The nongame wildlife checkoff allows taxpayers to designate an amount to be contributed to the nongame wildlife management account. The amount designated is either subtracted from the</p>	<p>No comparable provision</p>

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	taxpayer’s refund or added to the tax due.	
7	Penalties; tax preparers. Clarifies that administrative penalties already authorized in statute are public data.	Art. 12, sec. 3 (TAX2). Tax Preparers administrative penalties. Same
8	Exchange of data; State Board of Accountancy. Directs the State Board of Accountancy to refer complaints it receives about tax preparers who are not subject to its jurisdiction to the commissioner of revenue.	Art. 12, sec. 4 (TAX2). Tax Preparers Exchange of Data. Same
9	Exchange of data; Lawyers Board of Professional Responsibility. Authorizes the Lawyers Board of Professional Responsibility to refer complaints it receives about tax preparers who are not subject to its jurisdiction to the commissioner of revenue.	Art. 12, sec. 5 (TAX2). Tax Preparers Exchange of Data. Same
10	Exchange of data; commissioner of revenue. Directs the commissioner to refer complaints that the Department of Revenue receives about tax preparers who are accountants to the State Board of Accountancy, and to refer complaints about tax preparers who are lawyers to the Lawyers Board of Professional Responsibility.	Art. 12, sec. 6 (TAX2). Tax Preparers Exchange of Data. Same
11	Data privacy. Provides that data shared as provided in sections 8 to 10 remain private until a penalty is imposed either as provided in statute or by the Lawyers Board of Professional Responsibility.	Art. 12, sec. 7 (TAX2). Tax Preparers Private Data. Same
12	<p>Exemptions; enforcement provisions. Exempts from all tax preparer regulation provisions except refund anticipation loan disclosure requirements:</p> <ul style="list-style-type: none"> ▶ attorneys, ▶ accountants, ▶ enrolled agents ▶ fiduciaries, and ▶ individuals who provide tax preparation services to fewer than six clients per calendar year; a spouse, parent, grandparent, child, or sibling of the individual; or the individual’s employer. <p>The principal change from present law is to exempt attorneys, accountants, enrolled agents and fiduciaries from the itemized bill requirement.</p>	Art. 12, sec. 8 (TAX2). Tax Preparers Exemptions. Similar. Senate exempts fiduciaries, preparers who prepare fewer than 6 returns per year, individuals who prepare returns for close relatives, and individuals who prepare their employer’s return from the refund anticipation loan disclosure requirements; House does not (these preparers are unlikely to offer RALs).
13	<p>Publication of list of tax preparers subject to penalties.</p> <p>Subd. 1. Publication of list. Requires the commissioner of revenue to publish a list of tax preparers who have been subject to</p>	Art. 12, sec. 9 (TAX2). Tax Preparers Penalty Publication. Similar. Senate includes preparers subject to administrative penalties on the list; House only lists preparers subject to criminal penalties.

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	<p>penalties.</p> <p>Subd. 2. Required and excluded preparers. Requires the commissioner to include on the list preparers who have been convicted of a criminal offense under chapter 289A.</p> <p>Provides that penalties are not considered to have been assessed for purposes of triggering inclusion on the list if:</p> <ul style="list-style-type: none"> ▶ the preparer is contesting the penalty; or ▶ the appeal period has not expired. <p>Excludes penalties from publication if:</p> <ul style="list-style-type: none"> ▶ the commissioner is reviewing or adjusting the penalty; or ▶ the preparer is deceased. <p>Subd. 3. Notice to tax preparer. Requires the commissioner to provide written notice by certified mail to tax preparers 30 days prior to publishing their names on the list, and to include in the written notice information about exceptions to publication provided under the preceding subdivision.</p> <p>Subd. 4. Form of list. Gives the commissioner discretion over the medium and method of list publication. Requires the list to include the name, associated business name or names, address, and violation(s) for which a penalty was imposed for each preparer included on the list.</p> <p>Subd. 5. Removal from list. Requires the commissioner to remove preparers from the list if:</p> <ul style="list-style-type: none"> ▶ the preparer was included in error; ▶ 90 days have elapsed since the preparer has paid all fines imposed and completed all required remedial actions; or ▶ the preparer is deceased. <p>Subd. 6. Names published in error. Requires the commissioner to publish a retraction and apology to preparers whose names are included on the list in error and who request an apology.</p> <p>Subd. 7. Payment of damages. Provides for actions against the commissioner for civil damages resulting from publication of the list.</p> <p>Inclusion on the list applies only to preparers</p>	

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	convicted of crimes occurring on or after August 1, 2005.	
14	<p>Date of assessment; consent agreement. Clarifies that in the case of a consent agreement in which the taxpayer agrees 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.</p> <p>Effective the day following final enactment.</p>	<p>Art. 18, sec. 3 (TAX2). Date of Assessment of a Consent Agreement. Same</p>
15	<p>Offer in compromise deposit requirement. Provides that taxpayers making compromise proposals must submit a nonrefundable deposit of \$250 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. Allows for waiver of the deposit requirement in cases of financial hardship.</p> <p>Effective for offers submitted after August 31, 2005.</p>	<p>Art. 18, sec. 4 (TAX2). Offer in Compromise Deposit Requirement. Same</p>
16	<p>Transcription of liens. Provides that state tax liens filed in a county may be transcribed to the secretary of state within ten years of the date of filing. Under current law state tax liens filed in one county may be transcribed to any other county. In no case does the transcription extend the period in which the lien is enforceable.</p>	<p>Art. 18, sec. 5 (TAX2). Transcription of Liens to the Secretary of State. Same</p>
17	<p>Definition of "debt," revenue recapture program. Adds fines imposed for petty misdemeanors to the definition of debt for the revenue recapture program. Under present law, courts may submit debts for criminal fines to revenue recapture program, but the definition does not currently include fines for petty misdemeanors.</p>	<p>Art. 12, sec. 10 (TAX2). Revenue Recapture. Same</p>
18	<p>Political contribution refund, conforming changes. Eliminates a reference to the political contribution refund, which is repealed in section 34.</p>	<p>No comparable provision</p>
19	<p>Cross-reference. Updates a reference to be consistent with the changes in section 25 (commissioner's authority to suspend a preparer's ability to file returns electronically) and strikes outdated language.</p>	<p>Art. 12, sec. 11 (TAX2). Cross-reference. Same</p>
20	<p>Sending orders of assessment by electronic mail. Provides that an order of assessment may be sent by electronic mail to the taxpayer's electronic mailing address, as set forth in the Uniform Electronic Transactions Act.</p> <p>Effective the day following final enactment.</p>	<p>Art. 18, sec. 8 (TAX2). Sending Orders of Assessment by Electronic Mail. Same</p>
21	<p>Political contribution refund, conforming changes. Eliminates a reference to the political</p>	<p>No comparable provision</p>

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	<p>contribution credit, which is repealed in section 34.</p> <p>Effective for political contribution refund claims based on contributions made on or after July 1, 2005.</p>	
22	<p>Penalty for extended delinquency. Imposes a penalty on taxpayers who fail to file a tax return within 30 days of receiving a written demand for filing the return from the department. The penalty equals \$100 or five percent of the tax not paid prior to the demand for filing the return, whichever is greater.</p> <p>Effective for returns originally due on or after August 1, 2005.</p>	<p>Art. 18, sec. 9 (TAX2). Penalty for Extended Delinquency. Same</p>
23	<p>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.</p> <p>Effective the day following final enactment.</p> <p>No comparable provision</p>	<p>Art. 18, sec. 10 (TAX2). Civil Fraud Penalty. Same</p> <p>Art. 13, sec. 5 (TAX2). Fraudulent Claims for Refund. Provides a 50 percent penalty for the portion of any refund claim that is found to be fraudulent. Strikes language that disallowed the amount of a fraudulent property tax refund claim without imposing any additional penalty.</p>
24	<p>Penalty for submitting incorrect employee withholding exemption certificate to employer. Modifies the standard for imposing the \$500 penalty on an employee who gives an employer an incorrect withholding tax exemption certificate to parallel the federal penalty. The standard would shift from the employee having “reason to know” that the withholding certificate contains a materially incorrect statement to the employee having “no reasonable basis” for the information provided on the statement.</p> <p>Effective for certificates filed after December 31, 2005.</p>	<p>Art. 18, sec. 11 (TAX2). Penalty for Submitting Incorrect Employee Withholding Exemption Certificate to Employer. Same</p>
25	<p>Termination or suspension of electronic filing authority. Authorizes the commissioner to terminate or suspend the authority to file returns electronically for preparers who are assessed civil penalties under chapter 289A. Present law allows the commissioner to terminate electronic filing authority of preparers who are assessed administrative penalties under chapter 270.</p>	<p>Art. 12, sec. 12 (TAX2). Tax Preparers Suspension. Same</p>
26	<p>Political contribution refund, conforming changes. Eliminates a reference to the political contribution credit, which is repealed in section 34.</p> <p>Effective for political contribution refund claims</p>	<p>No comparable provision</p>

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Sec.	Article 11: Miscellaneous	Article 12: Miscellaneous – SF 1683; Article 18: Department of Revenue Miscellaneous – SF 1683; Article 24: Miscellaneous – SF 2206
	based on contributions made on or after July 1, 2005.	
27	<p>Personal liability standard for withholding tax. Makes the personal liability standard in the withholding tax statute consistent with the general standard of personal liability for trust taxes, by clarifying the definition of employer to mean someone with either actual or legal control over the payment of wages.</p> <p>Effective the day following final enactment.</p>	<p>Art. 18, sec. 12 (TAX2). Personal Liability Standard for Withholding Tax. Same</p>
	No comparable provision	<p>Art. 12, sec. 24 (TAX2). 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.</p>
28	<p>Unfair cigarette sales act. Strikes language authorizing revocation of a cigarette distributor's license by the commissioner of commerce since licensure is under the authority of the commissioner of revenue.</p> <p>Effective the day following final enactment.</p>	<p>Art. 18, sec. 16 (TAX2). Unfair Cigarette Sales Act. Same</p>
29	<p>Referendum required for tax exemption for gambling. Requires cities and counties to hold a referendum on the question before providing exemptions or abatements from taxes or fees or providing other public subsidies to businesses engaged in casino style gambling. Public subsidies exclude (1) construction of public infrastructure unless its predominant use is to serve the business that is conducting gambling and (2) maintaining and reconstructing (without expansion) existing infrastructure.</p>	No comparable provision
30	<p>Fee and tax; definitions. Defines "tax" to mean any fee, charge or assessment imposed by a governmental entity. Excludes amounts that an individual chooses to pay in return for goods or services, but specifies that goods or services do not include access to private market transactions with a nongovernmental party, or trade, professional, or business licenses.</p> <p>Provides that any fee or charge that meets the definition provided of a tax must be treated as a tax for all purposes, without regard to whether or not the statute or law names it as a tax.</p>	<p>Art. 24, sec. 7 (TAX3). Fee and Tax. Similar. Senate provides that "tax" does not include a fine or penalty, and that this section is not intended to extend or limit the application of Article 4, section 18, of the Constitution of Minnesota.</p>
	No comparable provision	<p>Art. 24, sec. 8 (TAX3). Petrofund. Extends the current law exemption from the Petrofund fee to a Minnesota-based commercial airline until July 1, 2007.</p>
31	Tax reform commission.	No comparable provision

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Sec.	Article 11: Miscellaneous	Article 12: Miscellaneous – SF 1683; Article 18: Department of Revenue Miscellaneous – SF 1683; Article 24: Miscellaneous – SF 2206
	<p>Subd. 1. Commission established. Establishes a tax reform action commission to make recommendations to the legislature.</p> <p>Subd. 2. Membership. Provides for 15 members on the commission: three appointed by the governor, four by the Senate majority leader and two by the minority leader, four by the Speaker of the House and two by the minority leader, and provides for the governor to designate the chair.</p> <p>Subd. 3. Duties and report. Directs the commission to study and evaluate Minnesota’s state and local tax system with the goal of making long-term improvements. Specifically directs the commission to examine:</p> <ul style="list-style-type: none"> ▶ the mix of state revenue between taxes and fees; ▶ the implications of expected demographic and economic changes on the revenue system; ▶ the extent to which the existing system and the commission’s proposal satisfy the basic tax policy principles of equity, neutrality, revenue adequacy, competitiveness, simplicity, ease of compliance and administration, and visibility or accountability. <p>Requires the commission to report to the legislature, and prepare a draft bill for implementing its recommendations, on the following schedule:</p> <ul style="list-style-type: none"> ▶ July 1, 2007: corporate and other business taxation ▶ July 1, 2008: general sales tax, motor vehicle sales tax, and special excise taxes ▶ July 1, 2009: individual income tax ▶ July 1, 2010, estate tax, insurance premiums tax, MinnesotaCare tax, and all other taxes <p>Subd. 4. Per diem and expenses. Allows commissioner members to receive a per diem of \$55 when engaged in commission work and to be compensated for expenses.</p> <p>Subd. 5. Staff. Authorizes the commission to employ staff or to use existing legislative and executive branch staff. Requires legislative staff and Department of Revenue staff to provide services to the</p>	

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Sec.	Article 11: Miscellaneous	Article 12: Miscellaneous – SF 1683; Article 18: Department of Revenue Miscellaneous – SF 1683; Article 24: Miscellaneous – SF 2206
	<p>commission on request.</p> <p>Subd. 6. Expiration. Terminates the commission 30 days after the transmission of its final report.</p>	
32	<p>Transfer. Transfers \$3,408,000 from the tax relief account, and any other amount available in the account, to the general fund. This represents the fiscal year 2005 general fund balance remaining after the school aid payment percentage was increased to 84.3%.</p>	No comparable provision
33	<p>Appropriation; taxpayer assistance services. Provides a \$250,000 appropriation in fiscal years 2006-2007 (\$125,000 per year) from the general fund to one or more nonprofit organizations for the coordination and provision of taxpayer assistance services. Defines “taxpayer assistance services” to mean accounting and tax preparation services provided by volunteers to help low-income and disadvantaged taxpayers prepare and file federal and state income tax returns, and claims for the property tax refund. Authorizes taxpayer assistance services to represent their clients before the Department of Revenue and the Internal Revenue Service. Specifies that the appropriation does not become part of the agency’s base funding.</p>	<p>Art. 24, sec. 10 (TAX3). Taxpayer assistance services. Similar except Senate makes \$200,000 per year the base appropriation for this item in fiscal years 2008 and following years.</p>
	No comparable provision	<p>Art. 24, sec. 11 (TAX3). Duluth. Provides a onetime appropriation of \$320,000 to the state Department of Employment and Economic Development for grants to the city of Duluth for enterprises related to environmental cleanup of Lake Superior and long-term community health care.</p>
	No comparable provision	<p>Art. 24, sec. 12 (TAX3). Tax Relief Appropriation. Appropriates money to the Commissioner of Finance for deposit into the Clean Water Legacy account in the environmental fund.</p>
	No comparable provision	<p>Art. 24, sec. 13 (TAX3). Aid Payment Shifts. Appropriates \$25,000,000 in fiscal year 2008 to the Commissioner of Finance to buy back aid payment shifts under Minnesota Statutes, section 16A.152.</p>
	No comparable provision	<p>Art. 24, secs. 14-15 (TAX3). Deferred Maintenance Aid. For fiscal years 2006 and 2007, deferred maintenance aid equal to \$13.25 per pupil unit is provided.</p>
	No comparable provision	<p>Art. 24, sec. 16 (TAX3). Appropriation. Appropriates \$2,000,000 on a onetime basis to the Higher Education Services Office for deposit into the Rochester Higher Education Development Account.</p>
34	<p>Repealer. Paragraph (a) repeals:</p> <p>▶ Minn. Stat. § 10A.322, subd. 4: Refund</p>	No comparable provisions

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Sec.	Article 11: Miscellaneous	Article 12: Miscellaneous – SF 1683; Article 18: Department of Revenue Miscellaneous – SF 1683; Article 24: Miscellaneous – SF 2206
	<p>receipts for the political contribution refund</p> <p>Paragraph (b) repeals:</p> <ul style="list-style-type: none"> ▶ Minn. Stat. § 16A.1522, subd. 4: Transfer of unrestricted general fund balances to the tax relief account to be used for tax rebates <p>Paragraph (c) repeals:</p> <ul style="list-style-type: none"> ▶ Minn. Stat. § 290.06, subd. 23: The political contribution refund program <p>Paragraph (a) is effective July 1, 2005. Paragraph (b) is effective July 2, 2005. Paragraph (c) is effective for political contribution refund claims based on contributions made after June 30, 2005.</p>	
Sec.	H.F. 2498, art. 1 (Public Finance bill as passed by Taxes Committee)	Senate Article 10: Public Finance
1	<p>City of St. Paul data. Provides special data practices rules for the nonprofit organization created by the city of St. Paul to own and operate the RiverCentre. It classifies data used to prepare responses to RFPs or bids for events as nonpublic or private data under the data practices act until the time provided for release of similar convention center data under the act.</p>	
2	<p>Same</p>	<p>Sec. 1. Guaranteed Investment Contracts. 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.</p>
3	<p>Same</p>	<p>Sec. 2. Special Levies. 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.</p>
4	<p>Taconite environmental fund. Requires Iron Range Resources and Rehabilitation Board approval for economic development projects funded with the environmental protection fund.</p>	<p>Art. 11, sec. 16 (TAX2). Fund. Same</p>
5	<p>Prevention of cruelty to animals. Increases the county spending limit for appropriations to societies for the prevention of cruelty to animals from 50 cents per capita to \$1 per capita.</p>	<p>Art. 8, sec. 57 (TAX 2) same</p>
6	<p>Similar, but does not extend to training and application development services.</p>	<p>Sec. 3. Capital Notes. Increases the maximum term of capital notes issued by a county from five to ten years. The requirement that the term not extend</p>

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Sec.	H.F. 2498, art. 1 (Public Finance bill as passed by Taxes Committee)	Senate Article 10: Public Finance
		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 extended by two years.
7	Same	Sec. 4. Definitions. 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.
	No provision	Sec. 5. Performance Bond Waivers. 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.
8	Similar, but does not extend to training and application development services.	Sec. 6. Capital Equipment. Make the same changes described in section 3 for home rule charter cities.
9	Similar, but does not extend to training and application development services.	Sec. 7. Capital Equipment. Make the same changes described in section 3 for statutory cities.
10	Same	Sec. 8. Deadline for Special Service Districts. Extends the deadline for creation of special service districts without special laws from June 30, 2005, to June 30, 2009.
11	Special service district notification. Requires cities to provide copies of special service district ordinances to the Office of State Auditor by the end of the calendar year in which the ordinance is adopted. Cities with existing special service district are required to file copies of their ordinances by December 31, 2005	No provision
12	Same	Sec. 9. Sunset for Housing Improvement Districts. Extends the sunset date for the establishment of housing improvement areas without special legislation from June 30, 2005, to June 30, 2009.
13	Notification. Requires cities to provide copies of housing improvement district ordinances to the Office of State Auditor by the end of the calendar year in which the ordinance is adopted. Cities with existing districts must file copies of their ordinances	No provision

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Sec.	H.F. 2498, art. 1 (Public Finance bill as passed by Taxes Committee)	Senate Article 10: Public Finance
	by December 31, 2005.	
	No provision	Sec. 10. Orderly Annexation. 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.
14	Special assessments for streets and roads outside a city. Authorizes a city to use the special assessment law to assess for streets and roads that it constructs outside of its jurisdiction, when the city later annexes the abutting property. To use this authority, the city must notify the property owner when it orders the improvement (i.e., before it constructs the street or road). After it annexes the property, it must again provide the landowner notice and hearing before actually imposing the assessment on the annexed property.	Sec. 11. Apportionment of Costs. 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.
15	Utility joint ventures. Authorizes joint ventures of municipal and cooperative utilities, incorporated before June 30, 2004, to provide gas utility services.	No provision
16	Competitive bidding exception. Authorizes a housing and redevelopment authority to contract for a public transit facility without using competitive bidding procedures, if: <ul style="list-style-type: none"> ▶ The facility is constructed in conjunction with a development and is either directly above or below the development; and ▶ Either of the following are met: <ol style="list-style-type: none"> (1) the work or purchases are financed with the proceeds of parking ramp general obligation or revenue bonds; or (2) the federal government financed at least 60 percent of the construction cost. <p>This authority can only be used until August 1, 2009.</p>	
17	Same and includes an additional provision also in the Senate bill (article 9, section 10 (TAX2).	Sec. 12. General Obligation Revenue Bonds. 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.

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Sec.	H.F. 2498, art. 1 (Public Finance bill as passed by Taxes Committee)	Senate Article 10: Public Finance
18	Same	Sec. 13. Issuance of Bonds. Extends the maximum maturity of bonds issued to finance dormitories or other types of student housing to 40 years from the date of issue.
19	Abatement; historic preservation. Allows use of economic development abatement for historic and heritage preservation.	No provision
20	Duration limit, tax abatement. Increases the duration limits that apply under the tax abatement program from 10 years to 15 years, if all of three of the taxing districts (county, city, and school district) approve abatements, and from 15 years to 20 years, if one or two of the taxing districts approve.	No provision
21	Met Council, credit enhanced housing bonds. Modifies the levy backup for bonds issued under the Metropolitan Council's credit enhancement housing bond program. Section 45 repeals this program for new bond issues. This section makes conforming changes in the levy which will remain as a backup (along with the dedicated portion of the fund) for the one bond that was issued under the program.	No provision
22	Prohibition on bonding for LRT. Modifies the prohibition on the Metropolitan Council issuing bonds for the Hiawatha rail transit line so that it only applies to bonds issued for LRT projects beside Hiawatha. This will allow the council to issue bonds for rail equipment and improvements, as provided in its capital improvement plan, under the authorization in section 23 for the Hiawatha line.	Section 29 repeals this restriction.
23	Same	Sec. 14. Obligations. Authorizes the Metropolitan Council after July 1, 2002, 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.
24	Same	Sec. 15. Western Lake Superior Sanitary District. 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.
25	Same	Sec. 16. Notice of Issue. 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 within five business days after issuance, or before 4:30 p.m. on the last business day in December, whichever occurs first.

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Sec.	H.F. 2498, art. 1 (Public Finance bill as passed by Taxes Committee)	Senate Article 10: Public Finance
26	Same	Sec. 17. Net Debt. Exempts obligations that are issued to pay judgments against a municipality from the net debt limits.
27	Same	Sec. 18. Definitions. 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.
28	Same	Sec. 19. Definitions. 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.
29	Same	Sec. 20. Definitions. 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.
30	Same	Sec. 21. Capital Improvement Bond Program. 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.
31	Same	Sec. 22. Capital Improvement Bond Program. The requirement that the bonds issued under this program are subject to the net debt limits is eliminated.
32	Same	Sec. 23. Capital Improvement Bond Program. The authority that is provided under current law to cities is extended to towns.
33	Same	Sec. 24. Capital Improvement Bond Program. 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.
	No provision	Sec. 25. Street Reconstruction. Modifies the provision that authorizes issuance of obligations without an election for street reconstruction. It

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Sec.	H.F. 2498, art. 1 (Public Finance bill as passed by Taxes Committee)	Senate Article 10: Public Finance
		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.
34	School refunding bonds; taconite production tax. Extends the authority to use taconite production revenues for refunding bonds issued by the Cook County, Chisholm, Grand Rapids, Greenway-Coleraine, and Lake Superior school districts to refund bonds issued under special laws passed in the 1996 and 2000 legislative session. The requirement to levy and the authority to use other available revenue to pay the original bonds also apply to the refunding bonds.	Adopted by K-12 education conference committee 5/16/2005 (in both K-12 bills).
35	Authority to levy taxes. Provides that the Lakes Area Economic Development Authority (EDA) is a special taxing district, which may adopt its own levy and certify the levy to the county auditor. Under current law each member, at the request of the Lakes Area EDA, levies a tax for the benefit of the authority. This proposal would allow the authority to levy the tax itself, and not request the member taxing jurisdictions to do it for them. There is no change in the total amount that can be levied for the Lakes Area EDA. Provides that the tax levied under this section shall be separately stated on the property tax statement. Effective beginning with taxes levied in 2005, payable in 2006.	Art. 8, Sec. 70 (TAX2). Lakes Area EDA Levy. Same
36	City of Bemidji abatement. Authorizes the city of Bemidji to extend the duration of a tax abatement for the fairgrounds district of the city by four years.	Art. 9, sec. 27 (TAX2). Bemidji. Same
37	Town of White bonds. Authorizes the Town of White to pledge its general obligation to pay for local improvements located within an area of the town that was annexed by the city of Biwabik under legislation passed in 2003. These obligations must also be secured by special assessments on the properties. The obligations are exempt from the net debt limitations of the both the city and the town.	
38	Sauk River Watershed District. Increases the levy limit of the Sauk River Watershed District by \$100,000.	Art. 8, Sec. 75 (TAX2). Sauk River Watershed District. Different. Senate authorizes the Sauk River Watershed District to levy up to 0.01 percent of taxable market value for its administrative fund.
39	Sections 39 to 42 are same.	Sec. 26. St. Paul RiverCentre. Authorizes the city of Saint Paul to participate in the creation of a nonprofit organization for the operation of the

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Sec.	H.F. 2498, art. 1 (Public Finance bill as passed by Taxes Committee)	Senate Article 10: Public Finance
		<p>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.</p>
	<p>No provision</p>	<p>HESO Bonding Authority. 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.</p>
<p>43</p>	<p>IRRRB bonds. Authorizes the commissioner of the Iron Range Resources and Rehabilitation to issue \$15 million of revenue bonds to make grants to iron range school districts for health, safety, and maintenance improvements. To receive a grant, the</p>	<p>Art. 11, sec. 23 (TAX2). Bonds. Same</p>

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Sec.	H.F. 2498, art. 1 (Public Finance bill as passed by Taxes Committee)	Senate Article 10: Public Finance
	<p>school district must levy the maximum amount permitted by law. The money to pay these bonds is appropriated in equal amounts from the environmental trust fund and the Douglas J. Johnson economic protection trust fund. (If the economic protection fund distributions are insufficient, the balance is taken from the environmental fund.) The IRRRB is treated as a “district” for purposes of the school district finance laws.</p>	
44	Same	<p>Application. Specifies that section 14 dealing with metro transit bonds applies in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington.</p>
45	<p>Repealer. Repeals the Metropolitan Council’s credit enhanced housing program.</p>	<p>Repealer. Repeals restrictions on the Metropolitan Council issuing obligations for LRT in the Hiawatha corridor.</p>
46	Same	<p>Effective Date. Is the effective date, which is the day following final enactment for all provisions of the bill.</p>
Sec.	No comparable article	Senate Article 11: Minerals; Aggregate
		<p>Sec. 1 (TAX2). Property Tax Exemption. 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.</p>
		<p>Sec. 2 (TAX2). Income Tax Exemption. Provides that businesses engaged in producing or refining nonferrous metals or minerals are exempt from the corporate franchise tax and individual income taxes.</p>
		<p>Sec. 3 (TAX2). Unitary Business Exclusion. 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.</p>
		<p>Sec. 4 (TAX2). Apportionment Formula. Excludes the apportionment factors associated with any entity’s exempt activities from the apportionment formula.</p>
		<p>Sec. 5 (TAX2). Sales Tax Exemption. 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.</p>
		<p>Sec. 6 (TAX2). Refining. Provides a definition of “refining” for purposes of the chapter dealing with minerals taxation.</p>

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Sec.	No comparable article	Senate Article 11: Minerals; Aggregate
		<p>Sec. 7 (TAX2). Precious Minerals Tax Relief Area. Provides a definition of “a precious minerals tax relief area,” which is composed of 13 school districts in northeastern Minnesota.</p>
		<p>Sec. 8 (TAX2). Occupation Tax. 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.</p>
		<p>Sec. 9 (TAX2). Sales outside Minnesota. 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.</p>
		<p>Sec. 10 (TAX2). Occupation Tax. Provides that the taconite and iron mining companies will not be subject to the alternative minimum tax.</p>
		<p>Sec. 11 (TAX2). Occupation Tax Rate. Increases the rate of the occupation tax on nonferrous mining from two to four percent.</p>
		<p>Sec. 12 (TAX2). Deductions; Net Proceeds Tax. Provides that the deductions in the computation of the net proceeds tax are the same as those used under the occupation tax.</p>
		<p>Sec. 13 (TAX2). Metal or Mineral Products. 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.”</p>
		<p>Sec. 14 (TAX2). Distribution. 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.</p>
		<p>Sec. 15 (TAX2). Royalty Tax. Imposes a 12</p>

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Sec.	No comparable article	Senate Article 11: Minerals; Aggregate
		percent royalty tax on royalties paid for nonferrous minerals.
	House Public Finance bill contains same provision.	Sec. 16 (TAX2). Fund. Modifies the purpose of the taconite environmental protection fund by restricting distributions for local economic development projects to projects approved by the IRRR Board.
		<p>Sec. 17 (TAX2). Escalator. 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.</p> <p>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.</p>
		Sec. 18 (TAX2). Taconite Environmental Fund. 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.
		Sec. 19 (TAX2). Distribution to Grant and Loan Fund. 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.
		Sec. 20 (TAX2). Grant and Loan Fund. 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.
		Sec. 21 (TAX2). Operators. 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

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Sec.	No comparable article	Senate Article 11: Minerals; Aggregate
		aggregate is moved within a project's construction limits to other locations within that same construction area.
		Sec. 22 (TAX2). Exemption. 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.
	House public finance bill contains the same provision.	Sec. 23 (TAX2). Bonds. 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.
		Sec. 24 (TAX2). Alternative Minimum Tax Credits. Provides that alternative minimum tax credits that a taxpayer has at the end of 2004 may be taken against the occupation tax.
		Sec. 25 (TAX2). Repealer. 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.
Sec.	No comparable article	Senate Article 17: Department of Revenue Electronic Payments
		Sec. 1 (TAX2). Uniform Dollar Threshold for Paying Taxes, Fees, and Surcharges Electronically. Establishes a uniform tax liability threshold of \$10,000 or more per year that triggers a requirement to pay tax electronically for each tax type in the following year. This rule applies to all tax types that now 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, would now be required to 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.
		Sec. 2 (TAX2). Withholding from Wages, Entertainers, payments to out-of-state contractors, and by partnerships and small business corporations. Eliminates the current threshold of \$120,000 in tax liability for requiring a taxpayer to pay these taxes electronically. This is replaced with the general thresholds in section 1.

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Sec.	No comparable article	Senate Article 17: Department of Revenue Electronic Payments
		<p>Sec. 3 (TAX2). Sales and Use Tax. Eliminates the current threshold of \$120,000 in tax liability for requiring a taxpayer to pay these taxes electronically. This is replaced with the general thresholds in section 1.</p>
		<p>Sec. 4 (TAX2). Pull-tab and tipboard tax. Eliminates the current threshold of \$120,000 in tax liability for requiring a taxpayer to pay these taxes electronically. This is replaced with the general thresholds in section 1.</p>
		<p>Sec. 5 (TAX2). Payment of metropolitan solid waste landfill fee. Eliminates the current threshold of \$120,000 in fees for requiring an operator to pay this fee electronically. This is replaced with the general thresholds in section 1.</p>
		<p>Sec. 6 (TAX2). Repealer. Repeals provisions that are no longer necessary if section 1 is enacted:</p> <ul style="list-style-type: none"> ▶ section 289A.26, subd. 2a - current threshold of \$20,000 for required electronic payments of corporate franchise tax; ▶ section 289A.60, subd. 21 - penalties for not paying electronically under current thresholds ▶ section 295.55, subd. 4 - current threshold of \$120,000 for required electronic payment of MinnCare tax; ▶ section 295.60, subd. 4 - current threshold of \$120,000 for required electronic payment of fur gross receipts tax; ▶ section 297F.09, subd. 7 - current threshold of \$120,000 for required electronic payment of cigarette and tobacco taxes; ▶ section 297G.09, subd. 6 - current threshold of \$120,000 for required electronic payment of the liquor tax; and ▶ section 279I.35, subd. 2 - current threshold of \$120,000 for required electronic payment of insurance premium tax.
		<p>Sec. 7 (TAX2). Effective date. The article is 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.</p>
ec.	<p>H.F. 2498, Article 3 (as passed by House Taxes Committee)</p>	<p>Senate Article 23: International Economic Development Zone</p>
	<p>H.F. 2498, art. 3, sec. 1 (House public finance bill as passed by Taxes Committee) is similar, but</p>	<p>Sec. 1 (TAX3) Property Tax Exemption. Provides a property tax exemption to a qualified</p>

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Sec.	H.F. 2498, Article 3 (as passed by House Taxes Committee)	Senate Article 23: International Economic Development Zone
	limits property tax exemption to improvements that are (1) part of a regional distribution center or (2) used primarily in the freight forwarder operations.	business operating in an international economic development zone.
	<p>H.F. 2498, art. 3, sec.2. Individual income tax exemption. Provides that income derived from investing in or operating a qualified business in an international economic development zone is exempt from individual income taxation. The qualifying rules for these exemptions are described in section 18.</p> <p>Effective for tax years beginning after December 31, 2006.</p>	No provision
	<p>H.F. 2498, art. 3, sec. 3. Corporation franchise tax exemption. Provides income from operating a qualified business in an international economic development zone is deductible in calculating taxable income under the corporate franchise tax. The details of this exemption are described in the summary of section 19.</p> <p>Effective for tax years beginning after December 31, 2006.</p>	No provision
	<p>H.F. 2498, art. 3, sec. 4. Individual income tax exemption, nonresidents. Provides that in calculating the Minnesota tax for a nonresident, international economic development zone income is excluded from both the numerator and denominator of the ratio. Nonresidents calculate their Minnesota tax by determining the Minnesota tax on their total income (both Minnesota and non-Minnesota). The Minnesota liability is, then, determined by multiplying this amount by a fraction, the numerator of which is Minnesota source income and the denominator of which is total income.</p> <p>Effective for tax years beginning after December 31, 2006.</p>	
	H.F. 2498, art. 3, sec. 5. Same	<p>Sec. 2 (TAX3) Jobs Credit. Provide a jobs credit to a qualified business operating within an international economic development zone. The credit would be equal to seven percent of the lesser of: (1) the increase in the payroll in the zone since the year when the zone was designated; or (2) the increase in total Minnesota payroll since the year of designation, provided that the credit applies to compensation between \$30,000 and \$70,000, with these amount adjusted for inflation. The credit is refundable and an appropriation is provided to pay for refunds.</p>
	<p>H.F. 2498, art. 3, sec. 6. Dependent care credit. Clarifies that tax-exempt international economic development zone income reduces the amount of the dependent care credit that is allowed. For example, if one-quarter of the taxpayer's income were tax-exempt international economic</p>	No provision

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Sec.	H.F. 2498, Article 3 (as passed by House Taxes Committee)	Senate Article 23: International Economic Development Zone
	<p>development income, the otherwise applicable dependent care credit would be reduced by 25 percent. This is same treatment that applies to tax-exempt reservation income of American Indians and to part year residents.</p> <p>Effective for tax years beginning after December 31, 2006.</p>	
	<p>H.F. 2498, art. 3, sec. 7. Working family credit. Clarifies that tax-exempt international economic development zone income reduces the amount of the working family credit that is allowed. This is the same treatment described in section 6 for the dependent care credit and is consistent with the treatment of other forms of tax-exempt income.</p> <p>Effective for tax years beginning after December 31, 2006.</p>	No provision
	<p>H.F. 2498, art. 3, sec. 8. Individual alternative minimum taxable income. Allows a subtraction from individual alternative minimum taxable income for tax-exempt International Economic Development Zone income.</p> <p>Effective for tax years beginning after December 31, 2006.</p>	No provision
	<p>H.F. 2498, art. 3, sec. 9. Corporate alternative minimum taxable income. Allows a subtraction from corporate alternative minimum taxable income for tax-exempt International Economic Development Zone income.</p> <p>Effective for tax years beginning after December 31, 2006.</p>	No provision
	<p>H.F. 2498, art. 3, sec. 11. Minimum fee exemption. Exempts any qualified business with all of its Minnesota payroll and property in the international economic development zone from the minimum fees that applies to businesses.</p> <p>Effective for tax years beginning after December 31, 2006.</p>	No provision
	<p>H.F. 2498, art. 3, sec. 12. Same with different effective date. House bill delays exemptions. Regular exemption applies to sales made after June 30, 2007. The exemption for construction materials includes equipment incorporated into the facility, and is limited to sales made after June 30, 2006, but the tax must be paid and refunds are applied for under the refund procedure for capital equipment to be paid in FY2008.</p>	<p>Sec. 3 (TAX3) Exemptions. Provides that purchases of tangible personal property or taxable services by a qualified business are exempt if they are primarily used or consumed in an international economic development zone. Purchases of construction materials and supplies for construction of improvements to real property in a zone are exempt if the property is used in the conduct of a qualified business; this exemption applies to purchases by the business or a contractor. These exemptions extend to any local sales taxes. Effective for sales after December 31, 2005.</p>
	H.F. 2498, art. 3, sec. 13 is different.	<p>Sec. 4 (TAX3). Definitions. Provides definitions of terms used in this article. The most significant</p>

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Sec.	H.F. 2498, Article 3 (as passed by House Taxes Committee)	Senate Article 23: International Economic Development Zone
	<p>The definition of a qualified business is limited to freight forwarders and the owner of a regional distribution center.</p> <p>House does not define "relocate."</p> <p>Senate does not define zone payroll or zone percentages, since it does not provide income or corporate franchise tax exemptions.</p>	<p>definitions include the following:</p> <ol style="list-style-type: none"> 1. "Foreign trade zone authority" means the Greater Metropolitan Foreign Trade Zone Commission number 119, a joint powers authority created by Hennepin County, Minneapolis, Bloomington, and the Metropolitan Airports Commission. Other jurisdictions that choose to join into this authority in the future will also be considered to be a part of it. 2. "Qualified business" means a person carrying on a trade or business at a place of business located within an international economic development zone. The trade or business must be engaged in the furtherance of international export or import of goods and be certified by the foreign trade zone authority as a trade or business that furthers the purpose of developing international distribution capacity and capability. The definition specifies that a person that relocates a trade or business from within Minnesota into the zone qualifies only if it increases full-time employment in the first full year of operation within the zone by at least 20 percent, or makes a capital investment in property within a zone equal to at least ten percent of the gross revenues of the operations that were relocated. Such a relocated business will be deemed to be a qualified business only if it has entered into a binding written agreement with the foreign trade zone authority that pledges that the business will meet these requirements and will repay all tax benefits if the requirements are not met. Freight forwarding businesses are not subject to the restrictions on relocated businesses. Qualified businesses are required to pay their employees total compensation, including benefits not mandated by law, equal to at least 110 percent of the federal family poverty guidelines for a family of four. 3. "Regional distribution center" is a distribution center developed within an foreign trade zone that has as its primary purpose the facilitation of gathering of freight for the purpose of centralizing the functions necessary for shipment of freight in international commerce, including security and customs functions.
	<p>H.F. 2498, art. 3, sec. 14. Application for designation. Authorizes a local government unit or units, or a joint powers board, to apply to the</p>	<p>No provision</p>

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Sec.	H.F. 2498, Article 3 (as passed by House Taxes Committee)	Senate Article 23: International Economic Development Zone
	<p>Foreign Trade Zone Authority for international economic development zone status. A local government unit, however, cannot submit more than one application. The zone must be located within the boundaries of the applying units.</p> <p>The application must include a resolution or ordinance from each city, town or county in which the zone is located, agreeing to provide the property tax and local option sales tax benefits provided by the international economic development zone law. It must also include an agreement to treat international economic development zone tax benefits as business subsidies under the Minnesota business subsidy law, as well as supporting evidence necessary for the Foreign Trade Zone Authority to evaluate the application.</p> <p>The applications must be submitted by December 31, 2005.</p> <p>Effective the day following final enactment.</p>	
	<p>H.F. 2498, art. 3, sec. 15 similar.</p> <p>House bill explicitly limits designation to one zone, while the language of Senate bill implies one zone will be designated.</p> <p>Senate bill requires consultation with the commissioners of DEED and Revenue, while the House does not. Senate bill requires county to be a member of the foreign trade zone authority.</p> <p>House bill requires transportation impact study; Senate does not.</p>	<p>Sec. 5 (TAX3). Zone Designation. Provides that an area designated as a foreign trade zone may be designated by the foreign trade zone authority as an international economic development zone if a regional distribution center is being developed within that zone. The zone must be between 500 and 1,000 acres in size. In making the designation, the foreign trade zone authority must consider factors, including access to major transportation routes and airport facilities, adequacy of the size of the site, and access to other infrastructure and financial incentives. The zone must be no more than 60 miles distant or 90 minutes drive time from the Minneapolis St. Paul International Airport. The county within which the zone is located will become a member of the authority.</p>
	<p>H.F. 2498, art. 3, sec. 16 is similar. Senate bill requires consultation only with local governments that are willing to establish a TIF district coterminous with the zone. House bill does not contain this restriction (consultation with any local unit of government is permitted).</p> <p>The business plan language in the two bills varies somewhat. House bill requires performance goals to be set for the amount of investment and the number of jobs at the end of 3, 5, and 10-year periods for zone.</p> <p>House bill provides that the authority cannot exercise the powers of a port authority to levy property taxes.</p>	<p>Sec. 6 (TAX3). Foreign Trade Zone Authority Powers. Provides that the foreign trade zone authority is responsible for creating a development plan for the regional distribution center. The authority must consult with municipalities that have indicated an interest in locating the zone within their boundaries and a willingness to establish a tax increment financing district for the zone. The authority must prepare a business plan for the zone, including analysis of the economic feasibility of the regional distribution center and businesses in the zone. The authority is authorized to create a port authority with its governing body exercising the powers of a city under the port authority law. Tax incentives are subject to the business subsidy law.</p> <p>Same</p>

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Sec.	H.F. 2498, Article 3 (as passed by House Taxes Committee)	Senate Article 23: International Economic Development Zone
	House bill explicitly provides that tax incentives are business subsidies for purposes of the business subsidy law.	Same
	H.F. 2498, art. 3, sec. 17 differs in that the House bill provides income and corporate franchise tax exemptions.	Sec. 7 (TAX3). Tax Incentives. Lists the tax incentives available within the zone and provides that each of the incentives is available for no more than 12 years or for no more than six years for freight forwarders.
	<p>H.F. 2498, art. 3, sec. 18. Individual income tax exemption. Provides income tax exemptions for individuals operating businesses in zones or investing in zones. These exemptions only apply if the income would otherwise be taxable.</p> <p>Rents. Rents received for both real and tangible personal property used by a qualified business (i.e., a freight forwarder) located in the zone are exempt. Rents from personal property that is used both within and outside of the zone must be apportioned based on the number of days the property was used in the zone.</p> <p>Business income. Income from operating a qualified business in an international economic development zone is exempt. If the business operates both within and outside of the zone, the income must be apportioned using the share of property and payroll located in the zone to the total property and payroll of the taxpayer. The exemption is limited so that the exempt income (determined by using the apportionment mechanism) cannot exceed 20 percent of the sum of the zone payroll and original adjusted basis of the investment in the zone.</p> <p>Capital gains. Capital gains on real and tangible personal property used by a qualified business in an international economic development zone or sale of a qualified business operated in the zone are exempt from taxation. Different rules apply to determine the amount of the exemption:</p> <ul style="list-style-type: none"> ▶ Real property. Capital gains on real property located in an international economic development zone are exempt from taxation based on the share of the holding period that took place while the area was designated an international economic development zone. To illustrate, assume A purchased a piece of real property for \$1,000 and held the property for 10 years. A, then, sold the property for \$5,000. For 6 years of the 10-year holding period, the property was located in an international economic development zone. Of A's \$4,000 capital gain (\$5,000 sale price - \$1,000 purchase price = \$4,000), 60 percent or 	No provision

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Sec.	H.F. 2498, Article 3 (as passed by House Taxes Committee)	Senate Article 23: International Economic Development Zone
	<p>\$2,400 would be exempt from taxation (\$4,000 * 60 percent = \$2,400), since 6 years out of the 10-year holding period occurred while the zone was designated an international economic development zone.</p> <ul style="list-style-type: none"> ▶ Tangible personal property. Capital gains on tangible personal property located in an international economic development zone are exempt from taxation based on the share of the holding period that took place while the zone was designated an international economic development zone and the usage of the property in the zone. This calculation is essentially the same as that for real property. However, if the personal property was used both within and without the zone, the exemption amount must also be multiplied by a fraction. The numerator of the fraction is the number of days the property was used in the zone while it was designated as an international economic development zone and the denominator is the total number of days the taxpayer held the property. <p>Ownership in qualified business. Capital gain on an ownership interest (e.g., stock or a partnership interest) in a qualified business is exempt from taxation. This exemption equals the international economic development zone percentage for the business multiplied by the capital gain. The zone percentage is calculated using as its denominator the total property and payroll (not just the Minnesota payroll and property). This exemption does not apply if the zone percentage is less than 25 percent. The business entity is responsible for notifying the owner of its qualification for the capital gain exemption.</p> <p>Effective for tax years beginning after December 31, 2006.</p>	
	<p>H.F. 2498, art. 3, sec. 19. Corporate franchise tax exemption. Provides that a corporation operating in an international economic development zone is exempt from the corporate franchise tax, if it is a qualified business. If the entire business operates in the zone, the corporation is fully exempt from taxation under the corporate franchise tax and would not be required to file a return. If the corporation does business both within and outside of the zone, the following rules apply:</p> <ul style="list-style-type: none"> ▶ Regular tax. The corporation's taxable net income is multiplied by its zone percentage (average property and payroll 	<p>No provision</p>

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Sec.	H.F. 2498, Article 3 (as passed by House Taxes Committee)	Senate Article 23: International Economic Development Zone
	<p>in the zone divided by total Minnesota property and payroll) and subtracted from its taxable income.</p> <ul style="list-style-type: none"> ▶ AMT. The corporation's alternative minimum taxable income is multiplied by the zone percentage and this amount is subtracted from the taxable income. ▶ Minimum fee. Its zone property and payroll are excluded from calculating the minimum fee. <p>The maximum exemption is 20 percent of the (1) corporation's international economic development zone payroll and (2) the adjusted basis of property when the property was first used by the corporation in the zone.</p> <p>Effective for tax years beginning after December 31, 2006.</p>	
	<p>H.F. 2498, art. 3, sec. 20 similar, except House caps the credit at \$100,000, rather than \$70,000. House uses a 2004 base for indexing, while the Senate updated to 2006. (House bill would increase the \$30,000 and \$100,000 amounts by larger amounts as a result.)</p>	<p>Sec. 8 (TAX3). Jobs Credit. Provide a jobs credit to a qualified business operating within an international economic development zone. The credit would be equal to seven percent of the lesser of: (1) the increase in the payroll in the zone since the year when the zone was designated; or (2) the increase in total Minnesota payroll since the year of designation, provided that the credit applies to compensation between \$30,000 and \$70,000, with these amount adjusted for inflation. The credit is refundable and an appropriation is provided to pay for refunds.</p>
	<p>H.F. 2498, art. 3, sec. 21 similar with differences due to the additional tax exemptions available under the House bill. House bill, in addition, contains waiver authority (paralleling that under JOBZ) which is not in the Senate bill.</p>	<p>Sec. 9 (TAX3). Recapture. Provides for recapture of the amount of state tax incentives as well as local sales and use tax exemptions that were provided during the two years before a business ceases to operate in the zone or ceases to be a qualified business.</p>
	<p>No provision</p>	<p>Sec. 10 (TAX3). Additional Benefits. Provides an exception to current law requirements with regard to geographic location by allowing the Governor to designate the international economic development zone as a job opportunity building zone under certain conditions. To do so, the Governor must report to the tax committees of the Senate and House the following:</p> <ul style="list-style-type: none"> (1) the estimated cost of providing additional tax incentives of JOBZ to the international economic development zone; and (2) the estimated cost of tax expenditures projected to have been obligated for all job opportunity building zone projects approved before June 1, 2005.

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Sec.	H.F. 2498, Article 3 (as passed by House Taxes Committee)	Senate Article 23: International Economic Development Zone
	No provision	Sec. 11 (TAX3). DEED Study. Requires the Commissioner of Employment and Economic Development to study the issues of the potential benefit to the state from having more than one international economic development zone.
	H.F. 2498, art. 3, sec. 22. Zone performance reporting. Requires the local government unit(s) receiving a zone designation to annually report to the commissioner of employment and economic development on its progress in meeting the zone performance goals under, and the applicant's compliance with, the business subsidy law. Effective the day following final enactment.	No provision
Sec.	No comparable article	Senate Article 26: Property Tax Freeze
		Sec. 1 (TAX3). Citation. Provides that the act may be cited as the "Truth and Fairness in Taxation Act" (TAFTA) or the "State/Local Fiscal Relations: Truth in Taxation Act."
		Sec. 2 (TAX3). Statement of Purpose. Provides a statement of purpose with the legislature finding that the state continues to experience a persistent budget deficit, and that reductions in state spending have resulted in increased burdens on local taxing jurisdictions. The purpose of the act is "to illuminate the impact of reductions in revenue to school districts, counties, cities and other units of local government."
		Sec. 3 (TAX3). Rural-Urban Benefit Ratio. Provides that the benefit ratio used to apportion levies to a rural service district in a municipality that is divided into rural and urban service districts for taxes payable in 2006, and any subsequent years during which the freeze is in effect, will be limited to the amount in effect for taxes payable in 2005.
		Sec. 4 (TAX3). Debt Prohibition. Prohibits local taxing jurisdictions from incurring new debt after May 31, 2006. The prohibition applies to obligations, certificates of indebtedness, capital notes, or other debt instruments, as well as installment purchase contracts or lease purchase agreements, if those obligations would require a levy that would first become payable in 2007, or a later year that is subject to the freeze. Certain obligations are exempt from the prohibition: <ul style="list-style-type: none"> ▶ bonds sold to refund bonds that were originally sold before June 1, 2006; ▶ obligations for which the debt service levy that first becomes due in 2007 would not cause a municipality's total debt service levy for taxes payable in 2007 to exceed its total debt service levy for taxes payable in 2005; or

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Sec.	No comparable article	Senate Article 26: Property Tax Freeze
		<ul style="list-style-type: none"> ▶ obligations with respect to which the municipality finds that no levy will be required for taxes payable in a freeze year because sufficient funds are available from sources other than the property tax to pay the debt service on the obligations. <p>Bonds will be deemed to have been sold before June 1, 2006, if before that date:</p> <ul style="list-style-type: none"> ▶ an agreement has been entered into between the municipality and a purchaser or underwriter for the sale of the bonds; ▶ the municipality is a party to a contract or letter of understanding with the federal government or the state government that requires a municipality to pay for a project, and that project will be funding with the proceeds of the bonds; or ▶ the municipality has entered into a contract with a builder or supplier and the proceeds of the bonds will be used to fund a project or acquisition that is the subject of that contract.
		<p>Sec. 5 (TAX3). Exceptions. Provides that taxing authorities may certify levies for taxes payable in 2007 and subsequent freeze years to no more than the amount of the levy that was certified for the prior year with certain exceptions:</p> <ul style="list-style-type: none"> ▶ if a levy for a freeze year for debt service on obligations or to make payments on installment purchase contracts or lease purchase agreements entered into before June 1, 2006, exceeds the levy the taxing authority certified for taxes payable in 2007 for the same purpose, the excess may be levied; ▶ in the case of an annexation, the city tax rate for taxes payable in a freeze year may not be increased over the city or town tax rate in effect on property in the annexed area for taxes payable in 2006. The limit that would otherwise apply under this act to the annexing city's levy may be increased above the overall limit by an amount equal to the net tax capacity of the property annexed, times the city or township tax rate in effect on that property for taxes payable in 2006. The levy limit of the city or town from which the property was annexed must be reduced by that amount; or ▶ a school district that is in statutory operating debt and that is operating under an approved plan that includes an

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Sec.	No comparable article	Senate Article 26: Property Tax Freeze
		increase to its referendum allowance, is exempt from the levy freeze on referenda.
		Sec. 6 (TAX3). Local Match Requirements. Provides that a local funding or local match requirement that applies to a city, town, or county under any state grant or program may not be increased above its 2006 level for any year during which the freeze is in effect. No local match or local funding requirement that becomes effective after the end of 2006 will be effective until the freeze has been terminated. If a local taxing jurisdiction met its match requirements in 2006 for a state grant or program providing funds, it will continue to remain eligible for the same amount during the years when the freeze is in effect.
		Sec. 7 (TAX3). Appeals by County Sheriff and County Attorney. Provides that the ability of the county sheriff and the county attorney to appeal to the district court for increases in salaries or budgets that would increase the level of county expenditures is suspended during the time of the freeze.
		Sec. 8 (TAX3). Truth in Taxation. Provides that local taxing authorities are exempt from the requirements of the public advertisements and public hearings in effect under the Truth in Taxation law during any year when the freeze is in place.
		Sec. 9 (TAX3). Tax Rate Freeze. Requires that when the county auditor determines local tax rates for taxes payable in any freeze year, the county auditor must reduce any local government's levy so that the total tax rate does not exceed the tax rate in effect for taxes payable in 2006, subject to the exceptions provided in section 5.
		Sec. 10 (TAX3). Pension Liabilities. Provides that a levy for taxes payable during a freeze year for a local police and fire relief association in order to amortize an unfunded pension liability is limited to the levy for that purpose for taxes payable in 2006.
		Sec. 11 (TAX3). Town Board Duties. Requires a township board of supervisors in 2006 to adjust the levy of a township in order to comply with the requirements of this act. In 2007 and subsequent freeze years, a board of supervisors is authorized to adjust the expenditures of a township below the level authorized by the electors in order to comply with the freeze.
		Sec. 12 (TAX3). Fee Prohibition. Provides that after March 1, 2006, no municipality or special taxing district, and no executive branch state agency, may impose a new fee or increase the rate or amount of an existing fee. Fees are defined to include any charge for goods, services, regulations, or licensure, and includes charges for admissions to

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Sec.	No comparable article	Senate Article 26: Property Tax Freeze
		or the use of public facilities.
		Sec. 13. (TAX3). Savings Clause. Provides that nothing in this act constitutes an impairment of any obligations or other debts instruments, including installment purchase contracts or lease purchase agreements that were entered into before the date of enactment of this act.
		Sec. 14. (TAX3) Effective Date; Termination. Establishes the year in which the freeze will terminate for each of the taxing jurisdictions that is subject to it. For cities and towns, the termination date is the taxes payable year when local government aids that are payable to cities are sufficient to fully fund the formula. For counties, the termination date is the taxes payable year when the amount paid to all counties under the new county aid exceeds the amount that was payable to all counties under the pre 2003 categorical aids that were paid to all counties. For school districts, the termination date is the taxes payable year in which the state provides a real state aid inflationary increase to the basic formula allowance over the amount that was paid in the prior year. For special taxing districts, the termination date is the 2009 taxes payable year.

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State of Minnesota

HOUSE OF REPRESENTATIVES

EIGHTY-FOURTH SESSION

HOUSE FILE NO. 785

February 7, 2005

Authored by Krinkie, Rukavina, Larson, Vandevener, Zellers and others
The bill was read for the first time and referred to the Committee on Taxes

May 9, 2005

Committee Recommendation and Adoption of Report:
To Pass as Amended and re-referred to the Committee on Ways and Means

May 10, 2005

Committee Recommendation and Adoption of Report:
To Pass as Amended
Read Second Time

May 11, 2005

Fiscal Calendar, Amended
Read Third Time as Amended
Passed by the House as Amended and transmitted to the Senate to include Committee and Floor Amendments

A bill for an act

1
2 relating to financing and operation of government in
3 this state; modifying truth in taxation provisions and
4 adding a taxpayer satisfaction survey; changing
5 income, corporate franchise, withholding, estate,
6 property, sales and use, mortgage registry, health
7 care gross revenues, motor fuels, gambling, cigarette
8 and tobacco products, occupation, net proceeds,
9 production, liquor, insurance, and other taxes and
10 tax-related provisions; making technical, clarifying,
11 collection, enforcement, refund, and administrative
12 changes to certain taxes and tax-related provisions,
13 tax-forfeited lands, revenue recapture, unfair
14 cigarette sales, state debt collection, sustainable
15 forest incentive programs, and payments in lieu of
16 taxes; changing local government aids and credits;
17 providing for determination of population for certain
18 purposes; updating references to the Internal Revenue
19 Code, changing property tax exemptions, homesteads,
20 assessment, valuation, classification, class rates,
1 levies, deferral, review and equalization, appeals,
2 notices and statements, and distribution provisions;
23 changing rent constituting property taxes and property
24 tax refunds; requiring state contracts be with vendors
25 registered to collect use taxes; abolishing the
26 political contribution refund; authorizing local sales
27 taxes; extending a sales tax expiration; providing for
28 compliance with streamlined sales tax agreement;
29 changing the taxation of liquor and cigarettes;
30 authorizing income tax checkoffs; requiring
31 registration of tax shelters and providing for a
32 voluntary compliance initiative; changing job
33 opportunity building zones, border city development
34 zones, biotechnology and health sciences industry zone
35 provisions; setting minimum employee compensation for
36 qualifying business in a JOBZ; limiting sales tax
37 construction exemption in job zones to businesses
38 paying prevailing wage; requiring a referendum for
39 certain subsidies to gambling enterprises; authorizing
40 charges for certain emergency services; imposing a
41 franchise fee on card clubs; defining the term "tax";
42 regulating tax preparers; suspending appropriations or
3 aids to public employers who prohibit certain
44 employees from wearing a flag on a uniform; providing
45 for training and conduct of assessors; prohibiting
46 purchases of tax-forfeited lands by certain local

1 officials; providing for data classification and
2 exchange of data; establishing a tax reform
3 commission; providing and imposing powers and duties
4 on the commissioner of revenue and other state
5 agencies and departments and on certain political
6 subdivisions and certain officials; changing and
7 imposing penalties; requiring reports; transferring
8 funds; appropriating money; amending Minnesota
9 Statutes 2004, sections 4A.02; 16C.03, by adding a
10 subdivision; 16D.10; 168A.05, subdivision 1a; 190.09,
11 subdivision 2; 240.30, by adding a subdivision;
12 270.02, subdivision 3; 270.11, subdivision 2; 270.16,
13 subdivision 2; 270.30, subdivisions 1, 5, 6, 8, by
14 adding subdivisions; 270.65; 270.67, subdivision 4;
15 270.69, subdivision 4; 270A.03, subdivisions 5, 7;
16 272.01, subdivision 2; 272.02, subdivisions 1a, 7, 47,
17 53, 64, by adding subdivisions; 272.0211, subdivisions
18 1, 2; 272.0212, subdivisions 1, 2; 272.029,
19 subdivisions 4, 6; 273.055; 273.0755; 273.11,
20 subdivisions 1a, 8, by adding subdivisions; 273.111,
21 by adding a subdivision; 273.123, subdivision 7;
22 273.124, subdivisions 3, 6, 8, 14, 21; 273.125,
23 subdivision 8; 273.13, subdivisions 22, 23, 25, by
24 adding a subdivision; 273.1315; 273.1384, subdivision
25 1; 273.19, subdivision 1a; 273.372; 274.01,
26 subdivision 1; 274.014, subdivisions 2, 3; 274.14;
27 275.025, subdivision 4; 275.065, subdivisions 1c, 3,
28 4, 7, by adding subdivisions; 275.07, subdivisions 1,
29 4; 276.04, subdivision 2; 276.112; 276A.01,
30 subdivision 7; 282.016; 282.08; 282.15; 282.21;
31 282.224; 282.301; 287.04; 289A.02, subdivision 7;
32 289A.08, subdivisions 1, 3, 7, 13, 16; 289A.18,
33 subdivision 1; 289A.19, subdivision 4; 289A.20,
34 subdivision 2; 289A.31, subdivision 2; 289A.37,
35 subdivision 5; 289A.38, subdivisions 6, 7, by adding
36 subdivisions; 289A.40, subdivision 2, by adding
37 subdivisions; 289A.50, subdivisions 1, 1a; 289A.56, by
38 adding a subdivision; 289A.60, subdivisions 2a, 4, 6,
39 7, 11, 13, 20, by adding subdivisions; 290.01,
40 subdivisions 6, 7, 7b, 19, as amended, 19a, 19b, 19c,
41 19d, 31; 290.032, subdivisions 1, 2; 290.06,
42 subdivisions 2c, 22, by adding a subdivision; 290.067,
43 subdivisions 1, 2a; 290.0671, subdivisions 1, 1a;
44 290.0672, subdivisions 1, 2; 290.0674, subdivisions 1,
45 2; 290.0675, subdivision 1; 290.091, subdivisions 2,
46 3; 290.0922, subdivision 2; 290.191, subdivisions 2,
47 3; 290.92, subdivisions 1, 4b; 290A.03, subdivisions
48 3, 11, 13, 15, by adding subdivisions; 290A.07, by
49 adding a subdivision; 290A.19; 290B.05, subdivision 3;
50 290C.05; 290C.10; 291.005, subdivision 1; 291.03,
51 subdivision 1; 295.52, subdivision 4; 295.53,
52 subdivision 1; 295.582; 295.60, subdivision 3;
53 296A.22, by adding a subdivision; 297A.61,
54 subdivisions 3, 4, by adding a subdivision; 297A.64,
55 subdivision 4; 297A.668, subdivisions 1, 5; 297A.67,
56 subdivisions 2, 7, 9, 29, by adding a subdivision;
57 297A.68, subdivisions 2, 5, 28, 35, 37, 38, 39, by
58 adding subdivisions; 297A.70, subdivision 10; 297A.71,
59 subdivision 12, by adding a subdivision; 297A.72, by
60 adding a subdivision; 297A.75, subdivision 1; 297A.87,
61 subdivisions 2, 3; 297A.99, subdivisions 1, 3, 4, 9,
62 by adding subdivisions; 297E.01, subdivisions 5, 7, by
63 adding subdivisions; 297E.06, subdivision 2; 297E.07;
64 297F.08, subdivision 12, by adding a subdivision;
65 297F.09, subdivisions 1, 2; 297F.14, subdivision 4;
66 297G.09, by adding a subdivision; 297I.01, by adding
67 subdivisions; 297I.05, subdivisions 4, 5, by adding a
68 subdivision; 298.01, subdivisions 3, 4; 298.24,
69 subdivision 1; 298.75, by adding a subdivision;
70 325D.33, subdivision 6; 365.43, subdivision 1;
71 365.431; 366.011; 366.012; 373.45, subdivision 7;

1 469.169, by adding a subdivision; 469.1735,
 2 subdivision 3; 469.176, subdivisions 41, 7; 469.310,
 3 subdivision 11, by adding a subdivision; 469.315;
 4 469.316; 469.317; 469.319, subdivision 1, by adding a
 5 subdivision; 469.320, subdivision 3; 469.330,
 6 subdivision 11; 469.335; 469.337; 469.340, subdivision
 7 1; 473.843, subdivision 5; 473F.02, subdivisions 2, 7;
 8 477A.011, subdivisions 3, 34, 35, 36, 38; 477A.0124,
 9 subdivisions 2, 4; 477A.013, subdivisions 8, 9, by
 10 adding a subdivision; 477A.016; 477A.03, subdivisions
 11 2a, 2b; 477A.11, subdivision 4, by adding a
 12 subdivision; 477A.12, subdivisions 1, 2; 477A.14,
 13 subdivision 1; 645.44, by adding a subdivision; Laws
 14 1998, chapter 389, article 3, section 42, subdivision
 15 2, as amended; Laws 1998, chapter 389, article 8,
 16 section 43, subdivision 3; Laws 2001, First Special
 17 Session chapter 5, article 3, section 8; Laws 2001,
 18 First Special Session chapter 5, article 12, section
 19 95, as amended; Laws 2002, chapter 377, article 3,
 20 section 4; Laws 2003, chapter 127, article 5, section
 21 27; Laws 2003, chapter 127, article 5, section 28;
 22 Laws 2003, First Special Session chapter 21, article
 23 5, section 13; Laws 2003, First Special Session
 24 chapter 21, article 6, section 9; Laws 2005, chapter
 25 43, section 1; proposing coding for new law in
 26 Minnesota Statutes, chapters 15; 270; 272; 273; 275;
 27 280; 289A; 290; 290C; 295; 297A; 297F; 373; 459; 473;
 28 repealing Minnesota Statutes 2004, sections 10A.322,
 29 subdivision 4; 16A.1522, subdivision 4; 270.85;
 30 270.88; 272.02, subdivision 65; 273.19, subdivision 5;
 31 273.37, subdivision 3; 274.05; 275.065, subdivisions
 32 5a, 6, 6b, 8; 275.15; 275.61, subdivision 2; 283.07;
 33 290.06, subdivision 23; 297E.12, subdivision 10;
 34 469.1794, subdivision 6; 477A.08; Laws 1975, chapter
 35 287, section 5; Laws 1998, chapter 389, article 3,
 36 section 41; Laws 2003, chapter 127, article 9, section
 37 9, subdivision 4; Minnesota Rules, parts 8093.2000;
 38 8093.3000; 8130.0110, subpart 4; 8130.0200, subparts
 39 5, 6; 8130.0400, subpart 9; 8130.1200, subparts 5, 6;
 40 8130.2900; 8130.3100, subpart 1; 8130.4000, subparts
 41 1, 2; 8130.4200, subpart 1; 8130.4400, subpart 3;
 42 8130.5200; 8130.5600, subpart 3; 8130.5800, subpart 5;
 43 8130.7300, subpart 5; 8130.8800, subpart 4.

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

45 ARTICLE 1

46 TAXPAYER SATISFACTION SURVEY

47 Section 1. [275.063] [PROPOSED PROPERTY TAXES; TAXPAYER
 48 SATISFACTION SURVEY; DEFINITIONS.]

49 Subdivision 1. [DEFINITIONS.] For the purposes of this
 50 section and section 275.065, the following definitions apply.

51 Subd. 2. [BUDGET; COUNTIES.] For counties, "budget" means
 52 total government fund expenditures, as defined by the state
 53 auditor under section 375.169, less any expenditures for direct
 54 payments to recipients or providers for the human service aids
 55 listed below:

56 (1) Minnesota family investment program under chapters 256J
 57 and 256K;

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

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

5 (4) general assistance under section 256D.03, subdivision
6 2;

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

9 (6) preadmission screening under section 256B.0911, and
10 alternative care grants under section 256B.0913;

11 (7) general assistance medical care claims processing,
12 medical transportation, and related costs under section 256D.03,
13 subdivision 4;

14 (8) medical transportation and related costs under section
15 256B.0625, subdivisions 17 to 18a;

16 (9) group residential housing under section 256I.05,
17 subdivision 8, transferred from programs in clauses (4) and (5);
18 or

19 (10) any successor programs to those listed in clauses (1)
20 to (9).

21 Subd. 3. [BUDGET; CITIES.] For cities, "budget" means
22 total government fund expenditures, as defined by the state
23 auditor under section 471.6965, less any expenditures for
24 improvements or services that are specially assessed or charged
25 under chapter 429, 430, 435, or the provisions of any other law
26 or charter.

27 Subd. 4. [POPULATION.] "Population" of a city means the
28 most recent population as determined by the state demographer
29 under section 4A.02 or by the Metropolitan Council under section
30 477A.011, subdivision 3.

31 Subd. 5. [PROPERTY TAX LEVY SUBJECT TO APPROVAL; COUNTIES
32 AND CITIES.] For a county or a city, "property tax levy subject
33 to approval" means the jurisdiction's levy excluding any debt
34 levy and any levy previously approved by the voters.

35 Subd. 6. [DEBT LEVY.] "Debt levy" means a levy to:

36 (1) pay the costs of principal and interest on bonded

1 indebtedness;

2 (2) pay the costs of principal and interest on certificates
3 of indebtedness issued for any corporate purpose except:

4 (i) tax anticipation or aid anticipation certificates of
5 indebtedness;

6 (ii) certificates of indebtedness issued under sections
7 298.28 and 298.282;

8 (iii) certificates of indebtedness used to fund current
9 expenses; or

10 (iv) certificates of indebtedness used to fund an
11 insufficiency in tax receipts or an insufficiency in other
12 revenue sources.

13 (3) pay another city, town, county, or school district for
14 principal and interest on general obligation debt; or

15 (4) fund payments made to the Minnesota State Armory
16 Building Commission under section 193.145, subdivision 2, to
17 retire the principal and interest on armory construction bonds.

18 Subd. 7. [STATE PROPERTY TAX CREDITS.] "State property tax
19 credits" means any credits received under sections 273.119;
20 273.123; 273.135; 273.1384; 273.1391; 273.1398, subdivision 4;
21 469.171; and 473H.10.

22 Subd. 8. [JURISDICTION SUBJECT TO TAXPAYER SATISFACTION
23 SURVEY.] A "jurisdiction subject to the taxpayer satisfaction
4 survey" means any county or any city with a population of 500 or
25 greater.

26 [EFFECTIVE DATE.] This section is effective for taxes
27 payable in 2006 and subsequent years.

28 Sec. 2. Minnesota Statutes 2004, section 275.065,
29 subdivision 1c, is amended to read:

30 Subd. 1c. [LEVY; SHARED, MERGED, CONSOLIDATED SERVICES.]

31 If two or more taxing authorities are in the process of
32 negotiating an agreement for sharing, merging, or consolidating
33 services between those taxing authorities at the time the
34 proposed levy is to be certified under subdivision 1, each
35 taxing authority involved in the negotiation shall certify its
36 total proposed levy as provided in that subdivision, including a

1 notification to the county auditor of the specific service
2 involved in the agreement which is not yet finalized. The
3 affected taxing authorities may amend their proposed levies
4 under subdivision 1 until October 1 for levy amounts relating
5 only to the specific service involved.

6 [EFFECTIVE DATE.] This section is effective for taxes
7 payable in 2006 and subsequent years.

8 Sec. 3. Minnesota Statutes 2004, section 275.065,
9 subdivision 3, is amended to read:

10 Subd. 3. [NOTICE OF PROPOSED PROPERTY TAXES.] (a) The
11 county auditor shall prepare and the county treasurer shall
12 deliver after November 8 and on or before November 24 19 each
13 year, by first class mail to each taxpayer at the address listed
14 on the county's current year's assessment roll, a notice of
15 proposed property taxes.

16 (b) The commissioner of revenue shall prescribe the form of
17 the notice. The form must be in the form prescribed by the
18 commissioner.

19 (c) The notice must inform taxpayers that it contains the
20 amount of property taxes each taxing authority proposes to
21 collect for taxes payable the following year. In the case of a
22 town, or in the case of the state general tax, the final tax
23 amount will be its proposed tax unless the town changes its levy
24 at a special town meeting under section 365.52. In-the-case-of
25 taxing-authorities-required-to-hold-a-public-meeting-under
26 subdivision-6-the-notice-must-clearly-state-that-each-taxing
27 authority-including-regional-library-districts-established
28 under-section-134.201-and-including-the-metropolitan-taxing
29 districts-as-defined-in-paragraph-(i)-but-excluding-all-other
30 special-taxing-districts-and-towns-will-hold-a-public-meeting
31 to-receive-public-testimony-on-the-proposed-budget-and-proposed
32 or-final-property-tax-levy-or-in-case-of-a-school-district-on
33 the-current-budget-and-proposed-property-tax-levy---It-must
34 clearly-state-the-time-and-place-of-each-taxing-authority's
35 meeting-a-telephone-number-for-the-taxing-authority-that
36 taxpayers-may-call-if-they-have-questions-related-to-the-notice

1 ~~and an address where comments will be received by mail.~~

2 (d) The notice must state for each parcel:

3 ~~(i)~~ the market value of the property as determined under
 4 section 273.11, and used for computing property taxes payable in
 5 the following year and for taxes payable in the current year as
 6 each appears in the records of the county assessor on November 1
 7 of the current year; and, in the case of residential property,
 8 whether the property is classified as homestead or
 9 nonhomestead. The notice must clearly inform taxpayers of the
 10 years to which the market values apply and that the values are
 11 final values.

12 ~~(2)~~ (e) The ~~items listed below, shown separately by notice~~
 13 must state for each parcel, for both taxes payable in the
 14 current year and the proposed taxes payable in the following
 15 year each of the following tax amounts, net of state property
 16 tax credits: county tax, city or town tax, and state general
 17 tax, net of the residential and agricultural homestead credit
 18 under section 273.1384, voter approved school levy tax,
 19 other local school levy tax, and the sum of the tax amounts
 20 for all special taxing districts, the sum of the tax increment
 21 tax on captured tax capacity, if applicable, and the fiscal
 22 disparities areawide tax under chapter 276A or 473F, if
 23 applicable, and as a the total of tax amount for all taxing
 24 authorities:

25 ~~(i) the actual tax for taxes payable in the current year,~~
 26 and

27 ~~(ii) the proposed tax amount.~~

28 ~~If the county levy under clause (2) includes an amount for~~
 29 ~~a lake improvement district as defined under sections 103B.501~~
 30 ~~to 103B.501, the amount attributable for that purpose must be~~
 31 ~~separately stated from the remaining county levy amount.~~

32 ~~In the case of a town or the state general tax, the final~~
 33 ~~tax shall also be its proposed tax unless the town changes its~~
 34 ~~levy at a special town meeting under section 365.52.---If a~~
 35 ~~school district has certified under section 126C.17, subdivision~~
 36 ~~9, that a referendum will be held in the school district at the~~

1 November-general-election, the county auditor must note next to
2 the school district's proposed amount that a referendum is
3 pending and that, if approved by the voters, the tax amount may
4 be higher than shown on the notice. In the case of the city of
5 Minneapolis, the levy for the Minneapolis Library Board and the
6 levy for Minneapolis Park and Recreation shall be listed
7 separately from the remaining amount of the city's levy. In the
8 case of the city of St. Paul, the levy for the St. Paul Library
9 Agency must be listed separately from the remaining amount of
10 the city's levy. In the case of a parcel where tax increment or
11 the fiscal disparities areawide tax under chapter 276A or 473F
12 applies, the proposed tax levy on the captured value or the
13 proposed tax levy on the tax capacity subject to the areawide
14 tax must each be stated separately and not included in the sum
15 of the special taxing districts, and

16 ~~(3) the increase or decrease between the total taxes~~
17 ~~payable in the current year and the total proposed taxes,~~
18 ~~expressed as a percentage.~~

19 (f) The notice must state for each parcel the increase or
20 decrease between the total taxes payable in the current year and
21 the total proposed taxes, expressed as a percentage.

22 (g) The notice must state for each parcel an estimate of
23 any additional tax that would apply to the property under any
24 referenda pending at the November general election. Any amount
25 shown under this item should be indicated as pending the results
26 of referendum elections, and shall not be reflected in the total
27 proposed net tax amount.

28 (h) For purposes of this section, the amount of the tax on
29 homesteads qualifying under the senior citizens' property tax
30 deferral program under chapter 290B is the total amount of
31 property tax before subtraction of the deferred property tax
32 amount.

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

35 (1) special assessments;

36 (2) levies approved by the voters after the date of the

1 ~~proposed taxes are certified, including bond referenda and~~
2 ~~school district levy referenda~~ November general election;

3 (3) ~~a levy limit increase approved by the voters by the~~
4 ~~first Tuesday after the first Monday in November of the levy~~
5 ~~year as provided under section 275.73;~~

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

9 (5) (4) amounts necessary to pay tort judgments against the
10 taxing authority that become final after the date the proposed
11 taxes are certified; and

12 (6) (5) the contamination tax imposed on properties which
13 received market value reductions for contamination.

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

19 (g) ~~If the notice the taxpayer receives under this section~~
20 ~~lists the property as nonhomestead, and satisfactory~~
21 ~~documentation is provided to the county assessor by the~~
22 ~~applicable deadline, and the property qualifies for the~~
23 ~~homestead classification in that assessment year, the assessor~~
24 ~~shall reclassify the property to homestead for taxes payable in~~
25 ~~the following year.~~

26 (h) (k) In the case of class 4 residential property used as
27 a residence for lease or rental periods of 30 days or more, the
28 taxpayer must either: ~~(1)~~ mail or deliver a copy of the notice
29 of proposed property taxes and the taxpayer satisfaction survey
30 to each tenant, renter, or lessee; ~~or.~~

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

33 The copy of the notice must be mailed ~~or posted~~ by the
34 taxpayer by November 27 22 or within three days of receipt of
35 the notice, whichever is later. A taxpayer may notify the
36 county treasurer of the address of the taxpayer, agent,

1 caretaker, or manager of the premises to which the notice must
2 be mailed in order to fulfill the requirements of this paragraph.

3 ~~(+)~~ (1) For purposes of ~~this-subdivision, subdivisions-5a~~
4 ~~and-6~~ section 276.04, "metropolitan special taxing districts"
5 means the following taxing districts in the seven-county
6 metropolitan area that levy a property tax for any of the
7 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 (m) 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 one of that county's public
19 hearing regularly scheduled board meetings.

20 (n) The governing body of a county, city, or school
21 district may, with the county auditor's consent, include
22 supplemental information with the statement of proposed property
23 taxes about the impact of state aid increases or decreases on
24 property tax increases or decreases and on the level of services
25 provided in the affected jurisdiction. This supplemental
26 information may include information for the following year, the
27 current year, and for as many consecutive preceding years as
28 deemed appropriate by the governing body of the county, city, or
29 school district. It may include only information regarding:

30 (1) the impact of inflation as measured by the implicit
31 price deflator for state and local government purchases;

32 (2) population growth and decline;

33 (3) state or federal government action; and

34 (4) other financial factors that affect the level of

35 property taxation and local services that the governing body of
36 the county, city, or school district may deem appropriate to

1 include.

2 The information may be presented using tables, written
3 narrative, and graphic representations and may contain
4 instruction toward further sources of information or opportunity
5 for comment.

6 The supplemental information for each jurisdiction must not
7 exceed one side of an 8.5 inch by 11 inch sheet of paper.

8 [EFFECTIVE DATE.] This section is effective for taxes
9 payable in 2006 and subsequent years.

10 Sec. 4. Minnesota Statutes 2004, section 275.065, is
11 amended by adding a subdivision to read:

12 Subd. 3b. [TAXPAYER SATISFACTION SURVEY.] (a) A taxpayer
13 satisfaction survey form must be attached to or enclosed with
14 each proposed property tax notice under subdivision 3. The form
15 must include a property description or a code number that allows
16 the property to be uniquely identified.

17 (b) The taxpayer satisfaction survey form shall present the
18 following question for each jurisdiction subject to the taxpayer
19 satisfaction survey: "Are you satisfied with the proposed
20 property tax levy for (name of jurisdiction)?" A space will be
21 provided for the respondent to answer "Yes" or "No" for each
22 jurisdiction. The form must also inform the taxpayer that if
23 the number of responses marked "No" exceeds the criteria
24 specified in subdivision 3e, a referendum will be held on the
25 question of the increase in the property tax levy subject to
26 approval unless a recertification is made under subdivision 9
27 reducing the levy.

28 (c) The mailing shall include a non-postage-paid envelope
29 preaddressed to the agency designated to process survey
30 results. A taxpayer, including a tenant, renter, or lessee who
31 is entitled to receive a copy of the notice and survey form
32 under subdivision 3, paragraph (k), may respond to the survey by
33 returning the completed survey form to the designated agency by
34 December 1. The responding taxpayer is responsible for the
35 postage.

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

1 payable in 2006 and subsequent years, except that two provisions
2 are first effective for taxes payable in 2007: the requirement
3 that the survey form include a property description or code
4 number, and the requirement that the form notify taxpayers that
5 the results of the survey could cause a referendum election to
6 be held.

7 Sec. 5. Minnesota Statutes 2004, section 275.065, is
8 amended by adding a subdivision to read:

9 Subd. 3c. [TAXPAYER SATISFACTION SURVEY ADDITIONAL
10 INFORMATION.] The taxpayer satisfaction survey form must include
11 the following information for the current year and for the
12 proposed year, and show the percentage change between the years:

13 (1) the county government's (i) budget and (ii) property
14 tax levy subject to approval; and

15 (2) if the property is located in a city which is a
16 jurisdiction subject to the taxpayer satisfaction survey, the
17 city government's (i) budget and (ii) property tax levy subject
18 to approval.

19 [EFFECTIVE DATE.] This section is effective for taxes
20 payable in 2006 and subsequent years.

21 Sec. 6. Minnesota Statutes 2004, section 275.065, is
22 amended by adding a subdivision to read:

23 Subd. 3d. [FORMAT OF TAXPAYER SATISFACTION SURVEY.] The
24 commissioner of revenue shall prescribe the format of the survey
25 form required under subdivisions 3b to 3f and present the form
26 to the chairs of the house and senate tax committees for
27 review. The form must be in the format prescribed by the
28 commissioner.

29 [EFFECTIVE DATE.] This section is effective for taxes
30 payable in 2006 and subsequent years.

31 Sec. 7. Minnesota Statutes 2004, section 275.065, is
32 amended by adding a subdivision to read:

33 Subd. 3e. [RESULTS OF TAXPAYER SATISFACTION SURVEY.] (a)
34 Each agency designated to receive taxpayer satisfaction surveys
35 shall verify the authenticity of each form received, to the
36 extent possible, and tabulate the results of the survey for each

1 taxing jurisdiction. If the number of survey responses
2 indicating dissatisfaction with the jurisdiction's proposed levy
3 exceeds 20 percent of the total number of proposed tax notices
4 distributed in the jurisdiction, and the proposed property tax
5 levy subject to approval exceeds the property tax levy subject
6 to approval for taxes payable in the current year, a referendum
7 must be held on the last Tuesday in January. By December 8, the
8 agency must announce the results of the survey for each taxing
9 jurisdiction, including both the number of responses indicating
10 that they are satisfied with the proposed levy and the number
11 indicating that they are not satisfied.

12 (b) If the county auditor determines that a single person
13 or entity owns more than ten percent of the parcels of property
14 within a jurisdiction subject to taxpayer satisfaction survey,
15 then the number of responses indicating dissatisfaction with the
16 proposed levy must exceed the percentage owed by the single
17 person or entity plus 20 percent of the total number of proposed
18 tax notices distributed in the jurisdiction in order to initiate
19 the referendum process described in paragraph (a).

20 [EFFECTIVE DATE.] This section is effective for taxes
21 payable in 2006 and subsequent years, except that the
22 requirement of an automatic referendum election is effective
23 beginning with taxes payable in 2007 and subsequent years.

24 Sec. 8. Minnesota Statutes 2004, section 275.065, is
25 amended by adding a subdivision to read:

26 Subd. 3f. [DESIGNATED AGENCY.] For taxpayer satisfaction
27 surveys pertaining to taxes payable in 2006, the designated
28 agency is the county. For taxing jurisdictions located in more
29 than one county, each county shall tabulate the results of the
30 survey for the portion of the jurisdiction in the county, and
31 forward the results to the jurisdiction's home county by
32 December 7. The home county shall make available the survey
33 results for the total jurisdiction.

34 By January 1, 2006, and each year thereafter, the
35 commissioner of revenue shall designate the agency or agencies
36 to receive and process taxpayer satisfaction surveys for taxes

1 payable in the following year.

2 [EFFECTIVE DATE.] This section is effective for taxes
3 payable in 2006 and subsequent years.

4 Sec. 9. Minnesota Statutes 2004, section 275.065,
5 subdivision 4, is amended to read:

6 Subd. 4. [COSTS.] ~~If the reasonable cost of~~ The county may
7 apportion the cost of the county auditor's services and the cost
8 of preparing and mailing the notice and survey required in this
9 section exceed the amount distributed to the county by the
10 commissioner of revenue to administer this section, the taxing
11 authority must reimburse the county for the excess cost. The
12 excess cost must be apportioned between taxing jurisdictions as
13 follows:

14 (1) one-third is allocated to the county;

15 (2) one-third is allocated to cities and towns within the
16 county; and

17 (3) one-third is allocated to school districts within the
18 county.

19 The amounts in clause (2) must be further apportioned among
20 the cities and towns in the proportion that the number of
21 parcels in the city and town bears to the number of parcels in
22 all the cities and towns within the county. The amount in
23 clause (3) must be further apportioned among the school
24 districts in the proportion that the number of parcels in the
25 school district bears to the number of parcels in all school
26 districts within the county.

27 [EFFECTIVE DATE.] This section is effective for taxes
28 payable in 2006 and subsequent years.

29 Sec. 10. Minnesota Statutes 2004, section 275.065,
30 subdivision 7, is amended to read:

31 Subd. 7. [CERTIFICATION OF COMPLIANCE.] At the time the
32 taxing authority certifies its tax levy under section 275.07, it
33 shall certify to the commissioner of revenue its compliance with
34 this section. The certification must contain the information
35 required by the commissioner of revenue to determine compliance
36 with this section. If the commissioner determines that the

1 taxing authority has failed to substantially comply with the
2 requirements of this section, the commissioner of revenue shall
3 notify the county auditor. The decision of the commissioner is
4 final. When fixing rates under section 275.08 for a taxing
5 authority that has not complied with this section, the county
6 auditor must use the taxing authority's previous year's levy,
7 plus any additional amounts necessary to ~~pay principal and~~
8 ~~interest on general obligation bonds of the taxing authority for~~
9 ~~which its taxing powers have been pledged if the bonds were~~
10 ~~issued before 1989~~ fund an increase in the authority's debt levy
11 for taxes payable in the following year.

12 [EFFECTIVE DATE.] This section is effective for taxes
13 payable in 2006 and subsequent years.

14 Sec. 11. Minnesota Statutes 2004, section 275.065, is
15 amended by adding a subdivision to read:

16 Subd. 9. [RECERTIFICATION OF PROPOSED LEVY.] By December
17 15, a jurisdiction subject to taxpayer satisfaction survey, that
18 has been notified under subdivision 3e that the criteria for a
19 referendum have been met, may elect to recertify its proposed
20 levy so that the proposed property tax levy subject to approval
21 is equal to the property tax levy subject to approval for taxes
22 payable in the current year. If the jurisdiction recertifies
23 its proposed levy to the county auditor according to the
24 provisions of this subdivision, the auditor must cancel the
25 referendum for that jurisdiction.

26 [EFFECTIVE DATE.] This section is effective for taxes
27 payable in 2007 and subsequent years.

28 Sec. 12. Minnesota Statutes 2004, section 275.065, is
29 amended by adding a subdivision to read:

30 Subd. 10. [LEVY APPROVAL; REFERENDUM.] (a) If the
31 designated agency has determined under subdivision 3e that a
32 referendum is required, the increase in the property tax levy
33 subject to approval shall not be effective until it has been
34 submitted to the voters at a special election to be held on the
35 last Tuesday in January, and a majority of votes cast on the
36 question of approving the levy increase are in the affirmative.

1 The commissioner of revenue shall prepare the form of the
2 question to be presented at the referendum, which must reference
3 only the amount of increase in the property tax levy subject to
4 approval.

5 (b) If the majority of the votes cast on the question are
6 in the affirmative, the proposed levy shall be certified as the
7 final levy. If the majority of the votes cast on the question
8 are in the negative, the levy shall be the property tax levy
9 amount subject to approval for the previous year, plus the
10 portion of the proposed levy that was not subject to referendum.

11 (c) A levy approved under this subdivision must be levied
12 against the net tax capacity of the jurisdiction.

13 [EFFECTIVE DATE.] This section is effective for taxes
14 payable in 2007 and subsequent years.

15 Sec. 13. Minnesota Statutes 2004, section 275.07,
16 subdivision 1, is amended to read:

17 Subdivision 1. [CERTIFICATION OF LEVY.] (a) Except as
18 provided under paragraph (b), the taxes voted by cities,
19 counties, school districts, and special districts shall be
20 certified by the proper authorities to the county auditor on or
21 before ~~five-working-days-after~~ December 20 28 in each year. A
22 jurisdiction whose levy is subject to a referendum under section
23 275.065, subdivision 10, shall at that time certify two levy
24 amounts, one if the referendum is successful, and another if the
25 referendum is not successful. A jurisdiction whose levy is
26 subject to a referendum must recertify its final levy the day
27 immediately following the election. A town must certify the
28 levy adopted by the town board to the county auditor by
29 September 15 each year. If the town board modifies the levy at
30 a special town meeting after September 15, the town board must
31 recertify its levy to the county auditor on or before five
32 working-days-after December 20 28. The taxes certified shall be
33 reduced by the county auditor by the aid received under section
34 273.1398, subdivision 3. If a city, town, county, school
35 district, or special district fails to certify its levy by that
36 date, its levy shall be the amount levied by it for the

1 preceding year.

2 (b)(i) The taxes voted by counties under sections 103B.241,
3 103B.245, and 103B.251 shall be separately certified by the
4 county to the county auditor on or before ~~five-working-days~~
5 ~~after~~ December 20 28 in each year. The taxes certified shall
6 not be reduced by the county auditor by the aid received under
7 section 273.1398, subdivision 3. If a county fails to certify
8 its levy by that date, its levy shall be the amount levied by it
9 for the preceding year.

10 (ii) For purposes of the proposed property tax notice under
11 section 275.065 and the property tax statement under section
12 276.04, for the first year in which the county implements the
13 provisions of this paragraph, the county auditor shall reduce
14 the county's levy for the preceding year to reflect any amount
15 levied for water management purposes under clause (i) included
16 in the county's levy.

17 [EFFECTIVE DATE.] This section is effective for taxes
18 payable in 2007 and subsequent years.

19 Sec. 14. [REPEALER.]

20 Minnesota Statutes 2004, section 275.065, subdivisions 5a,
21 6, 6b, and 8, are repealed.

22 [EFFECTIVE DATE.] This section is effective for taxes
23 payable in 2006 and subsequent years.

24 ARTICLE 2

25 PROPERTY TAXES

26 Section 1. Minnesota Statutes 2004, section 272.02,
27 subdivision 47, is amended to read:

28 Subd. 47. [POULTRY LITTER BIOMASS GENERATION FACILITY;
29 PERSONAL PROPERTY.] Notwithstanding subdivision 9, clause (a),
30 attached machinery and other personal property which is part of
31 an electrical generating facility that meets the requirements of
32 this subdivision is exempt. At the time of construction, the
33 facility must:

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

36 (2) be constructed for the purpose of generating power at

1 the facility that will be sold pursuant to a contract approved
2 by the Public Utilities Commission in accordance with the
3 biomass mandate imposed under section 216B.2424.

4 Construction of the facility must be commenced after
5 January 1, 2003, and before December 31, ~~2003~~ 2005. Property
6 eligible for this exemption does not include electric
7 transmission lines and interconnections or gas pipelines and
8 interconnections appurtenant to the property or the facility.

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

11 Sec. 2. Minnesota Statutes 2004, section 272.02,
12 subdivision 53, is amended to read:

13 Subd. 53. [ELECTRIC GENERATION FACILITY; PERSONAL
14 PROPERTY.] Notwithstanding subdivision 9, clause (a), attached
15 machinery and other personal property which is part of a 3.2
16 megawatt run-of-the-river hydroelectric generation facility and
17 that meets the requirements of this subdivision is exempt. At
18 the time of construction, the facility must:

19 (1) utilize two turbine generators at a dam site existing
20 on March 31, 1994;

21 (2) be located on ~~publicly~~-owned land and within 1,500 feet
22 of a 13.8 kilovolt distribution substation; and

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

25 Construction of the facility must be commenced after
26 ~~January 1, 2002~~ December 31, 2004, and before January 1, ~~2005~~
27 2007. Property eligible for this exemption does not include
28 electric transmission lines and interconnections or gas
29 pipelines and interconnections appurtenant to the property or
30 the facility.

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

33 Sec. 3. Minnesota Statutes 2004, section 272.02, is
34 amended by adding a subdivision to read:

35 Subd. 68. [ELECTRIC GENERATION FACILITY PERSONAL
36 PROPERTY.] (a) Notwithstanding subdivision 9, clause (a), and

1 section 453.54, subdivision 20, attached machinery and other
2 personal property which is part of an electric generation
3 facility that exceeds 150 megawatts of installed capacity and
4 meets the requirements of this subdivision is exempt. At the
5 time of construction, the facility must:

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

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

9 (3) have received the certificate of need under section
10 216B.243;

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

13 (5) be designed to be a combined-cycle facility, although
14 initially the facility will be operated as a simple-cycle
15 combustion turbine.

16 (b) To qualify under this subdivision, an agreement must be
17 negotiated between the municipal power agency and the host city,
18 for a payment in lieu of property taxes to the host city.

19 (c) 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 for assessment
25 year 2005, taxes payable in 2006, and thereafter.

26 Sec. 4. Minnesota Statutes 2004, section 272.02, is
27 amended by adding a subdivision to read:

28 Subd. 69. [ELECTRIC GENERATION FACILITY; PERSONAL
29 PROPERTY.] (a) Notwithstanding subdivision 9, clause (a),
30 attached machinery and other personal property which is part of
31 a simple-cycle combustion-turbine electric generation facility
32 that exceeds 290 megawatts of installed capacity and that meets
33 the requirements of this subdivision is exempt. At the time of
34 construction, the facility must:

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

36 (2) not be owned by a public utility as defined in section

1 216B.02, subdivision 4;

2 (3) be located within 15 miles of the mainline existing
3 interstate natural gas pipeline and within five miles of an
4 existing electrical transmission substation;

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

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

10 (b) Construction of the facility must be commenced after
11 January 1, 2005, and before January 1, 2009. Property eligible
12 for this exemption does not include electric transmission lines
13 and interconnections or gas pipelines and interconnections
14 appurtenant to the property or the facility.

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

17 Sec. 5. Minnesota Statutes 2004, section 272.02, is
18 amended by adding a subdivision to read:

19 Subd. 70. [ELECTRIC GENERATION FACILITY; PERSONAL
20 PROPERTY.] Notwithstanding subdivision 9, clause (a), attached
21 machinery and other personal property which is part of an
22 existing simple-cycle, combustion-turbine electric generation
23 facility that exceeds 300 megawatts of installed capacity and
24 that meets the requirements of this subdivision is exempt. At
25 the time of the construction, the facility must:

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

27 (2) be owned by a public utility as defined in section
28 216B.02, subdivision 4, and be located at or interconnected with
29 an existing generating plant of the utility;

30 (3) be designed to provide peaking, emergency backup, or
31 contingency services;

32 (4) satisfy a resource need identified in an approved
33 integrated resource plan filed under section 216B.2422; and

34 (5) have received, by resolution, the approval from the
35 governing body of the county and the city for the exemption of
36 personal property under this subdivision.

1 Construction of the facility expansion must be commenced
2 after January 1, 2004, and before January 1, 2005. Property
3 eligible for this exemption does not include electric
4 transmission lines and interconnections or gas pipelines and
5 interconnections appurtenant to the property or the facility.

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

8 Sec. 6. Minnesota Statutes 2004, section 272.02, is
9 amended by adding a subdivision to read:

10 Subd. 71. [ELECTRIC GENERATION FACILITY; PERSONAL
11 PROPERTY.] (a) Notwithstanding subdivision 9, clause (a),
12 attached machinery and other personal property which is part of
13 a simple-cycle combustion-turbine electric generation facility
14 that exceeds 150 megawatts of installed capacity and that meets
15 the requirements of this subdivision is exempt. At the time of
16 construction, the facility must:

17 (1) utilize natural gas as a primary fuel;

18 (2) be owned by an electric generation and transmission
19 cooperative;

20 (3) be located within five miles of parallel existing
21 12-inch and 16-inch natural gas pipelines and a 69-kilovolt
22 high-voltage electric transmission line;

23 (4) be designed to provide peaking, emergency backup, or
24 contingency services;

25 (5) have received a certificate of need under section
26 216B.243 demonstrating demand for its capacity; and

27 (6) have received by resolution the approval from the
28 governing body of the county and township in which the proposed
29 facility is to be located for the exemption of personal property
30 under this subdivision.

31 (b) Construction of the facility must be commenced after
32 July 1, 2005, and before January 1, 2009. Property eligible for
33 this exemption does not include electric transmission lines and
34 interconnections or gas pipelines and interconnections
35 appurtenant to the property or the facility.

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

1 year 2006 and thereafter, for taxes payable in 2007 and
2 thereafter.

3 Sec. 7. Minnesota Statutes 2004, section 272.02, is
4 amended by adding a subdivision to read:

5 Subd. 72. [ELECTRIC GENERATION FACILITY PERSONAL
6 PROPERTY.] (a) Notwithstanding subdivision 9, clause (a),
7 attached machinery and other personal property which is part of
8 either a simple-cycle, combustion-turbine electric generation
9 facility, or a combined-cycle, combustion-turbine electric
10 generation facility that does not exceed 325 megawatts of
11 installed capacity and that meets the requirements of this
12 subdivision is exempt. At the time of construction, the
13 facility must:

14 (1) utilize either a simple-cycle or a combined-cycle
15 combustion-turbine generator fueled by natural gas;

16 (2) be connected to an existing 115-kilovolt high-voltage
17 electric transmission line that is within two miles of the
18 facility;

19 (3) be located on an underground natural gas storage
20 aquifer;

21 (4) be designed as either a peaking or intermediate load
22 facility; and

23 (5) have received, by resolution, the approval from the
24 governing body of the county for the exemption of personal
25 property under this subdivision.

26 (b) Construction of the facility must be commenced after
27 January 1, 2006, and before January 1, 2008. Property eligible
28 for this exemption does not include electric transmission lines
29 and interconnections or gas pipelines and interconnections
30 appurtenant to the property or the facility.

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

33 Sec. 8. Minnesota Statutes 2004, section 272.0211,
34 subdivision 1, is amended to read:

35 Subdivision 1. [EFFICIENCY DETERMINATION AND
36 CERTIFICATION.] An owner or operator of a new or existing

1 electric power generation facility, excluding wind energy
2 conversion systems, may apply to the commissioner of revenue for
3 a market value exclusion on the property as provided for in this
4 section. This exclusion shall apply only to the market value of
5 the equipment of the facility, and shall not apply to the
6 structures and the land upon which the facility is located. The
7 commissioner of revenue shall prescribe the forms and procedures
8 for this application. Upon receiving the application, the
9 commissioner of revenue shall request the commissioner of
10 commerce to make a determination of the efficiency of the
11 applicant's electric power generation facility. ~~In calculating~~
12 ~~the efficiency of a facility,~~ The commissioner of commerce shall
13 ~~use a definition of~~ calculate efficiency ~~which calculates~~
14 ~~efficiency as the sum of:~~

15 ~~(1) the useful electrical power output, plus~~
16 ~~(2) the useful thermal energy output, plus~~
17 ~~(3) the fuel energy of the useful chemical products,~~

18 ~~all divided by the total energy input to the facility, expressed~~
19 ~~as a percentage~~ as the ratio of useful energy outputs to energy
20 inputs, expressed as a percentage, based on the performance of
21 the facility's equipment during normal full load operation. The
22 commissioner must include in this formula the energy used in any
23 on-site preparation of materials necessary to convert the
24 materials into the fuel used to generate electricity, such as a
25 process to gasify petroleum coke. The commissioner shall use
26 the ~~high~~ Higher Heating Value (HHV) for all substances in the
27 commissioner's efficiency calculations, except for wood for fuel
28 in a biomass-eligible project under section 216B.2424; for these
29 instances, the commissioner shall adjust the heating value to
30 allow for energy consumed for evaporation of the moisture in the
31 wood. The applicant shall provide the commissioner of commerce
32 with whatever information the commissioner deems necessary to
33 make the determination. Within 30 days of the receipt of the
34 necessary information, the commissioner of commerce shall
35 certify the findings of the efficiency determination to the
36 commissioner of revenue and to the applicant. The commissioner

1 of commerce shall determine the efficiency of the facility and
2 certify the findings of that determination to the commissioner
3 of revenue every two years thereafter from the date of the
4 original certification.

5 [EFFECTIVE DATE.] This section is effective for assessment
6 year 2005 and thereafter, for taxes payable in 2006 and
7 thereafter.

8 Sec. 9. Minnesota Statutes 2004, section 272.0211,
9 subdivision 2, is amended to read:

10 Subd. 2. [SLIDING SCALE EXCLUSION.] Based upon the
11 efficiency determination provided by the commissioner of
12 commerce as described in subdivision 1, the commissioner of
13 revenue shall subtract ~~five~~ eight percent of the taxable market
14 value of the qualifying property for each percentage point that
15 the efficiency of the specific facility, as determined by the
16 commissioner of commerce, is above 35 40 percent. The reduction
17 in taxable market value shall be reflected in the taxable market
18 value of the facility beginning with the assessment year
19 immediately following the determination. For a facility that is
20 assessed by the county in which the facility is located, the
21 commissioner of revenue shall certify to the assessor of that
22 county the percentage of the taxable market value of the
23 facility to be excluded.

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

27 Sec. 10. [272.0275] [PERSONAL PROPERTY USED TO GENERATE
28 ELECTRICITY; EXEMPTION.]

29 Subdivision 1. [NEW PLANT CONSTRUCTION AFTER JANUARY 1,
30 2005.] For a new generating plant built and placed in service
31 after January 1, 2005, its personal property used to generate
32 electric power is exempt from property taxation, including under
33 section 453.54, subdivision 20, if an exemption of generation
34 personal property form, with an attached siting agreement, is
35 filed with the Department of Revenue. The form must be signed
36 by the utility, and the county and city or town where the

1 facility is proposed to be located.

2 Subd. 2. [EXISTING PLANT; INCREASE IN NAMEPLATE CAPACITY.]

3 For a plant existing or under construction on the day of final
4 enactment of this act, a partial exemption applies if the
5 nameplate capacity of the plant is increased from that existing
6 on the day of final enactment of this act, and if an exemption
7 of generation personal property form, with an attached siting
8 agreement is filed with the Department of Revenue. The form
9 must be signed by the utility, and the county and city or town
10 where the facility expansion is located. This partial exemption
11 must be computed by taking the increase in megawatts over the
12 total megawatt nameplate capacity after construction is
13 complete, multiplied by the market value of all taxable tools,
14 implements, and machinery of the generating plant as determined
15 by the commissioner of revenue. The resulting exemption is
16 effective beginning in the next assessment year.

17 Subd. 3. [IN-LIEU PAYMENT; LIMITATION.] If an in-lieu
18 payment or service fee is negotiated between a facility exempted
19 under this section and the county, city, or town where the
20 facility is located, the payment or fee in any year may not
21 exceed the property tax revenue that the jurisdiction would
22 receive from the facility if it were not exempt.

23 Subd. 4. [DEFINITION; APPLICABILITY.] For purposes of this
24 section, "personal property" means tools, implements, and
25 machinery of the generating plant. The exemption under this
26 section does not apply to transformers, transmission lines,
27 distribution lines, or any other tools, implements, and
28 machinery that are part of an electric substation, wherever
29 located.

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

32 Sec. 11. Minnesota Statutes 2004, section 273.055, is
33 amended to read:

34 273.055 [RESOLUTION TO APPOINT ASSESSOR; TERMINATION OF
35 LOCAL ASSESSOR'S OFFICE.]

36 The election to provide for the assessment of property by

1 the county assessor as provided in section 273.052 shall be made
2 by the board of county commissioners by resolution with at least
3 a two-thirds majority vote. Such resolution shall be effective
4 at the second assessment date following the adoption of the
5 resolution. Notwithstanding any other provisions contained in
6 any other section of law or charter, the office of all township
7 and city assessors in such county shall be terminated 90 days
8 before the assessment date at which the election becomes
9 effective, except that if part of such taxing district is
10 located in a county not electing to have the county assessor
11 assess all property as provided in section 273.052, the office
12 will continue but shall apply only to such property in a
13 nonelecting county.

14 No township or city assessor in another county shall assess
15 any property in an electing county, but shall turn over all tax
16 records relating to property to the county assessor 90 days
17 before the assessment date at which the county's election
18 becomes effective.

19 [EFFECTIVE DATE.] This section is effective the day
20 following final enactment.

21 Sec. 12. Minnesota Statutes 2004, section 273.0755, is
22 amended to read:

23 273.0755 [TRAINING AND EDUCATION OF PROPERTY TAX
24 PERSONNEL.]

25 (a) Beginning with the four-year period starting on July 1,
26 2000, every person licensed by the state Board of Assessors at
27 the Accredited Minnesota Assessor level or higher, shall
28 successfully complete a week-long Minnesota laws course
29 sponsored by the Department of Revenue at least once in every
30 four-year period. An assessor need not attend the course if
31 they successfully pass the test for the course.

32 (b) The commissioner of revenue may require that each
33 county, and each city for which the city assessor performs the
34 duties of county assessor, have (i) a person on the assessor's
35 staff who is certified by the Department of Revenue in sales
36 ratio calculations, (ii) an officer or employee who is certified

1 by the Department of Revenue in tax calculations, and (iii) an
2 officer or employee who is certified by the Department of
3 Revenue in the proper preparation of abstracts of assessment.
4 The commissioner of revenue may require that each county have an
5 officer or employee who is certified by the Department of
6 Revenue in the proper preparation of abstracts of tax lists.

7 (c) Beginning with the four-year educational licensing
8 period starting on July 1, 2004, every Minnesota assessor
9 licensed by the State Board of Assessors must attend and
10 participate in a seminar that focuses on ethics, professional
11 conduct and the need for standardized assessment practices
12 developed and presented by the commissioner of revenue. This
13 requirement must be met at least once in every subsequent
14 four-year period. This requirement applies to all assessors
15 licensed for one year or more in the four-year period.

16 [EFFECTIVE DATE.] This section is effective the day
17 following final enactment.

18 Sec. 13. Minnesota Statutes 2004, section 273.11,
19 subdivision 1a, is amended to read:

20 Subd. 1a. [LIMITED MARKET VALUE.] In the case of all real
21 property classified-as-agricultural-homestead-or-nonhomestead,
22 residential-homestead-or-nonhomestead,-timber,-or-noncommercial
23 seasonal-residential-recreational, the assessor shall compare
24 the value with the taxable portion of the value determined in
25 the preceding assessment, except that for class 1c resort
26 property for assessment year 2005, the assessor shall determine
27 the limited market value as provided in subdivision 1b.

28 ~~For assessment year 2002, the amount of the increase shall~~
29 ~~not exceed the greater of (1) ten percent of the value in the~~
30 ~~preceding assessment, or (2) 15 percent of the difference~~
31 ~~between the current assessment and the preceding assessment.~~

32 ~~For assessment year 2003, the amount of the increase shall~~
33 ~~not exceed the greater of (1) 12 percent of the value in the~~
34 ~~preceding assessment, or (2) 20 percent of the difference~~
35 ~~between the current assessment and the preceding assessment.~~

36 For assessment year years 2004, 2005, and 2006, the amount

1 of the increase shall not exceed the greater of (1) 15 percent
2 of the value in the preceding assessment, or (2) 25 percent of
3 the difference between the current assessment and the preceding
4 assessment.

5 For assessment year ~~2005~~ 2007, the amount of the increase
6 shall not exceed the greater of (1) 15 percent of the value in
7 the preceding assessment, or (2) 33 percent of the difference
8 between the current assessment and the preceding assessment.

9 For assessment year ~~2006~~ 2008, the amount of the increase
10 shall not exceed the greater of (1) 15 percent of the value in
11 the preceding assessment, or (2) 50 percent of the difference
12 between the current assessment and the preceding assessment.

13 This limitation shall not apply to increases in value due
14 to improvements. For purposes of this subdivision, the term
15 "assessment" means the value prior to any exclusion under
16 subdivision 16.

17 The provisions of this subdivision shall be in effect
18 through assessment year ~~2006~~ 2008 as provided in this
19 subdivision.

20 For purposes of the assessment/sales ratio study conducted
21 under section 127A.48, and the computation of state aids paid
22 under chapters 122A, 123A, 123B, 124D, 125A, 126C, 127A, and
23 477A, market values and net tax capacities determined under this
24 subdivision and subdivision 16, shall be used.

25 [EFFECTIVE DATE.] This section is effective for assessment
26 years 2005 through 2008, for taxes payable in 2006 through 2009.

27 Sec. 14. Minnesota Statutes 2004, section 273.11, is
28 amended by adding a subdivision to read:

29 Subd. 1b. [CLASS 1C RESORTS; 2005 ASSESSMENT ONLY.] For
30 assessment year 2005, the valuation on class 1c resort property
31 shall not exceed the greater of (1) 130 percent of the value of
32 its 2003 assessment, or (2) its value for the 2003 assessment
33 year plus 40 percent of the difference in value between its 2005
34 assessment and its 2003 assessment. The valuation increase on
35 class 1c resort property for assessment years 2006 and
36 thereafter shall be determined as provided under subdivision 1a.

1 [EFFECTIVE DATE.] This section is effective the day
2 following final enactment.

3 Sec. 15. Minnesota Statutes 2004, section 273.11, is
4 amended by adding a subdivision to read:

5 Subd. 21. [VALUATION EXCLUSION FOR LEAD HAZARD REDUCTION.]
6 Owners of property classified as class 1a, 1b, 1c, 2a, 4b, or
7 4bb under section 273.13 may apply for a valuation exclusion for
8 lead hazard reduction, provided that the property is located in
9 a city which has authorized valuation exclusions under this
10 subdivision. A city may by resolution authorize valuation
11 exclusions under this subdivision and must establish guidelines
12 for qualifying lead hazard reduction projects and must designate
13 an agency within the city to issue certificates of completion of
14 qualifying projects. For purposes of this subdivision, "lead
15 hazard reduction" has the same meaning as in section 144.9501,
16 subdivision 17.

17 The property owner must obtain a certificate from the city
18 stating that the project has been completed and stating the cost
19 incurred by the owner in completing the project. Only projects
20 originating after April 1, 2004, may qualify for exclusion under
21 this subdivision. The property owner shall apply for a
22 valuation exclusion to the assessor on a form prescribed by the
23 assessor.

4 A qualifying property is eligible for a valuation exclusion
25 equal to 50 percent of the actual costs incurred, to a maximum
26 exclusion of \$15,000, for a period of five years. The valuation
27 exclusion shall terminate upon the sale of the property. If a
28 property owner applies for exclusion under this subdivision
29 between January 1 and June 30 of any year, the exclusion shall
30 first apply for taxes payable in the following year. If a
31 property owner applies for exclusion under this subdivision
32 between July 1 and December 31 of any year, the exclusion shall
33 first apply for taxes payable in the second following year.

34 [EFFECTIVE DATE.] This section is effective for taxes
35 payable in 2006 and subsequent years.

36 Sec. 16. Minnesota Statutes 2004, section 273.111, is

1 amended by adding a subdivision to read:

2 Subd. 86. [APPLICATIONS; DENIED BY COUNTY.] Beginning with
3 applications filed for the 2005 assessment year, all
4 applications for deferment of taxes and assessment under this
5 section that have been denied by the county shall be forwarded
6 to the commissioner of revenue by the county assessor within 30
7 days of denial. For the purpose of monitoring compliance with
8 this section, the commissioner of revenue shall compile a report
9 identifying all denied applications, the reason for the denial
10 and any commissioner action or recommendation. This report will
11 be annually submitted to the chairs of the house and senate tax
12 committees on or before February 1.

13 [EFFECTIVE DATE.] This section is effective for
14 applications filed after the day following final enactment.

15 Sec. 17. Minnesota Statutes 2004, section 273.123,
16 subdivision 7, is amended to read:

17 Subd. 7. [LOCAL OPTION; OTHER PROPERTY.] The owner of
18 homestead property not qualifying for an adjustment in valuation
19 pursuant to subdivisions 1 to 5 or of nonhomestead property may
20 receive a reduction in the amount of taxes payable on the
21 property for the year in which the destruction occurs and in the
22 following year if:

23 (a) 50 percent or more of the homestead dwelling or other
24 structure, as established by the county assessor, is
25 unintentionally or accidentally destroyed or contaminated by
26 mold and the homestead is uninhabitable or the other structure
27 is not usable;

28 (b) the owner of the property makes written application to
29 the county assessor as soon as practical after the damage has
30 occurred; and

31 (c) the owner of the property makes written application to
32 the county board.

33 The county board may grant a reduction in the amount of
34 property tax which the owner must pay on the qualifying property
35 in the year of destruction and in the following year. Any
36 reduction in the amount of tax payable which is authorized by

1 county board action shall be calculated based upon the number of
2 months that the home is uninhabitable or the other structure is
3 unusable. The amount of net tax due from the taxpayer shall be
4 multiplied by a fraction, the numerator of which is the number
5 of months the dwelling was occupied by that taxpayer, or the
6 number of months the other structure was used by the taxpayer,
7 and the denominator of which is 12. For purposes of this
8 subdivision, if a structure is occupied or used for a fraction
9 of a month, it is considered a month. "Net tax" is defined as
10 the amount of tax after the subtraction of all of the state paid
11 property tax credits. If application is made following payment
12 of all property taxes due for the year of destruction, the
13 amount of the reduction granted by the county board shall be
14 refunded to the taxpayer by the county treasurer as soon as
15 practical.

16 Any reductions or refunds approved by the county board
17 shall not be subject to approval by the commissioner of revenue.

18 The county board may levy in the following year the amount
19 of tax dollars lost to the county government as a result of the
20 reductions granted pursuant to this subdivision.

21 [EFFECTIVE DATE.] This section is effective for property
22 taxes payable in 2005 and thereafter.

23 Sec. 18. Minnesota Statutes 2004, section 273.124,
24 subdivision 14, is amended to read:

25 Subd. 14. [AGRICULTURAL HOMESTEADS; SPECIAL PROVISIONS.]

26 (a) Real estate of less than ten acres that is the homestead of
27 its owner must be classified as class 2a under section 273.13,
28 subdivision 23, paragraph (a), if:

29 (1) the parcel on which the house is located is contiguous
30 on at least two sides to (i) agricultural land, (ii) land owned
31 or administered by the United States Fish and Wildlife Service,
32 or (iii) land administered by the Department of Natural
33 Resources on which in lieu taxes are paid under sections 477A.11
34 to 477A.14;

35 (2) its owner also owns a noncontiguous parcel of
36 agricultural land that is at least 20 acres;

1 (3) the noncontiguous land is located not farther than four
2 townships or cities, or a combination of townships or cities
3 from the homestead; and

4 (4) the agricultural use value of the noncontiguous land
5 and farm buildings is equal to at least 50 percent of the market
6 value of the house, garage, and one acre of land.

7 Homesteads initially classified as class 2a under the
8 provisions of this paragraph shall remain classified as class
9 2a, irrespective of subsequent changes in the use of adjoining
10 properties, as long as the homestead remains under the same
11 ownership, the owner owns a noncontiguous parcel of agricultural
12 land that is at least 20 acres, and the agricultural use value
13 qualifies under clause (4). Homestead classification under this
14 paragraph is limited to property that qualified under this
15 paragraph for the 1998 assessment.

16 (b)(i) Agricultural property consisting of at least 40
17 acres shall be classified as the owner's homestead, to the same
18 extent as other agricultural homestead property, if all of the
19 following criteria are met:

20 (1) the owner, the owner's spouse, or the son or daughter
21 of the owner or owner's spouse, or the grandson or granddaughter
22 of the owner or the owner's spouse, is actively farming the
23 agricultural property, either on the person's own behalf as an
24 individual or on behalf of a partnership operating a family
25 farm, family farm corporation, joint family farm venture, or
26 limited liability company of which the person is a partner,
27 shareholder, or member;

28 (2) both the owner of the agricultural property and the
29 person who is actively farming the agricultural property under
30 clause (1), are Minnesota residents;

31 (3) neither the owner nor the spouse of the owner claims
32 another agricultural homestead in Minnesota; and

33 (4) neither the owner nor the person actively farming the
34 property lives farther than four townships or cities, or a
35 combination of four townships or cities, from the agricultural
36 property, except that if the owner or the owner's spouse is

1 required to live in employer-provided housing, the owner or
2 owner's spouse, whichever is actively farming the agricultural
3 property, may live more than four townships or cities, or
4 combination of four townships or cities from the agricultural
5 property.

6 The relationship under this paragraph may be either by
7 blood or marriage.

8 (ii) Real property held by a trustee under a trust is
9 eligible for agricultural homestead classification under this
10 paragraph if the qualifications in clause (i) are met, except
11 that "owner" means the grantor of the trust.

12 (iii) Property containing the residence of an owner who
13 owns qualified property under clause (i) shall be classified as
14 part of the owner's agricultural homestead, if that property is
15 also used for noncommercial storage or drying of agricultural
16 crops.

17 (c) Noncontiguous land shall be included as part of a
18 homestead under section 273.13, subdivision 23, paragraph (a),
19 only if the homestead is classified as class 2a and the detached
20 land is located in the same township or city, or not farther
21 than four townships or cities or combination thereof from the
22 homestead. Any taxpayer of these noncontiguous lands must
23 notify the county assessor that the noncontiguous land is part
24 of the taxpayer's homestead, and, if the homestead is located in
25 another county, the taxpayer must also notify the assessor of
26 the other county.

27 (d) Agricultural land used for purposes of a homestead and
28 actively farmed by a person holding a vested remainder interest
29 in it must be classified as a homestead under section 273.13,
30 subdivision 23, paragraph (a). If agricultural land is
31 classified class 2a, any other dwellings on the land used for
32 purposes of a homestead by persons holding vested remainder
33 interests who are actively engaged in farming the property, and
34 up to one acre of the land surrounding each homestead and
35 reasonably necessary for the use of the dwelling as a home, must
36 also be assessed class 2a.

1 (e) Agricultural land and buildings that were class 2a
2 homestead property under section 273.13, subdivision 23,
3 paragraph (a), for the 1997 assessment shall remain classified
4 as agricultural homesteads for subsequent assessments if:

5 (1) the property owner abandoned the homestead dwelling
6 located on the agricultural homestead as a result of the April
7 1997 floods;

8 (2) the property is located in the county of Polk, Clay,
9 Kittson, Marshall, Norman, or Wilkin;

10 (3) the agricultural land and buildings remain under the
11 same ownership for the current assessment year as existed for
12 the 1997 assessment year and continue to be used for
13 agricultural purposes;

14 (4) the dwelling occupied by the owner is located in
15 Minnesota and is within 30 miles of one of the parcels of
16 agricultural land that is owned by the taxpayer; and

17 (5) the owner notifies the county assessor that the
18 relocation was due to the 1997 floods, and the owner furnishes
19 the assessor any information deemed necessary by the assessor in
20 verifying the change in dwelling. Further notifications to the
21 assessor are not required if the property continues to meet all
22 the requirements in this paragraph and any dwellings on the
23 agricultural land remain uninhabited.

24 (f) Agricultural land and buildings that were class 2a
25 homestead property under section 273.13, subdivision 23,
26 paragraph (a), for the 1998 assessment shall remain classified
27 agricultural homesteads for subsequent assessments if:

28 (1) the property owner abandoned the homestead dwelling
29 located on the agricultural homestead as a result of damage
30 caused by a March 29, 1998, tornado;

31 (2) the property is located in the county of Blue Earth,
32 Brown, Cottonwood, LeSueur, Nicollet, Nobles, or Rice;

33 (3) the agricultural land and buildings remain under the
34 same ownership for the current assessment year as existed for
35 the 1998 assessment year;

36 (4) the dwelling occupied by the owner is located in this

1 state and is within 50 miles of one of the parcels of
2 agricultural land that is owned by the taxpayer; and

3 (5) the owner notifies the county assessor that the
4 relocation was due to a March 29, 1998, tornado, and the owner
5 furnishes the assessor any information deemed necessary by the
6 assessor in verifying the change in homestead dwelling. For
7 taxes payable in 1999, the owner must notify the assessor by
8 December 1, 1998. Further notifications to the assessor are not
9 required if the property continues to meet all the requirements
10 in this paragraph and any dwellings on the agricultural land
11 remain uninhabited.

12 (g) Agricultural property consisting of at least 40 acres
13 of a family farm corporation, joint family farm venture, family
14 farm limited liability company, or partnership operating a
15 family farm as described under subdivision 8 shall be classified
16 homestead, to the same extent as other agricultural homestead
17 property, if all of the following criteria are met:

18 (1) a shareholder, member, or partner of that entity is
19 actively farming the agricultural property;

20 (2) that shareholder, member, or partner who is actively
21 farming the agricultural property is a Minnesota resident;

22 (3) neither that shareholder, member, or partner, nor the
23 spouse of that shareholder, member, or partner claims another
24 agricultural homestead in Minnesota; and

25 (4) that shareholder, member, or partner does not live
26 farther than four townships or cities, or a combination of four
27 townships or cities, from the agricultural property.

28 Homestead treatment applies under this paragraph for
29 property leased to a family farm corporation, joint farm
30 venture, limited liability company, or partnership operating a
31 family farm if legal title to the property is in the name of an
32 individual who is a member, shareholder, or partner in the
33 entity.

34 (h) To be eligible for the special agricultural homestead
35 under this subdivision, an initial full application must be
36 submitted to the county assessor where the property is located.

1 Owners and the persons who are actively farming the property
2 shall be required to complete only a one-page abbreviated
3 version of the application in each subsequent year provided that
4 none of the following items have changed since the initial
5 application:

6 (1) the day-to-day operation, administration, and financial
7 risks remain the same;

8 (2) the owners and the persons actively farming the
9 property continue to live within the four townships or city
10 criteria and are Minnesota residents;

11 (3) the same operator of the agricultural property is
12 listed with the Farm Service Agency;

13 (4) a Schedule F or equivalent income tax form was filed
14 for the most recent year;

15 (5) the property's acreage is unchanged; and

16 (6) none of the property's acres have been enrolled in a
17 federal or state farm program since the initial application.

18 The owners and any persons who are actively farming the
19 property must include the appropriate Social Security numbers,
20 and sign and date the application. If any of the specified
21 information has changed since the full application was filed,
22 the owner must notify the assessor, and must complete a new
23 application to determine if the property continues to qualify
24 for the special agricultural homestead. The commissioner of
25 revenue shall prepare a standard reapplication form for use by
26 the assessors.

27 [EFFECTIVE DATE.] This section is effective for assessment
28 year 2005 and thereafter, for taxes payable in 2006 and
29 thereafter.

30 Sec. 19. Minnesota Statutes 2004, section 273.125,
31 subdivision 8, is amended to read:

32 Subd. 8. [MANUFACTURED HOMES; SECTIONAL STRUCTURES.] (a)
33 In this section, "manufactured home" means a structure
34 transportable in one or more sections, which is built on a
35 permanent chassis, and designed to be used as a dwelling with or
36 without a permanent foundation when connected to the required

1 utilities, and contains the plumbing, heating, air conditioning,
2 and electrical systems in it. Manufactured home includes any
3 accessory structure that is an addition or supplement to the
4 manufactured home and, when installed, becomes a part of the
5 manufactured home.

6 (b) Except as provided in paragraph (c), a manufactured
7 home that meets each of the following criteria must be valued
8 and assessed as an improvement to real property, the appropriate
9 real property classification applies, and the valuation is
10 subject to review and the taxes payable in the manner provided
11 for real property:

12 (1) the owner of the unit holds title to the land on which
13 it is situated;

14 (2) the unit is affixed to the land by a permanent
15 foundation or is installed at its location in accordance with
16 the Manufactured Home Building Code in sections 327.31 to
17 327.34, and rules adopted under those sections, or is affixed to
18 the land like other real property in the taxing district; and

19 (3) the unit is connected to public utilities, has a well
20 and septic tank system, or is serviced by water and sewer
21 facilities comparable to other real property in the taxing
22 district.

23 (c) A manufactured home that meets each of the following
24 criteria must be assessed at the rate provided by the
25 appropriate real property classification but must be treated as
26 personal property, and the valuation is subject to review and
27 the taxes payable in the manner provided in this section:

28 (1) the owner of the unit is a lessee of the land under the
29 terms of a lease, or the unit is located in a manufactured home
30 park, campground, or resort;

31 (2) the unit is affixed to the land by a permanent
32 foundation or is installed at its location in accordance with
33 the Manufactured Home Building Code contained in sections 327.31
34 to 327.34, and the rules adopted under those sections, or is
35 affixed to the land like other real property in the taxing
36 district; and

1 (3) the unit is connected to public utilities, has a well
2 and septic tank system, or is serviced by water and sewer
3 facilities comparable to other real property in the taxing
4 district.

5 (d) Sectional structures must be valued and assessed as an
6 improvement to real property if the owner of the structure holds
7 title to the land on which it is located or is a qualifying
8 lessee of the land under section 273.19. In this paragraph
9 "sectional structure" means a building or structural unit that
10 has been in whole or substantial part manufactured or
11 constructed at an off-site location to be wholly or partially
12 assembled on-site alone or with other units and attached to a
13 permanent foundation.

14 (e) The commissioner of revenue may adopt rules under the
15 Administrative Procedure Act to establish additional criteria
16 for the classification of manufactured homes and sectional
17 structures under this subdivision.

18 (f) A storage shed, deck, or similar improvement
19 constructed on property that is leased or rented as a site for a
20 manufactured home, sectional structure, park trailer, or travel
21 trailer is taxable as provided in this section. In the case of
22 property that is leased or rented as a site for a travel
23 trailer, a storage shed, deck, or similar improvement on the
24 site that is considered personal property under this paragraph
25 is taxable only if its total estimated market value is over
26 \$500. The property is taxable as personal property to the
27 lessee of the site if it is not owned by the owner of the site.
28 The property is taxable as real estate if it is owned by the
29 owner of the site. As a condition of permitting the owner of
30 the manufactured home, sectional structure, park trailer, or
31 travel trailer to construct improvements on the leased or rented
32 site, the owner of the site must obtain the permanent home
33 address of the lessee or user of the site. The site owner must
34 provide the name and address to the assessor upon request.

35 [EFFECTIVE DATE.] For purposes of Minnesota Statutes,
36 sections 272.12 and 272.121, this section is effective the day

1 following final enactment. For all other purposes, this section
 2 is effective beginning with taxes payable in 2006, except that
 3 for any property treated as real property under this section for
 4 the 2005 assessment that will be treated as personal property
 5 under this section for the 2006 assessment, an adjustment must
 6 be made to the 2005 assessment roll on or before July 1, 2005,
 7 to reflect those changes.

8 Sec. 20. [273.126] [CERTIFICATION OF LOW-INCOME RENTAL
 9 PROPERTY.]

10 Subdivision 1. [REQUIREMENT.] Low-income rental property
 11 is entitled to classification as class 4d under section 273.13,
 12 subdivision 25, paragraph (e), for a maximum period of five
 13 years if at least 75 percent of the units in the rental housing
 14 property meet any of the following qualifications:

15 (1) the units are subject to a housing assistance payments
 16 contract under Section 8 of the United States Housing Act of
 17 1937, as amended;

18 (2) the units are rent-restricted and income-restricted
 19 units of a qualified low-income housing project receiving tax
 20 credits under section 42(g) of the Internal Revenue Code of
 21 1986, as amended; or

22 (3) the units are financed by the Rural Housing Service of
 23 the United States Department of Agriculture and receive payments
 24 under the rental assistance program pursuant to Section 521(a)
 25 of the Housing Act of 1949, as amended.

26 Subd. 2. [APPLICATION.] (a) Application for certification
 27 under this section must be filed by March 31 of the levy year,
 28 or at a later date if the Housing Finance Agency deems
 29 practicable. The application must be filed with the Housing
 30 Finance Agency, on a form prescribed by the agency, and must
 31 contain the information required by the Housing Finance Agency.

32 (b) Each application must include:

33 (1) the property tax identification number;

34 (2) evidence that the property meets the requirements of
 35 subdivision 1; and

36 (3) a true and correct copy of the financial statement

1 related to the property.

2 (c) The Housing Finance Agency may charge an application
3 fee approximately equal to the costs of processing and reviewing
4 the applications but not to exceed \$10 per unit. If imposed,
5 the applicant must pay the application fee to the Housing
6 Finance Agency. The fee must be deposited in the housing
7 development fund.

8 (d) An owner of low-income rental property certified under
9 this section must reapply under this subdivision for
10 certification every five years.

11 Subd. 3. [CERTIFICATION.] By June 1 of each levy year, the
12 Housing Finance Agency must certify to local assessors the
13 properties that are qualified under this section and the number
14 of units in the building that qualify. In making the
15 certification, the Housing Finance Agency may rely on the
16 application and any other supporting information that the agency
17 deems necessary from the property owner.

18 [EFFECTIVE DATE.] This section is effective for taxes
19 payable in 2006 and subsequent years.

20 Sec. 21. Minnesota Statutes 2004, section 273.13,
21 subdivision 22, is amended to read:

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

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

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

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

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

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

6 (ii) is entitled to compensation under the laws and
7 regulations of the United States for permanent and total
8 service-connected disability due to the loss, or loss of use, by
9 reason of amputation, ankylosis, progressive muscular
10 dystrophies, or paralysis, of both lower extremities, such as to
11 preclude motion without the aid of braces, crutches, canes, or a
12 wheelchair; and

13 (iii) has acquired a special housing unit with special
14 fixtures or movable facilities made necessary by the nature of
15 the veteran's disability, or the surviving spouse of the
16 deceased veteran for as long as the surviving spouse retains the
17 special housing unit as a homestead; or

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

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

23 Property is classified and assessed pursuant to clause (1)
24 only if the commissioner of revenue certifies to the assessor
25 that the homestead occupant satisfies the requirements of this
26 paragraph.

27 Permanently and totally disabled for the purpose of this
28 subdivision means a condition which is permanent in nature and
29 totally incapacitates the person from working at an occupation
30 which brings the person an income. The first ~~\$32,000~~ \$50,000
31 market value of class 1b property has a net class rate of .45
32 percent of its market value. The remaining market value of
33 class 1b property has a class rate using the rates for class 1a
34 or class 2a property, whichever is appropriate, of similar
35 market value.

36 (c) Class 1c property is commercial use real property that

1 abuts a lakeshore line and is devoted to temporary and seasonal
2 residential occupancy for recreational purposes but not devoted
3 to commercial purposes for more than 250 days in the year
4 preceding the year of assessment, and that includes a portion
5 used as a homestead by the owner, which includes a dwelling
6 occupied as a homestead by a shareholder of a corporation that
7 owns the resort, a partner in a partnership that owns the
8 resort, or a member of a limited liability company that owns the
9 resort even if the title to the homestead is held by the
10 corporation, partnership, or limited liability company. For
11 purposes of this clause, property is devoted to a commercial
12 purpose on a specific day if any portion of the property,
13 excluding the portion used exclusively as a homestead, is used
14 for residential occupancy and a fee is charged for residential
15 occupancy. The first ~~\$500,000~~ \$300,000 of market value of class
16 lc property has a class rate of one 0.55 percent, and the
17 remaining next \$1,500,000 of market value of class lc property
18 has a class rate of one percent, ~~with the following limitation:~~
19 ~~the area of the property must not exceed 100 feet of lakeshore~~
20 ~~footage for each cabin or campsite located on the property up to~~
21 ~~a total of 800 feet and 500 feet in depth, measured away from~~
22 ~~the lakeshore.~~ Any remaining market value is class 4c
23 property. If any portion of the class lc resort property is
24 classified as class 4c under subdivision 25, the entire property
25 must meet the requirements of subdivision 25, paragraph (d),
26 clause (1), to qualify for class lc treatment under this
27 paragraph.

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

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

32 (2) the structure is occupied exclusively by seasonal farm
33 workers during the time when they work on that farm, and the
34 occupants are not charged rent for the privilege of occupying
35 the property, provided that use of the structure for storage of
36 farm equipment and produce does not disqualify the property from

1 classification under this paragraph;

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

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

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

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

11 Sec. 22. Minnesota Statutes 2004, section 273.13,
12 subdivision 23, is amended to read:

13 Subd. 23. [CLASS 2.] (a) Class 2a property is agricultural
14 land including any improvements that is homesteaded. The market
15 value of the house and garage and immediately surrounding one
16 acre of land has the same class rates as class 1a property under
17 subdivision 22. The value of the remaining land including
18 improvements up to ~~and-including-\$600,000-market-value~~ \$750,000
19 has a net class rate of 0.55 percent of market value. The
20 remaining property value over ~~\$600,000-market-value~~ \$750,000 has
21 a class rate of one percent of market value.

22 (b) Class 2b property is (1) real estate, rural in
23 character and used exclusively for growing trees for timber,
24 lumber, and wood and wood products; (2) real estate that is not
25 improved with a structure and is used exclusively for growing
26 trees for timber, lumber, and wood and wood products, if the
27 owner has participated or is participating in a cost-sharing
28 program for afforestation, reforestation, or timber stand
29 improvement on that particular property, administered or
30 coordinated by the commissioner of natural resources; (3) real
31 estate that is nonhomestead agricultural land; or (4) a landing
32 area or public access area of a privately owned public use
33 airport. Class 2b property has a net class rate of one percent
34 of market value.

35 (c) Agricultural land as used in this section means
36 contiguous acreage of ten acres or more, used during the

1 preceding year for agricultural purposes. "Agricultural
2 purposes" as used in this section means the raising or
3 cultivation of agricultural products. "Agricultural purposes"
4 also includes enrollment in the Reinvest in Minnesota program
5 under sections 103F.501 to 103F.535 or the federal Conservation
6 Reserve Program as contained in Public Law 99-198 if the
7 property was classified as agricultural (i) under this
8 subdivision for the assessment year 2002 or (ii) in the year
9 prior to its enrollment. Contiguous acreage on the same parcel,
10 or contiguous acreage on an immediately adjacent parcel under
11 the same ownership, may also qualify as agricultural land, but
12 only if it is pasture, timber, waste, unusable wild land, or
13 land included in state or federal farm programs. Agricultural
14 classification for property shall be determined excluding the
15 house, garage, and immediately surrounding one acre of land, and
16 shall not be based upon the market value of any residential
17 structures on the parcel or contiguous parcels under the same
18 ownership.

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

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

27 Classification under this subdivision is not determinative
28 for qualifying under section 273.111.

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

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

35 (1) livestock, dairy animals, dairy products, poultry and
36 poultry products, fur-bearing animals, horticultural and nursery

1 stock, fruit of all kinds, vegetables, forage, grains, bees, and
2 apiary products by the owner;

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

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

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

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

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

13 (7) trees, grown for sale as a crop, and not sold for
14 timber, lumber, wood, or wood products; and

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

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

21 (1) wholesale and retail sales;

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

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

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

26 the assessor shall classify the part of the parcel used for
27 agricultural purposes as class 1b, 2a, or 2b, whichever is
28 appropriate, and the remainder in the class appropriate to its
29 use. The grading, sorting, and packaging of raw agricultural
30 products for first sale is considered an agricultural purpose.

31 A greenhouse or other building where horticultural or nursery
32 products are grown that is also used for the conduct of retail
33 sales must be classified as agricultural if it is primarily used
34 for the growing of horticultural or nursery products from seed,
35 cuttings, or roots and occasionally as a showroom for the retail
36 sale of those products. Use of a greenhouse or building only

1 for the display of already grown horticultural or nursery
2 products does not qualify as an agricultural purpose.

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

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

19 (i) the land is properly cleared and regularly maintained
20 for the primary purposes of the landing, taking off, and taxiing
21 of aircraft; but that portion of the land that contains
22 facilities for servicing, repair, or maintenance of aircraft is
23 not included as a landing area;

24 (ii) the land is part of the airport property; and

25 (iii) the land is not used for commercial or residential
26 purposes.

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

35 [EFFECTIVE DATE.] This section is effective for taxes
36 payable in 2006 and thereafter.

1 Sec. 23. Minnesota Statutes 2004, section 273.13,
2 subdivision 25, is amended to read:

3 Subd. 25. [CLASS 4.] (a) Class 4a is residential real
4 estate containing four or more units and used or held for use by
5 the owner or by the tenants or lessees of the owner as a
6 residence for rental periods of 30 days or more, excluding
7 property qualifying for class 4d. Class 4a also includes
8 hospitals licensed under sections 144.50 to 144.56, other than
9 hospitals exempt under section 272.02, and contiguous property
10 used for hospital purposes, without regard to whether the
11 property has been platted or subdivided. The market value of
12 class 4a property has a class rate of ~~1.8-percent-for-taxes~~
13 ~~payable-in-2002, 1.5-percent-for-taxes-payable-in-2003, and~~ 1.25
14 ~~percent for-taxes-payable-in-2004-and-thereafter, except that~~
15 ~~class-4a-property-consisting-of-a-structure-for-which~~
16 ~~construction-commenced-after-June-30, 2001, has-a-class-rate-of~~
17 ~~1.25-percent-of-market-value-for-taxes-payable-in-2003-and~~
18 ~~subsequent-years.~~

19 (b) Class 4b includes:

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

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

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

28 (4) unimproved property that is classified residential as
29 determined under subdivision 33.

30 The market value of class 4b property has a class rate of
31 ~~1.5-percent-for-taxes-payable-in-2002, and~~ 1.25 percent for
32 ~~taxes-payable-in-2003-and-thereafter.~~

33 (c) Class 4bb includes:

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

36 (2) a single family dwelling, garage, and surrounding one

1 acre of property on a nonhomestead farm classified under
2 subdivision 23, paragraph (b).

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

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

9 (d) Class 4c property includes:

10 (1) except as provided in subdivision 22, paragraph (c),
11 real property devoted to temporary and seasonal residential
12 occupancy for recreation purposes, including real property
13 devoted to temporary and seasonal residential occupancy for
14 recreation purposes and not devoted to commercial purposes for
15 more than 250 days in the year preceding the year of
16 assessment. For purposes of this clause, property is devoted to
17 a commercial purpose on a specific day if any portion of the
18 property is used for residential occupancy, and a fee is charged
19 for residential occupancy. In order for a property to be
20 classified as class 4c, seasonal residential recreational for
21 commercial purposes, at least 40 percent of the annual gross
22 lodging receipts related to the property must be from business
23 conducted during 90 consecutive days and either (i) at least 60
24 percent of all paid bookings by lodging guests during the year
25 must be for periods of at least two consecutive nights; or (ii)
26 at least 20 percent of the annual gross receipts must be from
27 charges for rental of fish houses, boats and motors,
28 snowmobiles, downhill or cross-country ski equipment, or charges
29 for marina services, launch services, and guide services, or the
30 sale of bait and fishing tackle. For purposes of this
31 determination, a paid booking of five or more nights shall be
32 counted as two bookings. Class 4c also includes commercial use
33 real property used exclusively for recreational purposes in
34 conjunction with class 4c property devoted to temporary and
35 seasonal residential occupancy for recreational purposes, up to
36 a total of two acres, provided the property is not devoted to

1 commercial recreational use for more than 250 days in the year
2 preceding the year of assessment and is located within two miles
3 of the class 4c property with which it is used. Class 4c
4 property classified in this clause also includes the remainder
5 of class 1c resorts provided that the entire property including
6 that portion of the property classified as class 1c also meets
7 the requirements for class 4c under this clause; otherwise the
8 entire property is classified as class 3. Owners of real
9 property devoted to temporary and seasonal residential occupancy
10 for recreation purposes and all or a portion of which was
11 devoted to commercial purposes for not more than 250 days in the
12 year preceding the year of assessment desiring classification as
13 class 1c or 4c, must submit a declaration to the assessor
14 designating the cabins or units occupied for 250 days or less in
15 the year preceding the year of assessment by January 15 of the
16 assessment year. Those cabins or units and a proportionate
17 share of the land on which they are located will be designated
18 class 1c or 4c as otherwise provided. The remainder of the
19 cabins or units and a proportionate share of the land on which
20 they are located will be designated as class 3a. The owner of
21 property desiring designation as class 1c or 4c property must
22 provide guest registers or other records demonstrating that the
23 units for which class 1c or 4c designation is sought were not
24 occupied for more than 250 days in the year preceding the
25 assessment if so requested. The portion of a property operated
26 as a (1) restaurant, (2) bar, (3) gift shop, and (4) other
27 nonresidential facility operated on a commercial basis not
28 directly related to temporary and seasonal residential occupancy
29 for recreation purposes shall not qualify for class 1c or 4c;

30 (2) qualified property used as a golf course if:

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

36 (ii) it meets the requirements of section 273.112,

1 subdivision 3, paragraph (d).

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

5 (3) real property up to a maximum of one acre of land owned
6 by a nonprofit community service oriented organization; provided
7 that the property is not used for a revenue-producing activity
8 for more than six days in the calendar year preceding the year
9 of assessment and the property is not used for residential
10 purposes on either a temporary or permanent basis. For purposes
11 of this clause, a "nonprofit community service oriented
12 organization" means any corporation, society, association,
13 foundation, or institution organized and operated exclusively
14 for charitable, religious, fraternal, civic, or educational
15 purposes, and which is exempt from federal income taxation
16 pursuant to section 501(c)(3), (10), or (19) of the Internal
17 Revenue Code of 1986, as amended through December 31, 1990. For
18 purposes of this clause, "revenue-producing activities" shall
19 include but not be limited to property or that portion of the
20 property that is used as an on-sale intoxicating liquor or 3.2
21 percent malt liquor establishment licensed under chapter 340A, a
22 restaurant open to the public, bowling alley, a retail store,
23 gambling conducted by organizations licensed under chapter 349,
24 an insurance business, or office or other space leased or rented
25 to a lessee who conducts a for-profit enterprise on the
26 premises. Any portion of the property which is used for
27 revenue-producing activities for more than six days in the
28 calendar year preceding the year of assessment shall be assessed
29 as class 3a. The use of the property for social events open
30 exclusively to members and their guests for periods of less than
31 24 hours, when an admission is not charged nor any revenues are
32 received by the organization shall not be considered a
33 revenue-producing activity;

34 (4) postsecondary student housing of not more than one acre
35 of land that is owned by a nonprofit corporation organized under
36 chapter 317A and is used exclusively by a student cooperative,

1 sorority, or fraternity for on-campus housing or housing located
2 within two miles of the border of a college campus;

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

5 (6) real property that is actively and exclusively devoted
6 to indoor fitness, health, social, recreational, and related
7 uses, is owned and operated by a not-for-profit corporation, and
8 is located within the metropolitan area as defined in section
9 473.121, subdivision 2;

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

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

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

19 If a hangar classified under this clause is sold after June
20 30, 2000, a bill of sale must be filed by the new owner with the
21 assessor of the county where the property is located within 60
22 days of the sale; and

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

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

27 (ii) the owner of the aircraft storage hangar provides the
28 assessor with a signed agreement restricting the use of the
29 premises, prohibiting commercial use or activity performed at
30 the hangar; and

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

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

36 (ii) meals are provided to persons who rent rooms, the cost

1 of which is incorporated in the basic room rate;

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

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

6 The market value subject to the 4c classification under this
7 clause is limited to five rental units. Any rental units on the
8 property in excess of five, must be valued and assessed as class
9 3a. The portion of the property used for purposes of a
10 homestead by the owner must be classified as class 1a property
11 under subdivision 22.

12 Class 4c property has a class rate of 1.5 percent of market
13 value, except that (i) each parcel of seasonal residential
14 recreational property not used for commercial purposes has the
15 same class rates as class 4bb property, (ii) manufactured home
16 parks assessed under clause (5) have the same class rate as
17 class 4b property, (iii) commercial-use seasonal residential
18 recreational property has a class rate of one percent for the
19 first \$500,000 of market value, which includes any market value
20 receiving the one percent rate under subdivision 22, and 1.25
21 percent for the remaining market value, (iv) the market value of
22 property described in clause (4) has a class rate of one
23 percent, (v) the market value of property described in clauses
24 (2) and (6) has a class rate of 1.25 percent, and (vi) that
25 portion of the market value of property in clause (8) qualifying
26 for class 4c property has a class rate of 1.25 percent.

27 (e) Class 4d property is qualifying low-income rental
28 housing certified to the assessor by the Housing Finance Agency
29 under section 273.126, subdivision 3. If only a portion of the
30 units in the building qualify as low-income rental housing units
31 as certified under section 273.126, subdivision 3, only the
32 proportion of qualifying units to the total number of units in
33 the building qualify for class 4d. The remaining portion of the
34 building shall be classified by the assessor based upon its
35 use. Class 4d also includes the same proportion of land as the
36 qualifying low-income rental housing units are to the total

1 units in the building. For all properties qualifying as class
2 4d, the market value determined by the assessor must be based on
3 the normal approach to value using normal unrestricted rents.

4 Class 4d property has a class rate of 1.0 percent.

5 [EFFECTIVE DATE.] This section is effective for taxes
6 payable in 2006 and subsequent years.

7 Sec. 24. Minnesota Statutes 2004, section 273.13, is
8 amended by adding a subdivision to read:

9 Subd. 34. [HOMESTEAD OF DISABLED VETERAN OR SURVIVING
10 SPOUSE.] (a) The first \$200,000 of market value of property
11 qualifying for homestead classification under subdivision 22 or
12 23 is excluded in determining the property's taxable market
13 value if it serves as the homestead of a military veteran, as
14 defined in section 197.447, who has a total and permanent
15 service-connected disability. To qualify for exclusion under
16 this subdivision, the veteran must have been honorably
17 discharged from the United States armed forces, as indicated by
18 United States Government Form DD214 or other official military
19 discharge papers, and must be certified by the United States
20 Veterans Administration as having a total (100 percent) and
21 permanent service-connected disability.

22 (b) If a disabled veteran qualifying for a valuation
23 exclusion under paragraph (a) predeceases the veteran's spouse,
24 and if upon the death of the veteran the spouse holds the legal
25 or beneficial title to the homestead and permanently resides
26 there, the exclusion shall carry over to the benefit of the
27 veteran's spouse until such time as the spouse remarries or
28 sells or otherwise disposes of the property.

29 (c) In the case of an agricultural homestead, only the
30 portion of the property consisting of the house and garage and
31 immediately surrounding one acre of land qualifies for the
32 valuation exclusion under this subdivision.

33 (d) A property owner attempting to first qualify for a
34 valuation exclusion under this subdivision must apply to the
35 assessor by July 1 of the assessment year, except that for
36 assessment year 2005 application may be made until September 1,

1 2005. The application must be accompanied by supporting
2 documentation as required by the assessor. Once a property has
3 been accepted for a valuation exclusion under this subdivision,
4 the property continues to qualify until there is a change in
5 ownership of the property.

6 (e) The value of any qualifying property in excess of
7 \$200,000 must be treated exactly the same as if the first
8 \$200,000 in value had not been excluded, for purposes of
9 determining the appropriate class rate. A property qualifying
10 for exclusion under this subdivision shall not be eligible for
11 the credit under section 273.1384, subdivision 1.

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

15 Sec. 25. Minnesota Statutes 2004, section 274.01,
16 subdivision 1, is amended to read:

17 Subdivision 1. [ORDINARY BOARD; MEETINGS, DEADLINES,
18 GRIEVANCES.] (a) The town board of a town, or the council or
19 other governing body of a city, is the board of appeal and
20 equalization except (1) in cities whose charters provide for a
21 board of equalization or (2) in any city or town that has
22 transferred its local board of review power and duties to the
23 county board as provided in subdivision 3. The county assessor
24 shall fix a day and time when the board or the board of
25 equalization shall meet in the assessment districts of the
26 county. Notwithstanding any law or city charter to the
27 contrary, a city board of equalization shall be referred to as a
28 board of appeal and equalization. On or before February 15 of
29 each year the assessor shall give written notice of the time to
30 the city or town clerk. Notwithstanding the provisions of any
31 charter to the contrary, the meetings must be held between April
32 1 and May 31 each year. The clerk shall give published and
33 posted notice of the meeting at least ten days before the date
34 of the meeting.

35 The board shall meet at the office of the clerk to review
36 the assessment and classification of property in the town or

1 city. No changes in valuation or classification which are
2 intended to correct errors in judgment by the county assessor
3 may be made by the county assessor after the board has adjourned
4 in those cities or towns that hold a local board of review;
5 however, corrections of errors that are merely clerical in
6 nature or changes that extend homestead treatment to property
7 are permitted after adjournment until the tax extension date for
8 that assessment year. The changes must be fully documented and
9 maintained in the assessor's office and must be available for
10 review by any person. A copy of the changes made during this
11 period in those cities or towns that hold a local board of
12 review must be sent to the county board no later than December
13 31 of the assessment year.

14 (b) The board shall determine whether the taxable property
15 in the town or city has been properly placed on the list and
16 properly valued by the assessor. If real or personal property
17 has been omitted, the board shall place it on the list with its
18 market value, and correct the assessment so that each tract or
19 lot of real property, and each article, parcel, or class of
20 personal property, is entered on the assessment list at its
21 market value. No assessment of the property of any person may
22 be raised unless the person has been duly notified of the intent
23 of the board to do so. On application of any person feeling
24 aggrieved, the board shall review the assessment or
25 classification, or both, and correct it as appears just. The
26 ~~board may not make an individual market value adjustment or~~
27 ~~classification change that would benefit the property in cases~~
28 ~~where the owner or other person having control over the property~~
29 ~~will not permit the assessor to inspect the property and the~~
30 ~~interior of any buildings or structures.~~

31 (c) A local board may reduce assessments upon petition of
32 the taxpayer but the total reductions must not reduce the
33 aggregate assessment made by the county assessor by more than
34 one percent. If the total reductions would lower the aggregate
35 assessments made by the county assessor by more than one
36 percent, none of the adjustments may be made. The assessor

1 shall correct any clerical errors or double assessments
2 discovered by the board without regard to the one percent
3 limitation.

4 (d) A local board does not have authority to grant an
5 exemption or to order property removed from the tax rolls.

6 (e) A majority of the members may act at the meeting, and
7 adjourn from day to day until they finish hearing the cases
8 presented. The assessor shall attend, with the assessment books
9 and papers, and take part in the proceedings, but must not
10 vote. The county assessor, or an assistant delegated by the
11 county assessor shall attend the meetings. The board shall list
12 separately, on a form appended to the assessment book, all
13 omitted property added to the list by the board and all items of
14 property increased or decreased, with the market value of each
15 item of property, added or changed by the board, placed opposite
16 the item. The county assessor shall enter all changes made by
17 the board in the assessment book.

18 (f) Except as provided in subdivision 3, if a person fails
19 to appear in person, by counsel, or by written communication
20 before the board after being duly notified of the board's intent
21 to raise the assessment of the property, or if a person feeling
22 aggrieved by an assessment or classification fails to apply for
23 a review of the assessment or classification, the person may not
24 appear before the county board of appeal and equalization for a
25 review of the assessment or classification. This paragraph does
26 not apply if an assessment was made after the local board
27 meeting, as provided in section 273.01, or if the person can
28 establish not having received notice of market value at least
29 five days before the local board meeting.

30 (g) The local board must complete its work and adjourn
31 within 20 days from the time of convening stated in the notice
32 of the clerk, unless a longer period is approved by the
33 commissioner of revenue. No action taken after that date is
34 valid. All complaints about an assessment or classification
35 made after the meeting of the board must be heard and determined
36 by the county board of equalization. A nonresident may, at any

1 time, before the meeting of the board file written objections to
2 an assessment or classification with the county assessor. The
3 objections must be presented to the board at its meeting by the
4 county assessor for its consideration.

5 Sec. 26. Minnesota Statutes 2004, section 275.025,
6 subdivision 4, is amended to read:

7 Subd. 4. [APPORTIONMENT AND LEVY OF STATE GENERAL TAX.]

8 Ninety-five percent of the state general tax must be distributed
9 among-the-counties levied by applying a uniform rate to each
10 county's all commercial-industrial tax capacity and its five
11 percent of the state general tax must be levied by applying a
12 uniform rate to all seasonal residential recreational tax
13 capacity. Within each county, the tax must be levied by
14 applying a uniform rate against commercial-industrial tax
15 capacity and seasonal residential recreational tax capacity. On
16 or before October 1 each year, the commissioner of revenue shall
17 certify a the preliminary state general levy rate rates to each
18 county auditor that must be used to prepare the notices of
19 proposed property taxes for taxes payable in the following
20 year. By January 1 of each year, the commissioner shall certify
21 the final state general levy rate to each county auditor that
22 shall be used in spreading taxes.

23 [EFFECTIVE DATE.] This section is effective for taxes
4 payable in 2006 and thereafter.

25 Sec. 27. Minnesota Statutes 2004, section 276.04,
26 subdivision 2, is amended to read:

27 Subd. 2. [CONTENTS OF TAX STATEMENTS.] (a) The treasurer
28 shall provide for the printing of the tax statements. The
29 commissioner of revenue shall prescribe the form of the property
30 tax statement and its contents. The statement must contain a
31 tabulated statement of the dollar amount due to each taxing
32 authority and the amount of the state tax from the parcel of
33 real property for which a particular tax statement is prepared.
34 The dollar amounts attributable to the county, the state tax,
35 the voter approved school tax, the other local school tax, the
36 township or municipality, and the total of the metropolitan

1 special taxing districts as defined in section 275.065,
2 subdivision 3, paragraph (i), must be separately stated. The
3 amounts due all other special taxing districts, if any, may be
4 aggregated except that any levies made by the regional rail
5 authorities in the county of Anoka, Carver, Dakota, Hennepin,
6 Ramsey, Scott, or Washington under chapter 398A shall be listed
7 on a separate line directly under the appropriate county's
8 levy. If the county levy under this paragraph includes an
9 amount for a lake improvement district as defined under sections
10 103B.501 to 103B.581, the amount attributable for that purpose
11 must be separately stated from the remaining county levy
12 amount. In the case of Ramsey County, if the county levy under
13 this paragraph includes an amount for public library service
14 under section 134.07, the amount attributable for that purpose
15 may be separated from the remaining county levy amount. The
16 amount of the tax on homesteads qualifying under the senior
17 citizens' property tax deferral program under chapter 290B is
18 the total amount of property tax before subtraction of the
19 deferred property tax amount. The amount of the tax on
20 contamination value imposed under sections 270.91 to 270.98, if
21 any, must also be separately stated. The dollar amounts,
22 including the dollar amount of any special assessments, may be
23 rounded to the nearest even whole dollar. For purposes of this
24 section whole odd-numbered dollars may be adjusted to the next
25 higher even-numbered dollar. The amount of market value
26 excluded under section 273.11, subdivision 16, if any, must also
27 be listed on the tax statement.

28 (b) The property tax statements for manufactured homes and
29 sectional structures taxed as personal property shall contain
30 the same information that is required on the tax statements for
31 real property.

32 (c) Real and personal property tax statements must contain
33 the following information in the order given in this paragraph.
34 The information must contain the current year tax information in
35 the right column with the corresponding information for the
36 previous year in a column on the left:

1 (1) the property's estimated market value under section
2 273.11, subdivision 1;

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

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

8 (4) a total of the following aids:

9 (i) education aids payable under chapters 122A, 123A, 123B,
10 124D, 125A, 126C, and 127A;

11 (ii) local government aids for cities, towns, and counties
12 under ~~chapter-477A~~ sections 477A.011 to 477A.04; and

13 (iii) disparity reduction aid under section 273.1398;

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

16 (6) any credits received under sections 273.119; 273.123;
17 273.135; 273.1391; 273.1398, subdivision 4; 469.171; and
18 473H.10, except that the amount of credit received under section
19 273.135 must be separately stated and identified as "taconite
20 tax relief"; and

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

23 (d) If the county uses envelopes for mailing property tax
24 statements and if the county agrees, a taxing district may
25 include a notice with the property tax statement notifying
26 taxpayers when the taxing district will begin its budget
27 deliberations for the current year, and encouraging taxpayers to
28 attend the hearings. If the county allows notices to be
29 included in the envelope containing the property tax statement,
30 and if more than one taxing district relative to a given
31 property decides to include a notice with the tax statement, the
32 county treasurer or auditor must coordinate the process and may
33 combine the information on a single announcement.

34 The commissioner of revenue shall certify to the county
35 auditor the actual or estimated aids enumerated in clause (4)
36 that local governments will receive in the following year. The

1 commissioner must certify this amount by January 1 of each year.

2 [EFFECTIVE DATE.] This section is effective for property
3 tax statements for taxes payable in 2006 and thereafter.

4 Sec. 28. [280.44] [NOTIFICATION TO HOMESTEAD PROPERTY
5 OWNERS; TAX DELINQUENCY.]

6 In addition to other notices required under this chapter,
7 the county auditor shall notify all taxpayers owning homestead
8 property within the county whose real property taxes on that
9 homestead are currently delinquent and also were delinquent in
10 the preceding calendar year. The notification must be mailed
11 sometime between June 1 and August 1 in the year following the
12 second year that property taxes were not paid. The notification
13 must contain a telephone number and an e-mail address for the
14 county auditor's office to aid the taxpayer in contacting the
15 county to discuss any questions relating to the tax
16 delinquency. The notification must contain a list of the
17 various assistance programs and other options that might be
18 available to the taxpayer to pay the delinquent taxes including,
19 but not limited to, the senior citizens' property tax deferral
20 under chapter 290B, partial property tax payments, and a
21 confession of judgment under section 279.37. The notice must
22 inform the taxpayer of the state-paid property tax refund and
23 the additional property tax refund under chapter 290A which may
24 be available to the taxpayer once the delinquent taxes have been
25 satisfied. The notice must also state the number of years
26 before the property will forfeit if the taxes are not paid or
27 any installment plan initiated. For purposes of this section,
28 "homestead" property means property classified under section
29 273.13, subdivision 22 or 23, paragraph (a).

30 [EFFECTIVE DATE.] This section is effective for property
31 tax delinquencies beginning January 1, 2006, provided that for
32 calendar year 2006, the county auditor shall notify the owners
33 of each homestead property in the county that has been
34 delinquent for two or more years.

35 Sec. 29. Minnesota Statutes 2004, section 290A.03,
36 subdivision 11, is amended to read:

1 Subd. 11. [RENT CONSTITUTING PROPERTY TAXES.] "Rent
2 constituting property taxes" means ~~19-percent-of-the-gross-rent~~
3 ~~actually-paid-in-cash, or its equivalent, or the portion of rent~~
4 the amount of gross rent actually paid in cash, or its
5 equivalent, which is attributable (1) to the property tax paid
6 on the unit or (2) to the amount paid in lieu of property taxes,
7 in any calendar year by a claimant for the right of occupancy of
8 the claimant's Minnesota homestead in the calendar year, and
9 which rent constitutes the basis, in the succeeding calendar
10 year of a claim for relief under this chapter by the
11 claimant. The amount of rent attributable to property taxes
12 paid or payments in lieu made on the unit must be determined by
13 multiplying the gross rent paid by the claimant for the calendar
14 year for the unit by a fraction, the numerator of which is the
15 net tax on the property where the unit is located and the
16 denominator of which is the total scheduled rent. In no case
17 may the rent constituting property taxes exceed 50 percent of
18 the gross rent paid by the claimant during that calendar year.
19 In the case of a claimant who resides in a unit for which (1) a
20 rent subsidy is paid to, or for, the claimant based on the
21 income of the claimant or the claimant's family, or (2) a
22 subsidy is paid to a public housing authority that owns or
23 operates the claimant's rental unit, pursuant to United States
24 Code, title 42, section 1437c, 20 percent of gross rent actually
25 paid in cash or its equivalent shall be the claimant's "rent
26 constituting property taxes paid." For purposes of this
27 subdivision, "rent subsidy" does not include any housing
28 assistance received under the Minnesota family investment
29 program, general assistance, Minnesota supplemental assistance,
30 supplemental security income, or similar income maintenance
31 programs.

32 [EFFECTIVE DATE.] This section is effective for claims
33 based on rent paid in 2005 and following years.

34 Sec. 30. Minnesota Statutes 2004, section 290A.03,
35 subdivision 13, is amended to read:

36 Subd. 13. [PROPERTY TAXES PAYABLE.] "Property taxes

1 payable" means the property tax exclusive of special
2 assessments, penalties, and interest payable on a claimant's
3 homestead after deductions made under sections 273.135,
4 273.1384, 273.1391, 273.42, subdivision 2, and any other state
5 paid property tax credits in any calendar year, and after any
6 refund claimed and allowable under section 290A.04, subdivision
7 2h, that is first payable in the year that the property tax is
8 payable. In the case of a claimant who makes ground lease
9 payments, "property taxes payable" includes the amount of the
10 payments directly attributable to the property taxes assessed
11 against the parcel on which the house is located. No
12 apportionment or reduction of the "property taxes payable" shall
13 be required for the use of a portion of the claimant's homestead
14 for a business purpose if the claimant does not deduct any
15 business depreciation expenses for the use of a portion of the
16 homestead in the determination of federal adjusted gross
17 income. For homesteads which are manufactured homes as defined
18 in section 273.125, subdivision 8, and for homesteads which are
19 park trailers taxed as manufactured homes under section 168.012,
20 subdivision 9, "property taxes payable" shall also include ~~19~~
21 percent the amount of the gross rent paid in the preceding year
22 for the site on which the homestead is located, which is
23 attributable to the net tax paid on the site. The amount
24 attributable to property taxes must be determined by multiplying
25 the net tax on the parcel by a fraction, the numerator of which
26 is the gross rent paid for the calendar year for the site and
27 the denominator of which is the gross rent paid for the calendar
28 year for the parcel. When a homestead is owned by two or more
29 persons as joint tenants or tenants in common, such tenants
30 shall determine between them which tenant may claim the property
31 taxes payable on the homestead. If they are unable to agree,
32 the matter shall be referred to the commissioner of revenue
33 whose decision shall be final. Property taxes are considered
34 payable in the year prescribed by law for payment of the taxes.

35 In the case of a claim relating to "property taxes
36 payable," the claimant must have owned and occupied the

1 homestead on January 2 of the year in which the tax is payable
2 and (i) the property must have been classified as homestead
3 property pursuant to section 273.124, on or before December 15
4 of the assessment year to which the "property taxes payable"
5 relate; or (ii) the claimant must provide documentation from the
6 local assessor that application for homestead classification has
7 been made on or before December 15 of the year in which the
8 "property taxes payable" were payable and that the assessor has
9 approved the application.

10 [EFFECTIVE DATE.] This section is effective for claims
11 based on rent paid in 2005 and following years.

12 Sec. 31. Minnesota Statutes 2004, section 290A.03, is
13 amended by adding a subdivision to read:

14 Subd. 16. [TOTAL SCHEDULED RENT.] "Total scheduled rent"
15 means the sum of the monthly rents assigned to the residential
16 rental units in the property multiplied by 12. The rents must
17 be an arm's-length rental, including garage rents if any, but
18 not including charges for medical services furnished by the
19 landlord as a part of the rental agreement. In determining
20 total scheduled rent, no deduction is allowed for vacant units,
21 uncollected rent, or reduced cash rents in units occupied by
22 employees or agents of the owner.

23 [EFFECTIVE DATE.] This section is effective for claims
24 based on rent paid in 2005 and following years.

25 Sec. 32. Minnesota Statutes 2004, section 290A.03, is
26 amended by adding a subdivision to read:

27 Subd. 17. [NET TAX.] "Net tax" means:
28 (1) the property tax, exclusive of special assessments,
29 interest, and penalties, and after reduction for any state paid
30 property tax credits as required in subdivision 13 except for
31 the reduction under section 273.13, subdivisions 22 and 23; or
32 (2) the payments made in lieu of ad valorem taxes,
33 including payments of special assessments imposed in lieu of ad
34 valorem taxes,
35 for the calendar year in which the rent was paid. If a portion
36 of the property is occupied as a homestead or is used for other

1 than rental purposes, the net tax is the amount of tax reduced
2 by the percentage that the nonrental use comprises of the total
3 square footage of the building. If a portion of the property is
4 used for purposes other than for residential rental and none of
5 the property is occupied as a homestead, the net tax is the
6 amount of the tax of the parcel multiplied by a fraction, the
7 numerator of which is the net tax capacity of the residential
8 rental portion and the denominator of which is the total net tax
9 capacity of the parcel. If a portion of the property is used
10 for other than rental residential purposes, the county treasurer
11 shall list on the property tax statement the amount of net tax
12 pertaining to the rental residential portion of the property.

13 The amount of the net tax must not be reduced by an
14 abatement or a court-ordered reduction in the property tax on
15 the property made after the certificate of rent paid has been
16 provided to the renter.

17 [EFFECTIVE DATE.] This section is effective for claims
18 based on rent paid in 2005 and following years.

19 Sec. 33. Minnesota Statutes 2004, section 290A.07, is
20 amended by adding a subdivision to read:

21 Subd. 5. [EARLY PAYMENT; E-FILE CLAIMS.] The commissioner
22 may pay a claim up to 30 days earlier than the first permitted
23 date under subdivision 2a or 3 if the claim is submitted by
24 electronic means.

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

27 Sec. 34. Minnesota Statutes 2004, section 290A.19, is
28 amended to read:

29 290A.19 [OWNER OR MANAGING AGENT TO FURNISH RENT
30 CERTIFICATE.]

31 (a) The owner or managing agent of any property for which
32 rent is paid for occupancy as a homestead must furnish a
33 certificate of rent paid to a person who is a renter on December
34 31, in the form prescribed by the commissioner. If the renter
35 moves before December 31, the owner or managing agent may give
36 the certificate to the renter at the time of moving, or mail the

1 certificate to the forwarding address if an address has been
2 provided by the renter. The certificate must be made available
3 to the renter before February 1 of the year following the year
4 in which the rent was paid. The owner or managing agent must
5 retain a duplicate of each certificate or an equivalent record
6 showing the same information for a period of three years. The
7 duplicate or other record must be made available to the
8 commissioner upon request. For the purposes of this section,
9 "owner" includes a park owner as defined under section 327C.01,
10 subdivision 6, and "property" includes a lot as defined under
11 section 327C.01, subdivision 3.

12 (b) If the owner or managing agent fails to provide the
13 renter with a certificate of rent constituting property taxes,
14 the commissioner shall allocate the net tax on the building to
15 the unit on a square footage basis or other appropriate basis as
16 the commissioner determines. The renter shall supply the
17 commissioner with a statement from the county treasurer that
18 gives the amount of property tax on the parcel, the address and
19 property tax parcel identification number of the property, and
20 the number of units in the building.

21 [EFFECTIVE DATE.] This section is effective for claims
22 based on rent paid in 2005 and following years.

23 Sec. 35. Minnesota Statutes 2004, section 365.43,
24 subdivision 1, is amended to read:

25 Subdivision 1. [~~LEVIED-AMOUNT-IS-SPENDING-LIMIT~~ TOTAL
26 REVENUE DEFINED.] A town must not ~~contract-debts-or~~ spend more
27 money in a year than ~~the-taxes-levied-for-the-year~~ its total
28 revenue without a favorable vote of a majority of the town's
29 electors. In this section, "total revenue" means property taxes
30 payable in that year as well as amounts received from all other
31 sources and amounts carried forward from the last year.

32 Sec. 36. Minnesota Statutes 2004, section 365.431, is
33 amended to read:

34 365.431 [~~AMOUNT VOTED AT MEETING IS TAX LIMIT.~~]

35 Except as otherwise authorized by law, the tax for town
36 purposes must not be more than the amount voted to be raised at

1 the annual town meeting.

2 Sec. 37. Minnesota Statutes 2004, section 366.011, is
3 amended to read:

4 366.011 [CHARGES FOR EMERGENCY SERVICES; COLLECTION.]

5 A town may impose a reasonable service charge for emergency
6 services, including fire, rescue, medical, and related services
7 provided by the town or contracted for by the town. If the
8 service charge remains unpaid 30 days after a notice of
9 delinquency is sent to the recipient of the service or the
10 recipient's representative or estate, the town or its contractor
11 on behalf of the town may use any lawful means allowed to a
12 private party for the collection of an unsecured delinquent
13 debt. The town may also use the authority of section 366.012 to
14 collect unpaid service charges of this kind from delinquent
15 recipients of services who are owners of taxable real property
16 in the town state.

17 The powers conferred by this section are in addition and
18 supplemental to the powers conferred by any other law for a town
19 to impose a service charge or assessment for a service provided
20 by the town or contracted for by the town.

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

23 Sec. 38. Minnesota Statutes 2004, section 366.012, is
24 amended to read:

25 366.012 [COLLECTION OF UNPAID SERVICE CHARGES.]

26 If a town is authorized to impose a service charge ~~on the~~
27 ~~owner, lessee, or occupant of property, or any of them,~~ for a
28 governmental service provided by the town, the town board may
29 certify to the county auditor of the county in which the
30 recipient of the services owns real property, on or before
31 October 15 for each year, any unpaid service charges which shall
32 then be collected together with property taxes levied against
33 the property. The county auditor shall remit to the town all
34 service charges collected by the auditor on behalf of the town.
35 A charge may be certified to the auditor only if, on or before
36 September 15, the town has given written notice to the property

1 owner of its intention to certify the charge to the auditor.
2 The service charges shall be subject to the same penalties,
3 interest, and other conditions provided for the collection of
4 property taxes. This section is in addition to other law
5 authorizing the collection of unpaid costs and service charges.

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

8 Sec. 39. [373.251] [LEVY FOR NON-COUNTY-OWNED PUBLIC
9 NURSING HOMES.]

10 (a) If a county with a population of 150,000 or more,
11 according to the 2000 Federal Census, located outside the
12 metropolitan area as defined in section 473.121, subdivision 2,
13 owns a nursing home that is funded in whole or part with county
14 revenue, the county must levy an equal amount annually to be
15 distributed to all other nursing homes located within the county
16 that are owned by governmental units.

17 (b) The proceeds of the levy authorized by paragraph (a)
18 must be prorated among the government-owned nursing homes in the
19 proportion that the number of beds in each of the
20 government-owned nursing homes is to the total number of beds in
21 all of the government-owned nursing homes in the county.

22 (c) The levy authorized by paragraph (a) may be levied in
23 addition to all other county levies authorized by law.

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

26 Sec. 40. Minnesota Statutes 2004, section 473F.02,
27 subdivision 2, is amended to read:

28 Subd. 2. [AREA.] "Area" means the territory included
29 within the boundaries of Anoka, Carver, Dakota excluding the
30 city of Northfield, Hennepin, Ramsey, Scott excluding the city
31 of New Prague, and Washington Counties, excluding lands
32 constituting a major or an intermediate airport as defined under
33 section 473.625.

34 [EFFECTIVE DATE.] This section is effective for taxes
35 payable in 2006 and subsequent years.

36 Sec. 41. Minnesota Statutes 2004, section 477A.11,

1 subdivision 4, is amended to read:

2 Subd. 4. [OTHER NATURAL RESOURCES LAND.] "Other natural
3 resources land" means:

4 (1) any other land presently owned in fee title by the
5 state and administered by the commissioner, or any tax-forfeited
6 land, other than platted lots within a city or those lands
7 described under subdivision 3, clause (2), which is owned by the
8 state and administered by the commissioner or by the county in
9 which it is located, and

10 ~~(2) land leased by the state from the United States of
11 America through the United States Secretary of Agriculture
12 pursuant to Title III of the Bankhead Jones Farm Tenant Act,
13 which land is commonly referred to as land utilization project
14 land that is administered by the commissioner.~~

15 [EFFECTIVE DATE.] This section is effective for aids paid
16 in calendar year 2006 and thereafter.

17 Sec. 42. Minnesota Statutes 2004, section 477A.11, is
18 amended by adding a subdivision to read:

19 Subd. 5. [LAND UTILIZATION PROJECT LAND.] "Land
20 utilization project land" means land that is leased by the state
21 from the United States through the United States Secretary of
22 Agriculture according to Title III of the Bankhead Jones Farm
23 Tenant Act and that is administered by the commissioner.

24 [EFFECTIVE DATE.] This section is effective for aids paid
25 in calendar year 2006 and thereafter.

26 Sec. 43. Minnesota Statutes 2004, section 477A.12,
27 subdivision 1, is amended to read:

28 Subdivision 1. [TYPES OF LAND; PAYMENTS.] (a) As an offset
29 for expenses incurred by counties and towns in support of
30 natural resources lands, the following amounts are annually
31 appropriated to the commissioner of natural resources from the
32 general fund for transfer to the commissioner of revenue. The
33 commissioner of revenue shall pay the transferred funds to
34 counties as required by sections 477A.11 to 477A.145. The
35 amounts are:

36 (1) for acquired natural resources land, \$3, as adjusted

1 for inflation under section 477A.145, multiplied by the total
2 number of acres of acquired natural resources land or, at the
3 county's option three-fourths of one percent of the appraised
4 value of all acquired natural resources land in the county,
5 whichever is greater;

6 (2) 75 cents, as adjusted for inflation under section
7 477A.145, multiplied by the number of acres of
8 county-administered other natural resources land; and

9 (3) 75 cents, as adjusted for inflation under section
10 477A.145, multiplied by the total number of acres of land
11 utilization project land;

12 ~~(3)~~ (4) 37.5 cents, as adjusted for inflation under section
13 477A.145, multiplied by the number of acres of
14 commissioner-administered other natural resources land located
15 in each county as of July 1 of each year prior to the payment
16 year.

17 (b) The amount determined under paragraph (a), clause (1),
18 is payable for land that is acquired from a private owner and
19 owned by the Department of Transportation for the purpose of
20 replacing wetland losses caused by transportation projects, but
21 only if the county contains more than 500 acres of such land at
22 the time the certification is made under subdivision 2.

23 [EFFECTIVE DATE.] This section is effective for aids paid
24 in calendar year 2006 and thereafter.

25 Sec. 44. Minnesota Statutes 2004, section 477A.12,
26 subdivision 2, is amended to read:

27 Subd. 2. [PROCEDURE.] Lands for which payments in lieu are
28 made pursuant to section 97A.061, subdivision 3, and Laws 1973,
29 chapter 567, shall not be eligible for payments under this
30 section. Each county auditor shall certify to the Department of
31 Natural Resources during July of each year prior to the payment
32 year the number of acres of county-administered other natural
33 resources land within the county. The Department of Natural
34 resources may, in addition to the certification of acreage,
35 require descriptive lists of land so certified. The
36 commissioner of natural resources shall determine and certify to

1 the commissioner of revenue by March 1 of the payment year:

2 (1) the number of acres and most recent appraised value of
3 acquired natural resources land within each county;

4 (2) the number of acres of commissioner-administered
5 natural resources land within each county; and

6 (3) the number of acres of county-administered other
7 natural resources land within each county, based on the reports
8 filed by each county auditor with the commissioner of natural
9 resources; and

10 (4) the number of acres of land utilization project land
11 within each county.

12 The commissioner of transportation shall determine and
13 certify to the commissioner of revenue by March 1 of the payment
14 year the number of acres of land and the appraised value of the
15 land described in subdivision 1, paragraph (b), but only if it
16 exceeds 500 acres.

17 The commissioner of revenue shall determine the
18 distributions provided for in this section using the number of
19 acres and appraised values certified by the commissioner of
20 natural resources and the commissioner of transportation by
21 March 1 of the payment year.

22 [EFFECTIVE DATE.] This section is effective for aids paid
23 in calendar year 2006 and thereafter.

24 Sec. 45. Minnesota Statutes 2004, section 477A.14,
25 subdivision 1, is amended to read:

26 Subdivision 1. [GENERAL DISTRIBUTION.] Except as provided
27 in subdivision 2 or in section 97A.061, subdivision 5, 40
28 percent of the total payment to the county shall be deposited in
29 the county general revenue fund to be used to provide property
30 tax levy reduction. The remainder shall be distributed by the
31 county in the following priority:

32 (a) 37.5 cents, as adjusted for inflation under section
33 477A.145, for each acre of county-administered other natural
34 resources land shall be deposited in a resource development fund
35 to be created within the county treasury for use in resource
36 development, forest management, game and fish habitat

1 improvement, and recreational development and maintenance of
2 county-administered other natural resources land. Any county
3 receiving less than \$5,000 annually for the resource development
4 fund may elect to deposit that amount in the county general
5 revenue fund;

6 (b) From the funds remaining, within 30 days of receipt of
7 the payment to the county, the county treasurer shall pay each
8 organized township 30 cents, as adjusted for inflation under
9 section 477A.145, for each acre of acquired natural resources
10 land and each acre of land described in section 477A.12,
11 subdivision 1, paragraph (b), and 7.5 cents, as adjusted for
12 inflation under section 477A.145, for each acre of other natural
13 resources land and each acre of land utilization project land
14 located within its boundaries. Payments for natural resources
15 lands not located in an organized township shall be deposited in
16 the county general revenue fund. Payments to counties and
17 townships pursuant to this paragraph shall be used to provide
18 property tax levy reduction, except that of the payments for
19 natural resources lands not located in an organized township,
20 the county may allocate the amount determined to be necessary
21 for maintenance of roads in unorganized townships. Provided
22 that, if the total payment to the county pursuant to section
23 477A.12 is not sufficient to fully fund the distribution
24 provided for in this clause, the amount available shall be
25 distributed to each township and the county general revenue fund
26 on a pro rata basis; and

27 (c) Any remaining funds shall be deposited in the county
28 general revenue fund. Provided that, if the distribution to the
29 county general revenue fund exceeds \$35,000, the excess shall be
30 used to provide property tax levy reduction.

31 [EFFECTIVE DATE.] This section is effective for aids paid
32 in calendar year 2006 and thereafter.

33 Sec. 46. Laws 1998, chapter 389, article 3, section 42,
34 subdivision 2, as amended by Laws 2002, chapter 377, article 4,
35 section 24, is amended to read:

36 Subd. 2. [RECAPTURE.] (a) Property or any portion thereof

1 qualifying under section 38 is subject to additional taxes if:

2 (1) ownership of the property is transferred to anyone
3 other than the spouse or child of the current owner;

4 (2) the current owner or the spouse or child of the current
5 owner has not conveyed or entered into a contract before July 1,
6 2007, to convey for ownership or public easement rights, (i) a
7 portion of the property to a one or more nonprofit foundation
8 foundations or corporation-operating corporations; and (ii) a
9 portion of the property to one or more local governments; and
10 those entities shall separately or jointly operate the property
11 as an art park providing the services included in section 38,
12 clauses (2) to (5), and may also use some of the property for
13 other public purposes as determined by the local governments; or

14 (3) the nonprofit foundation or corporation to which a
15 portion of the property was transferred ceases to provide the
16 services included in section 38, clauses (2) to (5), earlier
17 than ten years following the effective date of the conveyance
18 conveyances or of the execution of the contract contracts to
19 convey.

20 (b) The additional taxes are imposed at the earlier of (1)
21 the year following transfer of ownership to anyone other than
22 the spouse or child of the current owner or a nonprofit
23 foundation or corporation or local government operating the
24 property as an art park and used for other public purposes, or
25 (2) for taxes payable in 2008, or (3) in the event the nonprofit
26 foundation or corporation to which a portion of the property was
27 conveyed ceases to provide the required services within ten
28 years after the conveyance, for taxes payable in the year
29 following the year when it ceased to do so.

30 The county board, with the approval of the city council,
31 shall determine the amount of the additional taxes due on the
32 portion of property which is no longer utilized as an art park;
33 provided, however, that the additional taxes are-equal-to must
34 not be greater than the difference between the taxes determined
35 on that portion of the property utilized as an art park under
36 sections 39 and 40 and the amount determined under subdivision 1

1 for all years that the property qualified under section 38. The
 2 ~~additional taxes must be extended against the property on the~~
 3 ~~tax list for the current year, provided, however, that~~ No
 4 interest or penalties may be levied on the additional taxes if
 5 timely-paid amount provided that it is paid within 30 days of
 6 the county's notice.

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

8 Sec. 47. Laws 2001, First Special Session chapter 5,
 9 article 3, section 8, the effective date, is amended to read:

10 [EFFECTIVE DATE.] This section is effective for taxes
 11 levied in 2002, payable in 2003, through taxes levied in ~~2007~~
 12 2009, payable in ~~2008~~ 2010.

13 Sec. 48. Laws 2005, chapter 43, section 1, the effective
 14 date, if enacted, is amended to read:

15 [EFFECTIVE DATE.] This section is effective for taxes
 16 levied in ~~2005~~ 2004, payable in ~~2006~~ 2005, and thereafter.

17 [EFFECTIVE DATE.] This section is effective the day
 18 following final enactment.

19 Sec. 49. [REPORT; PROPOSED STANDARDIZED ASSESSMENT AND
 20 CLASSIFICATION STANDARDS.]

21 Recognizing the importance of uniform and professional
 22 property tax assessment practices, the commissioner of revenue,
 23 in consultation with appropriate stakeholder groups shall
 24 develop and issue a report to the chairs of the house and senate
 25 tax committees by February 1, 2006. This report shall contain,
 26 but not be limited to, recommendations and proposed requirements
 27 for achieving standardized assessment and classification of
 28 seasonal residential recreational property, residential
 29 nonhomestead property, timber and woodland property, green acres
 30 property, seasonal residential recreational commercial and
 31 noncommercial property, and commercial/industrial property.

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

34 Sec. 50. [CODE OF CONDUCT AND ETHICS; ASSESSORS.]

35 The commissioner of revenue is directed to develop a code
 36 of conduct and ethics for Minnesota assessors to ensure public

1 confidence in property assessment. The commissioner shall
2 consult with representatives of the Minnesota Association of
3 Assessing Officers, the State Board of Assessors, and any other
4 groups that the commissioner deems appropriate. The code must
5 include language that promotes fairness and uniformity and
6 recommends assessment practices that do not promote the
7 perception of a conflict of interest. The code must be
8 completed and recommended to the Minnesota State Board of
9 Assessors for adopting by January 1, 2006. This code must be
10 presented as part of the course required by Minnesota Statutes,
11 section 273.0755, paragraph (c).

12 [EFFECTIVE DATE.] This section is effective the day
13 following final enactment.

14 Sec. 51. [SCHOOL DEBT SERVICE LEVIES; ALTERNATIVE TAX
15 BASE; PILOT PROJECT.]

16 Subdivision 1. [COMMISSIONER DESIGNATION.] The
17 commissioner of education may select up to three school
18 districts to participate in the pilot project under this
19 section. The commissioner must notify the selected school
20 districts by July 1, 2005.

21 Subd. 2. [ELECTION BY SCHOOL BOARD.] A school board
22 designated by the commissioner under subdivision 1 may by
23 resolution elect to levy the debt service for a bond issued
24 after July 1, 2005, and before July 1, 2007, against the
25 alternative net tax capacity of the district, as defined under
26 subdivision 6, rather than the net tax capacity of the
27 district. A resolution to levy against alternative net tax
28 capacity must be passed at an open meeting of the board, at
29 least 60 days prior to the referendum election. A district
30 electing to issue bonds with a levy against alternative net tax
31 capacity must notify the commissioner of that intention in
32 filing the proposal required by Minnesota Statutes, section
33 123B.71, subdivision 9.

34 Subd. 3. [DEBT SERVICE EQUALIZATION REVENUE.] For the
35 purposes of Minnesota Statutes, section 123B.53, subdivision 4,
36 debt service equalization revenue for a district that has issued

1 bonds under an election to levy against alternative net tax
2 capacity is the same as it would be if the levy were being made
3 against net tax capacity.

4 Subd. 4. [APPORTIONMENT OF DEBT SERVICE AID.] Equalization
5 aid for a district that has issued bonds under an election to
6 levy against alternative net tax capacity must be apportioned
7 between the net tax capacity debt service levy and the
8 alternative net tax capacity debt service levy in the same
9 proportions as eligible debt service revenues resulting from
10 bonds issued against net tax capacity are to eligible debt
11 service revenues resulting from bonds issued against alternative
12 net tax capacity.

13 Subd. 5. [ALTERNATIVE NET TAX CAPACITY DEBT SERVICE LEVY.]
14 The eligible debt service revenues resulting from bonds issued
15 against alternative net tax capacity, minus the debt service
16 equalization aid apportioned to the alternative net tax capacity
17 levy, must be levied against the alternative net tax capacity of
18 the district as defined in subdivision 6, and must be separately
19 certified to the county auditor under Minnesota Statutes,
20 section 275.07.

21 Subd. 6. [ALTERNATIVE NET TAX CAPACITY.] "Alternative net
22 tax capacity" means the net tax capacity of all taxable property
23 in a district, as defined in Minnesota Statutes, section 273.13,
4 except:

25 (1) the first tier of class 2a property, excluding the
26 portion of class 2a property consisting of the house, garage,
27 and surrounding one acre of land of an agricultural homestead,
28 has an alternative net tax capacity equal to 0.14 percent of its
29 taxable market value;

30 (2) the upper tier of class 2a property and all other class
31 2 property has an alternative net tax capacity equal to 0.25
32 percent of its taxable market value;

33 (3) noncommercial class 4c(1) property has an alternative
34 net tax capacity equal to 0.75 percent of its taxable market
35 value;

36 (4) class 4a and 4b property has an alternative net tax

1 capacity equal to one percent of its taxable market value;

2 (5) the first tier of class 3 property has an alternative
 3 net tax capacity equal to 1.25 percent of its taxable market
 4 value; and

5 (6) class 5 property and the upper tier of class 3 property
 6 has an alternative net tax capacity equal to 1.5 percent of its
 7 taxable market value.

8 [EFFECTIVE DATE.] This section is effective for taxes
 9 payable in 2006 and thereafter.

10 Sec. 52. [SCHOOL PROPERTY; EXEMPTION 2005 ONLY.]

11 Notwithstanding Minnesota Statutes, section 272.02,
 12 subdivision 38, paragraph (b), the following property is exempt
 13 from taxation for assessment year 2004, for taxes payable in
 14 2005, if it meets all the following criteria:

15 (1) is used to provide direct educational instruction for
 16 grades 7 through 10;

17 (2) is located in a city of the first class that has a
 18 population greater than 250,000 and less than 350,000;

19 (3) was purchased after July 1, 2004, by a nonprofit that
 20 is exempt from federal income tax under section 501(c)(3) of the
 21 Internal Revenue Code; and

22 (4) is leased and operated by two nonprofit corporations
 23 organized under Minnesota Statutes, chapter 317A.

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

26 Sec. 53. [REPEALER.]

27 Laws 1998, chapter 389, article 3, section 41, is repealed.

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

30 ARTICLE 3

31 PROPERTY TAX AIDS AND CREDITS

32 Section 1. Minnesota Statutes 2004, section 4A.02, is
 33 amended to read:

34 4A.02 [STATE DEMOGRAPHER.]

35 (a) The director shall appoint a state demographer. The
 36 demographer must be professionally competent in demography and

1 must possess demonstrated ability based upon past performance.

2 (b) The demographer shall:

3 (1) continuously gather and develop demographic data
4 relevant to the state;

5 (2) design and test methods of research and data
6 collection;

7 (3) periodically prepare population projections for the
8 state and designated regions and periodically prepare
9 projections for each county or other political subdivision of
10 the state as necessary to carry out the purposes of this
11 section;

12 (4) review, comment on, and prepare analysis of population
13 estimates and projections made by state agencies, political
14 subdivisions, other states, federal agencies, or nongovernmental
15 persons, institutions, or commissions;

16 (5) serve as the state liaison with the United States
17 Bureau of the Census, coordinate state and federal demographic
18 activities to the fullest extent possible, and aid the
19 legislature in preparing a census data plan and form for each
20 decennial census;

21 (6) compile an annual study of population estimates on the
22 basis of county, regional, or other political or geographical
23 subdivisions as necessary to carry out the purposes of this
24 section and section 4A.03;

25 (7) by January 1 of each year, issue a report to the
26 legislature containing an analysis of the demographic
27 implications of the annual population study and population
28 projections;

29 (8) prepare maps for all counties in the state, all
30 municipalities with a population of 10,000 or more, and other
31 municipalities as needed for census purposes, according to scale
32 and detail recommended by the United States Bureau of the
33 Census, with the maps of cities showing precinct boundaries;

34 (9) prepare an estimate of population and of the number of
35 households for each governmental subdivision for which the
36 Metropolitan Council does not prepare an annual estimate, and

1 convey the estimates to the governing body of each political
2 subdivision by May June 1 of each year;

3 (10) direct, under section 414.01, subdivision 14, and
4 certify population and household estimates of annexed or
5 detached areas of municipalities or towns after being notified
6 of the order or letter of approval by the director;

7 (11) prepare, for any purpose for which a population
8 estimate is required by law or needed to implement a law, a
9 population estimate of a municipality or town whose population
10 is affected by action under section 379.02 or 414.01,
11 subdivision 14; and

12 (12) prepare an estimate of average household size for each
13 statutory or home rule charter city with a population of 2,500
14 or more by May June 1 of each year.

15 (c) A governing body may challenge an estimate made under
16 paragraph (b) by filing their specific objections in writing
17 with the state demographer by June ~~10~~ 24. If the challenge does
18 not result in an acceptable estimate ~~by June-24~~, the governing
19 body may have a special census conducted by the United States
20 Bureau of the Census. The political subdivision must notify the
21 state demographer by July 1 of its intent to have the special
22 census conducted. The political subdivision must bear all costs
23 of the special census. Results of the special census must be
24 received by the state demographer by the next April 15 to be
25 used in that year's May June 1 estimate to the political
26 subdivision under paragraph (b).

27 (d) The state demographer shall certify the estimates of
28 population and household size to the commissioner of revenue by
29 July 15 each year, including any estimates still under objection.

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

32 Sec. 2. Minnesota Statutes 2004, section 273.1384,
33 subdivision 1, is amended to read:

34 Subdivision 1. [RESIDENTIAL HOMESTEAD MARKET VALUE
35 CREDIT.] Each county auditor shall determine a homestead credit
36 for each class 1a, 1b, 1c, and 2a homestead property within the

1 county equal to 0.4 percent of the first \$76,000 of market value
2 of the property.---~~The amount of homestead credit for a homestead~~
3 ~~may not exceed \$304 and is reduced by~~ minus .09 percent of the
4 market value in excess of \$76,000. The credit amount may not be
5 less than zero. In the case of an agricultural or resort
6 homestead, only the market value of the house, garage, and
7 immediately surrounding one acre of land is eligible in
8 determining the property's homestead credit. In the case of a
9 property which is classified as part homestead and part
10 nonhomestead, (i) the credit shall apply only to the homestead
11 portion of the property, but (ii) if a portion of a property is
12 classified as nonhomestead solely because not all the owners
13 occupy the property, or solely because both spouses do not
14 occupy the property, the credit amount shall be initially
15 computed as if that nonhomestead portion were also in the
16 homestead class and then prorated to the owner-occupant's
17 percentage of ownership or prorated to one-half if both spouses
18 do not occupy the property.

19 [EFFECTIVE DATE.] This section is effective for taxes
20 payable in 2006 and thereafter.

21 Sec. 3. Minnesota Statutes 2004, section 276A.01,
22 subdivision 7, is amended to read:

23 Subd. 7. [POPULATION.] "Population" means the most recent
24 estimate of the population of a municipality made by the state
25 demographer and filed with the commissioner of revenue as of
26 July ± 15 of the year in which a municipality's distribution net
27 tax capacity is calculated. The state demographer shall
28 annually estimate the population of each municipality and, in
29 the case of a municipality which is located partly within and
30 partly without the area, the proportion of the total which
31 resides within the area, and shall file the estimates with the
32 commissioner of revenue.

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

35 Sec. 4. [473.24] [POPULATION ESTIMATES.]

36 (a) The Metropolitan Council shall annually prepare an

1 estimate of population for each county, city, and town in the
2 metropolitan area and an estimate of the number of households
3 and average household size for each city in the metropolitan
4 area with a population of 2,500 or more, and an estimate of
5 population over age 65 for each county in the metropolitan area,
6 and convey the estimates to the governing body of each county,
7 city, or town by June 1 each year. In the case of a city or
8 town that is located partly within and partly without the
9 metropolitan area, the Metropolitan Council shall estimate the
10 proportion of the total population and the average size of
11 households that reside within the area. The Metropolitan
12 Council may prepare an estimate of the population and of the
13 average household size for any other political subdivision
14 located in the metropolitan area.

15 (b) A governing body may challenge an estimate made under
16 this section by filing its specific objections in writing with
17 the Metropolitan Council by June 24. If the challenge does not
18 result in an acceptable estimate, the governing body may have a
19 special census conducted by the United States Bureau of the
20 Census. The political subdivision must notify the Metropolitan
21 Council on or before July 1 of its intent to have the special
22 census conducted. The political subdivision must bear all costs
23 of the special census. Results of the special census must be
24 received by the Metropolitan Council by the next April 15 to be
25 used in that year's June 1 estimate under this section. The
26 Metropolitan Council shall certify the estimates of population
27 and the average household size to the state demographer and to
28 the commissioner of revenue by July 15 each year, including any
29 estimates still under objection.

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

32 Sec. 5. Minnesota Statutes 2004, section 473F.02,
33 subdivision 7, is amended to read:

34 Subd. 7. [POPULATION.] "Population" means the most recent
35 estimate of the population of a municipality made by the
36 Metropolitan Council under section 473.24 and filed with the

1 commissioner of revenue as of July \pm 15 of the year in which a
2 municipality's distribution net tax capacity is calculated. The
3 ~~council shall annually estimate the population of each~~
4 ~~municipality as of a date which it determines and, in the case~~
5 ~~of a municipality which is located partly within and partly~~
6 ~~without the area, the proportion of the total which resides~~
7 ~~within the area, and shall promptly thereafter file its~~
8 ~~estimates with the commissioner of revenue.~~

9 [EFFECTIVE DATE.] This section is effective the day
10 following final enactment.

11 Sec. 6. Minnesota Statutes 2004, section 477A.011,
12 subdivision 3, is amended to read:

13 Subd. 3. [POPULATION.] "Population" means the
14 population estimated or established as of July \pm 15 in an aid
15 calculation year by the most recent federal census, by a special
16 census conducted under contract with the United States Bureau of
17 the Census, by a population estimate made by the Metropolitan
18 Council pursuant to section 473.24, or by a population estimate
19 of the state demographer made pursuant to section 4A.02,
20 whichever is the most recent as to the stated date of the count
21 or estimate for the preceding calendar year, and which has been
22 certified to the commissioner of revenue on or before July 15 of
23 the aid calculation year. The term "per capita" refers to
24 population as defined by this subdivision. A revision of an
25 estimate or count is effective for these purposes only if it is
26 certified to the commissioner on or before July 15 of the aid
27 calculation year. Clerical errors in the certification or use
28 of the estimates and counts established as of July 15 in the aid
29 calculation year are subject to correction within the time
30 periods allowed under section 477A.014.

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

33 Sec. 7. Minnesota Statutes 2004, section 477A.011,
34 subdivision 34, is amended to read:

35 Subd. 34. [CITY REVENUE NEED.] (a) For a city with a
36 population equal to or greater than 2,500, "city revenue need"

1 is the sum of (1) 5.0734098 times the pre-1940 housing
2 percentage; plus (2) 19.141678 times the population decline
3 percentage; plus (3) 2504.06334 times the road accidents factor;
4 plus (4) 355.0547; minus (5) the metropolitan area factor; minus
5 (6) 49.10638 times the household size.

6 (b) For a city with a population less than 2,500, "city
7 revenue need" is the sum of (1) 2.387 times the pre-1940 housing
8 percentage; plus (2) 2.67591 times the commercial industrial
9 percentage; plus (3) 3.16042 times the population decline
10 percentage; plus (4) 1.206 times the transformed population;
11 minus (5) 62.772.

12 (c) For a city with a population of 2,500 or more and a
13 population in one of the most recently available five years that
14 was less than 2,500, "city revenue need" is the sum of (1) its
15 city revenue need calculated under paragraph (a) multiplied by
16 its transition factor; plus (2) its city revenue need calculated
17 under the formula in paragraph (b) multiplied by the difference
18 between one and its transition factor. For purposes of this
19 paragraph, a city's "transition factor" is equal to 0.2
20 multiplied by the number of years that the city's population
21 estimate has been 2,500 or more. This provision only applies
22 for aids payable in calendar years 2006 to 2008 to cities with a
23 2002 population of less than 2,500. It applies to any city for
24 aids payable in 2009 and thereafter.

25 (d) The city revenue need cannot be less than zero.

26 ~~(d)~~ (e) For calendar year 2005 and subsequent years, the
27 city revenue need for a city, as determined in paragraphs (a)
28 to ~~(e)~~ (d), is multiplied by the ratio of the annual implicit
29 price deflator for government consumption expenditures and gross
30 investment for state and local governments as prepared by the
31 United States Department of Commerce, for the most recently
32 available year to the 2003 implicit price deflator for state and
33 local government purchases.

34 [EFFECTIVE DATE.] This section is effective beginning with
35 aids payable in 2006.

36 Sec. 8. Minnesota Statutes 2004, section 477A.011,

1 subdivision 35, is amended to read:

2 Subd. 35. [TAX EFFORT RATE.] "Tax effort rate" means the
3 net levy for all cities divided by the sum of the city net tax
4 capacity for all cities, unless the need increase percentage
5 determined under section 477A.013, subdivision 8, is 100
6 percent, in which case the tax effort rate is the rate needed so
7 that the total aid under section 477A.013, subdivision 9, equals
8 the total amount available for aid under section 477A.03, after
9 the subtractions in section 477A.014. For purposes of this
10 section, "net levy" means the city levy, after all adjustments,
11 used for calculating the local tax rate under section 275.08 for
12 taxes payable in the year prior to the aid distribution. The
13 fiscal disparity distribution levy under chapter 276A or 473F is
14 included in net levy.

15 [EFFECTIVE DATE.] This section is effective beginning with
16 aids payable in 2006.

17 Sec. 9. Minnesota Statutes 2004, section 477A.011,
18 subdivision 36, is amended to read:

19 Subd. 36. [CITY AID BASE.] (a) Except as otherwise
20 provided in this subdivision, "city aid base" is zero.

21 (b) The city aid base for any city with a population less
22 than 500 is increased by \$40,000 for aids payable in calendar
23 year 1995 and thereafter, and the maximum amount of total aid it
24 may receive under section 477A.013, subdivision 9, paragraph
25 (c), is also increased by \$40,000 for aids payable in calendar
26 year 1995 only, provided that:

27 (i) the average total tax capacity rate for taxes payable
28 in 1995 exceeds 200 percent;

29 (ii) the city portion of the tax capacity rate exceeds 100
30 percent; and

31 (iii) its city aid base is less than \$60 per capita.

32 (c) The city aid base for a city is increased by \$20,000 in
33 1998 and thereafter and the maximum amount of total aid it may
34 receive under section 477A.013, subdivision 9, paragraph (c), is
35 also increased by \$20,000 in calendar year 1998 only, provided
36 that:

1 (i) the city has a population in 1994 of 2,500 or more;

2 (ii) the city is located in a county, outside of the
3 metropolitan area, which contains a city of the first class;

4 (iii) the city's net tax capacity used in calculating its
5 1996 aid under section 477A.013 is less than \$400 per capita;

6 and

7 (iv) at least four percent of the total net tax capacity,
8 for taxes payable in 1996, of property located in the city is
9 classified as railroad property.

10 (d) The city aid base for a city is increased by \$200,000
11 in 1999 and thereafter and the maximum amount of total aid it
12 may receive under section 477A.013, subdivision 9, paragraph
13 (c), is also increased by \$200,000 in calendar year 1999 only,
14 provided that:

15 (i) the city was incorporated as a statutory city after
16 December 1, 1993;

17 (ii) its city aid base does not exceed \$5,600; and

18 (iii) the city had a population in 1996 of 5,000 or more.

19 (e) The city aid base for a city is increased by \$450,000
20 in 1999 to 2008 and the maximum amount of total aid it may
21 receive under section 477A.013, subdivision 9, paragraph (c), is
22 also increased by \$450,000 in calendar year 1999 only, provided
23 that:

24 (i) the city had a population in 1996 of at least 50,000;

25 (ii) its population had increased by at least 40 percent in
26 the ten-year period ending in 1996; and

27 (iii) its city's net tax capacity for aids payable in 1998
28 is less than \$700 per capita.

29 (f) Beginning in 2004, the city aid base for a city is
30 equal to the sum of its city aid base in 2003 and the amount of
31 additional aid it was certified to receive under section 477A.06
32 in 2003. For 2004 only, the maximum amount of total aid a city
33 may receive under section 477A.013, subdivision 9, paragraph
34 (c), is also increased by the amount it was certified to receive
35 under section 477A.06 in 2003.

36 (g) The city aid base for a city is increased by \$150,000

1 for aids payable in 2000 and thereafter, and the maximum amount
2 of total aid it may receive under section 477A.013, subdivision
3 9, paragraph (c), is also increased by \$150,000 in calendar year
4 2000 only, provided that:

5 (1) the city has a population that is greater than 1,000
6 and less than 2,500;

7 (2) its commercial and industrial percentage for aids
8 payable in 1999 is greater than 45 percent; and

9 (3) the total market value of all commercial and industrial
10 property in the city for assessment year 1999 is at least 15
11 percent less than the total market value of all commercial and
12 industrial property in the city for assessment year 1998.

13 (h) The city aid base for a city is increased by \$200,000
14 in 2000 and thereafter, and the maximum amount of total aid it
15 may receive under section 477A.013, subdivision 9, paragraph
16 (c), is also increased by \$200,000 in calendar year 2000 only,
17 provided that:

18 (1) the city had a population in 1997 of 2,500 or more;

19 (2) the net tax capacity of the city used in calculating
20 its 1999 aid under section 477A.013 is less than \$650 per
21 capita;

22 (3) the pre-1940 housing percentage of the city used in
23 calculating 1999 aid under section 477A.013 is greater than 12
24 percent;

25 (4) the 1999 local government aid of the city under section
26 477A.013 is less than 20 percent of the amount that the formula
27 aid of the city would have been if the need increase percentage
28 was 100 percent; and

29 (5) the city aid base of the city used in calculating aid
30 under section 477A.013 is less than \$7 per capita.

31 (i) The city aid base for a city is increased by \$102,000
32 in 2000 and thereafter, and the maximum amount of total aid it
33 may receive under section 477A.013, subdivision 9, paragraph
34 (c), is also increased by \$102,000 in calendar year 2000 only,
35 provided that:

36 (1) the city has a population in 1997 of 2,000 or more;

1 (2) the net tax capacity of the city used in calculating
2 its 1999 aid under section 477A.013 is less than \$455 per
3 capita;

4 (3) the net levy of the city used in calculating 1999 aid
5 under section 477A.013 is greater than \$195 per capita; and

6 (4) the 1999 local government aid of the city under section
7 477A.013 is less than 38 percent of the amount that the formula
8 aid of the city would have been if the need increase percentage
9 was 100 percent.

10 (j) The city aid base for a city is increased by \$32,000 in
11 2001 and thereafter, and the maximum amount of total aid it may
12 receive under section 477A.013, subdivision 9, paragraph (c), is
13 also increased by \$32,000 in calendar year 2001 only, provided
14 that:

15 (1) the city has a population in 1998 that is greater than
16 200 but less than 500;

17 (2) the city's revenue need used in calculating aids
18 payable in 2000 was greater than \$200 per capita;

19 (3) the city net tax capacity for the city used in
20 calculating aids available in 2000 was equal to or less than
21 \$200 per capita;

22 (4) the city aid base of the city used in calculating aid
23 under section 477A.013 is less than \$65 per capita; and

24 (5) the city's formula aid for aids payable in 2000 was
25 greater than zero.

26 (k) The city aid base for a city is increased by \$7,200 in
27 2001 and thereafter, and the maximum amount of total aid it may
28 receive under section 477A.013, subdivision 9, paragraph (c), is
29 also increased by \$7,200 in calendar year 2001 only, provided
30 that:

31 (1) the city had a population in 1998 that is greater than
32 200 but less than 500;

33 (2) the city's commercial industrial percentage used in
34 calculating aids payable in 2000 was less than ten percent;

35 (3) more than 25 percent of the city's population was 60
36 years old or older according to the 1990 census;

1 (4) the city aid base of the city used in calculating aid
2 under section 477A.013 is less than \$15 per capita; and

3 (5) the city's formula aid for aids payable in 2000 was
4 greater than zero.

5 (1) The city aid base for a city is increased by \$45,000 in
6 2001 and thereafter and by an additional \$50,000 in calendar
7 years 2002 to 2011, and the maximum amount of total aid it may
8 receive under section 477A.013, subdivision 9, paragraph (c), is
9 also increased by \$45,000 in calendar year 2001 only, and by
10 \$50,000 in calendar year 2002 only, provided that:

11 (1) the net tax capacity of the city used in calculating
12 its 2000 aid under section 477A.013 is less than \$810 per
13 capita;

14 (2) the population of the city declined more than two
15 percent between 1988 and 1998;

16 (3) the net levy of the city used in calculating 2000 aid
17 under section 477A.013 is greater than \$240 per capita; and

18 (4) the city received less than \$36 per capita in aid under
19 section 477A.013, subdivision 9, for aids payable in 2000.

20 (m) The city aid base for a city with a population of
21 10,000 or more which is located outside of the seven-county
22 metropolitan area is increased in 2002 and thereafter, and the
23 maximum amount of total aid it may receive under section
24 477A.013, subdivision 9, paragraph (b) or (c), is also increased
25 in calendar year 2002 only, by an amount equal to the lesser of:

26 (1)(i) the total population of the city, as determined by
27 the United States Bureau of the Census, in the 2000 census, (ii)
28 minus 5,000, (iii) times 60; or

29 (2) \$2,500,000.

30 (n) The city aid base is increased by \$50,000 in 2002 and
31 thereafter, and the maximum amount of total aid it may receive
32 under section 477A.013, subdivision 9, paragraph (c), is also
33 increased by \$50,000 in calendar year 2002 only, provided that:

34 (1) the city is located in the seven-county metropolitan
35 area;

36 (2) its population in 2000 is between 10,000 and 20,000;

1 and

2 (3) its commercial industrial percentage, as calculated for
3 city aid payable in 2001, was greater than 25 percent.

4 (o) The city aid base for a city is increased by \$150,000
5 in calendar years 2002 to 2011 and the maximum amount of total
6 aid it may receive under section 477A.013, subdivision 9,
7 paragraph (c), is also increased by \$150,000 in calendar year
8 2002 only, provided that:

9 (1) the city had a population of at least 3,000 but no more
10 than 4,000 in 1999;

11 (2) its home county is located within the seven-county
12 metropolitan area;

13 (3) its pre-1940 housing percentage is less than 15
14 percent; and

15 (4) its city net tax capacity per capita for taxes payable
16 in 2000 is less than \$900 per capita.

17 (p) The city aid base for a city is increased by \$200,000
18 beginning in calendar year 2003 and the maximum amount of total
19 aid it may receive under section 477A.013, subdivision 9,
20 paragraph (c), is also increased by \$200,000 in calendar year
21 2003 only, provided that the city qualified for an increase in
22 homestead and agricultural credit aid under Laws 1995, chapter
23 264, article 8, section 18.

24 (q) The city aid base for a city is increased by \$200,000
25 in 2004 only and the maximum amount of total aid it may receive
26 under section 477A.013, subdivision 9, is also increased by
27 \$200,000 in calendar year 2004 only, if the city is the site of
28 a nuclear dry cask storage facility.

29 (r) The city aid base for a city is increased by \$10,000 in
30 2004 and thereafter and the maximum total aid it may receive
31 under section 477A.013, subdivision 9, is also increased by
32 \$10,000 in calendar year 2004 only, if the city was included in
33 a federal major disaster designation issued on April 1, 1998,
34 and its pre-1940 housing stock was decreased by more than 40
35 percent between 1990 and 2000.

36 (s) The city aid base for a city is increased by \$25,000 in

1 2006 and thereafter and the maximum total aid it may receive
2 under section 477A.013, subdivision 9, is also increased by
3 \$25,000 in calendar year 2006 only if the city had a population
4 in 2003 of at least 1,000 and has a state park for which the
5 city provides rescue services and which comprised at least 14
6 percent of the total geographic area included within the city
7 boundaries in 2000.

8 [EFFECTIVE DATE.] This section is effective for aids
9 payable in 2006 and thereafter.

10 Sec. 10. Minnesota Statutes 2004, section 477A.011,
11 subdivision 38, is amended to read:

12 Subd. 38. [HOUSEHOLD SIZE.] "Household size" means the
13 average number of persons per household in the jurisdiction as
14 most recently estimated and reported by the state
15 demographer and Metropolitan Council as of July ± 15 of the aid
16 calculation year. A revision to an estimate or enumeration is
17 effective for these purposes only if it is certified to the
18 commissioner on or before July 15 of the aid calculation year.
19 Clerical errors in the certification or use of estimates and
20 counts established as of July 15 in the aid calculation year are
21 subject to correction within the time periods allowed under
22 section 477A.014.

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

25 Sec. 11. Minnesota Statutes 2004, section 477A.0124,
26 subdivision 2, is amended to read:

27 Subd. 2. [DEFINITIONS.] (a) For the purposes of this
28 section, the following terms have the meanings given them.

29 (b) "County program aid" means the sum of "county need aid,"
30 "county tax base equalization aid," and "county transition aid."

31 (c) "Age-adjusted population" means a county's population
32 multiplied by the county age index.

33 (d) "County age index" means the percentage of the
34 population over age 65 within the county divided by the
35 percentage of the population over age 65 within the state,
36 except that the age index for any county may not be greater than

1 1.8 nor less than 0.8.

2 (e) "Population over age 65" means the population over age
3 65 established as of July ± 15 in an aid calculation year by the
4 most recent federal census, by a special census conducted under
5 contract with the United States Bureau of the Census, by a
6 population estimate made by the Metropolitan Council, or by a
7 population estimate of the state demographer made pursuant to
8 section 4A.02, whichever is the most recent as to the stated
9 date of the count or estimate for the preceding calendar
10 year and which has been certified to the commissioner of revenue
11 on or before July 15 of the aid calculation year. A revision to
12 an estimate or count is effective for these purposes only if
13 certified to the commissioner on or before July 15 of the aid
14 calculation year. Clerical errors in the certification or use
15 of estimates and counts established as of July 15 in the aid
16 calculation year are subject to correction within the time
17 periods allowed under section 477A.014.

18 (f) "Part I crimes" means the three-year average annual
19 number of Part I crimes reported for each county by the
20 Department of Public Safety for the most recent years available.
21 By July 1 of each year, the commissioner of public safety shall
22 certify to the commissioner of revenue the number of Part I
23 crimes reported for each county for the three most recent
24 calendar years available.

25 (g) "Households receiving food stamps" means the average
26 monthly number of households receiving food stamps for the three
27 most recent years for which data is available. By July 1 of
28 each year, the commissioner of human services must certify to
29 the commissioner of revenue the average monthly number of
30 households in the state and in each county that receive food
31 stamps, for the three most recent calendar years available.

32 (h) "County net tax capacity" means the net tax capacity of
33 the county, computed analogously to city net tax capacity under
34 section 477A.011, subdivision 20.

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

1 Sec. 12. Minnesota Statutes 2004, section 477A.0124,
2 subdivision 4, is amended to read:

3 Subd. 4. [COUNTY TAX-BASE EQUALIZATION AID.] (a) For
4 ~~2005~~ 2006 and subsequent years, the money appropriated to county
5 tax-base equalization aid each calendar year, after the payment
6 under paragraph (f), shall be apportioned among the counties
7 according to each county's tax-base equalization aid factor.

8 (b) A county's tax-base equalization aid factor is equal to
9 the amount by which (i) \$185 times the county's population,
10 exceeds (ii) 9.45 percent of the county's net tax capacity.

11 (c) In the case of a county with a population less than
12 10,000, the factor determined in paragraph (b) shall be
13 multiplied by a factor of three.

14 (d) In the case of a county with a population greater than
15 or equal to 10,000, but less than 12,500, the factor determined
16 in paragraph (b) shall be multiplied by a factor of two.

17 (e) In the case of a county with a population greater than
18 500,000, the factor determined in paragraph (b) shall be
19 multiplied by a factor of 0.25.

20 (f) Before the money appropriated to county base
21 equalization aid is apportioned among the counties as provided
22 in paragraph (a), an amount up to \$73,259 is allocated annually
23 to Anoka County and up to \$59,664 is annually allocated to
24 Washington County for the county to pay postretirement costs of
25 health insurance premiums for court employees. The allocation
26 under this paragraph is in addition to the allocations under
27 paragraphs (a) to (e).

28 [EFFECTIVE DATE.] This section is effective for aids
29 payable in 2006 and thereafter.

30 Sec. 13. Minnesota Statutes 2004, section 477A.013,
31 subdivision 8, is amended to read:

32 Subd. 8. [CITY FORMULA AID.] In calendar year 2004 and
33 subsequent years, the formula aid for a city is equal to the
34 need increase percentage multiplied by the difference between
35 (1) the city's revenue need multiplied by its population, and
36 (2) the sum of the city's net tax capacity multiplied by the tax

1 effort rate, ~~and~~; the taconite aids under sections 298.28 and
2 298.282, multiplied by the following percentages:

- 3 (i) zero percent for aids payable in 2004;
4 (ii) 25 percent for aids payable in 2005;
5 (iii) 50 percent for aids payable in 2006;
6 (iv) 75 percent for aids payable in 2007; and
7 (v) 100 percent for aids payable in 2008 and thereafter;

8 and

9 for first class cities only, the amount raised by a one-half of
10 one percent local sales and use tax imposed in the city in the
11 calendar year before the year in which the aid is being
12 calculated.

13 No city may have a formula aid amount less than zero. The need
14 increase percentage must be the same for all cities.

15 The applicable need increase percentage must be calculated
16 by the Department of Revenue so that the total of the aid under
17 subdivision 9 equals the total amount available for aid under
18 section 477A.03 after the subtraction under section 477A.014,
19 subdivisions 4 and 5. The need increase percentage may not
20 exceed 100 percent.

21 [EFFECTIVE DATE.] This section is effective beginning with
22 aids payable in 2006.

23 Sec. 14. Minnesota Statutes 2004, section 477A.013,
24 subdivision 9, is amended to read:

25 Subd. 9. [CITY AID DISTRIBUTION.] (a) In calendar year
26 2002 and thereafter, each city shall receive an aid distribution
27 equal to the sum of (1) the city formula aid under subdivision
28 8, and (2) its city aid base.

29 ~~(b) The aid for a city in calendar year 2004 shall not~~
30 ~~exceed the amount of its aid in calendar year 2003 after the~~
31 ~~reductions under Laws 2003, First Special Session chapter 217~~
32 ~~article 5.~~

33 (c) For aids payable in 2005 and thereafter, the total aid
34 for any city shall not exceed the sum of (1) ten percent of the
35 city's net levy for the year prior to the aid distribution plus
36 (2) its total aid in the previous year. For aids payable in

1 2005 2006 and thereafter, the total aid for any city with a
2 population of 2,500 or more, except for a city of the first
3 class located within the seven-county metropolitan area, may not
4 decrease from its total aid under this section in the previous
5 year by an amount greater than ten percent of its net levy in
6 the year prior to the aid distribution.

7 ~~(d) (c) For aids payable in 2004 only, the total aid for a~~
8 ~~city with a population less than 2,500 may not be less than the~~
9 ~~amount it was certified to receive in 2003 minus the greater of~~
10 ~~(1) the reduction to this aid payment in 2003 under Laws 2003,~~
11 ~~First Special Session chapter 21, article 5, or (2) five percent~~
12 ~~of its 2003 aid amount.~~ For aids payable in 2005 and
13 thereafter, the total aid for a city with a population less than
14 2,500 must not be less than the amount it was certified to
15 receive in the previous year minus five percent of its 2003
16 certified aid amount.

17 [EFFECTIVE DATE.] This section is effective beginning with
18 aids payable in 2006.

19 Sec. 15. Minnesota Statutes 2004, section 477A.013, is
20 amended by adding a subdivision to read:

21 Subd. 10. [LEVY ADJUSTMENTS FOR AID
22 DECREASES.] Notwithstanding any local ordinance or charter
23 provision, a city whose certified aid under subdivision 9 is
24 less than the amount it received in the previous year under the
25 same subdivision may increase its levy payable in the same year
26 as the certified aid is paid by an amount equal to the aid
27 decrease for that year.

28 [EFFECTIVE DATE.] This section is effective beginning with
29 property tax levies payable in 2006 and thereafter.

30 Sec. 16. Minnesota Statutes 2004, section 477A.03,
31 subdivision 2a, is amended to read:

32 Subd. 2a. [CITIES.] For aids payable in 2004, the total
33 aids paid under section 477A.013, subdivision 9, are limited to
34 \$429,000,000. For aids payable in 2005 and thereafter, the
35 total aids paid under section 477A.013, subdivision 9,
36 are increased limited to \$437,052,000. For aids payable in

1 2006, the total aids paid under section 477A.013, subdivision 9,
2 is limited to \$419,552,000. For aids payable in 2007 and
3 thereafter, the total aids paid under section 477A.013,
4 subdivision 9, is limited to \$437,052,000 provided that the
5 taxpayer satisfaction survey in section 275.065 is in effect for
6 property taxes levied in the year in which the aid is
7 calculated, otherwise the amount is limited to \$419,552,000.

8 [EFFECTIVE DATE.] This section is effective beginning with
9 aids payable in 2006.

10 Sec. 17. Minnesota Statutes 2004, section 477A.03,
11 subdivision 2b, is amended to read:

12 Subd. 2b. [COUNTIES.] (a) For aids payable in calendar
13 year 2005 and thereafter, the total aids paid to counties under
14 section 477A.0124, subdivision 3, are limited to \$100,500,000.
15 Each calendar year, \$500,000 shall be retained by the
16 commissioner of revenue to make reimbursements to the
17 commissioner of finance for payments made under section 611.27.
18 For calendar year 2004, the amount shall be in addition to the
19 payments authorized under section 477A.0124, subdivision 1. For
20 calendar year 2005 and subsequent years, the amount shall be
21 deducted from the appropriation under this paragraph. The
22 reimbursements shall be to defray the additional costs
23 associated with court-ordered counsel under section 611.27. Any
24 retained amounts not used for reimbursement in a year shall be
25 included in the next distribution of county need aid that is
26 certified to the county auditors for the purpose of property tax
27 reduction for the next taxes payable year.

28 (b) For aids payable in 2005 and thereafter 2006, the total
29 aids under section 477A.0124, subdivision 4, are limited to
30 \$105,000,000. For aids payable in 2007 and thereafter, the
31 total aid under section 477A.0124, subdivision 4, is limited to
32 \$105,132,923. The commissioner of finance shall bill the
33 commissioner of revenue for the cost of preparation of local
34 impact notes as required by section 3.987, not to exceed
35 \$207,000 in fiscal year 2004 and thereafter. The commissioner
36 of education shall bill the commissioner of revenue for the cost

1 of preparation of local impact notes for school districts as
2 required by section 3.987, not to exceed \$7,000 in fiscal year
3 2004 and thereafter. The commissioner of revenue shall deduct
4 the amounts billed under this paragraph from the appropriation
5 under this paragraph. The amounts deducted are appropriated to
6 the commissioner of finance and the commissioner of education
7 for the preparation of local impact notes.

8 [EFFECTIVE DATE.] This section is effective for aids
9 payable in 2007 and thereafter.

10 Sec. 18. Laws 2003, First Special Session chapter 21,
11 article 5, section 13, is amended to read:

12 Sec. 13. [2004 CITY AID REDUCTIONS.]

13 The commissioner of revenue shall compute an aid reduction
14 amount for 2004 for each city as provided in this section.

15 The initial aid reduction amount for each city is the
16 amount by which the city's aid distribution under Minnesota
17 Statutes, section 477A.013, and related provisions payable in
18 2003 exceeds the city's 2004 distribution under those provisions.

19 The minimum aid reduction amount for a city is the amount
20 of its reduction in 2003 under section 12. If a city receives
21 an increase to its city aid base under Minnesota Statutes,
22 section 477A.011, subdivision 36, its minimum aid reduction is
23 reduced by an equal amount.

24 The maximum aid reduction amount for a city is an amount
25 equal to 14 percent of the city's total 2004 levy plus aid
26 revenue base, except that if the city has a city net tax
27 capacity for aids payable in 2004, as defined in Minnesota
28 Statutes, section 477A.011, subdivision 20, of \$700 per capita
29 or less, the maximum aid reduction shall not exceed an amount
30 equal to 13 percent of the city's total 2004 levy plus aid
31 revenue base.

32 If the initial aid reduction amount for a city is less than
33 the minimum aid reduction amount for that city, the final aid
34 reduction amount for the city is the sum of the initial aid
35 reduction amount and the lesser of the amount of the city's
36 payable 2004 reimbursement under Minnesota Statutes, section

1 273.1384, or the difference between the minimum and initial aid
2 reduction amounts for the city, and the amount of the final aid
3 reduction in excess of the initial aid reduction is deducted
4 from the city's reimbursements pursuant to Minnesota Statutes,
5 section 273.1384.

6 If the initial aid reduction amount for a city is greater
7 than the maximum aid reduction amount for the city, the city
8 receives an additional distribution under this section equal to
9 the result of subtracting the maximum aid reduction amount from
10 the initial aid reduction amount. This distribution shall be
11 paid in equal installments in 2004 on the dates specified in
12 Minnesota Statutes, section 477A.015. The amount necessary for
13 these additional distributions is appropriated to the
14 commissioner of revenue from the general fund in fiscal year
15 2005.

16 ~~The initial aid reduction is applied to the city's~~
17 ~~distribution pursuant to Minnesota Statutes, section 477A.013,~~
18 ~~and any aid reduction in excess of the initial aid reduction is~~
19 ~~applied to the city's reimbursements pursuant to Minnesota~~
20 ~~Statutes, section 273.1384.~~

21 To the extent that sufficient information is available on
22 each payment date in 2004, the commissioner of revenue shall pay
23 the reimbursements reduced under this section in equal
24 installments on the payment dates provided in law.

25 [EFFECTIVE DATE.] This section is effective for aids
26 payable in 2004.

27 Sec. 19. Laws 2003, First Special Session chapter 21,
28 article 6, section 9, is amended to read:

29 Sec. 9. [DEFINITIONS.]

30 (a) For purposes of sections 9 to 15, the following terms
31 have the meanings given them in this section.

32 (b) The 2003 and 2004 "levy plus aid revenue base" for a
33 county is the sum of that county's certified property tax levy
34 for taxes payable in 2003, plus the sum of the amounts the
35 county was certified to receive in the designated calendar year
36 as:

1 (1) homestead and agricultural credit aid under Minnesota
2 Statutes, section 273.1398, subdivision 2, plus any additional
3 aid under section 16, minus the amount calculated under section
4 273.1398, subdivision 4a, paragraph (b), for counties in
5 judicial districts one, three, six, and ten, and 25 percent of
6 the amount calculated under section 273.1398, subdivision 4a,
7 paragraph (b), for counties in judicial districts two and four;

8 (2) the amount of county manufactured home homestead and
9 agricultural credit aid computed for the county for payment in
10 2003 under section 273.166;

11 (3) criminal justice aid under Minnesota Statutes, section
12 477A.0121;

13 (4) family preservation aid under Minnesota Statutes,
14 section 477A.0122;

15 (5) taconite aids under Minnesota Statutes, sections 298.28
16 and 298.282, including any aid which was required to be placed
17 in a special fund for expenditure in the next succeeding year;
18 and

19 (6) county program aid under section 477A.0124, exclusive
20 of the attached machinery aid component.

21 [EFFECTIVE DATE.] This section is effective for aids
22 payable in 2004.

23 Sec. 20. [2005 AND 2006 CITY AID PAYMENTS.]

24 In 2005 and 2006, market value credit reimbursements for
25 each city payable under Minnesota Statutes, section 273.1384,
26 are reduced by the dollar amount of the 2003 reduction in market
27 value credit reimbursements for that city due to Laws 2003,
28 First Special Session chapter 21, article 5, section 12. No
29 city's 2005 or 2006 market value credit reimbursements are
30 reduced to less than zero under this section. To the extent
31 sufficient information is available on each payment date, the
32 commissioner shall pay the annual 2005 and 2006 market value
33 credit reimbursement amounts, after reduction under this
34 section, to cities in equal installments on the dates specified
35 in Minnesota Statutes, section 273.1384.

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

1 following final enactment.

2 Sec. 21. [COURT AID ADJUSTMENT.]

3 For aids payable in 2005 only, the amount of court aid paid
4 to Anoka County under Minnesota Statutes, section 273.1398,
5 subdivision 4a, is increased by \$36,630 for aids payable in 2005
6 only and the amount paid to Washington County under Minnesota
7 Statutes, section 273.1398, subdivision 4a, is increased by
8 \$29,832 for aids payable in 2005 only.

9 [EFFECTIVE DATE.] This section is effective for aids
10 payable in 2005 only.

11 Sec. 22. [SUPREME COURT BUDGET.]

12 The district courts general fund appropriation is reduced
13 by \$66,462 in fiscal year 2006 and \$132,923 beginning in fiscal
14 year 2007 to fund the amount transferred to county tax base
15 equalization aid to fund the payments under Minnesota Statutes,
16 section 477A.0124, subdivision 4, paragraph (f), and section 20.

17 [EFFECTIVE DATE.] This section is effective the day
18 following final enactment.

19 ARTICLE 4

20 DEPARTMENT OF REVENUE PROPERTY TAXES

21 Section 1. Minnesota Statutes 2004, section 168A.05,
22 subdivision 1a, is amended to read:

23 Subd. 1a. [MANUFACTURED HOME; STATEMENT OF PROPERTY TAX
24 PAYMENT.] In the case of a manufactured home as defined in
25 section 327.31, subdivision 6, the department shall not issue a
26 certificate of title unless the application under section
27 168A.04 is accompanied with a statement from the county auditor
28 or county treasurer where the manufactured home is presently
29 located, stating that all manufactured home personal property
30 taxes levied on the unit in the name of the current owner at the
31 time of transfer have been paid. For this purpose, manufactured
32 home personal property taxes are treated as levied on January 1
33 of the payable year.

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

36 Sec. 2. Minnesota Statutes 2004, section 270.11,

1 subdivision 2, is amended to read:

2 Subd. 2. [COUNTY ASSESSOR'S REPORTS OF ASSESSMENT FILED
3 WITH COMMISSIONER.] Each county assessor shall file by April 1
4 with the commissioner of revenue a copy of the abstract that
5 will be acted upon by the local and county boards of review.
6 The abstract must list the real and personal property in the
7 county itemized by assessment districts. The assessor of each
8 county in the state shall file with the commissioner, within ten
9 working days following final action of the local board of review
10 or equalization and within five days following final action of
11 the county board of equalization, any changes made by the local
12 or county board. The information must be filed in the manner
13 prescribed by the commissioner. It must be accompanied by a
14 printed or typewritten copy of the proceedings of the
15 appropriate board.

16 The final abstract of assessments after adjustments by the
17 State Board of Equalization and inclusion of any omitted
18 property shall be submitted to the commissioner of revenue on or
19 before September 1 of each calendar year. The final abstract
20 must separately report the captured tax capacity of tax
21 increment financing districts under section 469.177, subdivision
22 2, the metropolitan-revenue areawide net tax capacity
23 contribution value values determined under section sections
24 276A.05, subdivision 1, and 473F.07, subdivision 1, and the
25 value subject to the power line credit under section 273.42.

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

28 Sec. 3. Minnesota Statutes 2004, section 270.16,
29 subdivision 2, is amended to read:

30 Subd. 2. [FAILURE TO APPRAISE.] When an assessor has
31 failed to properly appraise at least one-quarter one-fifth of
32 the parcels of property in a district or county as provided in
33 section 273.01, the commissioner of revenue shall appoint a
34 special assessor and deputy assessor as necessary and cause a
35 reappraisal to be made of the property due for reassessment in
36 accordance with law.

1 [EFFECTIVE DATE.] This section is effective the day
2 following final enactment.

3 Sec. 4. Minnesota Statutes 2004, section 272.01,
4 subdivision 2, is amended to read:

5 Subd. 2. (a) When any real or personal property which is
6 exempt from ad valorem taxes, and taxes in lieu thereof, is
7 leased, loaned, or otherwise made available and used by a
8 private individual, association, or corporation in connection
9 with a business conducted for profit, there shall be imposed a
10 tax, for the privilege of so using or possessing such real or
11 personal property, in the same amount and to the same extent as
12 though the lessee or user was the owner of such property.

13 (b) The tax imposed by this subdivision shall not apply to:

14 (1) property leased or used as a concession in or relative
15 to the use in whole or part of a public park, market,
16 fairgrounds, port authority, economic development authority
17 established under chapter 469, municipal auditorium, municipal
18 parking facility, municipal museum, or municipal stadium;

19 (2) property of an airport owned by a city, town, county,
20 or group thereof which is:

21 (i) leased to or used by any person or entity including a
22 fixed base operator; and

23 (ii) used as a hangar for the storage or repair of aircraft
24 or to provide aviation goods, services, or facilities to the
25 airport or general public;

26 the exception from taxation provided in this clause does not
27 apply to:

28 (i) property located at an airport owned or operated by the
29 Metropolitan Airports Commission or by a city of over 50,000
30 population according to the most recent federal census or such a
31 city's airport authority;

32 (ii) hangars leased by a private individual, association,
33 or corporation in connection with a business conducted for
34 profit other than an aviation-related business; or

35 (iii) facilities leased by a private individual,
36 association, or corporation in connection with a business for

1 profit, that consists of a major jet engine repair facility
2 financed, in whole or part, with the proceeds of state bonds and
3 located in a tax increment financing district;

4 (3) property constituting or used as a public pedestrian
5 ramp or concourse in connection with a public airport; or

6 (4) property constituting or used as a passenger check-in
7 area or ticket sale counter, boarding area, or luggage claim
8 area in connection with a public airport but not the airports
9 owned or operated by the Metropolitan Airports Commission or
10 cities of over 50,000 population or an airport authority
11 therein. Real estate owned by a municipality in connection with
12 the operation of a public airport and leased or used for
13 agricultural purposes is not exempt;

14 (5) property leased, loaned, or otherwise made available to
15 a private individual, corporation, or association under a
16 cooperative farming agreement made pursuant to section 97A.135;
17 or

18 (6) property leased, loaned, or otherwise made available to
19 a private individual, corporation, or association under section
20 272.68, subdivision 4.

21 (c) Taxes imposed by this subdivision are payable as in the
22 case of personal property taxes and shall be assessed to the
23 lessees or users of real or personal property in the same manner
24 as taxes assessed to owners of real or personal property, except
25 that such taxes shall not become a lien against the property.
26 When due, the taxes shall constitute a debt due from the lessee
27 or user to the state, township, city, county, and school
28 district for which the taxes were assessed and shall be
29 collected in the same manner as personal property taxes. If
30 property subject to the tax imposed by this subdivision is
31 leased or used jointly by two or more persons, each lessee or
32 user shall be jointly and severally liable for payment of the
33 tax.

34 (d) The tax on real property of the state or any of its
35 political subdivisions that is leased by a private individual,
36 association, or corporation and becomes taxable under this

1 subdivision or other provision of law must be assessed and
2 collected as a personal property assessment. The taxes do not
3 become a lien against the real property.

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

6 Sec. 5. Minnesota Statutes 2004, section 272.02,
7 subdivision 1a, is amended to read:

8 Subd. 1a. [LIMITATIONS ON EXEMPTIONS.] The exemptions
9 granted by subdivision 1 are subject to the limits contained in
10 the other subdivisions of this section, section 272.025, or
11 ~~273.13, subdivision 25, paragraph (c), clause (1) or (2), or~~
12 paragraph (d), clause (2) and all other provisions of applicable
13 law.

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

16 Sec. 6. Minnesota Statutes 2004, section 272.02,
17 subdivision 7, is amended to read:

18 Subd. 7. [INSTITUTIONS OF PUBLIC CHARITY.] Institutions of
19 purely public charity are exempt ~~except parcels of property~~
20 ~~containing structures and the structures described in section~~
21 ~~273.13, subdivision 25, paragraph (e), other than those that~~
22 ~~qualify for exemption under subdivision 26.~~ In determining
23 whether rental housing property qualifies for exemption under
24 this subdivision, the following are not gifts or donations to
25 the owner of the rental housing:

26 (1) rent assistance provided by the government to or on
27 behalf of tenants; and

28 (2) financing assistance or tax credits provided by the
29 government to the owner on condition that specific units or a
30 specific quantity of units be set aside for persons or families
31 with certain income characteristics.

32 [EFFECTIVE DATE.] This section is effective for taxes
33 payable in 2004 and thereafter.

34 Sec. 7. Minnesota Statutes 2004, section 272.02, is
35 amended by adding a subdivision to read:

36 Subd. 68. [PROPERTY SUBJECT TO TACONITE PRODUCTION TAX OR

1 NET PROCEEDS TAX.] (a) Real and personal property described in
2 section 298.25 is exempt to the extent the tax on taconite and
3 iron sulphides under section 298.24 is described in section
4 298.25 as being in lieu of other taxes on such property. This
5 exemption applies for taxes payable in each year that the tax
6 under section 298.24 is payable with respect to such property.

7 (b) Deposits of mineral, metal, or energy resources the
8 mining of which is subject to taxation under section 298.015 are
9 exempt. This exemption applies for taxes payable in each year
10 that the tax under section 298.015 is payable with respect to
11 such property.

12 [EFFECTIVE DATE.] This section is effective the day
13 following final enactment.

14 Sec. 8. Minnesota Statutes 2004, section 272.02, is
15 amended by adding a subdivision to read:

16 Subd. 69. [RELIGIOUS CORPORATIONS.] Personal and real
17 property that a religious corporation, formed under section
18 317A.909, necessarily uses for a religious purpose is exempt to
19 the extent provided in section 317A.909, subdivision 3.

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

22 Sec. 9. Minnesota Statutes 2004, section 272.02, is
23 amended by adding a subdivision to read:

24 Subd. 70. [CHILDREN'S HOMES.] Personal and real property
25 owned by a corporation formed under section 317A.907 is exempt
26 to the extent provided in section 317A.907, subdivision 7.

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

29 Sec. 10. Minnesota Statutes 2004, section 272.02, is
30 amended by adding a subdivision to read:

31 Subd. 71. [HOUSING AND REDEVELOPMENT AUTHORITY AND TRIBAL
32 HOUSING AUTHORITY PROPERTY.] Property owned by a housing and
33 redevelopment authority described in chapter 469, or by a
34 designated housing authority described in section 469.040,
35 subdivision 5, is exempt to the extent provided in chapter 469.

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

1 following final enactment.

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

4 Subd. 72. [PROPERTY OF HOUSING AND REDEVELOPMENT
5 AUTHORITIES.] Property of projects of housing and redevelopment
6 authorities are exempt to the extent permitted by sections
7 469.042, subdivision 1, and 469.043, subdivisions 2 and 5.

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

10 Sec. 12. Minnesota Statutes 2004, section 272.02, is
11 amended by adding a subdivision to read:

12 Subd. 73. [PROPERTY OF REGIONAL RAIL AUTHORITY.] Property
13 of a regional rail authority as defined in chapter 398A is
14 exempt to the extent permitted by section 398A.05.

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

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

19 Subd. 74. [SPIRIT MOUNTAIN RECREATION AREA
20 AUTHORITY.] Property owned by the Spirit Mountain Recreation
21 Area Authority is exempt from taxation to the extent provided in
22 Laws 1973, chapter 327, section 6.

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

25 Subd. 75. [INSTALLED CAPACITY DEFINED.] For purposes of
26 this section, the term "installed capacity" means generator
27 nameplate capacity.

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

30 Sec. 15. Minnesota Statutes 2004, section 272.029,
31 subdivision 4, is amended to read:

32 Subd. 4. [REPORTS.] (a) An owner of a wind energy
33 conversion system subject to tax under subdivision 3 shall file
34 a report with the commissioner of revenue annually on or before
35 March ~~February~~ 1 detailing the amount of electricity in
36 kilowatt-hours that was produced by the wind energy conversion

1 system for the previous calendar year. The commissioner shall
2 prescribe the form of the report. The report must contain the
3 information required by the commissioner to determine the tax
4 due to each county under this section for the current year. If
5 an owner of a wind energy conversion system subject to taxation
6 under this section fails to file the report by the due date, the
7 commissioner of revenue shall determine the tax based upon the
8 nameplate capacity of the system multiplied by a capacity factor
9 of 40 percent.

10 (b) On or before ~~March-31~~ February 28, the commissioner of
11 revenue shall notify the owner of the wind energy conversion
12 systems of the tax due to each county for the current year and
13 shall certify to the county auditor of each county in which the
14 systems are located the tax due from each owner for the current
15 year.

16 [EFFECTIVE DATE.] This section is effective for reports and
17 certifications due in 2006 and thereafter.

18 Sec. 16. Minnesota Statutes 2004, section 272.029,
19 subdivision 6, is amended to read:

20 Subd. 6. [DISTRIBUTION OF REVENUES.] Revenues from the
21 taxes imposed under subdivision 5 must be part of the settlement
22 between the county treasurer and the county auditor under
23 section 276.09. The revenue must be distributed by the county
24 auditor or the county treasurer to ~~all~~ local taxing
25 jurisdictions in which the wind energy conversion system is
26 located, as follows: beginning with distributions in 2006, 80
27 percent to counties; 14 percent to cities and townships; and six
28 percent to school districts; and for distributions occurring in
29 2004 and 2005 in the same proportion that each of the local
30 taxing jurisdiction's current year's net tax capacity based tax
31 rate is to the current year's total local net tax capacity based
32 rate.

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

35 Sec. 17. Minnesota Statutes 2004, section 273.11,
36 subdivision 8, is amended to read:

1 Subd. 8. [LIMITED EQUITY COOPERATIVE APARTMENTS.] For the
2 purposes of this subdivision, the terms defined in this
3 subdivision have the meanings given them.

4 A "limited equity cooperative" is a corporation organized
5 under chapter 308A or 308B, which has as its primary purpose the
6 provision of housing and related services to its members which
7 meets one of the following criteria with respect to the income
8 of its members: (1) a minimum of 75 percent of members must
9 have incomes at or less than 90 percent of area median income,
10 (2) a minimum of 40 percent of members must have incomes at or
11 less than 60 percent of area median income, or (3) a minimum of
12 20 percent of members must have incomes at or less than 50
13 percent of area median income. For purposes of this clause,
14 "member income" shall mean the income of a member existing at
15 the time the member acquires cooperative membership, and median
16 income shall mean the St. Paul-Minneapolis metropolitan area
17 median income as determined by the United States Department of
18 Housing and Urban Development. It must also meet the following
19 requirements:

20 (a) The articles of incorporation set the sale price of
21 occupancy entitling cooperative shares or memberships at no more
22 than a transfer value determined as provided in the articles.
23 That value may not exceed the sum of the following:

24 (1) the consideration paid for the membership or shares by
25 the first occupant of the unit, as shown in the records of the
26 corporation;

27 (2) the fair market value, as shown in the records of the
28 corporation, of any improvements to the real property that were
29 installed at the sole expense of the member with the prior
30 approval of the board of directors;

31 (3) accumulated interest, or an inflation allowance not to
32 exceed the greater of a ten percent annual noncompounded
33 increase on the consideration paid for the membership or share
34 by the first occupant of the unit, or the amount that would have
35 been paid on that consideration if interest had been paid on it
36 at the rate of the percentage increase in the revised Consumer

1 Price Index for All Urban Consumers for the Minneapolis-St. Paul
2 metropolitan area prepared by the United States Department of
3 Labor, provided that the amount determined pursuant to this
4 clause may not exceed \$500 for each year or fraction of a year
5 the membership or share was owned; plus

6 (4) real property capital contributions shown in the
7 records of the corporation to have been paid by the transferor
8 member and previous holders of the same membership, or of
9 separate memberships that had entitled occupancy to the unit of
10 the member involved. These contributions include contributions
11 to a corporate reserve account the use of which is restricted to
12 real property improvements or acquisitions, contributions to the
13 corporation which are used for real property improvements or
14 acquisitions, and the amount of principal amortized by the
15 corporation on its indebtedness due to the financing of real
16 property acquisition or improvement or the averaging of
17 principal paid by the corporation over the term of its real
18 property-related indebtedness.

19 (b) The articles of incorporation require that the board of
20 directors limit the purchase price of stock or membership
21 interests for new member-occupants or resident shareholders to
22 an amount which does not exceed the transfer value for the
23 membership or stock as defined in clause (a).

24 (c) The articles of incorporation require that the total
25 distribution out of capital to a member shall not exceed that
26 transfer value.

27 (d) The articles of incorporation require that upon
28 liquidation of the corporation any assets remaining after
29 retirement of corporate debts and distribution to members will
30 be conveyed to a charitable organization described in section
31 501(c)(3) of the Internal Revenue Code of 1986, as amended
32 through December 31, 1992, or a public agency.

33 A "limited equity cooperative apartment" is a dwelling unit
34 owned by a limited equity cooperative.

35 "Occupancy entitling cooperative share or membership" is
36 the ownership interest in a cooperative organization which

1 entitles the holder to an exclusive right to occupy a dwelling
2 unit owned or leased by the cooperative.

3 For purposes of taxation, the assessor shall value a unit
4 owned by a limited equity cooperative at the lesser of its
5 market value or the value determined by capitalizing the net
6 operating income of a comparable apartment operated on a rental
7 basis at the capitalization rate used in valuing comparable
8 buildings that are not limited equity cooperatives. If a
9 cooperative fails to operate in accordance with the provisions
10 of clauses (a) to (d), the property shall be subject to
11 additional property taxes in the amount of the difference
12 between the taxes determined in accordance with this subdivision
13 for the last ten years that the property had been assessed
14 pursuant to this subdivision and the amount that would have been
15 paid if the provisions of this subdivision had not applied to
16 it. The additional taxes, plus interest at the rate specified
17 in section 549.09, shall be extended against the property on the
18 tax list for the current year.

19 [EFFECTIVE DATE.] This section is effective for taxes
20 payable in 2004 and thereafter.

21 Sec. 18. Minnesota Statutes 2004, section 273.124,
22 subdivision 3, is amended to read:

23 Subd. 3. [COOPERATIVES AND CHARITABLE CORPORATIONS;
24 HOMESTEAD AND OTHER PROPERTY.] (a) When property is owned by a
25 corporation or association organized under chapter 308A or 308B,
26 and each person who owns a share or shares in the corporation or
27 association is entitled to occupy a building on the property, or
28 a unit within a building on the property, the corporation or
29 association may claim homestead treatment for each dwelling, or
30 for each unit in the case of a building containing several
31 dwelling units, or for the part of the value of the building
32 occupied by a shareholder. Each building or unit must be
33 designated by legal description or number. The net tax capacity
34 of each building or unit that qualifies for assessment as a
35 homestead under this subdivision must include not more than
36 one-half acre of land, if platted, nor more than 80 acres if

1 unplatted. The net tax capacity of the property is the sum of
2 the net tax capacities of each of the respective buildings or
3 units comprising the property, including the net tax capacity of
4 each unit's or building's proportionate share of the land and
5 any common buildings. To qualify for the treatment provided by
6 this subdivision, the corporation or association must be wholly
7 owned by persons having a right to occupy a building or unit
8 owned by the corporation or association. A charitable
9 corporation organized under the laws of Minnesota and not
10 otherwise exempt thereunder with no outstanding stock qualifies
11 for homestead treatment with respect to member residents of the
12 dwelling units who have purchased and hold residential
13 participation warrants entitling them to occupy the units.

14 (b) To the extent provided in paragraph (a), a cooperative
15 or corporation organized under chapter 308A may obtain separate
16 assessment and valuation, and separate property tax statements
17 for each residential homestead, residential nonhomestead, or for
18 each seasonal residential recreational building or unit not used
19 for commercial purposes. The appropriate class rates under
20 section 273.13 shall be applicable as if each building or unit
21 were a separate tax parcel; provided, however, that the tax
22 parcel which exists at the time the cooperative or corporation
23 makes application under this subdivision shall be a single
24 parcel for purposes of property taxes or the enforcement and
25 collection thereof, other than as provided in paragraph (a) or
26 this paragraph.

27 (c) A member of a corporation or association may initially
28 obtain the separate assessment and valuation and separate
29 property tax statements, as provided in paragraph (b), by
30 applying to the assessor by June 30 of the assessment year.

31 (d) When a building, or dwelling units within a building,
32 no longer qualify under paragraph (a) or (b), the current owner
33 must notify the assessor within 30 days. Failure to notify the
34 assessor within 30 days shall result in the loss of benefits
35 under paragraph (a) or (b) for taxes payable in the year that
36 the failure is discovered. For these purposes, "benefits under

1 paragraph (a) or (b)" means the difference in the net tax
2 capacity of the building or units which no longer qualify as
3 computed under paragraph (a) or (b) and as computed under the
4 otherwise applicable law, times the local tax rate applicable to
5 the building for that taxes payable year. Upon discovery of a
6 failure to notify, the assessor shall inform the auditor of the
7 difference in net tax capacity for the building or buildings in
8 which units no longer qualify, and the auditor shall calculate
9 the benefits under paragraph (a) or (b). Such amount, plus a
10 penalty equal to 100 percent of that amount, shall then be
11 demanded of the building's owner. The property owner may appeal
12 the county's determination by serving copies of a petition for
13 review with county officials as provided in section 278.01 and
14 filing a proof of service as provided in section 278.01 with the
15 Minnesota Tax Court within 60 days of the date of the notice
16 from the county. The appeal shall be governed by the Tax Court
17 procedures provided in chapter 271, for cases relating to the
18 tax laws as defined in section 271.01, subdivision 5;
19 disregarding sections 273.125, subdivision 5, and 278.03, but
20 including section 278.05, subdivision 2. If the amount of the
21 benefits under paragraph (a) or (b) and penalty are not paid
22 within 60 days, and if no appeal has been filed, the county
23 auditor shall certify the amount of the benefit and penalty to
24 the succeeding year's tax list to be collected as part of the
25 property taxes on the affected property.

26 [EFFECTIVE DATE.] This section is effective for taxes
27 payable in 2004 and thereafter.

28 Sec. 19. Minnesota Statutes 2004, section 273.124,
29 subdivision 6, is amended to read:

30 Subd. 6. [LEASEHOLD COOPERATIVES.] When one or more
31 dwellings or one or more buildings which each contain several
32 dwelling units is owned by a nonprofit corporation subject to
33 the provisions of chapter 317A and qualifying under section
34 501(c)(3) or 501(c)(4) of the Internal Revenue Code of 1986, as
35 amended through December 31, 1990, or a limited partnership
36 which corporation or partnership operates the property in

1 conjunction with a cooperative association, and has received
2 public financing, homestead treatment may be claimed by the
3 cooperative association on behalf of the members of the
4 cooperative for each dwelling unit occupied by a member of the
5 cooperative. The cooperative association must provide the
6 assessor with the Social Security numbers of those members. To
7 qualify for the treatment provided by this subdivision, the
8 following conditions must be met:

9 (a) the cooperative association must be organized under
10 chapter 308A or 308B and all voting members of the board of
11 directors must be resident tenants of the cooperative and must
12 be elected by the resident tenants of the cooperative;

13 (b) the cooperative association must have a lease for
14 occupancy of the property for a term of at least 20 years, which
15 permits the cooperative association, while not in default on the
16 lease, to participate materially in the management of the
17 property, including material participation in establishing
18 budgets, setting rent levels, and hiring and supervising a
19 management agent;

20 (c) to the extent permitted under state or federal law, the
21 cooperative association must have a right under a written
22 agreement with the owner to purchase the property if the owner
23 proposes to sell it; if the cooperative association does not
24 purchase the property it is offered for sale, the owner may not
25 subsequently sell the property to another purchaser at a price
26 lower than the price at which it was offered for sale to the
27 cooperative association unless the cooperative association
28 approves the sale;

29 (d) a minimum of 40 percent of the cooperative
30 association's members must have incomes at or less than 60
31 percent of area median gross income as determined by the United
32 States Secretary of Housing and Urban Development under section
33 142(d)(2)(B) of the Internal Revenue Code of 1986, as amended
34 through December 31, 1991. For purposes of this clause, "member
35 income" means the income of a member existing at the time the
36 member acquires cooperative membership;

1 (e) if a limited partnership owns the property, it must
2 include as the managing general partner a nonprofit organization
3 operating under the provisions of chapter 317A and qualifying
4 under section 501(c)(3) or 501(c)(4) of the Internal Revenue
5 Code of 1986, as amended through December 31, 1990, and the
6 limited partnership agreement must provide that the managing
7 general partner have sufficient powers so that it materially
8 participates in the management and control of the limited
9 partnership;

10 (f) prior to becoming a member of a leasehold cooperative
11 described in this subdivision, a person must have received
12 notice that (1) describes leasehold cooperative property in
13 plain language, including but not limited to the effects of
14 classification under this subdivision on rents, property taxes
15 and tax credits or refunds, and operating expenses, and (2)
16 states that copies of the articles of incorporation and bylaws
17 of the cooperative association, the lease between the owner and
18 the cooperative association, a sample sublease between the
19 cooperative association and a tenant, and, if the owner is a
20 partnership, a copy of the limited partnership agreement, can be
21 obtained upon written request at no charge from the owner, and
22 the owner must send or deliver the materials within seven days
23 after receiving any request;

24 (g) if a dwelling unit of a building was occupied on the
25 60th day prior to the date on which the unit became leasehold
26 cooperative property described in this subdivision, the notice
27 described in paragraph (f) must have been sent by first class
28 mail to the occupant of the unit at least 60 days prior to the
29 date on which the unit became leasehold cooperative property.
30 For purposes of the notice under this paragraph, the copies of
31 the documents referred to in paragraph (f) may be in proposed
32 version, provided that any subsequent material alteration of
33 those documents made after the occupant has requested a copy
34 shall be disclosed to any occupant who has requested a copy of
35 the document. Copies of the articles of incorporation and
36 certificate of limited partnership shall be filed with the

1 secretary of state after the expiration of the 60-day period
2 unless the change to leasehold cooperative status does not
3 proceed;

4 (h) the county attorney of the county in which the property
5 is located must certify to the assessor that the property meets
6 the requirements of this subdivision;

7 (i) the public financing received must be from at least one
8 of the following sources:

9 (1) tax increment financing proceeds used for the
10 acquisition or rehabilitation of the building or interest rate
11 write-downs relating to the acquisition of the building;

12 (2) government issued bonds exempt from taxes under section
13 103 of the Internal Revenue Code of 1986, as amended through
14 December 31, 1991, the proceeds of which are used for the
15 acquisition or rehabilitation of the building;

16 (3) programs under section 221(d)(3), 202, or 236, of Title
17 II of the National Housing Act;

18 (4) rental housing program funds under Section 8 of the
19 United States Housing Act of 1937 or the market rate family
20 graduated payment mortgage program funds administered by the
21 Minnesota Housing Finance Agency that are used for the
22 acquisition or rehabilitation of the building;

23 (5) low-income housing credit under section 42 of the
24 Internal Revenue Code of 1986, as amended through December 31,
25 1991;

26 (6) public financing provided by a local government used
27 for the acquisition or rehabilitation of the building, including
28 grants or loans from (i) federal community development block
29 grants; (ii) HOME block grants; or (iii) residential rental
30 bonds issued under chapter 474A; or

31 (7) other rental housing program funds provided by the
32 Minnesota Housing Finance Agency for the acquisition or
33 rehabilitation of the building;

34 (j) at the time of the initial request for homestead
35 classification or of any transfer of ownership of the property,
36 the governing body of the municipality in which the property is

1 located must hold a public hearing and make the following
2 findings:

3 (1) that the granting of the homestead treatment of the
4 apartment's units will facilitate safe, clean, affordable
5 housing for the cooperative members that would otherwise not be
6 available absent the homestead designation;

7 (2) that the owner has presented information satisfactory
8 to the governing body showing that the savings garnered from the
9 homestead designation of the units will be used to reduce
10 tenant's rents or provide a level of furnishing or maintenance
11 not possible absent the designation; and

12 (3) that the requirements of paragraphs (b), (d), and (i)
13 have been met.

14 Homestead treatment must be afforded to units occupied by
15 members of the cooperative association and the units must be
16 assessed as provided in subdivision 3, provided that any unit
17 not so occupied shall be classified and assessed pursuant to the
18 appropriate class. No more than three acres of land may, for
19 assessment purposes, be included with each dwelling unit that
20 qualifies for homestead treatment under this subdivision.

21 When dwelling units no longer qualify under this
22 subdivision, the current owner must notify the assessor within
23 60 days. Failure to notify the assessor within 60 days shall
24 result in the loss of benefits under this subdivision for taxes
25 payable in the year that the failure is discovered. For these
26 purposes, "benefits under this subdivision" means the difference
27 in the net tax capacity of the units which no longer qualify as
28 computed under this subdivision and as computed under the
29 otherwise applicable law, times the local tax rate applicable to
30 the building for that taxes payable year. Upon discovery of a
31 failure to notify, the assessor shall inform the auditor of the
32 difference in net tax capacity for the building or buildings in
33 which units no longer qualify, and the auditor shall calculate
34 the benefits under this subdivision. Such amount, plus a
35 penalty equal to 100 percent of that amount, shall then be
36 demanded of the building's owner. The property owner may appeal

1 the county's determination by serving copies of a petition for
2 review with county officials as provided in section 278.01 and
3 filing a proof of service as provided in section 278.01 with the
4 Minnesota Tax Court within 60 days of the date of the notice
5 from the county. The appeal shall be governed by the Tax Court
6 procedures provided in chapter 271, for cases relating to the
7 tax laws as defined in section 271.01, subdivision 5;
8 disregarding sections 273.125, subdivision 5, and 278.03, but
9 including section 278.05, subdivision 2. If the amount of the
10 benefits under this subdivision and penalty are not paid within
11 60 days, and if no appeal has been filed, the county auditor
12 shall certify the amount of the benefit and penalty to the
13 succeeding year's tax list to be collected as part of the
14 property taxes on the affected buildings.

15 [EFFECTIVE DATE.] This section is effective for taxes
16 payable in 2004 and thereafter.

17 Sec. 20. Minnesota Statutes 2004, section 273.124,
18 subdivision 8, is amended to read:

19 Subd. 8. [HOMESTEAD OWNED BY OR LEASED TO FAMILY FARM
20 CORPORATION, JOINT FARM VENTURE, LIMITED LIABILITY COMPANY, OR
21 PARTNERSHIP.] (a) Each family farm corporation~~;~~each; each joint
22 family farm venture~~;~~; and each limited liability company~~;~~-and
23 each or partnership operating which operates a family farm; is
24 entitled to class 1b under section 273.13, subdivision 22,
25 paragraph (b), or class 2a assessment for one homestead occupied
26 by a shareholder, member, or partner thereof who is residing on
27 the land, and actively engaged in farming of the land owned by
28 the family farm corporation, joint family farm venture, limited
29 liability company, or partnership ~~operating-a-family-farm.~~

30 Homestead treatment applies even if legal title to the property
31 is in the name of the family farm corporation, joint family farm
32 venture, limited liability company, or partnership ~~operating-the~~
33 ~~family-farm~~, and not in the name of the person residing on it.

34 "Family farm corporation," "family farm," and "partnership
35 operating a family farm" have the meanings given in section
36 500.24, except that the number of allowable shareholders,

1 members, or partners under this subdivision shall not exceed
2 12. "Limited liability company" has the meaning contained in
3 sections 322B.03, subdivision 28, and 500.24, subdivision 2,
4 paragraphs (l) and (m). "Joint family farm venture" means a
5 cooperative agreement among two or more farm enterprises
6 authorized to operate a family farm under section 500.24.

7 (b) In addition to property specified in paragraph (a), any
8 other residences owned by family farm corporations, joint family
9 farm ventures, limited liability companies, or partnerships
10 ~~operating-a-family-farm~~ described in paragraph (a) which are
11 located on agricultural land and occupied as homesteads by its
12 shareholders, members, or partners who are actively engaged in
13 farming on behalf of that corporation, joint farm venture,
14 limited liability company, or partnership must also be assessed
15 as class 2a property or as class 1b property under section
16 273.13.

17 (c) Agricultural property that is owned by a member,
18 partner, or shareholder of a family farm corporation or joint
19 family farm venture, limited liability company operating a
20 family farm, or by a partnership operating a family farm and
21 leased to the family farm corporation, limited liability
22 company, ~~or partnership operating-a-family-farm~~, or joint farm
23 venture, as defined in paragraph (a), is eligible for
24 classification as class 1b or class 2a under section 273.13, if
25 the owner is actually residing on the property, and is actually
26 engaged in farming the land on behalf of that corporation, joint
27 farm venture, limited liability company, or partnership. This
28 paragraph applies without regard to any legal possession rights
29 of the family farm corporation, joint family farm venture,
30 limited liability company, or partnership ~~operating-a-family~~
31 ~~farm~~ under the lease.

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

34 Sec. 21. Minnesota Statutes 2004, section 273.124,
35 subdivision 21, is amended to read:

36 Subd. 21. [TRUST PROPERTY; HOMESTEAD.] Real property held

1 by a trustee under a trust is eligible for classification as
2 homestead property if:

3 (1) the grantor or surviving spouse of the grantor of the
4 trust occupies and uses the property as a homestead;

5 (2) a relative or surviving relative of the grantor who
6 meets the requirements of subdivision 1, paragraph (c), in the
7 case of residential real estate; or subdivision 1, paragraph
8 (d), in the case of agricultural property, occupies and uses the
9 property as a homestead;

10 (3) a family farm corporation, joint farm venture, limited
11 liability company, or partnership operating a family farm rents
12 the property held by a trustee under a trust, and the grantor,
13 the spouse of the grantor, or the son or daughter of the
14 grantor, who is also a shareholder, member, or partner of the
15 corporation, joint farm venture, limited liability company, or
16 partnership occupies and uses the property as a homestead, and
17 or is actively farming the property on behalf of the
18 corporation, joint farm venture, limited liability company, or
19 partnership; or

20 (4) a person who has received homestead classification for
21 property taxes payable in 2000 on the basis of an unqualified
22 legal right under the terms of the trust agreement to occupy the
23 property as that person's homestead and who continues to use the
24 property as a homestead or a person who received the homestead
25 classification for taxes payable in 2005 under clause (3) who
26 does not qualify under clause (3) for taxes payable in 2006 or
27 thereafter but who continues to qualify under clause (3) as it
28 existed for taxes payable in 2005.

29 For purposes of this subdivision, "grantor" is defined as
30 the person creating or establishing a testamentary, inter Vivos,
31 revocable or irrevocable trust by written instrument or through
32 the exercise of a power of appointment.

33 [EFFECTIVE DATE.] This section is effective for taxes
34 payable in 2006 and thereafter.

35 Sec. 22. Minnesota Statutes 2004, section 273.1315, is
36 amended to read:

1 273.1315 [CERTIFICATION OF 1B PROPERTY.]

2 Any property owner seeking classification and assessment of
3 the owner's homestead as class 1b property pursuant to section
4 273.13, subdivision 22, paragraph (b), shall file with the
5 commissioner of revenue a 1b homestead declaration, on a form
6 prescribed by the commissioner. The declaration shall contain
7 the following information:

8 (a) the information necessary to verify that on or before
9 June 30 of the filing year, the property owner or the owner's
10 spouse satisfies the requirements of section 273.13, subdivision
11 22, paragraph (b), for 1b classification; and

12 (b) any additional information prescribed by the
13 commissioner.

14 The declaration must be filed on or before October 1 to be
15 effective for property taxes payable during the succeeding
16 calendar year. The declaration and any supplementary
17 information received from the property owner pursuant to this
18 section shall be subject to chapter 270B. If approved by the
19 commissioner, the declaration remains in effect until the
20 property no longer qualifies under section 273.13, subdivision
21 22, paragraph (b). Failure to notify the commissioner within 30
22 days that the property no longer qualifies under that paragraph
23 because of a sale, change in occupancy, or change in the status
24 or condition of an occupant shall result in the penalty provided
25 in section 273.124, subdivision 13, computed on the basis of the
26 class 1b benefits for the property, and the property shall lose
27 its current class 1b classification.

28 The commissioner shall provide to the assessor on or before
29 November 1 a listing of the parcels of property qualifying for
30 1b classification.

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

33 Sec. 23. Minnesota Statutes 2004, section 273.19,
34 subdivision 1a, is amended to read:

35 Subd. 1a. For purposes of this section, a lease includes
36 any agreement, except a cooperative farming agreement pursuant

1 to section 97A.135, subdivision 3, or a lease executed pursuant
2 to section 272.68, subdivision 4, permitting a nonexempt person
3 or entity to use the property, regardless of whether the
4 agreement is characterized as a lease. A lease has a "term of
5 at least one year" if the term is for a period of less than one
6 year and the lease permits the parties to renew the lease
7 without requiring that similar terms for leasing the property
8 will be offered to other applicants or bidders through a
9 competitive bidding or other form of offer to potential lessees
10 or users.

11 [EFFECTIVE DATE.] This section is effective the day
12 following final enactment.

13 Sec. 24. Minnesota Statutes 2004, section 273.372, is
14 amended to read:

15 273.372 [PROCEEDINGS AND APPEALS; UTILITY OR RAILROAD
16 VALUATIONS.]

17 Subdivision 1. [SCOPE.] (a) As provided in this section,
18 an appeal by a utility or railroad company concerning the
19 ~~exemption, valuation, or classification of~~ property for which
20 the commissioner of revenue has provided the city or county
21 assessor with valuations by order, or for which the commissioner
22 has recommended values to the city or county assessor, must be
23 brought against the commissioner ~~in Tax Court or in district~~
24 ~~court of the county where the property is located~~, and not
25 against the county or taxing district where the property is
26 located.

27 (b) This section governs administrative appeals and appeals
28 to court of a claim that utility or railroad operating property
29 has been partially, unfairly, or unequally assessed, or assessed
30 at a valuation greater than its real or actual value,
31 misclassified, or that the property is exempt. This section
32 applies only to property described in sections 270.81,
33 subdivision 1, 273.33, 273.35, 273.36, and 273.37, and only with
34 regard to taxable net tax capacities that have been provided to
35 the city or county by the commissioner and which have not been
36 changed by city or county. If the taxable net tax capacity

1 being appealed is not the taxable net tax capacity established
2 by the commissioner, or if the appeal claims that the tax rate
3 applied against the parcel is incorrect, or that the tax has
4 been paid, this section does not apply.

5 Subd. 2. [CONTENTS AND FILING OF PETITION.] (a) In all
6 appeals to court that are required to be brought against the
7 commissioner under this section, the petition initiating the
8 appeal must be served on the commissioner and must be filed with
9 the Tax Court in Ramsey County, as provided in paragraph (b) or
10 (c).

11 (b) If the appeal to court is from an order of the
12 commissioner, it must be brought under chapter 271, except that
13 when the provisions of this section conflict with chapter 271,
14 this section prevails. In addition, the petition must include
15 all the parcels encompassed by that order which the petitioner
16 claims have been partially, unfairly, or unequally assessed,
17 assessed at a valuation greater than their real or actual value,
18 misclassified, or are exempt. For this purpose, an order of the
19 commissioner is either (1) a certification or notice of value by
20 the commissioner for property described in subdivision 1, or (2)
21 the final determination by the commissioner of either an
22 administrative appeal conference or informal administrative
23 appeal described in subdivision 4.

24 (c) If the appeal is from the exemption, valuation,
25 classification, or tax that results from implementation of the
26 commissioner's order, certification, or recommendation, it must
27 be brought under chapter 278, and the provisions in that chapter
28 apply, except that service shall be on the commissioner only and
29 not on the county local officials specified in section 278.01,
30 subdivision 1, and if any other provision of this section
31 conflicts with chapter 278, this section prevails. In addition,
32 the petition must include either all the utility parcels or all
33 the railroad parcels in the state in which the petitioner claims
34 an interest and which the petitioner claims have been partially,
35 unfairly, or unequally assessed, assessed at a valuation greater
36 than their real or actual value, misclassified, or are

1 ~~exempt. This provision applies to the property described in~~
2 ~~sections 273.33, 273.35, 273.36, and 273.37, but only if the~~
3 ~~appealed values have remained unchanged from those provided to~~
4 ~~the city or county by the commissioner. If the exemption,~~
5 ~~valuation, or classification being appealed has been changed by~~
6 ~~the city or county, then the action must be brought under~~
7 ~~chapter 278 in the county where the property is located and~~
8 ~~proper service must be made upon the county officials as~~
9 ~~specified in section 278.01, subdivision 1.~~

10 Subd. 3. [NOTICE.] Upon filing of any appeal in court by a
11 utility company or railroad against the commissioner pursuant to
12 this section, the commissioner shall give notice by first class
13 mail to the county auditor of each county which would be
14 affected by the appeal where property included in the petition
15 is located.

16 Subd. 4. [ADMINISTRATIVE APPEALS.] (a) Companies that
17 submit the reports under section 270.82 or 273.371 by the date
18 specified in that section, or by the date specified by the
19 commissioner in an extension, may appeal administratively to the
20 commissioner under the procedures in section 270.11, subdivision
21 6, prior to bringing an action in Tax Court or in district court
22 and, however, instituting an administrative appeal by submitting a
23 written request with the commissioner does not change or
24 modify for a conference within ten days after the date of the
25 commissioner's valuation certification or notice to the company,
26 or by May 15, whichever is earlier. The commissioner shall
27 conduct the conference upon the commissioner's entire files and
28 records and such further information as may be offered. The
29 conference must be held no later than 20 days after the date of
30 the commissioner's valuation certification or notice to the
31 company, or by the date specified by the commissioner in an
32 extension. Within 60 days after the conference the commissioner
33 shall make a final determination of the matter and shall notify
34 the company promptly of the determination. The conference is
35 not a contested case hearing.

36 (b) In addition to the opportunity for a conference under

1 paragraph (a), the commissioner shall make a more informal
2 procedure available to railroad and utility companies to
3 question values established by the commissioner through
4 certification or notice. The availability of the informal
5 procedure does not change or modify the deadline for requesting
6 a conference under paragraph (a), the deadline in section 271.06
7 for appealing an order of the commissioner in-Tax-Court, or the
8 deadline in section 278.01 for filing-a-property-tax-claim-or
9 objection-in-Tax-Court-or-district appealing property taxes in
10 court.

11 [EFFECTIVE DATE.] This section is effective September 1,
12 2005, and thereafter.

13 Sec. 25. Minnesota Statutes 2004, section 274.014,
14 subdivision 2, is amended to read:

15 Subd. 2. [APPEALS AND EQUALIZATION COURSE.] ~~By no later~~
16 ~~than January 1,~~ Beginning in 2006, and each year thereafter,
17 there must be at least one member at each meeting of a local
18 board of appeal and equalization who has attended an appeals and
19 equalization course developed or approved by the commissioner
20 within the last four years, as certified by the commissioner.
21 The course may be offered in conjunction with a meeting of the
22 Minnesota League of Cities or the Minnesota Association of
23 Townships. The course content must include, but need not be
24 limited to, a review of the handbook developed by the
25 commissioner under subdivision 1.

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

28 Sec. 26. Minnesota Statutes 2004, section 274.014,
29 subdivision 3, is amended to read:

30 Subd. 3. [PROOF OF COMPLIANCE; TRANSFER OF DUTIES.] (a)
31 Any city or town that ~~does not~~ conducts local boards of appeal
32 and equalization meetings must provide proof to the county
33 assessor by December 1, 2006, and each year thereafter, that it
34 is in compliance with the requirements of subdivision 2, ~~and~~
35 ~~that it had.~~ Beginning in 2006, this notice must also verify
36 that there was a quorum of voting members at each meeting of the

1 board of appeal and equalization in the prior current year. A
2 city or town that does not comply with these requirements is
3 deemed to have transferred its board of appeal and equalization
4 powers to the county under-section-274-017-subdivision-3
5 for beginning with the following year's assessment and
6 continuing unless the powers are reinstated under paragraph (c).

7 (b) The county shall notify the taxpayers when the board of
8 appeal and equalization for a city or town has been transferred
9 to the county under this subdivision and, prior to the meeting
10 time of the county board of equalization, the county shall make
11 available to those taxpayers a procedure for a review of the
12 assessments, including, but not limited to, open book meetings.
13 This alternate review process shall take place in April and May.

14 (c) A local board whose powers are transferred to the
15 county under this subdivision may be reinstated by resolution of
16 the governing body of the city or town and upon proof of
17 compliance with the requirements of subdivision 2. The
18 resolution and proofs must be provided to the county assessor by
19 December 1 in order to be effective for the following year's
20 assessment.

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

23 Sec. 27. Minnesota Statutes 2004, section 274.14, is
24 amended to read:

25 274.14 [LENGTH OF SESSION; RECORD.]

26 ~~The county board of equalization or the special board of~~
27 ~~equalization appointed by it shall meet during the last ten~~
28 ~~meeting days in June. For this purpose, "meeting days" are~~
29 ~~defined as any day of the week excluding Saturday and Sunday.~~

30 The board may meet on any ten consecutive meeting days in June,
31 after the second Friday in June, if. The actual meeting dates
32 are must be contained on the valuation notices mailed to each
33 property owner in the county under as provided in section
34 273.121. For this purpose, "meeting days" is defined as any day
35 of the week excluding Saturday and Sunday. No action taken by
36 the county board of review after June 30 is valid, except for

1 corrections permitted in sections 273.01 and 274.01. The county
2 auditor shall keep an accurate record of the proceedings and
3 orders of the board. The record must be published like other
4 proceedings of county commissioners. A copy of the published
5 record must be sent to the commissioner of revenue, with the
6 abstract of assessment required by section 274.16.

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

9 Sec. 28. Minnesota Statutes 2004, section 275.07,
10 subdivision 1, is amended to read:

11 Subdivision 1. [CERTIFICATION OF LEVY.] (a) Except as
12 provided under paragraph (b), the taxes voted by cities,
13 counties, school districts, and special districts shall be
14 certified by the proper authorities to the county auditor on or
15 before five working days after December 20 in each year. A town
16 must certify the levy adopted by the town board to the county
17 auditor by September 15 each year. If the town board modifies
18 the levy at a special town meeting after September 15, the town
19 board must recertify its levy to the county auditor on or before
20 five working days after December 20. ~~The taxes certified shall~~
21 ~~be reduced by the county auditor by the aid received under~~
22 ~~section 273.1398, subdivision 3.~~ If a city, town, county,
23 school district, or special district fails to certify its levy
24 by that date, its levy shall be the amount levied by it for the
25 preceding year.

26 (b)(i) The taxes voted by counties under sections 103B.241,
27 103B.245, and 103B.251 shall be separately certified by the
28 county to the county auditor on or before five working days
29 after December 20 in each year. The taxes certified shall not
30 be reduced by the county auditor by the aid received under
31 section 273.1398, subdivision 3. If a county fails to certify
32 its levy by that date, its levy shall be the amount levied by it
33 for the preceding year.

34 (ii) For purposes of the proposed property tax notice under
35 section 275.065 and the property tax statement under section
36 276.04, for the first year in which the county implements the

1 provisions of this paragraph, the county auditor shall reduce
2 the county's levy for the preceding year to reflect any amount
3 levied for water management purposes under clause (i) included
4 in the county's levy.

5 [EFFECTIVE DATE.] This section is effective the day
6 following final enactment.

7 Sec. 29. Minnesota Statutes 2004, section 275.07,
8 subdivision 4, is amended to read:

9 Subd. 4. [REPORT TO COMMISSIONER.] (a) On or before
10 October 8 of each year, the county auditor shall report to the
11 commissioner of revenue the proposed levy certified by local
12 units of government under section 275.065, subdivision 1. If
13 any taxing authorities have notified the county auditor that
14 they are in the process of negotiating an agreement for sharing,
15 merging, or consolidating services but that when the proposed
16 levy was certified under section 275.065, subdivision 1c, the
17 agreement was not yet finalized, the county auditor shall supply
18 that information to the commissioner when filing the report
19 under this section and shall recertify the affected levies as
20 soon as practical after October 10.

21 (b) On or before January 15 of each year, the county
22 auditor shall report to the commissioner of revenue the final
23 levy certified by local units of government under subdivision 1.

24 (c) The levies must be reported in the manner prescribed by
25 the commissioner. ~~The reports must show a total levy and the~~
26 ~~amount of each special levy.~~

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

29 Sec. 30. Minnesota Statutes 2004, section 276.112, is
30 amended to read:

31 276.112 [STATE PROPERTY TAXES; COUNTY TREASURER.]

32 On or before January 25 each year, for the period ending
33 December 31 of the prior year, and on or before June 29 28 each
34 year, for the period ending on the most recent settlement day
35 determined in section 276.09, and on or before December 2 each
36 year, for the period ending November 20, the county treasurer

1 must make full settlement with the county auditor according to
2 sections 276.09, 276.10, and 276.111 for all receipts of state
3 property taxes levied under section 275.025, and must transmit
4 those receipts to the commissioner of revenue by electronic
5 means.

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

8 Sec. 31. Minnesota Statutes 2004, section 282.016, is
9 amended to read:

10 282.016 [PROHIBITED PURCHASERS.]

11 No (a) A county auditor, county treasurer, county attorney,
12 court administrator of the district court, or county assessor
13 or, supervisor of assessments, or deputy or clerk or an employee
14 of such officer, and no a commissioner for tax-forfeited lands
15 or an assistant to such commissioner may, must not become a
16 purchaser, either personally or as an agent or attorney for
17 another person, of the properties offered for sale under the
18 provisions of this chapter, either personally, or as agent or
19 attorney for any other person, except that in the county for
20 which the person performs duties. A person prohibited from
21 purchasing property under this section must not directly or
22 indirectly have another person purchase it on behalf of the
23 prohibited purchaser for the prohibited purchaser's benefit or
24 gain.

25 (b) Notwithstanding paragraph (a), such officer, deputy,
26 court-administrator clerk, or employee or commissioner for
27 tax-forfeited lands or assistant to such commissioner may (1)
28 purchase lands owned by that official at the time the state
29 became the absolute owner thereof or (2) bid upon and purchase
30 forfeited property offered for sale under the alternate sale
31 procedure described in section 282.01, subdivision 7a.

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

34 Sec. 32. Minnesota Statutes 2004, section 282.08, is
35 amended to read:

36 282.08 [APPORTIONMENT OF PROCEEDS TO TAXING DISTRICTS.]

1 The net proceeds from the sale or rental of any parcel of
2 forfeited land, or from the sale of products from the forfeited
3 land, must be apportioned by the county auditor to the taxing
4 districts interested in the land, as follows:

5 ~~(1) the amounts necessary to pay the state general tax levy~~
6 ~~against the parcel for taxes payable in the year for which the~~
7 ~~tax judgment was entered, and for each subsequent payable year~~
8 ~~up to and including the year of forfeiture, must be apportioned~~
9 ~~to the state;~~

10 ~~(2)~~ the portion required to pay any amounts included in the
11 appraised value under section 282.01, subdivision 3, as
12 representing increased value due to any public improvement made
13 after forfeiture of the parcel to the state, but not exceeding
14 the amount certified by the clerk of the municipality must be
15 apportioned to the municipal subdivision entitled to it;

16 ~~(3)~~ (2) the portion required to pay any amount included in
17 the appraised value under section 282.019, subdivision 5,
18 representing increased value due to response actions taken after
19 forfeiture of the parcel to the state, but not exceeding the
20 amount of expenses certified by the Pollution Control Agency or
21 the commissioner of agriculture, must be apportioned to the
22 agency or the commissioner of agriculture and deposited in the
23 fund from which the expenses were paid;

24 ~~(4)~~ (3) the portion of the remainder required to discharge
25 any special assessment chargeable against the parcel for
26 drainage or other purpose whether due or deferred at the time of
27 forfeiture, must be apportioned to the municipal subdivision
28 entitled to it; and

29 ~~(5)~~ (4) any balance must be apportioned as follows:

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

36 (ii) The county board may annually by resolution set aside

1 no more than 20 percent of the receipts remaining to be used for
2 the acquisition and maintenance of county parks or recreational
3 areas as defined in sections 398.31 to 398.36, to be expended
4 under the supervision of the county board.

5 (iii) Any balance remaining must be apportioned as
6 follows: county, 40 percent; town or city, 20 percent; and
7 school district, 40 percent, provided, however, that in
8 unorganized territory that portion which would have accrued to
9 the township must be administered by the county board of
10 commissioners.

11 [EFFECTIVE DATE.] This section is effective the day
12 following final enactment for state general tax levy amounts
13 payable in 2004 and thereafter.

14 Sec. 33. Minnesota Statutes 2004, section 282.15, is
15 amended to read:

16 282.15 [SALES OF FORFEITED AGRICULTURAL LANDS.]

17 The sale shall be conducted by the auditor of the county in
18 which the parcels lie. The parcels shall be sold to the highest
19 bidder but not for less than the appraised value. The sales
20 shall be for cash or on the following terms: The appraised
21 value of all merchantable timber on agricultural lands shall be
22 paid for in full at the date of sale. At least 15 percent of
23 the purchase price of the land shall be paid in cash at the time
24 of purchase. The balance shall be paid in not more than 20
25 equal annual installments, with interest at a rate equal to the
26 rate in effect at the time under section 549.09 on the unpaid
27 balance each year. Both principal and interest are due and
28 payable on December 31 each year following that in which the
29 purchase was made. The purchaser may pay any number of
30 installments of principal and interest on or before their due
31 date. When the sale is on terms other than for cash in full,
32 the purchaser shall receive from the county auditor a contract
33 for deed, in a form prescribed by the attorney general. The
34 county auditor shall make a report to the commissioner of
35 natural resources not more than 30 days after each public sale
36 showing the lands sold at the sales, and submit a copy of each

1 contract of sale.

2 All lands sold pursuant to this section ~~shall, on the~~
3 ~~second day of January following the date of the sale,~~ must be
4 restored to the tax rolls and become subject to taxation in the
5 same manner as they were assessed and taxed before becoming the
6 absolute property of the state for the assessment year
7 determined under section 272.02, subdivision 38, paragraph (c).

8 [EFFECTIVE DATE.] This section is effective for sales
9 occurring on or after July 1, 2005.

10 Sec. 34. Minnesota Statutes 2004, section 282.21, is
11 amended to read:

12 282.21 [FORM OF CONVEYANCE.]

13 When any sale has been made under sections 282.14 to
14 282.22, upon payment in full of the purchase price, appropriate
15 conveyance in fee in such form as may be prescribed by the
16 attorney general shall be issued by the commissioner of finance
17 to the purchaser or the purchaser's assigns and this conveyance
18 shall have the force and effect of a patent from the state.

19 [EFFECTIVE DATE.] This section is effective the day
20 following final enactment.

21 Sec. 35. Minnesota Statutes 2004, section 282.224, is
22 amended to read:

23 282.224 [FORM OF CONVEYANCE.]

24 When any sale has been made under sections 282.221 to
25 282.226, upon payment in full of the purchase price, appropriate
26 conveyance in fee, in such form as may be prescribed by the
27 attorney general, shall be issued by the commissioner of natural
28 resources to the purchaser or the purchaser's assignee, and the
29 conveyance shall have the force and effect of a patent from the
30 state.

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

33 Sec. 36. Minnesota Statutes 2004, section 282.301, is
34 amended to read:

35 282.301 [RECEIPTS FOR PAYMENTS.]

36 When any sale has been made under sections 282.012 and

1 282.241 to 282.324, the purchaser shall receive from the county
2 auditor at the time of repurchase a receipt, in such form as may
3 be prescribed by the attorney general. When the purchase price
4 of a parcel of land shall be paid in full, the following facts
5 shall be certified by the county auditor to the commissioner of
6 revenue of the state of Minnesota: the description of land, the
7 date of sale, the name of the purchaser or the purchaser's
8 assignee, and the date when the final installment of the
9 purchase price was paid. Upon payment in full of the purchase
10 price, the purchaser or the assignee shall receive a quitclaim
11 deed from the state, to be executed by the commissioner of
12 revenue. The deed must be sent to the county auditor who shall
13 have it recorded before it is forwarded to the purchaser.
14 Failure to make any payment herein required shall constitute
15 default and upon such default and cancellation in accord with
16 section 282.40, the right, title and interest of the purchaser
17 or the purchaser's heirs, representatives, or assigns in such
18 parcel shall terminate.

19 [EFFECTIVE DATE.] This section is effective the day
20 following final enactment.

21 Sec. 37. Minnesota Statutes 2004, section 290B.05,
22 subdivision 3, is amended to read:

23 Subd. 3. [CALCULATION OF DEFERRED PROPERTY TAX AMOUNT.]
24 When final property tax amounts for the following year have been
25 determined, the county auditor shall calculate the "deferred
26 property tax amount." The deferred property tax amount is equal
27 to the lesser of (1) the maximum allowable deferral for the
28 year; or (2) the difference between (i) the total amount of
29 property taxes and special assessments levied upon the
30 qualifying homestead by all taxing jurisdictions and (ii) the
31 maximum property tax amount. ~~Any special assessments levied by~~
32 ~~any local unit of government must not be included in the total~~
33 ~~tax used to calculate the deferred tax amount.~~ For this purpose
34 "special assessments" includes any assessment, fee, or other
35 charge that may by law, and which does, appear on the property
36 tax statement for the property for collection under the laws

1 applicable to the enforcement of real estate taxes. Any tax
2 attributable to new improvements made to the property after the
3 initial application has been approved under section 290B.04,
4 subdivision 2, must be excluded when determining any subsequent
5 deferred property tax amount. The county auditor shall
6 annually, on or before April 15, certify to the commissioner of
7 revenue the property tax deferral amounts determined under this
8 subdivision by property and by owner.

9 [EFFECTIVE DATE.] This section is effective for amounts
10 deferred in 2006 and thereafter.

11 Sec. 38. Minnesota Statutes 2004, section 290C.05, is
12 amended to read:

13 290C.05 [ANNUAL CERTIFICATION.]

14 On or before July 1 of each year, beginning with the year
15 after the claimant has received an approved application, the
16 commissioner shall send each claimant enrolled under the
17 sustainable forest incentive program a certification form. The
18 claimant must sign the certification, attesting that the
19 requirements and conditions for continued enrollment in the
20 program are currently being met, and must return the signed
21 certification form to the commissioner by August 15 of that same
22 year. ~~Failure to~~ If the claimant does not return an annual
23 certification form by the due date ~~shall result in removal of~~
24 ~~the lands from the provisions of the sustainable forest~~
25 ~~incentive program, and the imposition of any applicable removal~~
26 ~~penalty,~~ the provisions in section 290C.11 apply. ~~The claimant~~
27 ~~may appeal the removal and any associated penalty according to~~
28 ~~the procedures and within the time allowed under this chapter.~~

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

31 Sec. 39. [290C.055] [LENGTH OF COVENANT.]

32 The covenant remains in effect for a minimum of eight
33 years. If land is removed from the program before it has been
34 enrolled for four years, the covenant remains in effect for
35 eight years from the date recorded.

36 If land that has been enrolled for four years or more is

1 removed from the program for any reason, there is a waiting
2 period before the covenant terminates. The covenant terminates
3 on January 1 of the fifth calendar year that begins after the
4 date that:

5 (1) the commissioner receives notification from the
6 claimant that the claimant wishes to remove the land from the
7 program under section 290C.10; or

8 (2) the date that the land is removed from the program
9 under section 290C.11.

10 Notwithstanding the other provisions of this section, the
11 covenant is terminated at the same time that the land is removed
12 from the program due to acquisition of title or possession for a
13 public purpose under section 290C.10.

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

16 Sec. 40. Minnesota Statutes 2004, section 290C.10, is
17 amended to read:

18 290C.10 [WITHDRAWAL PROCEDURES.]

19 An approved claimant under the sustainable forest incentive
20 program for a minimum of four years may notify the commissioner
21 of the intent to terminate enrollment. Within 90 days of
22 receipt of notice to terminate enrollment, the commissioner
23 shall inform the claimant in writing, acknowledging receipt of
24 this notice and indicating the effective date of termination
25 from the sustainable forest incentive program. Termination of
26 enrollment in the sustainable forest incentive program occurs on
27 January 1 of the fifth calendar year that begins after receipt
28 by the commissioner of the termination notice. After the
29 commissioner issues an effective date of termination, a claimant
30 wishing to continue the land's enrollment in the sustainable
31 forest incentive program beyond the termination date must apply
32 for enrollment as prescribed in section 290C.04. A claimant who
33 withdraws a parcel of land from this program may not reenroll
34 the parcel for a period of three years. Within 90 days after
35 the termination date, the commissioner shall execute and
36 acknowledge a document releasing the land from the covenant

1 required under this chapter. The document must be mailed to the
2 claimant and is entitled to be recorded. The commissioner may
3 allow early withdrawal from the Sustainable Forest Incentive Act
4 without penalty ~~in cases of condemnation~~ when the state of
5 Minnesota, any local government unit, or any other entity which
6 has the right of eminent domain acquires title or possession to
7 the land for a public purpose notwithstanding the provisions of
8 this section. In the case of such acquisition, the commissioner
9 shall execute and acknowledge a document releasing the land
10 acquired by the state, local government unit, or other entity
11 from the covenant. All other enrolled land must remain in the
12 program.

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

15 Sec. 41. Minnesota Statutes 2004, section 373.45,
16 subdivision 7, is amended to read:

17 Subd. 7. [AID REDUCTION FOR REPAYMENT.] (a) Except as
18 provided in paragraph (b), the commissioner may reduce, by the
19 amount paid by the state under this section on behalf of the
20 county, plus the interest due on the state payments, the
21 ~~following aids payable to the county:~~

22 ~~(1) homestead and agricultural credit aid and disparity~~
23 ~~reduction aid payable under section 273.1398;~~

24 ~~(2) county criminal justice aid payable under section~~
25 ~~477A.0121; and~~

26 ~~(3) family preservation aid payable under section 477A.0122~~
27 county program aid under section 477A.0124.

28 The amount of any aid reduction reverts from the appropriate
29 account to the state general fund.

30 (b) If, after review of the financial situation of the
31 county, the authority advises the commissioner that a total
32 reduction of the aids would cause an undue hardship on the
33 county, the authority, with the approval of the commissioner,
34 may establish a different schedule for reduction of aids to
35 repay the state. The amount of aids to be reduced are decreased
36 by any amounts repaid to the state by the county from other

1 revenue sources.

2 [EFFECTIVE DATE.] This section is effective for aid payable
3 in 2005 and thereafter.

4 Sec. 42. Minnesota Statutes 2004, section 469.1735,
5 subdivision 3, is amended to read:

6 Subd. 3. [TRANSFER AUTHORITY FOR PROPERTY TAX.] (a) A city
7 may elect to use all or part of its allocation under subdivision
8 2 to reimburse the city or county or both for property tax
9 reductions under section 272.0212. To elect this option, the
10 city must notify the commissioner of revenue by October 1 of
11 each calendar year of the amount of the property tax
12 reductions for which it seeks reimbursements for taxes payable
13 during the following current year and the governmental units to
14 which the amounts will be paid. The commissioner may require
15 the city to provide information substantiating the amount of the
16 reductions granted or any other information necessary to
17 administer this provision. The commissioner shall pay the
18 reimbursements by December 26 of the taxes payable year. Any
19 amount transferred under this authority reduces the amount of
20 tax credit certificates available under subdivisions 1 and 2.

21 (b) The amount elected by the city under paragraph (a) is
22 appropriated to the commissioner of revenue from the general
23 fund to reimburse the city or county for tax reductions under
24 section 272.0212. The amount appropriated may not exceed the
25 maximum amounts allocated to a city under subdivision 2,
26 paragraph (b), less the amount of certificates issued by the
27 city under subdivision 1, and is available until expended.

28 [EFFECTIVE DATE.] This section is effective for
29 reimbursements of taxes payable in 2005 and thereafter.

30 Sec. 43. Laws 2003, chapter 127, article 5, section 27,
31 the effective date, is amended to read:

32 [EFFECTIVE DATE.] This section is effective for taxes
33 payable-in-2004-and-thereafter distributions occurring on or
34 after June 10, 2003.

35 Sec. 44. Laws 2003, chapter 127, article 5, section 28,
36 the effective date, is amended to read:

1 subdivision 2, is amended to read:

2 Subd. 2. [MISSION; EFFICIENCY.] It is part of the
3 department's mission that within the department's resources the
4 adjutant general shall endeavor to:

5 (1) prevent the waste or unnecessary spending of public
6 money;

7 (2) use innovative fiscal and human resource practices to
8 manage the state's resources and operate the department as
9 efficiently as possible;

10 (3) coordinate the department's activities wherever
11 appropriate with the activities of other governmental agencies;

12 (4) use technology where appropriate to increase agency
13 productivity, improve customer service, increase public access
14 to information about government, and increase public
15 participation in the business of government;

16 (5) utilize constructive and cooperative labor-management
17 practices to the extent otherwise required by chapters 43A and
18 179A;

19 (6) report to the legislature on the performance of agency
20 operations and the accomplishment of agency goals in the
21 agency's biennial budget according to section 16A.10,
22 subdivision 1; and

23 (7) recommend to the legislature appropriate changes in law
24 necessary to carry out the mission and improve the performance
25 of the department; and

26 (8) administer checkoff funds as provided in section
27 290.433.

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

30 Sec. 2. Minnesota Statutes 2004, section 289A.08,
31 subdivision 1, is amended to read:

32 Subdivision 1. [GENERALLY; INDIVIDUALS.] (a) A taxpayer
33 must file a return for each taxable year the taxpayer is
34 required to file a return under section 6012 of the Internal
35 Revenue Code, except that:

36 (1) an individual who is not a Minnesota resident for any

1 part of the year is not required to file a Minnesota income tax
2 return if the individual's gross income derived from Minnesota
3 sources as determined under sections 290.081, paragraph (a), and
4 290.17, is less than the filing requirements for a single
5 individual who is a full year resident of Minnesota; and
6 (2) an individual who is a Minnesota resident is not
7 required to file a Minnesota income tax return if the
8 individual's gross income derived from Minnesota sources as
9 determined under section 290.17, less the amount of the
10 individual's gross income that consists of compensation paid to
11 members of the armed forces of the United States or United
12 Nations for active duty performed outside Minnesota, is less
13 than the filing requirements for a single individual who is a
14 full-year resident of Minnesota.

15 (b) The decedent's final income tax return, and other
16 income tax returns for prior years where the decedent had gross
17 income in excess of the minimum amount at which an individual is
18 required to file and did not file, must be filed by the
19 decedent's personal representative, if any. If there is no
20 personal representative, the return or returns must be filed by
21 the transferees, as defined in section 289A.38, subdivision 13,
22 who receive property of the decedent.

23 (c) The term "gross income," as it is used in this section,
24 has the same meaning given it in section 290.01, subdivision 20.

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

27 Sec. 3. Minnesota Statutes 2004, section 289A.08,
28 subdivision 3, is amended to read:

29 Subd. 3. [CORPORATIONS.] A corporation that is subject to
30 the state's jurisdiction to tax under section 290.014,
31 subdivision 5, must file a return, except that a foreign
32 operating corporation as defined in section 290.01, subdivision
33 6b, is not required to file a return. The commissioner shall
34 adopt rules for the filing of one return on behalf of the
35 members of an affiliated group of corporations that are required
36 to file a combined report. All members of an affiliated group

1 that are required to file a combined report must file one return
2 on behalf of the members of the group under rules adopted by the
3 commissioner. If a corporation claims on a return that it has
4 paid tax in excess of the amount of taxes lawfully due, that
5 corporation must include on that return information necessary
6 for payment of the tax in excess of the amount lawfully due by
7 electronic means.

8 [EFFECTIVE DATE.] This section is effective for returns
9 filed after December 31, 2005.

10 Sec. 4. Minnesota Statutes 2004, section 289A.08,
11 subdivision 7, is amended to read:

12 Subd. 7. [COMPOSITE INCOME TAX RETURNS FOR NONRESIDENT
13 PARTNERS, SHAREHOLDERS, AND BENEFICIARIES.] (a) The commissioner
14 may allow a partnership with nonresident partners to file a
15 composite return and to pay the tax on behalf of nonresident
16 partners who have no other Minnesota source income. This
17 composite return must include the names, addresses, Social
18 Security numbers, income allocation, and tax liability for the
19 nonresident partners electing to be covered by the composite
20 return.

21 (b) The computation of a partner's tax liability must be
22 determined by multiplying the income allocated to that partner
23 by the highest rate used to determine the tax liability for
24 individuals under section 290.06, subdivision 2c. Nonbusiness
25 deductions, standard deductions, or personal exemptions are not
26 allowed.

27 (c) The partnership must submit a request to use this
28 composite return filing method for nonresident partners. The
29 requesting partnership must file a composite return in the form
30 prescribed by the commissioner of revenue. The filing of a
31 composite return is considered a request to use the composite
32 return filing method.

33 (d) The electing partner must not have any Minnesota source
34 income other than the income from the partnership and other
35 electing partnerships. If it is determined that the electing
36 partner has other Minnesota source income, the inclusion of the

1 income and tax liability for that partner under this provision
2 will not constitute a return to satisfy the requirements of
3 subdivision 1. The tax paid for the individual as part of the
4 composite return is allowed as a payment of the tax by the
5 individual on the date on which the composite return payment was
6 made. If the electing nonresident partner has no other
7 Minnesota source income, filing of the composite return is a
8 return for purposes of subdivision 1.

9 (e) This subdivision does not negate the requirement that
10 an individual pay estimated tax if the individual's liability
11 would exceed the requirements set forth in section 289A.25. A
12 composite estimate may, however, be filed in a manner similar to
13 and containing the information required under paragraph (a).

14 (f) If an electing partner's share of the partnership's
15 gross income from Minnesota sources is less than the filing
16 requirements for a nonresident under this subdivision, the tax
17 liability is zero. However, a statement showing the partner's
18 share of gross income must be included as part of the composite
19 return.

20 (g) The election provided in this subdivision is not only
21 available to any a partner other-than who has no other Minnesota
22 source income and who is either (1) a full-year nonresident
23 individual who-has-no-other-Minnesota-source-income or (2) a
24 trust or estate that does not claim a deduction under either
25 section 651 or 661 of the Internal Revenue Code.

26 (h) A corporation defined in section 290.9725 and its
27 nonresident shareholders may make an election under this
28 paragraph. The provisions covering the partnership apply to the
29 corporation and the provisions applying to the partner apply to
30 the shareholder.

31 (i) Estates and trusts distributing current income only and
32 the nonresident individual beneficiaries of the estates or
33 trusts may make an election under this paragraph. The
34 provisions covering the partnership apply to the estate or
35 trust. The provisions applying to the partner apply to the
36 beneficiary.

1 (j) For the purposes of this subdivision, "income" means
2 the partner's share of federal adjusted gross income from the
3 partnership modified by the additions provided in section
4 290.01, subdivision 19a, clauses (6) and (7), and the
5 subtractions provided in section 290.01, subdivision 19b, clause
6 (11), to the extent the amount is assignable or allocable to
7 Minnesota under section 290.17. The subtraction allowed under
8 section 290.01, subdivision 19b, clause (11), is only allowed on
9 the composite tax computation to the extent the electing partner
10 would have been allowed the subtraction.

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

13 Sec. 5. Minnesota Statutes 2004, section 289A.08,
14 subdivision 13, is amended to read:

15 Subd. 13. [LONG AND SHORT FORMS.] The commissioner shall
16 provide a long form individual income tax return and may provide
17 a short form individual income tax return. The returns shall be
18 in a form that is consistent with the provisions of chapter 290,
19 notwithstanding any other law to the contrary. The nongame
20 wildlife checkoff provided in section 290.431 and the dependent
21 care credit provided in section 290.067 must be included on the
22 short form. The commissioner must provide information on local
23 use taxes in the individual income tax instruction booklet,
24 including a list of the jurisdictions with local use taxes. The
25 commissioner must provide this information in the same section
26 of the booklet that provides information on the state use tax.

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

29 Sec. 6. Minnesota Statutes 2004, section 289A.18,
30 subdivision 1, is amended to read:

31 Subdivision 1. [INDIVIDUAL INCOME, FIDUCIARY INCOME,
32 CORPORATE FRANCHISE, AND ENTERTAINMENT TAXES; PARTNERSHIP AND S
33 CORPORATION RETURNS; INFORMATION RETURNS; MINING COMPANY
34 RETURNS.] The returns required to be made under sections 289A.08
35 and 289A.12 must be filed at the following times:

36 (1) returns made on the basis of the calendar year must be

1 filed on April 15 following the close of the calendar year,
2 except that returns of corporations must be filed on March 15
3 following the close of the calendar year;

4 (2) returns made on the basis of the fiscal year must be
5 filed on the 15th day of the fourth month following the close of
6 the fiscal year, except that returns of corporations must be
7 filed on the 15th day of the third month following the close of
8 the fiscal year;

9 (3) returns for a fractional part of a year must be filed
10 on the 15th day of the fourth month following the end of the
11 month in which falls the last day of the period for which the
12 return is made, except that the returns of corporations must be
13 filed on the 15th day of the third month following the end of
14 the month tax year of the unitary group in which falls the last
15 day of the period for which the return is made;

16 (4) in the case of a final return of a decedent for a
17 fractional part of a year, the return must be filed on the 15th
18 day of the fourth month following the close of the 12-month
19 period that began with the first day of that fractional part of
20 a year;

21 (5) in the case of the return of a cooperative association,
22 returns must be filed on or before the 15th day of the ninth
23 month following the close of the taxable year;

24 (6) if a corporation has been divested from a unitary group
25 and files a return for a fractional part of a year in which it
26 was a member of a unitary business that files a combined report
27 under section 290.34, subdivision 2, the divested corporation's
28 return must be filed on the 15th day of the third month
29 following the close of the common accounting period that
30 includes the fractional year;

31 (7) returns of entertainment entities must be filed on
32 April 15 following the close of the calendar year;

33 (8) returns required to be filed under section 289A.08,
34 subdivision 4, must be filed on the 15th day of the fifth month
35 following the close of the taxable year;

36 (9) returns of mining companies must be filed on May 1

1 following the close of the calendar year; and

2 (10) returns required to be filed with the commissioner
3 under section 289A.12, subdivision 2, 4 to 10, or 14, must be
4 filed within 30 days after being demanded by the commissioner.

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

7 Sec. 7. Minnesota Statutes 2004, section 289A.19,
8 subdivision 4, is amended to read:

9 Subd. 4. ~~[ESTATE TAX RETURNS.] When-in-the-commissioner's~~
10 ~~judgment-good-cause-exists, the commissioner may extend the time~~
11 ~~for-filing-an-estate-tax-return-for-not-more-than-six-months.~~

12 When an extension to file the federal estate tax return has been
13 granted under section 6081 of the Internal Revenue Code, the
14 time for filing the estate tax return is extended for that
15 period. If the estate requests an extension to file an estate
16 tax return within the time provided in section 289A.18,
17 subdivision 3, the commissioner shall extend the time for filing
18 the estate tax return for six months.

19 [EFFECTIVE DATE.] This section is effective for estates of
20 decedents dying after December 31, 2004.

21 Sec. 8. Minnesota Statutes 2004, section 289A.20,
22 subdivision 2, is amended to read:

23 Subd. 2. [WITHHOLDING FROM WAGES, ENTERTAINER WITHHOLDING,
24 WITHHOLDING FROM PAYMENTS TO OUT-OF-STATE CONTRACTORS, AND
25 WITHHOLDING BY PARTNERSHIPS AND SMALL BUSINESS CORPORATIONS.]

26 (a) A tax required to be deducted and withheld during the
27 quarterly period must be paid on or before the last day of the
28 month following the close of the quarterly period, unless an
29 earlier time for payment is provided. A tax required to be
30 deducted and withheld from compensation of an entertainer and
31 from a payment to an out-of-state contractor must be paid on or
32 before the date the return for such tax must be filed under
33 section 289A.18, subdivision 2. Taxes required to be deducted
34 and withheld by partnerships and, S corporations, and trusts
35 ~~must be paid on or before the date the return must be filed~~
36 ~~under-section-289A.18, subdivision 2~~ a quarterly basis as

1 estimated taxes under section 289A.25 for partnerships and
2 trusts and under section 289A.26 for S corporations.

3 (b) An employer who, during the previous quarter, withheld
4 more than \$1,500 of tax under section 290.92, subdivision 2a or
5 3, or 290.923, subdivision 2, must deposit tax withheld under
6 those sections with the commissioner within the time allowed to
7 deposit the employer's federal withheld employment taxes under
8 Code of Federal Regulations, title 26, section 31.6302-1, as
9 amended through December 31, 2001, without regard to the safe
10 harbor or de minimis rules in subparagraph (f) or the one-day
11 rule in subsection (c), clause (3). Taxpayers must submit a
12 copy of their federal notice of deposit status to the
13 commissioner upon request by the commissioner.

14 (c) The commissioner may prescribe by rule other return
15 periods or deposit requirements. In prescribing the reporting
16 period, the commissioner may classify payors according to the
17 amount of their tax liability and may adopt an appropriate
18 reporting period for the class that the commissioner judges to
19 be consistent with efficient tax collection. In no event will
20 the duration of the reporting period be more than one year.

21 (d) If less than the correct amount of tax is paid to the
22 commissioner, proper adjustments with respect to both the tax
23 and the amount to be deducted must be made, without interest, in
24 the manner and at the times the commissioner prescribes. If the
25 underpayment cannot be adjusted, the amount of the underpayment
26 will be assessed and collected in the manner and at the times
27 the commissioner prescribes.

28 (e) If the aggregate amount of the tax withheld during a
29 fiscal year ending June 30 under section 290.92, subdivision 2a
30 or 3, is equal to or exceeds the amounts established for
31 remitting federal withheld taxes pursuant to the regulations
32 promulgated under section 6302(h) of the Internal Revenue Code,
33 the employer must remit each required deposit for wages paid in
34 the subsequent calendar year by electronic means.

35 (f) A third-party bulk filer as defined in section 290.92,
36 subdivision 30, paragraph (a), clause (2), who remits

1 withholding deposits must remit all deposits by electronic means
2 as provided in paragraph (e), regardless of the aggregate amount
3 of tax withheld during a fiscal year for all of the employers.

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

6 Sec. 9. Minnesota Statutes 2004, section 289A.31,
7 subdivision 2, is amended to read:

8 Subd. 2. [JOINT INCOME TAX RETURNS.] (a) If a joint income
9 tax return is made by a husband and wife, the liability for the
10 tax is joint and several. A spouse who qualifies for relief
11 from a liability attributable to an underpayment under section
12 6015(b) of the Internal Revenue Code is relieved of the state
13 income tax liability on the underpayment.

14 (b) In the case of individuals who were a husband and wife
15 prior to the dissolution of their marriage or their legal
16 separation, or prior to the death of one of the individuals, for
17 tax liabilities reported on a joint or combined return, the
18 liability of each person is limited to the proportion of the tax
19 due on the return that equals that person's proportion of the
20 total tax due if the husband and wife filed separate returns for
21 the taxable year. This provision is effective only when the
22 commissioner receives written notice of the marriage
23 dissolution, legal separation, or death of a spouse from the
24 husband or wife. No refund may be claimed by an ex-spouse,
25 legally separated or widowed spouse for any taxes paid more than
26 60 days before receipt by the commissioner of the written notice.

27 (c) A request for calculation of separate liability
28 pursuant to paragraph (b) for taxes reported on a return must be
29 made within six years after the due date of the return. For
30 calculation of separate liability for taxes assessed by the
31 commissioner under section 289A.35 or 289A.37, the request must
32 be made within six years after the date of assessment. The
33 commissioner is not required to calculate separate liability if
34 the remaining unpaid liability for which recalculation is
35 requested is \$100 or less.

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

1 for relief made on or after the day following final enactment.

2 Sec. 10. Minnesota Statutes 2004, section 289A.38,
3 subdivision 7, is amended to read:

4 Subd. 7. [FEDERAL TAX CHANGES.] If the amount of income,
5 items of tax preference, deductions, or credits for any year of
6 a taxpayer as reported to the Internal Revenue Service is
7 changed or corrected by the commissioner of Internal Revenue or
8 other officer of the United States or other competent authority,
9 or where a renegotiation of a contract or subcontract with the
10 United States results in a change in income, items of tax
11 preference, deductions, credits, or withholding tax, or, in the
12 case of estate tax, where there are adjustments to the taxable
13 estate resulting in a change to the credit for state death
14 taxes, the taxpayer shall report the change or correction or
15 renegotiation results in writing to the commissioner. The
16 report must be submitted within 180 days after the final
17 determination and must be in the form of either an amended
18 Minnesota estate, withholding tax, corporate franchise tax, or
19 income tax return conceding the accuracy of the federal
20 determination or a letter detailing how the federal
21 determination is incorrect or does not change the Minnesota
22 tax. An amended Minnesota income tax return must be accompanied
23 by an amended property tax refund return, if necessary. A
24 taxpayer filing an amended federal tax return must also file a
25 copy of the amended return with the commissioner of revenue
26 within 180 days after filing the amended return.

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

29 Sec. 11. Minnesota Statutes 2004, section 289A.50,
30 subdivision 1a, is amended to read:

31 Subd. 1a. [REFUND FORM.] On or before January 1, 2000, the
32 commissioner of revenue shall prepare and make available to
33 taxpayers a form for filing claims for refund of taxes paid in
34 excess of the amount due. ~~If the commissioner fails to prepare~~
35 ~~a form under this subdivision by January 1, 2000, any claims for~~
36 ~~refund made after January 1, 2000, and up to ten days after the~~

~~1 form-is-made-available-to-taxpayers-are-deemed-to-be-made-in~~
~~2 compliance-with-the-requirement-of-the-form. The commissioner~~
~~3 may require corporate franchise taxpayers claiming a refund of~~
~~4 corporate franchise taxes paid in excess of the amount lawfully~~
~~5 due to include on the claim for refund or amended return~~
~~6 information necessary for payment of the taxes paid in excess of~~
~~7 taxes lawfully due by electronic means.~~

8 [EFFECTIVE DATE.] This section is effective for claims for
9 refund filed after December 31, 2005.

10 Sec. 12. Minnesota Statutes 2004, section 289A.60,
11 subdivision 13, is amended to read:

12 Subd. 13. [PENALTIES FOR TAX RETURN PREPARERS.] (a) If an
13 understatement of liability with respect to a return or claim
14 for refund is due to a reckless disregard of laws and rules or
15 willful attempt in any manner to understate the liability for a
16 tax by a person who is a tax return preparer with respect to the
17 return or claim, the person shall pay to the commissioner a
18 penalty of \$500. If a part of a property tax refund claim is
19 excessive due to a reckless disregard or willful attempt in any
20 manner to overstate the claim for relief allowed under chapter
21 290A by a person who is a tax refund or return preparer, the
22 person shall pay to the commissioner a penalty of \$500 with
23 respect to the claim. These penalties may not be assessed
24 against the employer of a tax return preparer unless the
25 employer was actively involved in the reckless disregard or
26 willful attempt to understate the liability for a tax or to
27 overstate the claim for refund. These penalties are income tax
28 liabilities and may be assessed at any time as provided in
29 section 289A.38, subdivision 5.

30 (b) A civil action in the name of the state of Minnesota
31 may be commenced to enjoin any person who is a tax return
32 preparer doing business in this state from further engaging in
33 any conduct described in paragraph (c). An action under this
34 paragraph must be brought by the attorney general in the
35 district court for the judicial district of the tax return
36 preparer's residence or principal place of business, or in which

1 the taxpayer with respect to whose tax return the action is
2 brought resides. The court may exercise its jurisdiction over
3 the action separate and apart from any other action brought by
4 the state of Minnesota against the tax return preparer or any
5 taxpayer.

6 (c) In an action under paragraph (b), if the court finds
7 that a tax return preparer has:

8 (1) engaged in any conduct subject to a civil penalty under
9 section 289A.60 or a criminal penalty under section 289A.63;

10 (2) misrepresented the preparer's eligibility to practice
11 before the Department of Revenue, or otherwise misrepresented
12 the preparer's experience or education as a tax return preparer;

13 (3) guaranteed the payment of any tax refund or the
14 allowance of any tax credit; or

15 (4) engaged in any other fraudulent or deceptive conduct
16 that substantially interferes with the proper administration of
17 state tax law, and injunctive relief is appropriate to prevent
18 the recurrence of that conduct,

19 the court may enjoin the person from further engaging in that
20 conduct.

21 (d) If the court finds that a tax return preparer has
22 continually or repeatedly engaged in conduct described in
23 paragraph (c), and that an injunction prohibiting that conduct
24 would not be sufficient to prevent the person's interference
25 with the proper administration of state tax laws, the court may
26 enjoin the person from acting as a tax return preparer. The
27 court may not enjoin the employer of a tax return preparer for
28 conduct described in paragraph (c) engaged in by one or more of
29 the employer's employees unless the employer was also actively
30 involved in that conduct.

31 (e) For purposes of this subdivision, the term
32 "understatement of liability" means an understatement of the net
33 amount payable with respect to a tax imposed by state tax law,
34 or an overstatement of the net amount creditable or refundable
35 with respect to a tax. The determination of whether or not
36 there is an understatement of liability must be made without

1 regard to any administrative or judicial action involving the
2 taxpayer. For purposes of this subdivision, the amount
3 determined for underpayment of estimated tax under either
4 section 289A.25 or 289A.26 is not considered an understatement
5 of liability.

6 (f) For purposes of this subdivision, the term
7 "overstatement of claim" means an overstatement of the net
8 amount refundable with respect to a claim for property tax
9 relief provided by chapter 290A. The determination of whether
10 or not there is an overstatement of a claim must be made without
11 regard to administrative or judicial action involving the
12 claimant.

13 (g) For purposes of this section, the term "tax refund or
14 return preparer" means an individual who prepares for
15 compensation, or who employs one or more individuals to prepare
16 for compensation, a return of tax, or a claim for refund of
17 tax. The preparation of a substantial part of a return or claim
18 for refund is treated as if it were the preparation of the
19 entire return or claim for refund. An individual is not
20 considered a tax return preparer merely because the individual:

21 (1) gives typing, reproducing, or other mechanical
22 assistance;

23 (2) prepares a return or claim for refund of the employer,
24 or an officer or employee of the employer, by whom the
25 individual is regularly and continuously employed;

26 (3) prepares a return or claim for refund of any person as
27 a fiduciary for that person; or

28 (4) prepares a claim for refund for a taxpayer in response
29 to a tax order issued to the taxpayer.

30 [EFFECTIVE DATE.] This section is effective for returns
31 filed after December 31, 2005.

32 Sec. 13. Minnesota Statutes 2004, section 289A.60, is
33 amended by adding a subdivision to read:

34 Subd. 26. [RESTRICTIONS ON TAXPAYERS WHO IMPROPERLY CLAIM
35 REFUNDABLE CREDITS.] (a) If a person claims a credit or refund
36 under section 290.067, 290.0671, 290.0674, or chapter 290A and

1 the claimed credit or refund is determined to be claimed
2 fraudulently or with reckless or intentional disregard of the
3 applicable provisions for the credit or refund, the person is
4 barred from claiming that credit or refund for the disallowance
5 period.

6 (b) For the purposes of paragraph (a), the "disallowance
7 period" is (1) ten taxable years from the taxable year the
8 credit or refund is claimed if the credit or refund was
9 fraudulently claimed; and (2) two taxable years from the taxable
10 year the credit or refund is claimed if the credit or refund was
11 not fraudulent but was claimed with reckless or intentional
12 disregard of the applicable provisions.

13 [EFFECTIVE DATE.] This section is effective for credits or
14 refunds claimed after December 31, 2005.

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

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

21 ~~(1) on active duty stationed outside of Minnesota while in~~
22 ~~the armed forces of the United States or the United Nations; or~~

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

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

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

36 (2) the individual is covered under the reciprocity

1 provisions in section 290.081.

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

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

10 (c) Neither the commissioner nor any court shall consider
11 ~~charitable-contributions-made-by-an-individual-within-or-without~~
12 ~~the-state~~ the following factors in determining if the individual
13 is domiciled in Minnesota:

14 (1) charitable contributions made by an individual within
15 or without the state;

16 (2) the jurisdiction from which an individual's
17 professional licenses were issued;

18 (3) the location of an individual's union memberships;

19 (4) the location of accounts or transactions with financial
20 institutions;

21 (5) the location of the place of worship at which the
22 individual is a member;

23 (6) the location of business relationships and the place
24 where business is transacted;

25 (7) the location of social, fraternal, or athletic
26 organizations or clubs, lodges, or country clubs, in which the
27 individual is a member; and

28 (8) statements made to an insurance company, concerning the
29 individual's residence and on which insurance is based.

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

32 Sec. 15. Minnesota Statutes 2004, section 290.01,
33 subdivision 7b, is amended to read:

34 Subd. 7b. [RESIDENT TRUST.] (a) Resident trust means a
35 trust, except a grantor type trust, which either (1) was created
36 by a will of a decedent who at death was domiciled in this state

1 or (2) is an irrevocable trust, the grantor of which was
2 domiciled in this state at the time the trust became
3 irrevocable. For the purpose of this subdivision, a trust is
4 considered irrevocable to the extent the grantor is not treated
5 as the owner thereof under sections 671 to 678 of the Internal
6 Revenue Code. The term "grantor type trust" means a trust where
7 the income or gains of the trust are taxable to the grantor or
8 others treated as substantial owners under sections 671 to 678
9 of the Internal Revenue Code.

10 (b)(1) A trust, other than a grantor type trust, that
11 became irrevocable before January 1, 1996, or that was
12 administered in Minnesota before January 1, 1996, is a resident
13 trust only if two or more of the following conditions are
14 satisfied:

15 (i) a majority of the discretionary decisions of the
16 trustees relative to the investment of trust assets are made in
17 Minnesota;

18 (ii) a majority of the discretionary decisions of the
19 trustees relative to the distributions of trust income and
20 principal are made in Minnesota;

21 (iii) the official books and records of the trust,
22 consisting of the original minutes of trustee meetings and the
23 original trust instruments, are located in Minnesota.

24 (2) For purposes of this paragraph, if the trustees
25 delegate decisions and actions to an agent or custodian, the
26 actions and decisions of the agent or custodian must not be
27 taken into account in determining whether the trust is
28 administered in Minnesota, if:

29 (i) the delegation was permitted under the trust agreement;

30 (ii) the trustees retain the power to revoke the delegation
31 on reasonable notice; and

32 (iii) the trustees monitor and evaluate the performance of
33 the agent or custodian on a regular basis as is reasonably
34 determined by the trustees.

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

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

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

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

12 (ii) exempt-interest dividends as defined in section
13 852(b)(5) of the Internal Revenue Code, except the portion of
14 the exempt-interest dividends derived from interest income on
15 obligations of the state of Minnesota or its political or
16 governmental subdivisions, municipalities, governmental agencies
17 or instrumentalities, but only if the portion of the
18 exempt-interest dividends from such Minnesota sources paid to
19 all shareholders represents 95 percent or more of the
20 exempt-interest dividends that are paid by the regulated
21 investment company as defined in section 851(a) of the Internal
22 Revenue Code, or the fund of the regulated investment company as
23 defined in section 851(g) of the Internal Revenue Code, making
24 the payment; and

25 (iii) for the purposes of items (i) and (ii), interest on
26 obligations of an Indian tribal government described in section
27 7871(c) of the Internal Revenue Code shall be treated as
28 interest income on obligations of the state in which the tribe
29 is located;

30 (2) the amount of income taxes paid or accrued within the
31 taxable year under this chapter and ~~income~~ the amount of taxes
32 based on net income paid to any other state or to any province
33 or territory of Canada, to the extent allowed as a deduction
34 under section 63(d) of the Internal Revenue Code, but the
35 addition may not be more than the amount by which the itemized
36 deductions as allowed under section 63(d) of the Internal

1 Revenue Code exceeds the amount of the standard deduction as
2 defined in section 63(c) of the Internal Revenue Code. For the
3 purpose of this paragraph, the disallowance of itemized
4 deductions under section 68 of the Internal Revenue Code of
5 1986, income tax is the last itemized deduction disallowed;

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

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

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

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

25 (7) 80 percent of the depreciation deduction allowed under
26 section 168(k) of the Internal Revenue Code. For purposes of
27 this clause, if the taxpayer has an activity that in the taxable
28 year generates a deduction for depreciation under section 168(k)
29 and the activity generates a loss for the taxable year that the
30 taxpayer is not allowed to claim for the taxable year, "the
31 depreciation allowed under section 168(k)" for the taxable year
32 is limited to excess of the depreciation claimed by the activity
33 under section 168(k) over the amount of the loss from the
34 activity that is not allowed in the taxable year. In succeeding
35 taxable years when the losses not allowed in the taxable year
36 are allowed, the depreciation under section 168(k) is allowed.

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

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

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

8 (1) net interest income on obligations of any authority,
9 commission, or instrumentality of the United States to the
10 extent includable in taxable income for federal income tax
11 purposes but exempt from state income tax under the laws of the
12 United States;

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

18 (3) the amount paid to others, less the amount used to
19 claim the credit allowed under section 290.0674, not to exceed
20 \$1,625 for each qualifying child in grades kindergarten to 6 and
21 \$2,500 for each qualifying child in grades 7 to 12, for tuition,
22 textbooks, and transportation of each qualifying child in
23 attending an elementary or secondary school situated in
24 Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin,
25 wherein a resident of this state may legally fulfill the state's
26 compulsory attendance laws, which is not operated for profit,
27 and which adheres to the provisions of the Civil Rights Act of
28 1964 and chapter 363A. For the purposes of this clause,
29 "tuition" includes fees or tuition as defined in section
30 290.0674, subdivision 1, clause (1). As used in this clause,
31 "textbooks" includes books and other instructional materials and
32 equipment purchased or leased for use in elementary and
33 secondary schools in teaching only those subjects legally and
34 commonly taught in public elementary and secondary schools in
35 this state. Equipment expenses qualifying for deduction
36 includes expenses as defined and limited in section 290.0674,

1 subdivision 1, clause (3). "Textbooks" does not include
2 instructional books and materials used in the teaching of
3 religious tenets, doctrines, or worship, the purpose of which is
4 to instill such tenets, doctrines, or worship, nor does it
5 include books or materials for, or transportation to,
6 extracurricular activities including sporting events, musical or
7 dramatic events, speech activities, driver's education, or
8 similar programs. For purposes of the subtraction provided by
9 this clause, "qualifying child" has the meaning given in section
10 32(c)(3) of the Internal Revenue Code;

11 (4) income as provided under section 290.0802;

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

15 ~~(6) to the extent included in federal taxable income,~~
16 ~~postservice benefits for youth community service under section~~
17 ~~124D.42 for volunteer service under United States Code, title~~
18 ~~42, sections 12601 to 12604;~~

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

25 ~~(8)~~ (7) for taxable years beginning before January 1, 2008,
26 the amount of the federal small ethanol producer credit allowed
27 under section 40(a)(3) of the Internal Revenue Code which is
28 included in gross income under section 87 of the Internal
29 Revenue Code;

30 ~~(9)~~ (8) for individuals who are allowed a federal foreign
31 tax credit for taxes that do not qualify for a credit under
32 section 290.06, subdivision 22, an amount equal to the carryover
33 of subnational foreign taxes for the taxable year, but not to
34 exceed the total subnational foreign taxes reported in claiming
35 the foreign tax credit. For purposes of this clause, "federal
36 foreign tax credit" means the credit allowed under section 27 of

1 the Internal Revenue Code, and "carryover of subnational foreign
2 taxes" equals the carryover allowed under section 904(c) of the
3 Internal Revenue Code minus national level foreign taxes to the
4 extent they exceed the federal foreign tax credit;

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

17 ~~(±±)~~ (10) job opportunity building zone income as provided
18 under section 469.316;

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

34 (12) the amount of compensation paid to members of the
35 armed forces of the United States or United Nations for active
36 duty performed outside Minnesota; and

1 (13) to the extent not deducted in computing federal
2 taxable income, an amount, not to exceed \$10,000, equal to
3 qualified expenses related to a qualified donor's donation,
4 while living, of one or more of the qualified donor's organs to
5 another person for human organ transplantation. For purposes of
6 determining the extent to which expenses are deducted in
7 computing federal taxable income, travel and lodging expenses
8 related to an organ donation are considered deducted by an
9 individual in determining federal taxable income to the extent
10 they exceed 7.5 percent of federal adjusted gross income as
11 defined in section 62 of the Internal Revenue Code. For
12 purposes of this clause, "organ" means all or part of an
13 individual's liver, pancreas, kidney, intestine, lung, or bone
14 marrow; "human organ transplantation" means the medical
15 procedure by which transfer of a human organ is made from the
16 body of one person to the body of another person; "qualified
17 expenses" means unreimbursed expenses for both the individual
18 and the qualified donor for (i) travel, (ii) lodging, and (iii)
19 lost wages net of sick pay, except that such expenses may be
20 subtracted under this clause only once; and "qualified donor"
21 means the individual or the individual's dependent, as defined
22 in section 152 of the Internal Revenue Code. An individual may
23 claim the subtraction in this clause only once for each instance
24 of organ donation for transplantation during the taxable year in
25 which the human organ donation and transplantation occurs.

26 [EFFECTIVE DATE.] The amendment to clause (9) is effective
27 retroactively for tax years beginning after December 31, 2001.
28 The rest of this section is effective for the tax years
29 beginning after December 31, 2004.

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

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

35 (1) the amount of any deduction taken for federal income
36 tax purposes for income, excise, or franchise taxes based on net

1 income or related minimum taxes, including but not limited to
2 the tax imposed under section 290.0922, paid by the corporation
3 to Minnesota, another state, a political subdivision of another
4 state, the District of Columbia, or any foreign country or
5 possession of the United States;

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

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

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

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

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

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

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

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

33 (10) for certified pollution control facilities placed in
34 service in a taxable year beginning before December 31, 1986,
35 and for which amortization deductions were elected under section
36 169 of the Internal Revenue Code of 1954, as amended through

1 December 31, 1985, the amount of the amortization deduction
2 allowed in computing federal taxable income for those
3 facilities;

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

7 ~~(12) the amount of any environmental tax paid under section~~
8 ~~59(a) of the Internal Revenue Code;~~

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

13 ~~(14)~~ (13) the amount of net income excluded under section
14 114 of the Internal Revenue Code;

15 ~~(15)~~ (14) any increase in subpart F income, as defined in
16 section 952(a) of the Internal Revenue Code, for the taxable
17 year when subpart F income is calculated without regard to the
18 provisions of section 614 of Public Law 107-147; and

19 ~~(16)~~ (15) 80 percent of the depreciation deduction allowed
20 under section 168(k)(1)(A) and (k)(4)(A) of the Internal Revenue
21 Code. For purposes of this clause, if the taxpayer has an
22 activity that in the taxable year generates a deduction for
23 depreciation under section 168(k)(1)(A) and (k)(4)(A) and the
24 activity generates a loss for the taxable year that the taxpayer
25 is not allowed to claim for the taxable year, "the depreciation
26 allowed under section 168(k)(1)(A) and (k)(4)(A)" for the
27 taxable year is limited to excess of the depreciation claimed by
28 the activity under section 168(k)(1)(A) and (k)(4)(A) over the
29 amount of the loss from the activity that is not allowed in the
30 taxable year. In succeeding taxable years when the losses not
31 allowed in the taxable year are allowed, the depreciation under
32 section 168(k)(1)(A) and (k)(4)(A) is allowed.

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

35 Sec. 19. Minnesota Statutes 2004, section 290.06,
36 subdivision 22, is amended to read:

1 Subd. 22. [CREDIT FOR TAXES PAID TO ANOTHER STATE.] (a) A
2 taxpayer who is liable for taxes based on ~~or-measured-by~~ net
3 income to another state, as provided in paragraphs (b) through
4 (f), upon income allocated or apportioned to Minnesota, is
5 entitled to a credit for the tax paid to another state if the
6 tax is actually paid in the taxable year or a subsequent taxable
7 year. A taxpayer who is a resident of this state pursuant to
8 section 290.01, subdivision 7, ~~clause-(2)~~ paragraph (b), and who
9 is subject to income tax as a resident in the state of the
10 individual's domicile is not allowed this credit unless the
11 state of domicile does not allow a similar credit.

12 (b) For an individual, estate, or trust, the credit is
13 determined by multiplying the tax payable under this chapter by
14 the ratio derived by dividing the income subject to tax in the
15 other state that is also subject to tax in Minnesota while a
16 resident of Minnesota by the taxpayer's federal adjusted gross
17 income, as defined in section 62 of the Internal Revenue Code,
18 modified by the addition required by section 290.01, subdivision
19 19a, clause (1), and the subtraction allowed by section 290.01,
20 subdivision 19b, clause (1), to the extent the income is
21 allocated or assigned to Minnesota under sections 290.081 and
22 290.17.

23 (c) If the taxpayer is an athletic team that apportions all
24 of its income under section 290.17, subdivision 5, the credit is
25 determined by multiplying the tax payable under this chapter by
26 the ratio derived from dividing the total net income subject to
27 tax in the other state by the taxpayer's Minnesota taxable
28 income.

29 (d) The credit determined under paragraph (b) or (c) shall
30 not exceed the amount of tax so paid to the other state on the
31 gross income earned within the other state subject to tax under
32 this chapter, nor shall the allowance of the credit reduce the
33 taxes paid under this chapter to an amount less than what would
34 be assessed if such income amount was excluded from taxable net
35 income.

36 (e) In the case of the tax assessed on a lump sum

1 distribution under section 290.032, the credit allowed under
2 paragraph (a) is the tax assessed by the other state on the lump
3 sum distribution that is also subject to tax under section
4 290.032, and shall not exceed the tax assessed under section
5 290.032. To the extent the total lump sum distribution defined
6 in section 290.032, subdivision 1, includes lump sum
7 distributions received in prior years or is all or in part an
8 annuity contract, the reduction to the tax on the lump sum
9 distribution allowed under section 290.032, subdivision 2,
10 includes tax paid to another state that is properly apportioned
11 to that distribution.

12 (f) If a Minnesota resident reported an item of income to
13 Minnesota and is assessed tax in such other state on that same
14 income after the Minnesota statute of limitations has expired,
15 the taxpayer shall receive a credit for that year under
16 paragraph (a), notwithstanding any statute of limitations to the
17 contrary. The claim for the credit must be submitted within one
18 year from the date the taxes were paid to the other state. The
19 taxpayer must submit sufficient proof to show entitlement to a
20 credit.

21 (g) For the purposes of this subdivision, a resident
22 shareholder of a corporation treated as an "S" corporation under
23 section 290.9725, must be considered to have paid a tax imposed
24 on the shareholder in an amount equal to the shareholder's pro
25 rata share of any net income tax paid by the S corporation to
26 another state. For the purposes of the preceding sentence, the
27 term "net income tax" means any tax imposed on or measured by a
28 corporation's net income.

29 (h) For the purposes of this subdivision, a resident
30 partner of an entity taxed as a partnership under the Internal
31 Revenue Code must be considered to have paid a tax imposed on
32 the partner in an amount equal to the partner's pro rata share
33 of any net income tax paid by the partnership to another state.
34 For purposes of the preceding sentence, the term "net income"
35 tax means any tax imposed on or measured by a partnership's net
36 income.

1 (i) For the purposes of this subdivision, "another state":
 2 (1) includes:
 3 (i) the District of Columbia; and
 4 (ii) a province or territory of Canada; but
 5 (2) excludes Puerto Rico and the several territories
 6 organized by Congress.

7 (j) The limitations on the credit in paragraphs (b), (c),
 8 and (d), are imposed on a state by state basis.

9 (k) For a tax imposed by a province or territory of Canada,
 10 the tax for purposes of this subdivision is the excess of the
 11 tax over the amount of the foreign tax credit allowed under
 12 section 27 of the Internal Revenue Code. In determining the
 13 amount of the foreign tax credit allowed, the net income taxes
 14 imposed by Canada on the income are deducted first. Any
 15 remaining amount of the allowable foreign tax credit reduces the
 16 provincial or territorial tax that qualifies for the credit
 17 under this subdivision.

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

20 Sec. 20. Minnesota Statutes 2004, section 290.06, is
 21 amended by adding a subdivision to read:

22 Subd. 32. [DAIRY INVESTMENT CREDIT.] (a) A dairy
 23 investment credit is allowed against the tax computed under this
 24 chapter equal to the credit amount in the table, based on the
 25 amount paid or incurred by the taxpayer in the tax year and
 26 certified by the commissioner of agriculture under paragraph
 27 (f), for qualifying expenditures:

<u>Amount of</u> <u>qualifying expenditures</u>	<u>Credit amount</u>
30 <u>up to \$500,000</u>	<u>ten percent of</u> 31 <u>qualifying expenditures</u>
32 <u>over \$500,000, but not</u> 33 <u>more than \$600,000</u>	<u>\$50,000, plus nine percent</u> 34 <u>of the amount of qualified</u> 35 <u>expenditures in excess of</u> <u>\$500,000</u>
36 <u>over \$600,000, but not</u> 37 <u>more than \$700,000</u>	<u>\$59,000, plus seven percent</u> 38 <u>of the amount of qualified</u> 39 <u>expenditures in excess of</u> <u>\$600,000</u>
40 <u>over \$700,000, but not</u>	<u>\$66,000, plus five percent</u>

1	<u>more than \$800,000</u>	<u>of the amount of qualified</u>
2		<u>expenditures in excess of</u>
3		<u>\$700,000</u>
4	<u>over \$800,000, but not</u>	<u>\$71,000, plus three percent</u>
5	<u>more than \$900,000</u>	<u>of the amount of qualified</u>
6		<u>expenditures in excess of</u>
7		<u>\$800,000</u>
8	<u>over \$900,000, but not</u>	<u>\$74,000, plus one percent</u>
9	<u>more than \$1,000,000</u>	<u>of the amount of qualified</u>
10		<u>expenditures in excess of</u>
11		<u>\$900,000</u>
12	<u>\$1,000,000 or more</u>	<u>\$75,000</u>

13 (b) "Qualifying expenditures," for purposes of this
 14 subdivision, means the expenses incurred for dairy animals for
 15 the construction or improvement of buildings or facilities, or
 16 the acquisition of equipment, for dairy animal housing,
 17 confinement, animal feeding, milk production, and waste
 18 management, including, but not limited to, the following:

- 19 (1) freestall barns;
- 20 (2) fences;
- 21 (3) watering facilities;
- 22 (4) feed storage and handling equipment;
- 23 (5) milking parlors;
- 24 (6) robotic equipment;
- 25 (7) scales;
- 26 (8) milk storage and cooling facilities;
- 27 (9) bulk tanks;
- 28 (10) manure handling equipment and storage facilities;
- 29 (11) digesters;
- 30 (12) equipment used to produce energy;
- 31 (13) on-farm processing; and
- 32 (14) development of pasture other than land acquisition.

33 Qualifying expenditures only include amounts that are
 34 capitalized and deducted under either section 167 or 179 of the
 35 Internal Revenue Code in computing federal taxable income.

36 (c) The credit is limited to the liability for tax, as
 37 computed under this section for the taxable year for which the
 38 credit certificate is issued. If the amount of the credit
 39 determined under this section for any taxable year exceeds this
 40 limitation, the excess is a dairy investment credit carryover to

1 each of the 15 succeeding taxable years. The entire amount of
2 the excess unused credit for the taxable year is carried first
3 to the earliest of the taxable years to which the credit may be
4 carried and then to each successive year to which the credit may
5 be carried. The amount of the unused credit which may be added
6 under this paragraph shall not exceed the taxpayer's liability
7 for tax less the dairy investment credit for the taxable year.

8 (d) For a partnership or S corporation, the maximum amount
9 of the credit applies to the entity, not the individual partner
10 or shareholder.

11 (e) To be eligible for the dairy investment credit in this
12 subdivision, a taxpayer must apply to the commissioner of
13 agriculture for a tax credit certificate. The application must
14 be made on forms prescribed by the commissioner of agriculture
15 and must include a statement of the qualifying expenditures by
16 the taxpayer.

17 (f) The commissioner of agriculture shall certify credits
18 in the order the forms required under paragraph (e) are received
19 and approved by the commissioner of agriculture, until the
20 maximum credit amount for the taxable year has been reached.
21 The maximum credit amount is \$900,000 for tax years beginning
22 after December 31, 2004, and before January 1, 2006; and
23 \$1,000,000 per year for tax years beginning after December 31,
24 2005.

25 Any eligible applications for which certificates are not
26 issued in a tax year because the commissioner of agriculture has
27 issued certificates totaling the maximum credit amount for that
28 tax year remain eligible for a credit certificate in subsequent
29 tax years, in the order in which the forms were received by the
30 commissioner of agriculture.

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

34 Sec. 21. Minnesota Statutes 2004, section 290.067,
35 subdivision 1, is amended to read:

36 Subdivision 1. [AMOUNT OF CREDIT.] (a) A taxpayer may take

1 as a credit against the tax due from the taxpayer and a spouse,
2 if any, under this chapter an amount equal to the dependent care
3 credit for which the taxpayer is eligible pursuant to the
4 provisions of section 21 of the Internal Revenue Code subject to
5 the limitations provided in subdivision 2 except that in
6 determining whether the child qualified as a dependent, income
7 received as a Minnesota family investment program grant or
8 allowance to or on behalf of the child must not be taken into
9 account in determining whether the child received more than half
10 of the child's support from the taxpayer, and the provisions of
11 section 32(b)(1)(D) of the Internal Revenue Code do not apply.

12 (b) If a child who has not attained the age of six years at
13 the close of the taxable year is cared for at a licensed family
14 day care home operated by the child's parent, the taxpayer is
15 deemed to have paid employment-related expenses. If the child
16 is 16 months old or younger at the close of the taxable year,
17 the amount of expenses deemed to have been paid equals the
18 maximum limit for one qualified individual under section 21(c)
19 and (d) of the Internal Revenue Code. If the child is older
20 than 16 months of age but has not attained the age of six years
21 at the close of the taxable year, the amount of expenses deemed
22 to have been paid equals the amount the licensee would charge
23 for the care of a child of the same age for the same number of
24 hours of care.

25 (c) If a married couple:

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

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

29 (3) does not participate in a dependent care assistance
30 program as defined in section 129 of the Internal Revenue Code,
31 in lieu of the actual employment related expenses paid for that
32 child under paragraph (a) or the deemed amount under paragraph
33 (b), the lesser of (i) the combined earned income of the couple
34 or (ii) the amount of the maximum limit for one qualified
35 individual under section 21(c) and (d) of the Internal Revenue
36 Code will be deemed to be the employment related expense paid

1 for that child. The earned income limitation of section 21(d)
2 of the Internal Revenue Code shall not apply to this deemed
3 amount. These deemed amounts apply regardless of whether any
4 employment-related expenses have been paid.

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

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

10 (2) if the person is an organization described in section
11 501(c)(3) of the Internal Revenue Code and exempt from tax under
12 section 501(a) of the Internal Revenue Code, the name and
13 address of the person are included on the return claiming the
14 credit.

15 In the case of a failure to provide the information required
16 under the preceding sentence, the preceding sentence does not
17 apply if it is shown that the taxpayer exercised due diligence
18 in attempting to provide the information required.

19 In the case of a nonresident, part-year resident, or a
20 person who has earned income not subject to tax under this
21 chapter including earned income excluded pursuant to section
22 290.01, subdivision 19b, clause (11), the credit determined
23 under section 21 of the Internal Revenue Code must be allocated
24 based on the ratio by which the earned income of the claimant
25 and the claimant's spouse from Minnesota sources bears to the
26 total earned income of the claimant and the claimant's spouse.

27 For residents of Minnesota, the subtractions for military
28 pay under section 290.01, subdivision 19b, clauses (11) and
29 (12), are not considered "earned income not subject to tax under
30 this chapter."

31 Sec. 22. Minnesota Statutes 2004, section 290.067,
32 subdivision 2a, is amended to read:

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

35 (1) federal adjusted gross income as defined in section 62
36 of the Internal Revenue Code; and plus

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

3 (i) all nontaxable income;

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

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

13 (iv) cash public assistance and relief;

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

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

24 (vii) workers' compensation;

25 (viii) nontaxable strike benefits;

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

30 (x) a lump sum distribution under section 402(e)(3) of the
31 Internal Revenue Code;

32 (xi) contributions made by the claimant to an individual
33 retirement account, including a qualified voluntary employee
34 contribution; simplified employee pension plan; self-employed
35 retirement plan; cash or deferred arrangement plan under section
36 401(k) of the Internal Revenue Code; or deferred compensation

1 plan under section 457 of the Internal Revenue Code; and
2 (xii) nontaxable scholarship or fellowship grants; minus
3 (3) in the case of a married couple filing a joint return,
4 the earned income of the lesser-earning spouse, as defined in
5 section 290.0675, subdivision 1, paragraph (d).

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

13 (b) "Income" does not include:

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

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

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

22 (4) relief granted under chapter 290A;

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

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

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

31 Sec. 23. Minnesota Statutes 2004, section 290.0671,
32 subdivision 1, is amended to read:

33 Subdivision 1. [CREDIT ALLOWED.] (a) An individual is
34 allowed a credit against the tax imposed by this chapter equal
35 to a percentage of earned income. To receive a credit, a
36 taxpayer must be eligible for a credit under section 32 of the

1 Internal Revenue Code. An individual who would have been
2 eligible for a credit under section 32 of the Internal Revenue
3 Code if the phaseout in section 32(b) were calculated based on
4 the income thresholds provided in paragraphs (b) through (d) as
5 adjusted in paragraphs (i) through (k) is also eligible for a
6 credit under this section.

7 (b) For individuals with no qualifying children, the credit
8 equals 1.9125 percent of the first \$4,620 of earned income. The
9 credit is reduced by 1.9125 percent of earned income or modified
10 adjusted gross income, whichever is greater, in excess of
11 \$5,770, but in no case is the credit less than zero.

12 (c) For individuals with one qualifying child, the credit
13 equals 8.5 percent of the first \$6,920 of earned income and 8.5
14 percent of earned income over \$12,080 but less than \$13,450.
15 The credit is reduced by 5.73 percent of earned income or
16 modified adjusted gross income, whichever is greater, in excess
17 of \$15,080, but in no case is the credit less than zero.

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

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

28 (f) For a person who was a resident for the entire tax year
29 and has earned income not subject to tax under this chapter,
30 including income excluded under section 290.01, subdivision 19b,
31 clause (11), the credit must be allocated based on the ratio of
32 federal adjusted gross income reduced by the earned income not
33 subject to tax under this chapter over federal adjusted gross
34 income. For purposes of this paragraph, the subtractions for
35 military pay under section 290.01, subdivision 19b, clauses (11)
36 and (12), are not considered "earned income not subject to tax

1 under this chapter."

2 (g) For tax years beginning after December 31, 2001, and
3 before December 31, 2004, the \$5,770 in paragraph (b), the
4 \$15,080 in paragraph (c), and the \$17,890 in paragraph (d),
5 after being adjusted for inflation under subdivision 7, are each
6 increased by \$1,000 for married taxpayers filing joint returns.

7 (h) For tax years beginning after December 31, 2004, and
8 before December 31, ~~2007~~ 2005, the \$5,770 in paragraph (b), the
9 \$15,080 in paragraph (c), and the \$17,890 in paragraph (d),
10 after being adjusted for inflation under subdivision 7, are each
11 increased by \$2,000 for married taxpayers filing joint returns.

12 (i) For tax years beginning after December 31, 2005, and
13 before December 31, 2007, the \$5,770 in paragraph (b), the
14 \$15,080 in paragraph (c), and the \$17,890 in paragraph (d),
15 after being adjusted for inflation under subdivision 7, are each
16 increased by the greater of (i) \$2,000 or (ii) the earned income
17 of the lesser-earning spouse, for married taxpayers filing joint
18 returns.

19 ~~(j)~~ (j) For tax years beginning after December 31, 2007,
20 and before December 31, 2010, the \$5,770 in paragraph (b), the
21 \$15,080 in paragraph (c), and the \$17,890 in paragraph (d),
22 after being adjusted for inflation under subdivision 7, are each
23 increased by ~~\$3,000~~ the greater of (i) \$3,000 or (ii) the earned
24 income of the lesser-earning spouse, for married taxpayers
25 filing joint returns. For tax years beginning after December
26 31, 2008, and before December 31, 2010, the \$3,000 is adjusted
27 annually for inflation under subdivision 7.

28 (k) For tax years beginning after December 31, 2010, the
29 \$5,770 in paragraph (b), the \$15,080 in paragraph (c), and the
30 \$17,890 in paragraph (d), after being adjusted for inflation
31 under subdivision 7, are each increased by the earned income of
32 the lesser-earning spouse, for married taxpayers filing joint
33 returns.

34 ~~(j)~~ (l) The commissioner shall construct tables showing the
35 amount of the credit at various income levels and make them
36 available to taxpayers. The tables shall follow the schedule

1 contained in this subdivision, except that the commissioner may
2 graduate the transition between income brackets.

3 Sec. 24. Minnesota Statutes 2004, section 290.0671,
4 subdivision 1a, is amended to read:

5 Subd. 1a. [DEFINITIONS.] For purposes of this section, the
6 terms "qualifying child," and "earned income," and "~~adjusted~~
7 ~~gross-income~~" have the meanings given in section 32(c) of the
8 Internal Revenue Code, and the term "adjusted gross income" has
9 the meaning given in section 62 of the Internal Revenue Code.

10 "Earned income of the lesser-earning spouse" has the
11 meaning given in section 290.0675, subdivision 1, paragraph (d).

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

14 Sec. 25. Minnesota Statutes 2004, section 290.0672,
15 subdivision 1, is amended to read:

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

18 (b) "Long-term care insurance" means a policy that:

19 (1) qualifies for a deduction under section 213 of the
20 Internal Revenue Code, disregarding the 7.5 percent income test;
21 or meets the requirements given in section 62A.46; or provides
22 similar coverage issued under the laws of another jurisdiction;
23 and

24 (2) has a lifetime long-term care benefit limit of not less
25 than \$100,000; and

26 (3) has been offered in compliance with the inflation
27 protection requirements of section 62S.23.

28 (c) "Qualified beneficiary" means the taxpayer or the
29 taxpayer's spouse.

30 ~~(d) "Premiums deducted in determining federal taxable~~
31 ~~income" means the lesser of (1) long-term care insurance~~
32 ~~premiums that qualify as deductions under section 213 of the~~
33 ~~Internal Revenue Code, and (2) the total amount deductible for~~
34 ~~medical care under section 213 of the Internal Revenue Code.~~

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

1 Sec. 26. Minnesota Statutes 2004, section 290.0672,
2 subdivision 2, is amended to read:

3 Subd. 2. [CREDIT.] A taxpayer is allowed a credit against
4 the tax imposed by this chapter for long-term care insurance
5 policy premiums paid during the tax year. The credit for each
6 policy equals 25 percent of premiums paid ~~to-the-extent-not~~
7 ~~deducted-in-determining-federal-taxable-income~~. A taxpayer may
8 claim a credit for only one policy for each qualified
9 beneficiary. A maximum of \$100 applies to each qualified
10 beneficiary. The maximum total credit allowed per year is \$200
11 for married couples filing joint returns and \$100 for all other
12 filers. For a nonresident or part-year resident, the credit
13 determined under this section must be allocated based on the
14 percentage calculated under section 290.06, subdivision 2c,
15 paragraph (e).

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

18 Sec. 27. Minnesota Statutes 2004, section 290.0674,
19 subdivision 1, is amended to read:

20 Subdivision 1. [CREDIT ALLOWED.] An individual is allowed
21 a credit against the tax imposed by this chapter in an amount
22 equal to 75 percent of the amount paid for education-related
23 expenses for a qualifying child in kindergarten through grade
24 12. For purposes of this section, "education-related expenses"
25 means:

26 (1) fees or tuition for instruction by an instructor under
27 section 120A.22, subdivision 10, clause (1), (2), (3), (4), or
28 (5), or a member of the Minnesota Music Teachers Association,
29 and who is not a lineal ancestor or sibling of the dependent for
30 instruction outside the regular school day or school year,
31 including tutoring, driver's education offered as part of school
32 curriculum, regardless of whether it is taken from a public or
33 private entity or summer camps, in grade or age appropriate
34 curricula that supplement curricula and instruction available
35 during the regular school year, that assists a dependent to
36 improve knowledge of core curriculum areas or to expand

1 knowledge and skills under the ~~graduation-rule-under-section~~
2 ~~120B.027-paragraph-(e)-clauses-(1)-to-(7)-(9)-and-(10)~~
3 required academic standards under section 120B.021, subdivision
4 1, and the elective standard under section 120B.022, subdivision
5 1, clause (2), and that do not include the teaching of religious
6 tenets, doctrines, or worship, the purpose of which is to
7 instill such tenets, doctrines, or worship;

8 (2) expenses for textbooks, including books and other
9 instructional materials and equipment purchased or leased for
10 use in elementary and secondary schools in teaching only those
11 subjects legally and commonly taught in public elementary and
12 secondary schools in this state. "Textbooks" does not include
13 instructional books and materials used in the teaching of
14 religious tenets, doctrines, or worship, the purpose of which is
15 to instill such tenets, doctrines, or worship, nor does it
16 include books or materials for extracurricular activities
17 including sporting events, musical or dramatic events, speech
18 activities, driver's education, or similar programs;

19 (3) a maximum expense of \$200 per family for personal
20 computer hardware, excluding single purpose processors, and
21 educational software that assists a dependent to improve
22 knowledge of core curriculum areas or to expand knowledge and
23 skills under the ~~graduation-rule-under-section-120B.02~~ required
24 academic standards under section 120B.021, subdivision 1, and
25 the elective standard under section 120B.022, subdivision 1,
26 clause (2), purchased for use in the taxpayer's home and not
27 used in a trade or business regardless of whether the computer
28 is required by the dependent's school; and

29 (4) the amount paid to others for transportation of a
30 qualifying child attending an elementary or secondary school
31 situated in Minnesota, North Dakota, South Dakota, Iowa, or
32 Wisconsin, wherein a resident of this state may legally fulfill
33 the state's compulsory attendance laws, which is not operated
34 for profit, and which adheres to the provisions of the Civil
35 Rights Act of 1964 and chapter 363A.

36 For purposes of this section, "qualifying child" has the

1 meaning given in section 32(c)(3) of the Internal Revenue Code.

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

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

6 Subd. 2. [LIMITATIONS.] (a) For taxable years beginning
7 after December 31, 2004, and before January 1, 2006, for
8 claimants with income not greater than \$33,500, the maximum
9 credit allowed for a family is \$1,000 per-qualifying-child-and
10 \$2,000-per-family multiplied by the number of qualifying
11 children in kindergarten through grade 12 in the family. No
12 credit-is-allowed-for-education-related-expenses-for-claimants
13 with-income-greater-than-\$37,500. The maximum credit per-child
14 for families with one qualifying child in kindergarten through
15 grade 12 is reduced by \$1 for each \$4 of household income over
16 \$33,500, and the maximum credit per-family for families with two
17 or more qualifying children in kindergarten through grade 12 is
18 reduced by \$2 for each \$4 of household income over \$33,500, but
19 in no case is the credit less than zero.

20 (b) For taxable years beginning after December 31, 2005,
21 for claimants with income not greater than the greater of (i)
22 \$33,500 or (ii) 185 percent of the federal poverty guidelines,
23 the maximum credit allowed for a family is \$1,000 multiplied by
24 the number of qualifying children in the family in grades
25 kindergarten through 12. The maximum credit per family is
26 reduced by \$1 multiplied by the number of qualifying children in
27 the family in grades kindergarten through 12 for each \$4 of
28 household income over the greater of (i) \$33,500 or (ii) 185
29 percent of the federal poverty guidelines, but in no case is the
30 credit less than zero.

31 (c) For purposes of this section "income" has the meaning
32 given in section 290.067, subdivision 2a, but disregarding the
33 subtraction in clause (3). In the case of a married claimant, a
34 credit is not allowed unless a joint income tax return is
35 filed. For purposes of this section "federal poverty
36 guidelines" means the guidelines published in the Federal

1 Register in the tax year for which the credit is claimed,
2 adjusted for family size.

3 (b) (d) For a nonresident or part-year resident, the credit
4 determined under subdivision 1 and the maximum credit amount in
5 paragraph (a) must be allocated using the percentage calculated
6 in section 290.06, subdivision 2c, paragraph (e).

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

9 Sec. 29. Minnesota Statutes 2004, section 290.091,
10 subdivision 2, is amended to read:

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

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

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

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

20 (i) the charitable contribution deduction under section 170
21 of the Internal Revenue Code;

22 (A) for taxable years beginning before January 1, 2006, to
23 the extent that the deduction exceeds 1.0 percent of adjusted
24 gross income,--as-defined;

25 (B) for taxable years beginning after December 31, 2005, to
26 the full extent of the deduction.

27 For purposes of this clause, "adjusted gross income" has
28 the meaning given in section 62 of the Internal Revenue Code;

29 (ii) the medical expense deduction;

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

31 (iv) the impairment-related work expenses of a disabled
32 person;

33 (3) for depletion allowances computed under section 613A(c)
34 of the Internal Revenue Code, with respect to each property (as
35 defined in section 614 of the Internal Revenue Code), to the
36 extent not included in federal alternative minimum taxable

1 income, the excess of the deduction for depletion allowable
2 under section 611 of the Internal Revenue Code for the taxable
3 year over the adjusted basis of the property at the end of the
4 taxable year (determined without regard to the depletion
5 deduction for the taxable year);

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

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

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

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

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

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

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

27 (4) amounts subtracted from federal taxable income as
28 provided by section 290.01, subdivision 19b, clauses ~~(10)~~ and
29 ~~(11)~~ (9) to (13).

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

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

35 (c) "Tentative minimum tax" equals 6.4 percent of
36 alternative minimum taxable income after subtracting the

1 exemption amount determined under subdivision 3.

2 (d) "Regular tax" means the tax that would be imposed under
3 this chapter (without regard to this section and section
4 290.032), reduced by the sum of the nonrefundable credits
5 allowed under this chapter.

6 (e) "Net minimum tax" means the minimum tax imposed by this
7 section.

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

10 Sec. 30. Minnesota Statutes 2004, section 290.091,
11 subdivision 3, is amended to read:

12 Subd. 3. [EXEMPTION AMOUNT.] (a) For purposes of computing
13 the alternative minimum tax, the exemption amount is:

14 (1) for taxable years beginning before January 1, 2005, the
15 exemption determined under section 55(d) of the Internal Revenue
16 Code, as amended through December 31, 1992;

17 (2) for taxable years beginning after December 31, 2004,
18 and before January 1, 2006, \$42,000 for married couples filing
19 joint returns; \$21,000 for married individuals filing separate
20 returns, estates, and trusts; and \$31,500 for unmarried
21 individuals;

22 (3) for taxable years beginning after December 31, 2005,
23 and before January 1, 2007, \$45,000 for married couples filing
24 joint returns; \$22,500 for married individuals filing separate
25 returns, estates, and trusts; and \$33,750 for unmarried
26 individuals; and

27 (4) for taxable years beginning after December 31, 2006,
28 and before January 1, 2008, \$50,000 for married couples filing
29 joint returns; \$25,000 for married individuals filing separate
30 returns, estates, and trusts; and \$37,500 for unmarried
31 individuals.

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

1 (c) For taxable years beginning after December 31, 2007,
2 the exemption amount under paragraph (a), clause (4), must be
3 adjusted for inflation. The commissioner shall make the
4 inflation adjustments in accordance with section 1(f) of the
5 Internal Revenue Code except that for the purposes of this
6 subdivision the percentage increase must be determined from the
7 year starting September 1, 2006, and ending August 31, 2007, as
8 the base year for adjusting for inflation for the tax year
9 beginning after December 31, 2007. The determination of the
10 commissioner under this subdivision is not a rule under the
11 Administrative Procedure Act.

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

14 Sec. 31. Minnesota Statutes 2004, section 290.0922,
15 subdivision 2, is amended to read:

16 Subd. 2. [EXEMPTIONS.] The following entities are exempt
17 from the tax imposed by this section:

18 (1) corporations exempt from tax under section 290.05;

19 (2) real estate investment trusts;

20 (3) regulated investment companies or a fund thereof; and

21 (4) entities having a valid election in effect under

22 section 860D(b) of the Internal Revenue Code;

23 (5) town and farmers' mutual insurance companies;

24 (6) cooperatives organized under chapter 308A or 308B that

25 provide housing exclusively to persons age 55 and over and are

26 classified as homesteads under section 273.124, subdivision 3;

27 and

28 (7) an entity, if for the taxable year all of its property

29 is located in a job opportunity building zone designated under

30 section 469.314 and all of its payroll is a job opportunity

31 building zone payroll under section 469.310.

32 Entities not specifically exempted by this subdivision are

33 subject to tax under this section, notwithstanding section

34 290.05.

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

1 Sec. 32. Minnesota Statutes 2004, section 290.191,
2 subdivision 2, is amended to read:

3 Subd. 2. [APPORTIONMENT FORMULA OF GENERAL APPLICATION.]

4 (a) Except for those trades or businesses required to use a
5 different formula under subdivision 3 or section 290.36, and for
6 those trades or businesses that receive permission to use some
7 other method under section 290.20 or under subdivision 4, a
8 trade or business required to apportion its net income must
9 apportion its income to this state on the basis of the
10 percentage obtained by taking the sum of:

11 (1) 75 the percent for the sales factor under paragraph (b)
12 of the percentage which the sales made within this state in
13 connection with the trade or business during the tax period are
14 of the total sales wherever made in connection with the trade or
15 business during the tax period;

16 (2) 12.5 the percent for the property factor under
17 paragraph (b) of the percentage which the total tangible
18 property used by the taxpayer in this state in connection with
19 the trade or business during the tax period is of the total
20 tangible property, wherever located, used by the taxpayer in
21 connection with the trade or business during the tax period; and

22 (3) 12.5 the percent for the payroll factor under paragraph
23 (b) of the percentage which the taxpayer's total payrolls paid
24 or incurred in this state or paid in respect to labor performed
25 in this state in connection with the trade or business during
26 the tax period are of the taxpayer's total payrolls paid or
27 incurred in connection with the trade or business during the tax
28 period.

29 (b) For purposes of paragraph (a) and subdivision 3, the
30 following percentages apply for the taxable years specified:

<u>Taxable years</u>	<u>Sales factor</u>	<u>Property</u>	<u>Payroll</u>
<u>beginning</u>	<u>percent</u>	<u>factor</u>	<u>factor</u>
<u>during calendar</u>		<u>percent</u>	<u>percent</u>
<u>year</u>			
<u>2007</u>	<u>78</u>	<u>11</u>	<u>11</u>
<u>2008</u>	<u>95</u>	<u>2.5</u>	<u>2.5</u>

1 2009 and later 100 0 0
2 calendar years

3 [EFFECTIVE DATE.] This section is effective for tax years
4 beginning after December 31, 2006.

5 Sec. 33. Minnesota Statutes 2004, section 290.191,
6 subdivision 3, is amended to read:

7 Subd. 3. [APPORTIONMENT FORMULA FOR FINANCIAL
8 INSTITUTIONS.] Except for an investment company required to
9 apportion its income under section 290.36, a financial
10 institution that is required to apportion its net income must
11 apportion its net income to this state on the basis of the
12 percentage obtained by taking the sum of:

13 (1) 75 the percent for the sales factor under subdivision
14 2, paragraph (b), of the percentage which the receipts from
15 within this state in connection with the trade or business
16 during the tax period are of the total receipts in connection
17 with the trade or business during the tax period, from wherever
18 derived;

19 (2) 12.5 the percent for the property factor under
20 subdivision 2, paragraph (b), of the percentage which the sum of
21 the total tangible property used by the taxpayer in this state
22 and the intangible property owned by the taxpayer and attributed
23 to this state in connection with the trade or business during
24 the tax period is of the sum of the total tangible property,
25 wherever located, used by the taxpayer and the intangible
26 property owned by the taxpayer and attributed to all states in
27 connection with the trade or business during the tax period; and

28 (3) 12.5 the percent for the payroll factor under
29 subdivision 2, paragraph (b), of the percentage which the
30 taxpayer's total payrolls paid or incurred in this state or paid
31 in respect to labor performed in this state in connection with
32 the trade or business during the tax period are of the
33 taxpayer's total payrolls paid or incurred in connection with
34 the trade or business during the tax period.

35 [EFFECTIVE DATE.] This section is effective for tax years
36 beginning after December 31, 2006.

1 Sec. 34. [290.433] [NATIONAL GUARD AND RESERVES CHECKOFF.]

2 Subdivision 1. [CHECKOFF ESTABLISHED.] (a) Every

3 individual who files an income tax return may designate on their
4 original return that \$1 or more shall be added to the tax or
5 deducted from the refund that would otherwise be payable by or
6 to that individual and paid into a Minnesota military families
7 relief account established in the special revenue fund. The
8 commissioner of revenue shall, on the income tax return, notify
9 filers of their right to designate that a portion of their tax
10 or refund shall be paid into the Minnesota military families
11 relief account. Amounts so designated to be paid shall be
12 credited to the account as returns are processed, in as timely a
13 manner as practical. All interest earned on money accrued,
14 gifts to the program, contributions to the program, and
15 reimbursements of expenditures shall be credited to the
16 account. All money in the account is appropriated to the
17 adjutant general of the Department of Military Affairs for the
18 purpose of making grants as specified in subdivision 2.

19 (b) The checkoff under this section is subject to removal
20 from the income tax return as provided in section 290.439,
21 subdivision 2.

22 Subd. 2. [GRANTS.] (a) The adjutant general is authorized
23 to expend any money appropriated from the Minnesota military
24 families relief account in the special revenue fund for the
25 purpose of making grants:

26 (1) directly to eligible individuals; or

27 (2) to one or more eligible foundations for the purpose of
28 making grants to eligible individuals, as provided in this
29 section.

30 (b) The term, "eligible individual" includes any Minnesota
31 resident who is:

32 (1) a member of the Minnesota National Guard or other
33 United States armed forces reserves who has been ordered to
34 federal active service since September 11, 2001, and has a
35 financial need as a result of that service;

36 (2) the spouse or dependent child of a person described in

1 clause (1); or

2 (3) the surviving spouse or surviving dependent child of a
3 person described in clause (1).

4 To be an eligible individual, a person described in clause
5 (2) or (3) must be residing within the state of Minnesota.

6 (c) The term "eligible foundation" includes any
7 organization that:

8 (1) is a tax-exempt organization under section 501(c)(3) of
9 the Internal Revenue Code;

10 (2) has articles of incorporation under chapter 317A
11 specifying the purpose of the organization as including the
12 provision of financial assistance to members of the Minnesota
13 National Guard and other United States armed forces reserves and
14 their families and survivors; and

15 (3) agrees in writing to distribute any grant money
16 received from the adjutant general under this section to
17 eligible individuals as defined in this section and in
18 accordance with any written policies and rules the adjutant
19 general may impose as conditions of the grant to the foundation.

20 (d) The maximum grant awarded to an eligible individual in
21 a calendar year with funds from the Minnesota military families
22 relief account, either through an eligible institution or
23 directly from the adjutant general, may not exceed \$2,000.

24 (e) The state pledges and agrees with all contributors to
25 the account to use the contributed funds solely for the purpose
26 of providing assistance to eligible individuals.

27 (f) The state further agrees that it will not impose
28 additional conditions or restrictions that will limit or
29 otherwise restrict the ability of the adjutant general to award
30 grants under this section.

31 (g) For purposes of this section, the term "federal active
32 service" has the meaning given in section 190.05, subdivision
33 5c, but excludes service performed exclusively for purposes of:

34 (1) basic combat training, advanced individual training,
35 annual training, and periodic inactive duty training;

36 (2) special training periodically made available to reserve

1 members; and

2 (3) service performed in accordance with section 190.08,
3 subdivision 3.

4 Subd. 3. [ANNUAL REPORT.] The adjutant general must report
5 by February 1, 2007, and each year thereafter, to the chairs and
6 ranking minority members of the legislative committees and
7 divisions with jurisdiction over military and veterans' affairs
8 on the number, amounts, and use of grants issued from the
9 Minnesota military families relief account in the previous year
10 and on the expenses related to administering the account.

11 [EFFECTIVE DATE.] This section is effective for income tax
12 returns for taxable years beginning after December 31, 2004.

13 Sec. 35. [290.434] [PUBLIC SAFETY OFFICER CHECKOFF.]

14 (a) Every individual who files an income tax return may
15 designate on their original return that \$1 or more shall be
16 added to the tax or deducted from the refund that would
17 otherwise be payable by or to that individual and paid into a
18 public safety officer memorial and survivor account in the
19 special revenue fund. The commissioner of revenue shall, on the
20 income tax return, notify filers of their right to designate
21 that a portion of their tax or refund shall be paid into the
22 public safety officer memorial and survivor account. The sum of
23 the amounts so designated to be paid shall be credited to the
24 account. The account may be used by the commissioner of public
25 safety to make grants to public safety officer associations that
26 assist in building and preserving state memorial monuments,
27 assist the families of public safety officers killed in the line
28 of duty, award scholarships to surviving family members, and
29 otherwise provide services relating to public safety officers
30 killed in the line of duty. All interest earned on money
31 accrued, gifts to the program, contributions to the program, and
32 reimbursements of expenditures shall be credited to the
33 account. All money in the account is appropriated to the
34 commissioner of public safety for purposes of this section.

35 (b) The state pledges and agrees with all contributors to
36 the account to use the funds contributed solely for the

1 maintenance of public safety officer memorials and for the
2 benefit of survivors of Minnesota public safety officers killed
3 in the line of duty and further agrees that it will not impose
4 additional conditions or restrictions that will limit or
5 otherwise restrict the ability of the commissioner of public
6 safety, in consultation with the public safety officer memorial
7 and survivor account advisory council, to award grants from the
8 available funds in the most efficient and effective manner.

9 (c) The commissioner of public safety must report by
10 January 1, 2004, and each year thereafter to the chairs and
11 ranking minority members of the legislative committees and
12 divisions with jurisdiction over criminal justice policy and
13 funding on the number, amounts, and use of grants issued from
14 the account in the previous year.

15 (d) A public safety officer memorial and survivor account
16 advisory council is established to advise the commissioner of
17 public safety on the distribution of grants under this section.
18 The council must consist of eight members, one from each of the
19 following organizations: the Minnesota law enforcement memorial
20 association, the Minnesota police and peace officers
21 association, the Minnesota chiefs of police association, the
22 Minnesota sheriffs association, the Minnesota state fire
23 department association, the Minnesota state fire chiefs
24 association, the Minnesota ambulance association, and the
25 Minnesota emergency medical services association. The council
26 member is the executive director or president of the
27 organization, or that person's designee. Members must serve
28 without compensation. The commissioner must consider the
29 advisory council's recommendations before awarding grants under
30 this section.

31 (e) As used in this section, "killed in the line of duty"
32 and "public safety officer" have the meanings given in section
33 299A.41.

34 (f) The checkoff under this section is subject to removal
35 from the income tax return as provided in section 290.439,
36 subdivision 2.

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

3 Sec. 36. [290.435] [K-12 EDUCATION, HIGHER EDUCATION,
4 TRANSPORTATION, HEALTH CARE, NURSING HOME, AND CLEAN WATER
5 CHECKOFF.]

6 Subdivision 1. [CHECKOFFS.] (a) Every individual who files
7 an income tax return may designate on their original return that
8 \$1 or more shall be added to the tax or deducted from the refund
9 that would otherwise be payable by or to that individual.

10 (b) The taxpayer shall designate that the added or deducted
11 amount shall be paid into one or more of the following accounts
12 and used for the stated purpose:

13 (1) K-12 education, for technology and/or capital
14 improvement grants to school districts;

15 (2) higher education, for state assistance to individual
16 students based on student need;

17 (3) transportation, for local road and bridge funds;

18 (4) health care, to provide funding for public health care
19 programs;

20 (5) nursing home assistance, for state reimbursement of
21 nursing home costs; or

22 (6) environmental clean water, for grants to cities for
23 wastewater treatment facilities.

24 (c) The taxpayer may not designate an amount less than \$1
25 to be paid into any of the accounts.

26 Subd. 2. [APPROPRIATION; SPECIAL ACCOUNTS.] (a) All
27 amounts designated by taxpayers to be paid into the K-12
28 education account under subdivision 1, clause (1), must be
29 deposited in the state treasury and credited to a special K-12
30 education account. Money in the account is appropriated
31 annually to the commissioner of education to make onetime grants
32 to school districts for technology or capital improvements.

33 (b) All amounts designated by taxpayers to be paid into the
34 higher education account under subdivision 1, clause (2), must
35 be deposited in the state treasury and credited to a special
36 higher education account. Money in the account is appropriated

1 annually to the Minnesota Higher Education Services Office to
2 provide financial assistance to students, based on financial
3 needs, attending postsecondary educational institutions located
4 in and operated by this state.

5 (c) All amounts designated by taxpayers to be paid into the
6 transportation account under subdivision 1, clause (3), must be
7 deposited in the state treasury and credited to a special
8 transportation account. Money in the account is appropriated
9 annually to the commissioner of transportation for improvements
10 to local roads and bridges.

11 (d) All amounts designated by taxpayers to be paid into the
12 health care account under subdivision 1, clause (4), must be
13 deposited in the state treasury and credited to a special health
14 care account. Money in the account is appropriated annually to
15 the commissioner of human services to provide additional funds
16 for adult participation in MinnesotaCare.

17 (e) All amounts designated by taxpayers to be paid into the
18 nursing home assistance account under subdivision 1, clause (5),
19 must be deposited in the state treasury and credited to a
20 special nursing home assistance account. Money in the account
21 is appropriated annually to the commissioner of human services
22 to fund a onetime increase in state paid nursing home
23 reimbursement rates.

24 (f) All amounts designated by taxpayers to be paid into the
25 environmental clean water account under subdivision 1, clause
26 (6), must be deposited in the state treasury and credited to the
27 wastewater infrastructure fund, and annually appropriated to the
28 public facilities authority to make onetime grants to
29 municipalities for wastewater treatment facilities.

30 (g) All amounts appropriated from the special accounts
31 under this section are onetime appropriations and do not become
32 part of the base level funding for the 2006-2007 biennium.

33 (h) The checkoffs under this section are subject to removal
34 from the income tax return as provided in section 290.439,
35 subdivision 2.

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

1 years beginning after December 31, 2004.

2 Sec. 37. [290.439] [ADMINISTRATION OF CHECKOFFS.]

3 Subdivision 1. [FORMS.] The commissioner must provide a
4 separate form as part of the income tax return that lists the
5 nongame wildlife checkoff in section 290.432; the state election
6 campaign fund checkoff in section 10A.31; the National Guard and
7 Reserves checkoff in section 290.433; the public safety officer
8 checkoff in section 290.434; and the education, higher
9 education, transportation, health care, nursing home, and clean
10 water checkoffs in section 290.435. The commissioner must
11 provide a single line on form M-1 for entering the total amount
12 a taxpayer contributes to all the checkoffs listed on the
13 separate form.

14 Subd. 2. [REMOVAL OF CHECKOFFS.] The commissioner must
15 annually review usage of the income tax checkoffs in sections
16 290.433 to 290.435, and determine the number of returns making
17 contributions and the total amount contributed to each checkoff,
18 including each of the separate checkoffs provided in section
19 290.435. If any of the checkoffs subject to review fails, for
20 two consecutive tax years, to obtain contributions of at least
21 \$100,000 from at least eight percent of all returns that make
22 contributions to any of the checkoffs in sections 10A.31 and
23 290.433 to 290.435, the commissioner must remove the checkoff
24 from the checkoff form and submit legislation proposing the
25 repeal of the checkoff to the legislature.

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

28 Sec. 38. Minnesota Statutes 2004, section 290.92,
29 subdivision 4b, is amended to read:

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

35 (b) The amount of tax withheld is determined by multiplying
36 the partner's distributive share allocable to Minnesota under

1 section 290.17, paid or credited during the taxable year by the
2 highest rate used to determine the income tax liability for an
3 individual under section 290.06, subdivision 2c, except that the
4 amount of tax withheld may be determined by the commissioner if
5 the partner submits a withholding exemption certificate under
6 subdivision 5.

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

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

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

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

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

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

23 (i) income required to be recognized because of discharge
24 of indebtedness;

25 (ii) income recognized because of a sale, exchange, or
26 other disposition of real estate, depreciable property, or
27 property described in section 179 of the Internal Revenue Code;
28 or

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

33 to the extent that the income does not include cash received or
34 receivable or, if there is cash received or receivable, to the
35 extent that the cash is required to be used to pay indebtedness
36 by the partnership or a secured debt on partnership property; or

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

3 (e) For purposes of subdivision 6a, and sections 289A.09,
4 subdivision 2, 289A.20, subdivision 2, paragraph (c), 289A.50,
5 289A.56, 289A.60, and 289A.63, a partnership is considered an
6 employer.

7 (f) To the extent that income is exempt from withholding
8 under paragraph (d), clause (4), the commissioner has a lien in
9 an amount up to the amount that would be required to be withheld
10 with respect to the income of the partner attributable to the
11 partnership interest, but for the application of paragraph (d),
12 clause (4). The lien arises under section 270.69 from the date
13 of assessment of the tax against the partner, and attaches to
14 that partner's share of the profits and any other money due or
15 to become due to that partner in respect of the partnership.
16 Notice of the lien may be sent by mail to the partnership,
17 without the necessity for recording the lien. The notice has
18 the force and effect of a levy under section 270.70, and is
19 enforceable against the partnership in the manner provided by
20 that section. Upon payment in full of the liability subsequent
21 to the notice of lien, the partnership must be notified that the
22 lien has been satisfied.

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

25 Sec. 39. Minnesota Statutes 2004, section 291.005,
26 subdivision 1, is amended to read:

27 Subdivision 1. [SCOPE.] Unless the context otherwise
28 clearly requires, the following terms used in this chapter shall
29 have the following meanings:

30 (1) "Federal gross estate" means the gross estate of a
31 decedent as valued and otherwise determined for federal estate
32 tax purposes by federal taxing authorities pursuant to the
33 provisions of the Internal Revenue Code.

34 (2) "Minnesota gross estate" means the federal gross estate
35 of a decedent after (a) excluding therefrom any property
36 included therein which has its situs outside Minnesota, and (b)

1 including therein any property omitted from the federal gross
2 estate which is includable therein, has its situs in Minnesota,
3 and was not disclosed to federal taxing authorities.

4 (3) "Personal representative" means the executor,
5 administrator or other person appointed by the court to
6 administer and dispose of the property of the decedent. If
7 there is no executor, administrator or other person appointed,
8 qualified, and acting within this state, then any person in
9 actual or constructive possession of any property having a situs
10 in this state which is included in the federal gross estate of
11 the decedent shall be deemed to be a personal representative to
12 the extent of the property and the Minnesota estate tax due with
13 respect to the property.

14 (4) "Resident decedent" means an individual whose domicile
15 at the time of death was in Minnesota.

16 (5) "Nonresident decedent" means an individual whose
17 domicile at the time of death was not in Minnesota.

18 (6) "Situs of property" means, with respect to real
19 property, the state or country in which it is located; with
20 respect to tangible personal property, the state or country in
21 which it was normally kept or located at the time of the
22 decedent's death; and with respect to intangible personal
23 property, the state or country in which the decedent was
24 domiciled at death.

25 (7) "Commissioner" means the commissioner of revenue or any
26 person to whom the commissioner has delegated functions under
27 this chapter.

28 (8) "Internal Revenue Code" means the United States
29 Internal Revenue Code of 1986, as amended through ~~December-31,~~
30 ~~2002~~ April 15, 2005.

31 (9) "Minnesota adjusted taxable estate" means federal
32 adjusted taxable estate as defined by section 2011(b)(3) of the
33 Internal Revenue Code, increased by the amount of deduction for
34 state death taxes allowed under section 2058 of the Internal
35 Revenue Code.

36 [EFFECTIVE DATE.] This section is effective for estates of

1 decedents dying after December 31, 2004.

2 Sec. 40. Minnesota Statutes 2004, section 291.03,
3 subdivision 1, is amended to read:

4 Subdivision 1. [TAX AMOUNT.] (a) The tax imposed shall be
5 an amount equal to the proportion of the maximum credit for
6 state death taxes computed under section 2011 of the Internal
7 Revenue Code, as amended through December 31, 2000, for-state
8 death-taxes but using Minnesota adjusted taxable estate instead
9 of federal adjusted taxable estate, as the Minnesota gross
10 estate bears to the value of the federal gross estate. The tax
11 determined under this paragraph shall not be greater than the
12 federal-estate-tax amount computed by applying the rates and
13 brackets under section 2001(c) of the Internal Revenue Code
14 after-the-allowance-of to the Minnesota adjusted gross estate
15 and subtracting the federal credits credit allowed under section
16 2010 of the Internal Revenue Code of 1986, as amended through
17 December 31, 2000.

18 (b) For the purposes of this section, expenses which are
19 deducted for federal income tax purposes under section 642(g) of
20 the Internal Revenue Code as amended through December 31, 2002,
21 are not allowable in computing the tax under this chapter.

22 (c) The executor may make a qualified terminable interest
23 property election, as defined in section 2056(b)(7) of the
24 Internal Revenue Code, for purposes of computing the marital
25 deduction under section 2056 of the Internal Revenue Code for
26 the tax under this chapter that differs from the amount elected
27 for federal estate tax purposes. The election may not exceed
28 the federal election by more than the difference between the
29 applicable exclusion amount under section 2010(c) of the
30 Internal Revenue Code and under section 2010(c) of the Internal
31 Revenue Code, as amended through December 31, 2000. The
32 election must be made on the tax return under this chapter and
33 is irrevocable. All tax under this chapter must be determined
34 using the qualified terminable interest election made on the
35 Minnesota return. For purposes of applying sections 2044 and
36 2207A of the Internal Revenue Code to the computation of the

1 federal and Minnesota gross estates of the surviving spouse,
2 amounts for which a qualified terminable interest property
3 election has been made under this section must be treated as
4 though a valid federal qualified terminable interest property
5 election under section 2056(b)(7) of the Internal Revenue Code
6 had been made.

7 [EFFECTIVE DATE.] This section is effective for estates of
8 decedents dying after December 31, 2004, except paragraph (c)
9 applies for estates of decedents dying after December 31, 2006.

10 Sec. 41. Minnesota Statutes 2004, section 298.01,
11 subdivision 3, is amended to read:

12 Subd. 3. [OCCUPATION TAX; OTHER ORES.] Every person
13 engaged in the business of mining or producing ores in this
14 state, except iron ore or taconite concentrates, shall pay an
15 occupation tax to the state of Minnesota as provided in this
16 subdivision. The tax is determined in the same manner as the
17 tax imposed by section 290.02, except that sections 290.05,
18 subdivision 1, clause (a), and 290.17, subdivision 4, and
19 290.191, subdivision 2, do not apply. A person subject to
20 occupation tax under this section shall apportion its net income
21 on the basis of the percentage obtained by taking the sum of:

22 (1) 75 percent of the percentage which the sales made
23 within this state in connection with the trade or business
24 during the tax period are of the total sales wherever made in
25 connection with the trade or business during the tax period;

26 (2) 12.5 percent of the percentage which the total tangible
27 property used by the taxpayer in this state in connection with
28 the trade or business during the tax period is of the total
29 tangible property, wherever located, used by the taxpayer in
30 connection with the trade or business during the tax period; and

31 (3) 12.5 percent of the percentage which the taxpayer's
32 total payrolls paid or incurred in this state or paid in respect
33 to labor performed in this state in connection with the trade or
34 business during the tax period are of the taxpayer's total
35 payrolls paid or incurred in connection with the trade or
36 business during the tax period.

1 The tax is in addition to all other taxes.

2 [EFFECTIVE DATE.] This section is effective for tax years
3 beginning after December 31, 2006.

4 Sec. 42. Minnesota Statutes 2004, section 298.01,
5 subdivision 4, is amended to read:

6 Subd. 4. [OCCUPATION TAX; IRON ORE; TACONITE
7 CONCENTRATES.] A person engaged in the business of mining or
8 producing of iron ore, taconite concentrates or direct reduced
9 ore in this state shall pay an occupation tax to the state of
10 Minnesota. The tax is determined in the same manner as the tax
11 imposed by section 290.02, except that sections 290.05,
12 subdivision 1, clause (a), and 290.17, subdivision 4, and
13 290.191, subdivision 2, do not apply. A person subject to
14 occupation tax under this section shall apportion its net income
15 on the basis of the percentage obtained by taking the sum of:

16 (1) 75 percent of the percentage which the sales made
17 within this state in connection with the trade or business
18 during the tax period are of the total sales wherever made in
19 connection with the trade or business during the tax period;

20 (2) 12.5 percent of the percentage which the total tangible
21 property used by the taxpayer in this state in connection with
22 the trade or business during the tax period is of the total
23 tangible property, wherever located, used by the taxpayer in
24 connection with the trade or business during the tax period; and

25 (3) 12.5 percent of the percentage which the taxpayer's
26 total payrolls paid or incurred in this state or paid in respect
27 to labor performed in this state in connection with the trade or
28 business during the tax period are of the taxpayer's total
29 payrolls paid or incurred in connection with the trade or
30 business during the tax period.

31 The tax is in addition to all other taxes.

32 [EFFECTIVE DATE.] This section is effective for tax years
33 beginning after December 31, 2006.

34 Sec. 43. [REPEALER.]

35 Minnesota Rules, parts 8093.2000; and 8093.3000, are
36 repealed effective the day following final enactment.

ARTICLE 6

FEDERAL UPDATE

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

Subd. 7. [INTERNAL REVENUE CODE.] Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~June 15, 2003~~ April 15, 2005.

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

Sec. 2. Minnesota Statutes 2004, section 290.01, subdivision 19, as amended by Laws 2005, chapter 1, section 1, is amended to read:

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

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

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

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

(3) the deduction for dividends paid must also be applied in the amount of any undistributed capital gains which the

1 regulated investment company elects to have treated as provided
2 in section 852(b)(3)(D) of the Internal Revenue Code.

3 The net income of a real estate investment trust as defined
4 and limited by section 856(a), (b), and (c) of the Internal
5 Revenue Code means the real estate investment trust taxable
6 income as defined in section 857(b)(2) of the Internal Revenue
7 Code.

8 The net income of a designated settlement fund as defined
9 in section 468B(d) of the Internal Revenue Code means the gross
10 income as defined in section 468B(b) of the Internal Revenue
11 Code.

12 ~~The provisions of sections 1113(a), 1117, 1206(a), 1313(a),~~
13 ~~1402(a), 1403(a), 1443, 1450, 1501(a), 1605, 1611(a), 1612,~~
14 ~~1616, 1617, 1704(l), and 1704(m) of the Small Business Job~~
15 ~~Protection Act, Public Law 104-188, the provisions of Public Law~~
16 ~~104-117, the provisions of sections 313(a) and (b)(1), 602(a),~~
17 ~~913(b), 941, 961, 971, 1001(a) and (b), 1002, 1003, 1012, 1013,~~
18 ~~1014, 1061, 1062, 1081, 1084(b), 1086, 1087, 1111(a), 1131(b)~~
19 ~~and (c), 1211(b), 1213, 1530(c)(2), 1601(f)(5) and (h), and~~
20 ~~1604(d)(1) of the Taxpayer Relief Act of 1997, Public Law~~
21 ~~105-34, the provisions of section 6010 of the Internal Revenue~~
22 ~~Service Restructuring and Reform Act of 1998, Public Law~~
23 ~~105-206, the provisions of section 4003 of the Omnibus~~
24 ~~Consolidated and Emergency Supplemental Appropriations Act,~~
25 ~~1999, Public Law 105-277, and the provisions of section 318 of~~
26 ~~the Consolidated Appropriation Act of 2001, Public Law 106-554,~~
27 ~~shall become effective at the time they become effective for~~
28 ~~federal purposes.~~

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

32 ~~The provisions of sections 202(a) and (b), 221(a), 225,~~
33 ~~312, 313, 913(a), 934, 962, 1004, 1005, 1052, 1063, 1084(a) and~~
34 ~~(c), 1089, 1112, 1171, 1204, 1271(a) and (b), 1305(a), 1306,~~
35 ~~1307, 1308, 1309, 1501(b), 1502(b), 1504(a), 1505, 1527, 1528,~~
36 ~~1530, 1601(d), (e), (f), and (i) and 1602(a), (b), (c), and (e)~~

1 of-the-Taxpayer-Relief-Act-of-1997, Public-Law-105-34, the
2 provisions-of-sections-6004, 6005, 6012, 6013, 6015, 6016, 7002,
3 and-7003-of-the-Internal-Revenue-Service-Restructuring-and
4 Reform-Act-of-1998, Public-Law-105-206, the-provisions-of
5 section-3001-of-the-Omnibus-Consolidated-and-Emergency
6 Supplemental-Appropriations-Act, 1999, Public-Law-105-277, the
7 provisions-of-section-3001-of-the-Miscellaneous-Trade-and
8 Technical-Corrections-Act-of-1999, Public-Law-106-36, and-the
9 provisions-of-section-316-of-the-Consolidated-Appropriation-Act
10 of-2001, Public-Law-106-554, shall-become-effective-at-the-time
11 they-become-effective-for-federal-purposes.

12 The-Internal-Revenue-Code-of-1986, as-amended-through
13 December-31, 1997, shall-be-in-effect-for-taxable-years
14 beginning-after-December-31, 1997.

15 The-provisions-of-sections-5002, 6009, 6011, and-7001-of
16 the-Internal-Revenue-Service-Restructuring-and-Reform-Act-of
17 1998, Public-Law-105-206, the-provisions-of-section-9010-of-the
18 Transportation-Equity-Act-for-the-21st-Century, Public-Law
19 105-178, the-provisions-of-sections-1004, 4002, and-5301-of-the
20 Omnibus-Consolidation-and-Emergency-Supplemental-Appropriations
21 Act, 1999, Public-Law-105-277, the-provision-of-section-303-of
22 the-Ricky-Ray-Hemophilia-Relief-Fund-Act-of-1998, Public-Law
23 105-369, the-provisions-of-sections-532, 534, 536, 537, and-538
24 of-the-Ticket-to-Work-and-Work-Incentives-Improvement-Act-of
25 1999, Public-Law-106-170, the-provisions-of-the-Installment-Tax
26 Correction-Act-of-2000, Public-Law-106-573, and-the-provisions
27 of-section-309-of-the-Consolidated-Appropriation-Act-of-2001,
28 Public-Law-106-554, shall-become-effective-at-the-time-they
29 become-effective-for-federal-purposes.

30 The-Internal-Revenue-Code-of-1986, as-amended-through
31 December-31, 1998, shall-be-in-effect-for-taxable-years
32 beginning-after-December-31, 1998.

33 The-provisions-of-the-FSC-Repeal-and-Extraterritorial
34 Income-Exclusion-Act-of-2000, Public-Law-106-519, and-the
35 provision-of-section-412-of-the-Job-Creation-and-Worker
36 Assistance-Act-of-2002, Public-Law-107-147, shall-become

1 ~~effective-at-the-time-it-became-effective-for-federal-purposes.~~

2 ~~The-Internal-Revenue-Code-of-1986-as-amended-through~~
3 ~~December-31-1999-shall-be-in-effect-for-taxable-years~~
4 ~~beginning-after-December-31-1999.--The-provisions-of-sections~~
5 ~~306-and-401-of-the-Consolidated-Appropriation-Act-of-2001~~
6 ~~Public-Law-106-554-and-the-provision-of-section-632(b)(2)(A)-of~~
7 ~~the-Economic-Growth-and-Tax-Relief-Reconciliation-Act-of-2001~~
8 ~~Public-Law-107-16-and-provisions-of-sections-101-and-402-of-the~~
9 ~~Job-Creation-and-Worker-Assistance-Act-of-2002-Public-Law~~
10 ~~107-147-shall-become-effective-at-the-same-time-it-became~~
11 ~~effective-for-federal-purposes.~~

12 ~~The-Internal-Revenue-Code-of-1986-as-amended-through~~
13 ~~December-31-2000-shall-be-in-effect-for-taxable-years~~
14 ~~beginning-after-December-31-2000.--The-provisions-of-sections~~
15 ~~659a-and-671-of-the-Economic-Growth-and-Tax-Relief~~
16 ~~Reconciliation-Act-of-2001-Public-Law-107-16-the-provisions-of~~
17 ~~sections-104-105-and-111-of-the-Victims-of-Terrorism-Tax~~
18 ~~Relief-Act-of-2001-Public-Law-107-134-and-the-provisions-of~~
19 ~~sections-201-403-413-and-606-of-the-Job-Creation-and-Worker~~
20 ~~Assistance-Act-of-2002-Public-Law-107-147-shall-become~~
21 ~~effective-at-the-same-time-it-became-effective-for-federal~~
22 ~~purposes.~~

23 ~~The-Internal-Revenue-Code-of-1986-as-amended-through-March~~
24 ~~15-2002-shall-be-in-effect-for-taxable-years-beginning-after~~
25 ~~December-31-2001.~~

26 ~~The-provisions-of-sections-101-and-102-of-the-Victims-of~~
27 ~~Terrorism-Tax-Relief-Act-of-2001-Public-Law-107-134-shall~~
28 ~~become-effective-at-the-same-time-it-becomes-effective-for~~
29 ~~federal-purposes.~~

30 ~~The-Internal-Revenue-Code-of-1986-as-amended-through-June~~
31 ~~15-2003-shall-be-in-effect-for-taxable-years-beginning-after~~
32 ~~December-31-2002.--The-provisions-of-section-201-of-the-Jobs~~
33 ~~and-Growth-Tax-Relief-and-Reconciliation-Act-of-2003-H.R.-2-if~~
34 ~~it-is-enacted-into-law-are-effective-at-the-same-time-it-became~~
35 ~~effective-for-federal-purposes.--The-provisions-of-the-Act-of~~
36 ~~January-7-2005-Public-Law-109-17-to-accelerate-the-income-tax~~

~~1 benefits-for-charitable-cash-contributions-for-the-relief-of
2 victims-of-the-Indian-Ocean-tsunami,-are-effective-at-the-same
3 time-it-became-effective-for-federal-purposes-and-apply-to-the
4 subtraction-under-subdivision-19b,-clause-(7)-~~

5 Except as otherwise provided, references to the Internal
6 Revenue Code in subdivisions ~~19a~~ 19 to ~~19g~~ 19f mean the code in
7 effect for purposes of determining net income for the applicable
8 year.

9 [EFFECTIVE DATE.] This section is effective the day
10 following final enactment.

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

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

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

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

35 (iii) for the purposes of items (i) and (ii), interest on
36 obligations of an Indian tribal government described in section

1 7871(c) of the Internal Revenue Code shall be treated as
2 interest income on obligations of the state in which the tribe
3 is located;

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

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

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

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

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

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

16 (10) for tax years beginning after December 31, 2006, to
17 the extent deducted in computing federal taxable income, the
18 amount by which the standard deduction allowed under section
19 63(c) of the Internal Revenue Code exceeds the standard
20 deduction allowable under section 63(c) of the Internal Revenue
21 Code of 1986, as amended through December 31, 2003; and

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

25 [EFFECTIVE DATE.] This section is effective for tax years
26 beginning after December 31, 2004, except the changes in clause
27 (2) are effective for tax years beginning after December 31,
28 2003.

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

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

34 (1) interest income on obligations of any authority,
35 commission, or instrumentality of the United States to the
36 extent includable in taxable income for federal income tax

1 purposes but exempt from state income tax under the laws of the
2 United States;

3 (2) if included in federal taxable income, the amount of
4 any overpayment of income tax to Minnesota or to any other
5 state, for any previous taxable year, whether the amount is
6 received as a refund or as a credit to another taxable year's
7 income tax liability;

8 (3) the amount paid to others, less the amount used to
9 claim the credit allowed under section 290.0674, not to exceed
10 \$1,625 for each qualifying child in grades kindergarten to 6 and
11 \$2,500 for each qualifying child in grades 7 to 12, for tuition,
12 textbooks, and transportation of each qualifying child in
13 attending an elementary or secondary school situated in
14 Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin,
15 wherein a resident of this state may legally fulfill the state's
16 compulsory attendance laws, which is not operated for profit,
17 and which adheres to the provisions of the Civil Rights Act of
18 1964 and chapter 363A. For the purposes of this clause,
19 "tuition" includes fees or tuition as defined in section
20 290.0674, subdivision 1, clause (1). As used in this clause,
21 "textbooks" includes books and other instructional materials and
22 equipment purchased or leased for use in elementary and
23 secondary schools in teaching only those subjects legally and
24 commonly taught in public elementary and secondary schools in
25 this state. Equipment expenses qualifying for deduction
26 includes expenses as defined and limited in section 290.0674,
27 subdivision 1, clause (3). "Textbooks" does not include
28 instructional books and materials used in the teaching of
29 religious tenets, doctrines, or worship, the purpose of which is
30 to instill such tenets, doctrines, or worship, nor does it
31 include books or materials for, or transportation to,
32 extracurricular activities including sporting events, musical or
33 dramatic events, speech activities, driver's education, or
34 similar programs. For purposes of the subtraction provided by
35 this clause, "qualifying child" has the meaning given in section
36 32(c)(3) of the Internal Revenue Code;

1 (4) income as provided under section 290.0802;

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

5 (6) to the extent included in federal taxable income,
6 postservice benefits for youth community service under section
7 124D.42 for volunteer service under United States Code, title
8 42, sections 12601 to 12604;

9 (7) to the extent not deducted in determining federal
10 taxable income by an individual who does not itemize deductions
11 for federal income tax purposes for the taxable year, an amount
12 equal to 50 percent of the excess of charitable contributions
13 over \$500 allowable as a deduction for the taxable year under
14 section 170(a) of the Internal Revenue Code over-\$500 and under
15 the provisions of Public Law 109-1;

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

21 (9) for individuals who are allowed a federal foreign tax
22 credit for taxes that do not qualify for a credit under section
23 290.06, subdivision 22, an amount equal to the carryover of
24 subnational foreign taxes for the taxable year, but not to
25 exceed the total subnational foreign taxes reported in claiming
26 the foreign tax credit. For purposes of this clause, "federal
27 foreign tax credit" means the credit allowed under section 27 of
28 the Internal Revenue Code, and "carryover of subnational foreign
29 taxes" equals the carryover allowed under section 904(c) of the
30 Internal Revenue Code minus national level foreign taxes to the
31 extent they exceed the federal foreign tax credit;

32 (10) in each of the five tax years immediately following
33 the tax year in which an addition is required under subdivision
34 19a, clause (7), an amount equal to one-fifth of the delayed
35 depreciation. For purposes of this clause, "delayed
36 depreciation" means the amount of the addition made by the

1 taxpayer under subdivision 19a, clause (7), minus the positive
2 value of any net operating loss under section 172 of the
3 Internal Revenue Code generated for the tax year of the
4 addition. The resulting delayed depreciation cannot be less
5 than zero; and

6 (11) job opportunity building zone income as provided under
7 section 469.316;

8 (12) in each of the five tax years immediately following
9 the tax year in which an addition is required under subdivision
10 19a, clause (8), or 19c, clause (17), in the case of a
11 shareholder of a corporation that is an S corporation, an amount
12 equal to one-fifth of the addition made by the taxpayer under
13 subdivision 19a, clause (8), or 19c, clause (17), in the case of
14 a shareholder of a corporation that is an S corporation, minus
15 the positive value of any net operating loss under section 172
16 of the Internal Revenue Code generated for the tax year of the
17 addition. If the net operating loss exceeds the addition for
18 the tax year, a subtraction is not allowed under this clause;
19 and

20 (13) to the extent included in federal taxable income,
21 compensation paid to a service member as defined in United
22 States Code, title 10, section 101(a)(5), for military service
23 as defined in the Service Member Civil Relief Act, Public Law
24 108-189, section 101(2).

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

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

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

33 (1) the amount of any deduction taken for federal income
34 tax purposes for income, excise, or franchise taxes based on net
35 income or related minimum taxes, including but not limited to
36 the tax imposed under section 290.0922, paid by the corporation

1 to Minnesota, another state, a political subdivision of another
2 state, the District of Columbia, or any foreign country or
3 possession of the United States;

4 (2) interest not subject to federal tax upon obligations
5 of: the United States, its possessions, its agencies, or its
6 instrumentalities; the state of Minnesota or any other state,
7 any of its political or governmental subdivisions, any of its
8 municipalities, or any of its governmental agencies or
9 instrumentalities; the District of Columbia; or Indian tribal
10 governments;

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

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

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

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

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

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

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

31 (10) for certified pollution control facilities placed in
32 service in a taxable year beginning before December 31, 1986,
33 and for which amortization deductions were elected under section
34 169 of the Internal Revenue Code of 1954, as amended through
35 December 31, 1985, the amount of the amortization deduction
36 allowed in computing federal taxable income for those

1 facilities;

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

5 (12) the amount of any environmental tax paid under section
6 59(a) of the Internal Revenue Code;

7 (13) the amount of a partner's pro rata share of net income
8 which does not flow through to the partner because the
9 partnership elected to pay the tax on the income under section
10 6242(a)(2) of the Internal Revenue Code;

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

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

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

29 (17) 80 percent of the amount by which the deduction
30 allowed by section 179 of the Internal Revenue Code exceeds the
31 deduction allowable by section 179 of the Internal Revenue Code
32 of 1986, as amended through December 31, 2003;

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

36 (19) the exclusion allowed under section 139A of the

1 Internal Revenue Code for federal subsidies for prescription
2 drug plans.

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

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

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

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

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

17 (3) any dividend (not including any distribution in
18 liquidation) paid within the taxable year by a national or state
19 bank to the United States, or to any instrumentality of the
20 United States exempt from federal income taxes, on the preferred
21 stock of the bank owned by the United States or the
22 instrumentality;

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

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

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

35 (5) the deduction for capital losses pursuant to sections
36 1211 and 1212 of the Internal Revenue Code, except that:

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

4 (ii) for capital losses incurred in taxable years beginning
5 after December 31, 1986, a capital loss carryover to each of the
6 15 taxable years succeeding the loss year shall be allowed;

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

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

18 (6) an amount for interest and expenses relating to income
19 not taxable for federal income tax purposes, if (i) the income
20 is taxable under this chapter and (ii) the interest and expenses
21 were disallowed as deductions under the provisions of section
22 171(a)(2), 265 or 291 of the Internal Revenue Code in computing
23 federal taxable income;

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

36 (8) for certified pollution control facilities placed in

1 service in a taxable year beginning before December 31, 1986,
2 and for which amortization deductions were elected under section
3 169 of the Internal Revenue Code of 1954, as amended through
4 December 31, 1985, an amount equal to the allowance for
5 depreciation under Minnesota Statutes 1986, section 290.09,
6 subdivision 7;

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

15 (10) 80 percent of royalties, fees, or other like income
16 accrued or received from a foreign operating corporation or a
17 foreign corporation which is part of the same unitary business
18 as the receiving corporation;

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

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

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

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

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

34 (16) for taxable years beginning before January 1, 2008,
35 the amount of the federal small ethanol producer credit allowed
36 under section 40(a)(3) of the Internal Revenue Code which is

1 included in gross income under section 87 of the Internal
2 Revenue Code;

3 (17) for a corporation whose foreign sales corporation, as
4 defined in section 922 of the Internal Revenue Code, constituted
5 a foreign operating corporation during any taxable year ending
6 before January 1, 1995, and a return was filed by August 15,
7 1996, claiming the deduction under section 290.21, subdivision
8 4, for income received from the foreign operating corporation,
9 an amount equal to 1.23 multiplied by the amount of income
10 excluded under section 114 of the Internal Revenue Code,
11 provided the income is not income of a foreign operating
12 company;

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

17 (19) in each of the five tax years immediately following
18 the tax year in which an addition is required under subdivision
19 19c, clause (16), an amount equal to one-fifth of the delayed
20 depreciation. For purposes of this clause, "delayed
21 depreciation" means the amount of the addition made by the
22 taxpayer under subdivision 19c, clause (16). The resulting
23 delayed depreciation cannot be less than zero; and

24 (20) in each of the five tax years immediately following
25 the tax year in which an addition is required under subdivision
26 19c, clause (17), an amount equal to one-fifth of the amount of
27 the addition.

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

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

32 Subd. 31. [INTERNAL REVENUE CODE.] Unless specifically
33 defined otherwise, "Internal Revenue Code" means the Internal
34 Revenue Code of 1986, as amended through ~~June 15, 2003~~ April 15,
35 2005.

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

1 following final enactment except the changes incorporated by
2 federal changes are effective at the same times as the changes
3 were effective for federal purposes.

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

6 Subdivision 1. [IMPOSITION.] There is hereby imposed as an
7 addition to the annual income tax for a taxable year of a
8 taxpayer in the classes described in section 290.03 a tax with
9 respect to any distribution received by such taxpayer that is
10 treated as a lump sum distribution under section ~~402(d)~~-of-the
11 ~~Internal-Revenue-Code~~ 1401(c)(2) of the Small Business Job
12 Protection Act, Public Law 104-188 and that is subject to tax
13 for such taxable year under section ~~402(d)~~-of-the-~~Internal~~
14 ~~Revenue-Code~~ 1401(c)(2) of the Small Business Job Protection
15 Act, Public Law 104-188.

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

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

20 Subd. 2. [COMPUTATION.] The amount of tax imposed by
21 subdivision 1 shall be computed in the same way as the tax
22 imposed under section 402(d) of the Internal Revenue Code of
23 1986, as amended through December 31, 1995, except that the
24 initial separate tax shall be an amount equal to five times the
25 tax which would be imposed by section 290.06, subdivision 2c, if
26 the recipient was an unmarried individual, and the taxable net
27 income was an amount equal to one-fifth of the excess of

28 (i) the total taxable amount of the lump sum distribution
29 for the year, over

30 (ii) the minimum distribution allowance, and except that
31 references in section 402(d) of the Internal Revenue Code of
32 1986, as amended through December 31, 1995, to paragraph (1)(A)
33 thereof shall instead be references to subdivision 1, and the
34 excess, if any, of the subtraction base amount over federal
35 taxable income for a qualified individual as provided under
36 section 290.0802, subdivision 2.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

34 (d) In lieu of a tax computed according to the rates set
35 forth in this subdivision, the tax of any individual taxpayer
36 whose taxable net income for the taxable year is less than an

1 amount determined by the commissioner must be computed in
2 accordance with tables prepared and issued by the commissioner
3 of revenue based on income brackets of not more than \$100. The
4 amount of tax for each bracket shall be computed at the rates
5 set forth in this subdivision, provided that the commissioner
6 may disregard a fractional part of a dollar unless it amounts to
7 50 cents or more, in which case it may be increased to \$1.

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

13 (1) the numerator is the individual's Minnesota source
14 federal adjusted gross income as defined in section 62 of the
15 Internal Revenue Code and increased by the additions required
16 under section 290.01, subdivision 19a, clauses (1), (5), and
17 (6), (7), (8), and (9), and reduced by the subtraction under
18 section 290.01, subdivision 19b, clause (11), and the Minnesota
19 assignable portion of the subtraction for United States
20 government interest under section 290.01, subdivision 19b,
21 clause (1), and the subtractions under clauses (10), (11), (12),
22 and (13), after applying the allocation and assignability
23 provisions of section 290.081, clause (a), or 290.17; and

24 (2) the denominator is the individual's federal adjusted
25 gross income as defined in section 62 of the Internal Revenue
26 Code of 1986, increased by the amounts specified in section
27 290.01, subdivision 19a, clauses (1), (5), and (6), (7), (8),
28 and (9), and reduced by the amounts specified in section 290.01,
29 subdivision 19b, clauses (1) and (10), (11), (12), and (13).

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

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

34 Subdivision 1. [AMOUNT OF CREDIT.] (a) A taxpayer may take
35 as a credit against the tax due from the taxpayer and a spouse,
36 if any, under this chapter an amount equal to the dependent care

1 credit for which the taxpayer is eligible pursuant to the
2 provisions of section 21 of the Internal Revenue Code subject to
3 the limitations provided in subdivision 2 except that in
4 determining whether the child qualified as a dependent, income
5 received as a Minnesota family investment program grant or
6 allowance to or on behalf of the child must not be taken into
7 account in determining whether the child received more than half
8 of the child's support from the taxpayer, and the provisions of
9 section 32(b)(1)(D) of the Internal Revenue Code do not apply.

10 (b) If a child who has not attained the age of six years at
11 the close of the taxable year is cared for at a licensed family
12 day care home operated by the child's parent, the taxpayer is
13 deemed to have paid employment-related expenses. If the child
14 is 16 months old or younger at the close of the taxable year,
15 the amount of expenses deemed to have been paid equals the
16 maximum limit for one qualified individual under section 21(c)
17 and (d) of the Internal Revenue Code. If the child is older
18 than 16 months of age but has not attained the age of six years
19 at the close of the taxable year, the amount of expenses deemed
20 to have been paid equals the amount the licensee would charge
21 for the care of a child of the same age for the same number of
22 hours of care.

23 (c) If a married couple:

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

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

27 (3) does not participate in a dependent care assistance
28 program as defined in section 129 of the Internal Revenue Code,
29 in lieu of the actual employment related expenses paid for that
30 child under paragraph (a) or the deemed amount under paragraph
31 (b), the lesser of (i) the combined earned income of the couple
32 or (ii) the amount of the maximum limit for one qualified
33 individual under section 21(c) and (d) of the Internal Revenue
34 Code will be deemed to be the employment related expense paid
35 for that child. The earned income limitation of section 21(d)
36 of the Internal Revenue Code shall not apply to this deemed

1 amount. These deemed amounts apply regardless of whether any
2 employment-related expenses have been paid.

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

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

8 (2) if the person is an organization described in section
9 501(c)(3) of the Internal Revenue Code and exempt from tax under
10 section 501(a) of the Internal Revenue Code, the name and
11 address of the person are included on the return claiming the
12 credit.

13 In the case of a failure to provide the information required
14 under the preceding sentence, the preceding sentence does not
15 apply if it is shown that the taxpayer exercised due diligence
16 in attempting to provide the information required.

17 In the case of a nonresident, part-year resident, or a
18 person who has earned income not subject to tax under this
19 chapter including earned income excluded pursuant to section
20 290.01, subdivision 19b, clause (11), the credit determined
21 under section 21 of the Internal Revenue Code must be allocated
22 based on the ratio by which the earned income of the claimant
23 and the claimant's spouse from Minnesota sources bears to the
24 total earned income of the claimant and the claimant's spouse.

25 For residents of Minnesota, the exclusion of combat pay
26 under section 112 of the Internal Revenue Code is not considered
27 "earned income not subject to tax under this chapter."

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

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

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

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

36 (2) the sum of the following amounts to the extent not

1 included in clause (1):

2 (i) all nontaxable income;

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

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

12 (iv) cash public assistance and relief;

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

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

23 (vii) workers' compensation;

24 (viii) nontaxable strike benefits;

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

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

32 (xi) contributions made by the claimant to an individual
33 retirement account, including a qualified voluntary employee
34 contribution; simplified employee pension plan; self-employed
35 retirement plan; cash or deferred arrangement plan under section
36 401(k) of the Internal Revenue Code; or deferred compensation

1 plan under section 457 of the Internal Revenue Code; and
2 (xii) nontaxable scholarship or fellowship grants;
3 (xiii) the amount of deduction allowed under section 199 of
4 the Internal Revenue Code; and
5 (xiv) the amount of deduction allowed under section 220 or
6 223 of the Internal Revenue Code.

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

14 (b) "Income" does not include:

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

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

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

23 (4) relief granted under chapter 290A;

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

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

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

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

34 Subdivision 1. [CREDIT ALLOWED.] (a) An individual is
35 allowed a credit against the tax imposed by this chapter equal
36 to a percentage of earned income. To receive a credit, a

1 taxpayer must be eligible for a credit under section 32 of the
2 Internal Revenue Code.

3 (b) For individuals with no qualifying children, the credit
4 equals 1.9125 percent of the first \$4,620 of earned income. The
5 credit is reduced by 1.9125 percent of earned income or modified
6 adjusted gross income, whichever is greater, in excess of
7 \$5,770, but in no case is the credit less than zero.

8 (c) For individuals with one qualifying child, the credit
9 equals 8.5 percent of the first \$6,920 of earned income and 8.5
10 percent of earned income over \$12,080 but less than \$13,450.
11 The credit is reduced by 5.73 percent of earned income or
12 modified adjusted gross income, whichever is greater, in excess
13 of \$15,080, but in no case is the credit less than zero.

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

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

24 (f) For a person who was a resident for the entire tax year
25 and has earned income not subject to tax under this chapter,
26 including income excluded under section 290.01, subdivision 19b,
27 clause (11), the credit must be allocated based on the ratio of
28 federal adjusted gross income reduced by the earned income not
29 subject to tax under this chapter over federal adjusted gross
30 income. For the purposes of this paragraph, the exclusion of
31 combat pay under section 112 of the Internal Revenue Code is not
32 considered "earned income not subject to tax under this chapter."

33 (g) For tax years beginning after December 31, 2001, and
34 before December 31, 2004, the \$5,770 in paragraph (b), the
35 \$15,080 in paragraph (c), and the \$17,890 in paragraph (d),
36 after being adjusted for inflation under subdivision 7, are each

1 increased by \$1,000 for married taxpayers filing joint returns.

2 (h) For tax years beginning after December 31, 2004, and
3 before December 31, 2007, the \$5,770 in paragraph (b), the
4 \$15,080 in paragraph (c), and the \$17,890 in paragraph (d),
5 after being adjusted for inflation under subdivision 7, are each
6 increased by \$2,000 for married taxpayers filing joint returns.

7 (i) For tax years beginning after December 31, 2007, and
8 before December 31, 2010, the \$5,770 in paragraph (b), the
9 \$15,080 in paragraph (c), and the \$17,890 in paragraph (d),
10 after being adjusted for inflation under subdivision 7, are each
11 increased by \$3,000 for married taxpayers filing joint returns.
12 For tax years beginning after December 31, 2008, the \$3,000 is
13 adjusted annually for inflation under subdivision 7.

14 (j) The commissioner shall construct tables showing the
15 amount of the credit at various income levels and make them
16 available to taxpayers. The tables shall follow the schedule
17 contained in this subdivision, except that the commissioner may
18 graduate the transition between income brackets.

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

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

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

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

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

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

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

33 (c) "Taxable income" means net income as defined in section
34 290.01, subdivision 19.

35 (d) "Earned income of lesser-earning spouse" means the
36 earned income of the spouse with the lesser amount of earned

1 income as defined in paragraph (b) for the taxable year minus
2 the sum of (i) the amount for one exemption under section 151(d)
3 of the Internal Revenue Code and (ii) one-half the amount of the
4 standard deduction under section 63(c)(2)(A) and (4) of the
5 Internal Revenue Code minus one-half of any addition required
6 under section 290.01, subdivision 19a, clause (10).

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

9 Sec. 15. Minnesota Statutes 2004, section 290.091,
10 subdivision 2, is amended to read:

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

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

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

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

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

24 (ii) the medical expense deduction;

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

26 (iv) the impairment-related work expenses of a disabled
27 person;

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 clauses (7), (8), and (9);

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), (12), and (13).

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 for tax years
4 beginning after December 31, 2004.

5 Sec. 16. Minnesota Statutes 2004, section 290A.03,
6 subdivision 3, is amended to read:

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

9 (a) federal adjusted gross income as defined in the
10 Internal Revenue Code; and

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

13 (i) all nontaxable income;

14 (ii) the amount of a passive activity loss that is not
15 disallowed as a result of section 469, paragraph (i) or (m) of
16 the Internal Revenue Code and the amount of passive activity
17 loss carryover allowed under section 469(b) of the Internal
18 Revenue Code;

19 (iii) an amount equal to the total of any discharge of
20 qualified farm indebtedness of a solvent individual excluded
21 from gross income under section 108(g) of the Internal Revenue
22 Code;

23 (iv) cash public assistance and relief;

24 (v) any pension or annuity (including railroad retirement
25 benefits, all payments received under the federal Social
26 Security Act, supplemental security income, and veterans
27 benefits), which was not exclusively funded by the claimant or
28 spouse, or which was funded exclusively by the claimant or
29 spouse and which funding payments were excluded from federal
30 adjusted gross income in the years when the payments were made;

31 (vi) interest received from the federal or a state
32 government or any instrumentality or political subdivision
33 thereof;

34 (vii) workers' compensation;

35 (viii) nontaxable strike benefits;

36 (ix) the gross amounts of payments received in the nature

1 of disability income or sick pay as a result of accident,
2 sickness, or other disability, whether funded through insurance
3 or otherwise;

4 (x) a lump sum distribution under section 402(e)(3) of the
5 Internal Revenue Code of 1986, as amended through December 31,
6 1995;

7 (xi) contributions made by the claimant to an individual
8 retirement account, including a qualified voluntary employee
9 contribution; simplified employee pension plan; self-employed
10 retirement plan; cash or deferred arrangement plan under section
11 401(k) of the Internal Revenue Code; or deferred compensation
12 plan under section 457 of the Internal Revenue Code; and

13 (xii) nontaxable scholarship or fellowship grants;

14 (xiii) the amount of deduction allowed under section 199 of
15 the Internal Revenue Code; and

16 (xiv) the amount of deduction allowed under section 220 or
17 223 of the Internal Revenue Code.

18 In the case of an individual who files an income tax return
19 on a fiscal year basis, the term "federal adjusted gross income"
20 shall mean federal adjusted gross income reflected in the fiscal
21 year ending in the calendar year. Federal adjusted gross income
22 shall not be reduced by the amount of a net operating loss
23 carryback or carryforward or a capital loss carryback or
24 carryforward allowed for the year.

25 (2) "Income" does not include:

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

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

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

34 (d) relief granted under this chapter;

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

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

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

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

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

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

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

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

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

20 For purposes of this subdivision, the "exemption amount"
21 means the exemption amount under section 151(d) of the Internal
22 Revenue Code for the taxable year for which the income is
23 reported.

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

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

28 Subd. 15. [INTERNAL REVENUE CODE.] "Internal Revenue Code"
29 means the Internal Revenue Code of 1986, as amended through June
30 ~~15, 2003~~ April 15, 2005.

31 [EFFECTIVE DATE.] This section is effective for property
32 tax refunds based on property taxes payable on or after December
33 31, 2004, and rent paid on or after December 31, 2003.

34 ARTICLE 7

35 SALES AND USE TAXES

36 Section 1. Minnesota Statutes 2004, section 16C.03, is

1 amended by adding a subdivision to read:

2 Subd. 18. [CONTRACTS WITH FOREIGN VENDORS.] (a) The
3 commissioner and other agencies to which this section applies
4 and the legislative branch of government shall, subject to
5 paragraph (d), cancel a contract for goods or services from a
6 vendor or an affiliate of a vendor or suspend or debar a vendor
7 or an affiliate of a vendor from future contracts upon
8 notification from the commissioner of revenue that the vendor or
9 an affiliate of the vendor has not registered to collect the
10 sales and use tax imposed under chapter 297A on its sales in
11 Minnesota or to a destination in Minnesota. This subdivision
12 shall not apply to state colleges and universities, the courts,
13 and any agency in the judicial branch of government. For
14 purposes of this subdivision, the term "affiliate" means any
15 person or entity that is controlled by, or is under common
16 control of, a vendor through stock ownership or other
17 affiliation.

18 (b) Beginning January 1, 2006, each vendor or affiliate of
19 a vendor selling goods or services, subject to tax under chapter
20 297A, to an agency or the legislature must provide its Minnesota
21 sales and use tax business identification number, upon request,
22 to show that the vendor is registered to collect Minnesota sales
23 or use tax.

24 (c) The commissioner of revenue shall periodically provide
25 to the commissioner and the legislative branch a list of vendors
26 who have not registered to collect Minnesota sales and use tax
27 and who are subject to being suspended or debarred as vendors or
28 having their contracts canceled.

29 (d) The provisions of this subdivision may be waived by the
30 commissioner or the legislative branch when the vendor is the
31 single source of such goods or services, in the event of an
32 emergency, or when it is in the best interests of the state as
33 determined by the commissioner in consultation with the
34 commissioner of revenue. Such consultation is not a disclosure
35 violation under chapter 270B.

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

1 contracts entered into after December 31, 2005.

2 Sec. 2. Minnesota Statutes 2004, section 289A.38,
3 subdivision 6, is amended to read:

4 Subd. 6. [OMISSION IN EXCESS OF 25 PERCENT.] Additional
5 taxes may be assessed within 6-1/2 years after the due date of
6 the return or the date the return was filed, whichever is later,
7 if:

8 (1) the taxpayer omits from gross income an amount properly
9 includable in it that is in excess of 25 percent of the amount
10 of gross income stated in the return;

11 (2) the taxpayer omits from a sales, use, or withholding
12 tax return an amount of taxes in excess of 25 percent of the
13 taxes reported in the return; or

14 (3) the taxpayer omits from the gross estate assets in
15 excess of 25 percent of the gross estate reported in the return.

16 [EFFECTIVE DATE.] This section is effective the day
17 following final enactment.

18 Sec. 3. Minnesota Statutes 2004, section 289A.38, is
19 amended by adding a subdivision to read:

20 Subd. 15. [PURCHASER FILED REFUND CLAIMS.] If a purchaser
21 refund claim is filed under section 289A.50, subdivision 2a, and
22 the basis for the claim is that the purchaser was improperly
23 charged tax on an improvement to real property or on the
24 purchase of nontaxable services, sales or use tax may be
25 assessed for the cost of materials used to make the real
26 property improvement or to perform the nontaxable service. The
27 assessment may be made against the person making the improvement
28 to real property or the sale of nontaxable services, within the
29 period prescribed in subdivision 1, or within one year after the
30 date of the refund order, whichever is later.

31 [EFFECTIVE DATE.] This section is effective for purchaser
32 refund claims filed on or after July 1, 2005.

33 Sec. 4. Minnesota Statutes 2004, section 289A.40,
34 subdivision 2, is amended to read:

35 Subd. 2. [BAD DEBT LOSS.] If a claim relates to an
36 overpayment because of a failure to deduct a loss due to a bad

1 debt or to a security becoming worthless, the claim is
2 considered timely if filed within seven years from the date
3 prescribed for the filing of the return. A claim relating to an
4 overpayment of taxes under chapter 297A must be filed within
5 3-1/2 years from the date prescribed for filing the return, plus
6 any extensions granted for filing the return, but only if filed
7 within the extended time. The refund or credit is limited to
8 the amount of overpayment attributable to the loss. "Bad debt"
9 for purposes of this subdivision, has the same meaning as that
10 term is used in United States Code, title 26, section 166,
11 except that for a claim relating to an overpayment of taxes
12 under chapter 297A the following are excluded from the
13 calculation of bad debt: financing charges or interest; sales
14 or use taxes charged on the purchase price; uncollectible
15 amounts on property that remain in the possession of the seller
16 until the full purchase price is paid; expenses incurred in
17 attempting to collect any debt; and repossessed property.

18 [EFFECTIVE DATE.] For claims relating to an overpayment of
19 taxes under chapter 297A, this section is effective for sales
20 and purchases made on or after January 1, 2004; for all other
21 bad debts or claims, this section is effective on or after July
22 1, 2003.

23 Sec. 5. Minnesota Statutes 2004, section 289A.40, is
24 amended by adding a subdivision to read:

25 Subd. 4. [PURCHASER FILED REFUND CLAIMS.] A claim for
26 refund of taxes paid on a transaction not subject to tax under
27 chapter 297A, where the purchaser may apply directly to the
28 commissioner under section 289A.50, subdivision 2a, must be
29 filed within 3-1/2 years from the 20th day of the month
30 following the month of the invoice date for the purchase.

31 [EFFECTIVE DATE.] This section is effective for claims
32 filed on or after the day following final enactment.

33 Sec. 6. Minnesota Statutes 2004, section 289A.40, is
34 amended by adding a subdivision to read:

35 Subd. 5. [CAPITAL EQUIPMENT REFUND CLAIMS.] A claim for
36 refund for taxes paid under chapter 297A on capital equipment

1 must be filed within 3-1/2 years from the 20th day of the month
2 following the month of the invoice date for the purchase of the
3 capital equipment. A claim for refund for taxes imposed on
4 capital equipment under section 297A.63 must be filed within
5 3-1/2 years from the date prescribed for filing the return, or
6 one year from the date of an order assessing tax under section
7 289A.37, subdivision 1, upon payment in full of the tax,
8 penalties, and interest shown on the order, whichever period
9 expires later.

10 [EFFECTIVE DATE.] This section is effective for claims
11 filed on or after the day following final enactment.

12 Sec. 7. Minnesota Statutes 2004, section 297A.61,
13 subdivision 3, is amended to read:

14 Subd. 3. [SALE AND PURCHASE.] (a) "Sale" and "purchase"
15 include, but are not limited to, each of the transactions listed
16 in this subdivision.

17 (b) Sale and purchase include:

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

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

26 (c) Sale and purchase include the production, fabrication,
27 printing, or processing of tangible personal property for a
28 consideration for consumers who furnish either directly or
29 indirectly the materials used in the production, fabrication,
30 printing, or processing.

31 (d) Sale and purchase include the preparing for a
32 consideration of food. Notwithstanding section 297A.67,
33 subdivision 2, taxable food includes, but is not limited to, the
34 following:

35 (1) prepared food sold by the retailer;
36 (2) soft drinks;

- 1 (3) candy; and
2 (4) dietary supplements; and
3 (5) all food sold through vending machines, except milk.

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

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

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

12 (1) the privilege of admission to places of amusement,
13 recreational areas, or athletic events, and the making available
14 of amusement devices, tanning facilities, reducing salons, steam
15 baths, turkish baths, health clubs, and spas or athletic
16 facilities;

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

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

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

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

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

35 Granting of membership means both onetime initiation fees and
36 periodic membership dues. Sports and athletic facilities

1 include golf courses; tennis, racquetball, handball, and squash
2 courts; basketball and volleyball facilities; running tracks;
3 exercise equipment; swimming pools; and other similar athletic
4 or sports facilities;

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

9 (6) services as provided in this clause:

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

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

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

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

30 (v) pet grooming services;

31 (vi) lawn care, fertilizing, mowing, spraying and sprigging
32 services; garden planting and maintenance; tree, bush, and shrub
33 pruning, bracing, spraying, and surgery; indoor plant care;
34 tree, bush, shrub, and stump removal, except when performed as
35 part of a land clearing contract as defined in section 297A.68,
36 subdivision 40; and tree trimming for public utility lines.

1 Services performed under a construction contract for the
2 installation of shrubbery, plants, sod, trees, bushes, and
3 similar items are not taxable;

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

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

11 In applying the provisions of this chapter, the terms
12 "tangible personal property" and "sales at retail" include
13 taxable services listed in clause (6), items (i) to (vi) and
14 (viii), and the provision of these taxable services, unless
15 specifically provided otherwise. Services performed by an
16 employee for an employer are not taxable. Services performed by
17 a partnership or association for another partnership or
18 association are not taxable if one of the entities owns or
19 controls more than 80 percent of the voting power of the equity
20 interest in the other entity. Services performed between
21 members of an affiliated group of corporations are not taxable.
22 For purposes of the preceding sentence, "affiliated group of
23 corporations" includes those entities that would be classified
24 as members of an affiliated group under United States Code,
25 title 26, section 1504, and that are eligible to file a
26 consolidated tax return for federal income tax purposes.

27 (h) A sale and a purchase includes the furnishing for a
28 consideration of tangible personal property or taxable services
29 by the United States or any of its agencies or
30 instrumentalities, or the state of Minnesota, its agencies,
31 instrumentalities, or political subdivisions.

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

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

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

10 [EFFECTIVE DATE.] This section is effective the day
11 following final enactment except that the amendment to paragraph
12 (d), clause (5), is effective for sales made after June 30,
13 2005, and the amendment to paragraph (g), clause (6)(vi), is
14 effective for sales and purchases made after October 28, 2002,
15 but for land clearing contracts entered into after October 28,
16 2002, no refunds may be claimed under Minnesota Statutes,
17 section 289A.50, for sales taxes collected and remitted to the
18 state on the land clearing contracts.

19 Sec. 8. Minnesota Statutes 2004, section 297A.61,
20 subdivision 4, is amended to read:

21 Subd. 4. [RETAIL SALE.] (a) A "retail sale" means any
22 sale, lease, or rental for any purpose, other than resale,
23 sublease, or subrent of items by the purchaser in the normal
24 course of business as defined in subdivision 21.

25 (b) A sale of property used by the owner only by leasing it
26 to others or by holding it in an effort to lease it, and put to
27 no use by the owner other than resale after the lease or effort
28 to lease, is a sale of property for resale.

29 (c) A sale of master computer software that is purchased
30 and used to make copies for sale or lease is a sale of property
31 for resale.

32 (d) A sale of building materials, supplies, and equipment
33 to owners, contractors, subcontractors, or builders for the
34 erection of buildings or the alteration, repair, or improvement
35 of real property is a retail sale in whatever quantity sold,
36 whether the sale is for purposes of resale in the form of real

1 property or otherwise.

2 (e) A sale of carpeting, linoleum, or similar floor
3 covering to a person who provides for installation of the floor
4 covering is a retail sale and not a sale for resale since a sale
5 of floor covering which includes installation is a contract for
6 the improvement of real property.

7 (f) A sale of shrubbery, plants, sod, trees, and similar
8 items to a person who provides for installation of the items is
9 a retail sale and not a sale for resale since a sale of
10 shrubbery, plants, sod, trees, and similar items that includes
11 installation is a contract for the improvement of real property.

12 (g) A sale of tangible personal property that is awarded as
13 prizes is a retail sale and is not considered a sale of property
14 for resale.

15 (h) A sale of tangible personal property utilized or
16 employed in the furnishing or providing of services under
17 subdivision 3, paragraph (g), clause (1), including, but not
18 limited to, property given as promotional items, is a retail
19 sale and is not considered a sale of property for resale.

20 (i) A sale of tangible personal property used in conducting
21 lawful gambling under chapter 349 or the state lottery under
22 chapter 349A, including, but not limited to, property given as
23 promotional items, is a retail sale and is not considered a sale
24 of property for resale.

25 (j) A sale of machines, equipment, or devices that are used
26 to furnish, provide, or dispense goods or services, including,
27 but not limited to, coin-operated devices, is a retail sale and
28 is not considered a sale of property for resale.

29 (k) In the case of a lease, a retail sale occurs (1) when
30 an obligation to make a lease payment becomes due under the
31 terms of the agreement or the trade practices of the lessor or
32 (2) in the case of a lease of a motor vehicle, as defined in
33 section 297B.01, subdivision 5, but excluding vehicles with a
34 manufacturer's gross vehicle weight rating greater than 11,000
35 pounds and rentals of vehicles for not more than 28 days, at the
36 time the lease is executed.

1 (1) In the case of a conditional sales contract, a retail
2 sale occurs upon the transfer of title or possession of the
3 tangible personal property.

4 [EFFECTIVE DATE.] This section is effective the day
5 following final enactment, except that the amendments to
6 paragraph (k) are effective for leases entered into after
7 September 30, 2005.

8 Sec. 9. Minnesota Statutes 2004, section 297A.61, is
9 amended by adding a subdivision to read:

10 Subd. 37. [PERSONAL RAPID TRANSIT SYSTEM.] "Personal rapid
11 transit system" means a transportation system of small,
12 computer-controlled vehicles, transporting one to three
13 passengers on elevated guideways in a transportation network
14 operating on demand and nonstop directly to any stations in the
15 network.

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

18 Sec. 10. Minnesota Statutes 2004, section 297A.64,
19 subdivision 4, is amended to read:

20 Subd. 4. [EXEMPTIONS.] (a) The tax and the fee imposed by
21 this section do not apply to a lease or rental of (1) a vehicle
22 to be used by the lessee to provide a licensed taxi service; (2)
23 a hearse or limousine used in connection with a burial or
24 funeral service; or (3) a van designed or adapted primarily for
25 transporting property rather than passengers. The tax and the
26 fee imposed under this section do not apply when the lease or
27 rental of a vehicle is exempt from the tax imposed under section
28 297A.62, subdivision 1.

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

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

1 Sec. 11. Minnesota Statutes 2004, section 297A.668,
2 subdivision 1, is amended to read:

3 Subdivision 1. [APPLICABILITY.] The provisions of this
4 section apply regardless of the characterization of a product as
5 tangible personal property, a digital good, or a service; but do
6 not apply to telecommunications services, or the sales of motor
7 vehicles, ~~watercraft, aircraft, modular homes, manufactured~~
8 ~~homes, or mobile homes.~~ These provisions only apply to
9 determine a seller's obligation to pay or collect and remit a
10 sales or use tax with respect to the seller's sale of a
11 product. These provisions do not affect the obligation of a
12 seller as purchaser to remit tax on the use of the product.

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

15 Sec. 12. Minnesota Statutes 2004, section 297A.668,
16 subdivision 5, is amended to read:

17 Subd. 5. [TRANSPORTATION EQUIPMENT.] (a) The retail sale,
18 including lease or rental, of transportation equipment shall be
19 sourced the same as a retail sale in accordance with the
20 provisions of subdivision 2, notwithstanding the exclusion of
21 lease or rental in subdivision 2.

22 (b) "Transportation equipment" means any of the following:

23 (1) locomotives and railcars that are utilized for the
24 carriage of persons or property in interstate commerce; ~~and/or~~

25 (2) trucks and truck-tractors with a gross vehicle weight
26 rating (GVWR) of 10,001 pounds or greater, trailers,
27 semitrailers, or passenger buses that are:

28 (i) registered through the international registration plan;

29 and

30 (ii) operated under authority of a carrier authorized and
31 certified by the United States Department of Transportation or
32 another federal authority to engage in the carriage of persons
33 or property in interstate commerce;

34 (3) aircraft that are operated by air carriers authorized
35 and certificated by the United States Department of
36 Transportation or another federal or a foreign authority to

1 engage in the carriage of persons or property in interstate
2 commerce; or

3 (4) containers designed for use on and component parts
4 attached or secured on the transportation equipment described in
5 items (1) through (3).

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

8 Sec. 13. Minnesota Statutes 2004, section 297A.67,
9 subdivision 2, is amended to read:

10 Subd. 2. [FOOD AND FOOD INGREDIENTS.] Except as otherwise
11 provided in this subdivision, food and food ingredients are
12 exempt. For purposes of this subdivision, "food" and "food
13 ingredients" mean substances, whether in liquid, concentrated,
14 solid, frozen, dried, or dehydrated form, that are sold for
15 ingestion or chewing by humans and are consumed for their taste
16 or nutritional value. Food and food ingredients exempt under
17 this subdivision do not include candy, soft drinks, food sold
18 through vending machines, dietary supplements, and prepared
19 foods. Food and food ingredients do not include alcoholic
20 beverages, ~~dietary supplements,~~ and tobacco. For purposes of
21 this subdivision, "alcoholic beverages" means beverages that are
22 suitable for human consumption and contain one-half of one
23 percent or more of alcohol by volume. For purposes of this
24 subdivision, "tobacco" means cigarettes, cigars, chewing or pipe
25 tobacco, or any other item that contains tobacco. For purposes
26 of this subdivision, "dietary supplements" means any product,
27 other than tobacco, intended to supplement the diet that:

28 (1) contains one or more of the following dietary
29 ingredients:

30 (i) a vitamin;

31 (ii) a mineral;

32 (iii) an herb or other botanical;

33 (iv) an amino acid;

34 (v) a dietary substance for use by humans to supplement the
35 diet by increasing the total dietary intake; and

36 (vi) a concentrate, metabolite, constituent, extract, or

1 combination of any ingredient described in items (i) to (v);
2 (2) is intended for ingestion in tablet, capsule, powder,
3 softgel, gelcap, or liquid form, or if not intended for
4 ingestion in such form, is not represented as conventional food
5 and is not represented for use as a sole item of a meal or of
6 the diet; and

7 (3) is required to be labeled as a dietary supplement,
8 identifiable by the supplement facts box found on the label and
9 as required pursuant to Code of Federal Regulations, title 21,
10 section 101.36.

11 [EFFECTIVE DATE.] This section is effective for sales made
12 on or after the day following final enactment.

13 Sec. 14. Minnesota Statutes 2004, section 297A.67,
14 subdivision 7, is amended to read:

15 Subd. 7. [MEDICINES DRUGS; MEDICAL DEVICES.]

16 (a) Prescribed Sales of the following drugs and medical devices
17 are exempt:

18 ~~(1) drugs and medicine, and insulin, intended for internal~~
19 ~~or external use, in the cure, mitigation, treatment, or~~
20 ~~prevention of illness or disease in human beings are exempt.~~
21 ~~"Prescribed drugs and medicine" includes use, including~~
22 ~~over-the-counter drugs or medicine prescribed by a licensed~~
23 ~~health-care professional.~~

24 ~~(b) Nonprescription medicines consisting principally~~
25 ~~(determined by the weight of all ingredients) of analgesics that~~
26 ~~are approved by the United States Food and Drug Administration~~
27 ~~for internal use by human beings are exempt. For purposes of~~
28 ~~this subdivision, "principally" means greater than 50 percent~~
29 ~~analgesics by weight.~~

30 ~~(c) Prescription glasses, hospital beds, fever~~
31 ~~thermometers, reusable;~~

32 (2) single-use finger-pricking devices for the extraction
33 of blood, ~~blood-glucose-monitoring machines,~~ and
34 other single-use devices and single-use diagnostic agents used
35 in diagnosing, monitoring, or treating diabetes, ~~and therapeutic~~
36 and;

1 (3) insulin and medical oxygen for human use, regardless of
2 whether prescribed or sold over the counter;

3 (4) prosthetic devices are-exempt--"Therapeutic-devices"
4 means-devices-that-are-attached-or-applied-to-the-human-body-to
5 cure, heal, or alleviate injury, illness, or disease, either
6 directly or by administering a curative agent--"Prosthetic
7 devices"-means-devices-that-replace-injured, diseased, or
8 missing parts of the human body, either temporarily or
9 permanently;

10 (5) durable medical equipment for home use only;

11 (6) mobility enhancing equipment; and

12 (7) prescription corrective eyeglasses.

13 (b) For purposes of this subdivision:

14 (1) "Drug" means a compound, substance, or preparation, and
15 any component of a compound, substance, or preparation, other
16 than food and food ingredients, dietary supplements, or
17 alcoholic beverages that is:

18 (i) recognized in the official United States Pharmacopoeia,
19 official Homeopathic Pharmacopoeia of the United States, or
20 official National Formulary, and supplement to any of them;

21 (ii) intended for use in the diagnosis, cure, mitigation,
22 treatment, or prevention of disease; or

23 (iii) intended to affect the structure or any function of
24 the body.

25 (2) "Durable medical equipment" means equipment, including
26 repair and replacement parts, but not including mobility
27 enhancing equipment, that:

28 (i) can withstand repeated use;

29 (ii) is primarily and customarily used to serve a medical
30 purpose;

31 (iii) generally is not useful to a person in the absence of
32 illness or injury; and

33 (iv) is not worn in or on the body.

34 (3) "Mobility enhancing equipment" means equipment,
35 including repair and replacement parts, but not including
36 durable medical equipment, that:

1 (i) is primarily and customarily used to provide or
2 increase the ability to move from one place to another and that
3 is appropriate for use either in a home or a motor vehicle;

4 (ii) is not generally used by persons with normal mobility;
5 and

6 (iii) does not include any motor vehicle or equipment on a
7 motor vehicle normally provided by a motor vehicle manufacturer.

8 (4) "Over-the-counter drug" means a drug that contains a
9 label that identifies the product as a drug as required by Code
10 of Federal Regulations, title 21, section 201.66. The label
11 must include a "drug facts" panel or a statement of the active
12 ingredients with a list of those ingredients contained in the
13 compound, substance, or preparation. Over-the-counter drugs do
14 not include grooming and hygiene products, regardless of whether
15 they otherwise meet the definition. "Grooming and hygiene
16 products" are soaps, cleaning solutions, shampoo, toothpaste,
17 mouthwash, antiperspirants, and suntan lotions and sunscreens.

18 (5) "Prescribed" and "prescription" means a direction in
19 the form of an order, formula, or recipe issued in any form of
20 oral, written, electronic, or other means of transmission by a
21 duly licensed health care professional.

22 (6) "Prosthetic device" means a replacement, corrective, or
23 supportive device, including repair and replacement parts, worn
24 on or in the body to:

25 (i) artificially replace a missing portion of the body;
26 (ii) prevent or correct physical deformity or malfunction;

27 or

28 (iii) support a weak or deformed portion of the body.

29 Prosthetic device does not include corrective eyeglasses.

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

32 Sec. 15. Minnesota Statutes 2004, section 297A.67,
33 subdivision 9, is amended to read:

34 Subd. 9. [BABY PRODUCTS.] ~~{a}-Products-such-as-lotion,~~
35 ~~creams,-ointments,-oil,-powder,-or-shampoo,-and-other-articles~~
36 ~~designed-for-application-to-the-hair-or-skin-of-babies-are~~

1 exempt.

2 (b) Baby bottles and nipples, pacifiers, teething rings,
3 thumb-sucking-preventatives, and infant syringes are exempt.

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

6 Sec. 16. Minnesota Statutes 2004, section 297A.67,
7 subdivision 29, is amended to read:

8 Subd. 29. [SOLAR ENERGY EFFICIENT PRODUCTS.] (a)-A
9 residential-lighting-fixture-or-a-compact-fluorescent-bulb-is
10 exempt-if-it-has-an-energy-star-label.

11 (b)-The-following-products-are-exempt-if-they-have-an
12 energyguide-label-that-indicates-that-the-product-meets-or
13 exceeds-the-standards-listed-below:

14 (1)-an-electric-heat-pump-hot-water-heater-with-an-energy
15 factor-of-at-least-1.9;

16 (2)-a-natural-gas-water-heater-with-an-energy-factor-of-at
17 least-0.62;

18 (3)-a-propane-gas-or-fuel-oil-water-heater-with-an-energy
19 factor-of-at-least-0.62;

20 (4)-a-natural-gas-furnace-with-an-annual-fuel-utilization
21 efficiency-greater-than-92-percent;-and

22 (5)-a-propane-gas-or-fuel-oil-furnace-with-an-annual-fuel
23 utilization-efficiency-greater-than-92-percent.

4 (c) A photovoltaic-device solar energy system, as defined
25 in section 216C.06, subdivision 17, is exempt. For-purposes-of
26 this-subdivision,-"photovoltaic-device"-means-a-solid-state
27 electrical-device,-such-as-a-solar-module,-that-converts-light
28 directly-into-direct-current-electricity-of-voltage-current
29 characteristics-that-are-a-function-of-the-characteristics-of
30 the-light-source-and-the-materials-in-and-design-of-the-device.
31 A-"solar-module"-is-a-photovoltaic-device-that-produces-a
32 specified-power-output-under-defined-test-conditions,-usually
33 composed-of-groups-of-solar-cells-connected-in-series,-in
34 parallel,-or-in-series-parallel-combinations.

5 (d)-For-purposes-of-this-subdivision,-"energy-star-label"
36 means-the-label-granted-to-certain-products-that-meet-United

~~1 States-Environmental-Protection-Agency-and-United-States
2 Department-of-Energy-criteria-for-energy-efficiency---For
3 purposes-of-this-subdivision,--"energyguide-label"--means-the
4 label-that-the-United-States-Federal-Trade-Commissioner-requires
5 manufacturers-to-apply-to-certain-appliances-under-United-States
6 Code,--title-16,--part-305.~~

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

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

11 Subd. 32. [CIGARETTES.] Cigarettes upon which a tax has
12 been imposed under section 297F.25 are exempt.

13 [EFFECTIVE DATE.] This section is effective for sales and
14 purchases made after July 31, 2005.

15 Sec. 18. Minnesota Statutes 2004, section 297A.68,
16 subdivision 2, is amended to read:

17 Subd. 2. [MATERIALS CONSUMED IN INDUSTRIAL PRODUCTION.]

18 (a) Materials stored, used, or consumed in industrial production
19 of personal property intended to be sold ultimately at retail
20 are exempt, whether or not the item so used becomes an
21 ingredient or constituent part of the property produced.

22 Materials that qualify for this exemption include, but are not
23 limited to, the following:

24 (1) chemicals, including chemicals used for cleaning food
25 processing machinery and equipment;

26 (2) materials, including chemicals, fuels, and electricity
27 purchased by persons engaged in industrial production to treat
28 waste generated as a result of the production process;

29 (3) fuels, electricity, gas, and steam used or consumed in
30 the production process, except that electricity, gas, or steam
31 used for space heating, cooling, or lighting is exempt if (i) it
32 is in excess of the average climate control or lighting for the
33 production area, and (ii) it is necessary to produce that
34 particular product;

35 (4) petroleum products and lubricants;

36 (5) packaging materials, including returnable containers

1 used in packaging food and beverage products;

2 (6) accessory tools, equipment, and other items that are
3 separate detachable units with an ordinary useful life of less
4 than 12 months used in producing a direct effect upon the
5 product; and

6 (7) the following materials, tools, and equipment used in
7 metalcasting: crucibles, thermocouple protection sheaths and
8 tubes, stalk tubes, refractory materials, molten metal filters
9 and filter boxes, degassing lances, and base blocks.

10 (b) This exemption does not include:

11 (1) machinery, equipment, implements, tools, accessories,
12 appliances, contrivances and furniture and fixtures, except
13 those listed in paragraph (a), clause (6); and

14 (2) petroleum and special fuels used in producing or
15 generating power for propelling ready-mixed concrete trucks on
16 the public highways of this state.

17 (c) Industrial production includes, but is not limited to,
18 research, development, design or production of any tangible
19 personal property, manufacturing, processing (other than by
20 restaurants and consumers) of agricultural products (whether
21 vegetable or animal), commercial fishing, refining, smelting,
22 reducing, brewing, distilling, printing, mining, quarrying,
23 lumbering, generating electricity, the production of road
24 building materials, and the research, development, design, or
25 production of computer software. Industrial production does not
26 include painting, cleaning, repairing or similar processing of
27 property except as part of the original manufacturing process.

28 (d) Industrial production does not include:

29 (1) the furnishing of services listed in section 297A.61,
30 subdivision 3, paragraph (g), clause (6), items (i) to (vi) and
31 (viii); or

32 (2) the transportation, transmission, or distribution of
33 petroleum, liquefied gas, natural gas, water, or steam, in, by,
34 or through pipes, lines, tanks, mains, or other means of
35 transporting those products. For purposes of this paragraph,
36 "transportation, transmission, or distribution" does not include

1 blending of petroleum or biodiesel fuel as defined in section
2 239.77.

3 [EFFECTIVE DATE.] This section is effective the day
4 following final enactment, except that the provision in
5 paragraph (d) is effective for sales and purchases made after
6 June 30, 2005.

7 Sec. 19. Minnesota Statutes 2004, section 297A.68,
8 subdivision 5, is amended to read:

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

13 (1) the purchaser qualifies as a small business as defined
14 in section 645.445, subdivision 2, paragraphs (a) to (c);

15 (2) the business is located in the state; and

16 (3) the purchaser provides an exemption certificate as
17 required in section 297A.72, subdivision 3.

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

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

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

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

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

1 (4) materials and supplies used to construct and install
2 machinery or equipment;

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

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

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

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

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

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

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

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

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

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

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

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

32 (7) machinery and equipment used by restaurants in the
33 furnishing, preparing, or serving of prepared foods as defined
34 in section 297A.61, subdivision 31;

35 (8) machinery and equipment used to furnish the services
36 listed in section 297A.61, subdivision 3, paragraph (g), clause

1 (6), items (i) to (vi) and (viii);

2 (9) machinery or equipment used in the transportation,
3 transmission, or distribution of petroleum, liquefied gas,
4 natural gas, water, or steam, in, by, or through pipes, lines,
5 tanks, mains, or other means of transporting those products.

6 This clause does not apply to machinery or equipment used to
7 blend petroleum or biodiesel fuel as defined in section 239.77;
8 or

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

11 (d) For purposes of this subdivision:

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

19 (2) "Fabricating" means to make, build, create, produce, or
20 assemble components or property to work in a new or different
21 manner.

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

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

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

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

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

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

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

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

28 [EFFECTIVE DATE.] This section is effective the day
29 following final enactment, except that the second sentence in
30 paragraph (a) is effective for sales and purchases made after
31 December 31, 2005, and paragraph (c), clause (9), is effective
32 for sales and purchases made after June 30, 2005.

33 Sec. 20. Minnesota Statutes 2004, section 297A.68,
34 subdivision 28, is amended to read:

35 Subd. 28. [MEDICAL SUPPLIES.] Medical supplies purchased
36 by a licensed health care facility or licensed health care

1 professional to provide medical treatment to residents or
2 patients are exempt. The exemption does not apply to durable
3 medical equipment or components of durable medical equipment,
4 laboratory supplies, radiological supplies, and other items used
5 in providing medical services. For purposes of this
6 subdivision, "medical supplies" means adhesive and nonadhesive
7 bandages, gauze pads and strips, cotton applicators,
8 antiseptics, ~~nonprescription-drugs~~, eye solution, and other
9 similar supplies used directly on the resident or patient in
10 providing medical services.

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

13 Sec. 21. Minnesota Statutes 2004, section 297A.68,
14 subdivision 35, is amended to read:

15 Subd. 35. [TELECOMMUNICATIONS EQUIPMENT.] (a)

16 Telecommunications machinery and equipment purchased or leased
17 for use directly by a telecommunications service provider
18 primarily in the provision of telecommunications services that
19 are ultimately to be sold at retail are exempt, regardless of
20 whether purchased by the owner, a contractor, or a subcontractor.

21 (b) For purposes of this subdivision, "telecommunications
22 machinery and equipment" includes, but is not limited to:

23 (1) machinery, equipment, and fixtures utilized in
24 receiving, initiating, amplifying, processing, transmitting,
25 retransmitting, recording, switching, or monitoring
26 telecommunications services, such as computers, transformers,
27 amplifiers, routers, bridges, repeaters, multiplexers, and other
28 items performing comparable functions;

29 (2) machinery, equipment, and fixtures used in the
30 transportation of telecommunications services, radio
31 transmitters and receivers, satellite equipment, microwave
32 equipment, and other transporting media, but not wire, cable,
33 fiber, poles, or conduit;

34 (3) ancillary machinery, equipment, and fixtures that
35 regulate, control, protect, or enable the machinery in clauses
36 (1) and (2) to accomplish its intended function, such as

1 auxiliary power supply, test equipment, towers, heating,
2 ventilating, and air conditioning equipment necessary to the
3 operation of the telecommunications equipment; and software
4 necessary to the operation of the telecommunications equipment;
5 and

6 (4) repair and replacement parts, including accessories,
7 whether purchased as spare parts, repair parts, or as upgrades
8 or modifications to qualified machinery or equipment.

9 (c) For purposes of this subdivision, "telecommunications
10 services" means telecommunications services as defined in
11 section 297A.61, subdivision 24, paragraph paragraphs (a), only
12 (c), and (d).

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

15 Sec. 22. Minnesota Statutes 2004, section 297A.68,
16 subdivision 39, is amended to read:

17 Subd. 39. [PREEXISTING BIDS OR CONTRACTS.] (a) The sale of
18 tangible personal property or services is exempt from tax or a
19 tax rate increase for a period of six months from the effective
20 date of the law change that results in the imposition of the tax
21 or the tax rate increase under this chapter if:

22 (1) the act imposing the tax or increasing the tax rate
23 does not have transitional effective date language for existing
24 construction contracts and construction bids; and

25 (2) the requirements of paragraph (b) are met.

26 (b) A sale is tax exempt under paragraph (a) if it meets
27 the requirements of either clause (1) or (2):

28 (1) For a construction contract:

29 (i) the goods or services sold must be used for the
30 performance of a bona fide written lump sum or fixed price
31 construction contract;

32 (ii) the contract must be entered into before the date the
33 goods or services become subject to the sales tax or the tax
34 rate was increased;

35 (iii) the contract must not provide for allocation of
36 future taxes; and

1 (iv) for each qualifying contract the contractor must give
2 the seller documentation of the contract on which an exemption
3 is to be claimed.

4 (2) For a construction bid:

5 (i) the goods or services sold must be used pursuant to an
6 obligation of a bid or bids;

7 (ii) the bid or bids must be submitted and accepted before
8 the date the goods or services became subject to the sales
9 tax or the tax rate was increased;

10 (iii) the bid or bids must not be able to be withdrawn,
11 modified, or changed without forfeiting a bond; and

12 (iv) for each qualifying bid, the contractor must give the
13 seller documentation of the bid on which an exemption is to be
14 claimed.

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

17 Sec. 23. Minnesota Statutes 2004, section 297A.68, is
18 amended by adding a subdivision to read:

19 Subd. 40. [LAND CLEARING.] Tree, bush, shrub, and stump
20 removal are exempt when sold to contractors or subcontractors as
21 part of a land clearing contract. For purposes of this
22 subdivision, "land clearing contract" means a contract for the
23 removal of trees, bushes, and shrubs, including the removal of
24 roots and stumps, to develop a site. This exemption does not
25 apply to land clearing of a portion of a site to allow for
26 remodeling, improvement, or expansion of an existing structure.

27 [EFFECTIVE DATE.] This section is effective for sales and
28 purchases made after October 28, 2002, but for land clearing
29 contracts entered into after October 28, 2002, no refunds may be
30 claimed under Minnesota Statutes, section 289A.50, for sales
31 taxes collected and remitted to the state on the land clearing
32 contracts.

33 Sec. 24. Minnesota Statutes 2004, section 297A.68, is
34 amended by adding a subdivision to read:

35 Subd. 41. [PERSONAL RAPID TRANSIT SYSTEM.] (a) Machinery,
36 equipment, and supplies purchased or leased, and used by the

1 purchaser or lessee in this state directly in the provision of a
2 personal rapid transit system as defined in section 297A.61,
3 subdivision 37, which provides service to the public on a
4 regular and continuing basis, are exempt, provided that the
5 system is operated independent of any government subsidies.

6 Machinery, equipment, and supplies that qualify for this
7 exemption include, but are not limited to, the following:

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

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

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

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

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

19 (b) This exemption does not include machinery, equipment,
20 and supplies used for nonproduction purposes such as operations
21 support and administration.

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

24 Sec. 25. Minnesota Statutes 2004, section 297A.70,
25 subdivision 10, is amended to read:

26 Subd. 10. [NONPROFIT TICKETS OR ADMISSIONS.] (a) Tickets
27 or admissions to an event are exempt if all the gross receipts
28 are recorded as such, in accordance with generally accepted
29 accounting principles, on the books of one or more organizations
30 whose primary mission is to provide an opportunity for citizens
31 of the state to participate in the creation, performance, or
32 appreciation of the arts, and provided that each organization is:

33 (1) an organization described in section 501(c)(3) of the
34 Internal Revenue Code in which voluntary contributions make up
35 at least the following percent of the organization's annual
36 revenue in its most recently completed 12-month fiscal year, or

1 in the current year if the organization has not completed a
2 12-month fiscal year:

3 (i) for sales made after July 31, 2001, and before July 1,
4 2002, for the organization's fiscal year completed in calendar
5 year 2000, three percent;

6 (ii) for sales made on or after July 1, 2002, and on or
7 before June 30, 2003, for the organization's fiscal year
8 completed in calendar year 2001, three percent;

9 (iii) for sales made on or after July 1, 2003, and on or
10 before June 30, 2004, for the organization's fiscal year
11 completed in calendar year 2002, four percent; and

12 (iv) for sales made in each 12-month period, beginning on
13 July 1, 2004, and each subsequent year, for the organization's
14 fiscal year completed in the preceding calendar year, five
15 percent;

16 (2) a municipal board that promotes cultural and arts
17 activities; or

18 (3) the University of Minnesota, a state college and
19 university, or a private nonprofit college or university
20 provided that the event is held at a university-owned facility
21 owned by the educational institution holding the event.

22 The exemption only applies if the entire proceeds, after
23 reasonable expenses, are used solely to provide opportunities
24 for citizens of the state to participate in the creation,
25 performance, or appreciation of the arts.

26 (b) Tickets or admissions to the premises of the Minnesota
27 Zoological Garden are exempt, provided that the exemption under
28 this paragraph does not apply to tickets or admissions to
29 performances or events held on the premises unless the
30 performance or event is sponsored and conducted exclusively by
31 the Minnesota Zoological Board or employees of the Minnesota
32 Zoological Garden.

33 [EFFECTIVE DATE.] This section is effective for tickets and
34 admissions to events held on or after July 1, 2005, but does not
35 apply to events for which sales of tickets or admissions were
36 made prior to July 1, 2005.

1 Sec. 26. Minnesota Statutes 2004, section 297A.71,
2 subdivision 12, is amended to read:

3 Subd. 12. [CHAIR LIFTS, RAMPS, ELEVATORS.] ~~Chair-lifts,~~
4 ~~ramps,~~ and Elevators and building materials used to install or
5 construct them chair lifts, ramps, and elevators are exempt, if
6 they are authorized by a physician and installed in or attached
7 to the owner's homestead. The tax must be imposed and collected
8 as if the rate under section 297A.62, subdivision 1, applied and
9 then refunded in the manner provided in section 297A.75.

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

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

14 Subd. 33. [PERSONAL RAPID TRANSIT SYSTEM.] Materials,
15 equipment, and supplies used in the construction, expansion, or
16 improvement of a personal rapid transit system as defined in
17 section 297A.61, subdivision 37, which provides service to the
18 public on a regular and continuing basis, are exempt, provided
19 that the system is operated independent of any government
20 subsidies.

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

23 Sec. 28. Minnesota Statutes 2004, section 297A.72, is
24 amended by adding a subdivision to read:

25 Subd. 3. [EXEMPTION CERTIFICATE FOR SMALL BUSINESSES.] A
26 small business, as defined in section 645.455, subdivision 2,
27 paragraphs (a) to (c), that is located in the state may apply to
28 the commissioner for an exemption certificate to purchase exempt
29 capital equipment without paying the sales tax at the time of
30 the sale. The business must provide information required by the
31 commissioner to verify that it meets the definition of small
32 business in the preceding calendar year, or in the case of a new
33 business, that it will meet the definition in the first full
34 year of operations. A decision by the commissioner on whether a
35 business qualifies for this exemption is final. The exemption
36 certificate must be in the form and meet the requirements

1 imposed under this chapter and chapter 289A on other sales and
2 use tax exemption certificates, but it shall only be in effect
3 for two years from the date of issuance.

4 [EFFECTIVE DATE.] This section is effective for
5 applications submitted to the commissioner of revenue after July
6 1, 2005.

7 Sec. 29. Minnesota Statutes 2004, section 297A.75,
8 subdivision 1, is amended to read:

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

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

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

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

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

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

24 (6) ~~chair-lifts, ramps,~~ elevators, and associated building
25 materials exempt under section 297A.71, subdivision 12;

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

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

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

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

35 Sec. 30. [297A.82] [MOTOR VEHICLE LEASES.]

36 Subdivision 1. [MOTOR VEHICLE LEASE PRICE; PAYMENT.] (a)

1 In the case of a lease of a motor vehicle as provided in section
2 297A.61, subdivision 4, paragraph (k), clause (2), the tax is
3 imposed on the total amount to be paid by the lessee under the
4 lease agreement. The lessor shall collect the tax in full at
5 the time the lease is executed or, if the tax is included in the
6 lease and the lease is assigned, the tax is due from the
7 original lessor at the time the lease is assigned. The total
8 amount to be paid by the lessee under the lease agreement equals
9 the agreed-upon value of the vehicle less manufacturer's
10 rebates, the stated residual value of the leased vehicle, and
11 the total value allowed for a vehicle owned by the lessee taken
12 in trade by the lessor, plus the price of any taxable goods and
13 services included in the lease and the rent charge as provided
14 by Code of Federal Regulations, title 12, section 213.4,
15 excluding any rent charge related to the capitalization of the
16 tax.

17 (b) If the total amount paid by the lessee for use of the
18 leased vehicle includes amounts that are not calculated at the
19 time the lease is executed, the tax is imposed and must be
20 collected by the lessor at the time the amounts are paid by the
21 lessee. In the case of a lease which by its terms may be
22 renewed, the sales tax is due and payable on the total amount to
23 be paid during the initial term of the lease, and then for each
24 subsequent renewal period on the total amount to be paid during
25 the renewal period.

26 (c) If a lease is canceled or rescinded on or before 90
27 days of its execution or if a vehicle is returned to the
28 manufacturer under section 325F.665, the lessor may file a claim
29 for a refund of the total tax paid minus the amount of tax due
30 for the period the vehicle is used by the lessee.

31 (d) If a lessee's obligation to make payments on a lease is
32 canceled more than 90 days after its execution, a credit is
33 allowed against sales tax or motor vehicles sales tax due on a
34 subsequent lease or purchase of a motor vehicle if that lease or
35 purchase is consummated within 30 days of the date the prior
36 lease was canceled. The amount of the credit is equal to (1)

1 the sales tax paid at the inception of the lease, multiplied by
2 (2) the ratio of the number of full months remaining in the
3 lease at the time of termination compared to the term of the
4 lease used in calculating sales tax paid at the inception of the
5 lease.

6 Subd. 2. [LEASE ORIGINATING IN ANOTHER STATE.] When the
7 lease of a motor vehicle as defined in section 297A.61,
8 subdivision 4, paragraph (k), clause (2), originates in another
9 state, the sales tax under subdivision 1 shall be calculated by
10 the lessor on the total amount that is due under the lease
11 agreement after the vehicle is required to be registered in
12 Minnesota. If the total amount to be paid by the lessee under
13 the lease agreement has already been subjected to tax by another
14 state, a credit for taxes paid in the other state is allowed as
15 provided in section 297A.80.

16 [EFFECTIVE DATE.] Subdivision 1 of this section is
17 effective for leases entered into after September 30, 2005.
18 Subdivision 2 of this section is effective for vehicles
19 registering in Minnesota after September 30, 2005.

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

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

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

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

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

36 (b) The operator shall require the evidence or statement as

1 a prerequisite to participating in the event as a seller.

2 [EFFECTIVE DATE.] This section is effective for selling
3 events occurring after June 15, 2005.

4 Sec. 32. Minnesota Statutes 2004, section 297A.87,
5 subdivision 3, is amended to read:

6 Subd. 3. [OCCASIONAL SALE PROVISIONS NOT APPLICABLE UNDER
7 LIMITED CIRCUMSTANCES.] The isolated and occasional
8 sale provisions provision under section 297A.67, subdivision 23,
9 or applies, provided that the seller only participates for three
10 or fewer days in one event per calendar year, makes \$500 or less
11 in sales at the event, and provides the written statement
12 required in subdivision 2, paragraph (a), clause (3). The
13 isolated and occasional sales provision under section 297A.68,
14 subdivision 25, do does not apply to a seller at an event under
15 this section.

16 [EFFECTIVE DATE.] This section is effective for selling
17 events occurring after June 15, 2005.

18 Sec. 33. [297A.981] [LOCAL SALES TAXES; CERTAIN CITIES OF
19 THE FIRST CLASS.]

20 Subdivision 1. [GENERAL AUTHORITY; CERTAIN CITIES.] (a)
21 Notwithstanding sections 297A.99 and 477A.016, or any other
22 contrary provision of law, ordinance, or charter, a city of the
23 first class located in the seven-county metropolitan area may
24 impose a local sales tax of one-half of one percent on sale
25 transactions taxable under this chapter that occur within the
26 city. The tax base is the same as defined in section 297A.99,
27 subdivision 4. This tax is in addition to any other local sales
28 tax imposed under other general or special law and must not be
29 included when calculating sales tax limits imposed under other
30 law, ordinance, or charter.

31 Subd. 2. [USE TAX.] If the city imposes the tax authorized
32 in subdivision 1, a compensating use tax also applies, at the
33 same rate as the sales tax, on the use, storage, distribution,
34 or consumption of tangible personal property or taxable services.

35 Subd. 3. [USE OF REVENUES.] (a) Revenues received from
36 taxes imposed under subdivisions 1 and 2, minus the reasonable

1 costs of collection, may be used by the city for any purpose for
2 which the city is authorized to make expenditures.

3 Subd. 4. [COLLECTION; ENFORCEMENT; ADMINISTRATION.] A tax
4 imposed under this section shall be administered, collected, and
5 enforced by the commissioner of revenue as provided for under
6 section 297A.99, subdivision 9. The commissioner shall remit
7 the proceeds, minus refunds and the costs of collection, as
8 provided for in section 297A.99, subdivision 11.

9 Subd. 5. [LOCAL APPROVAL.] The question of imposing the
10 local sales tax must be submitted to the voters at a general or
11 a special election held for this purpose. If the majority of
12 the votes cast on the question are in the affirmative, the tax
13 shall be imposed on the first day of the next calendar quarter
14 beginning at least 30 days after the day of local approval.

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

16 Sec. 34. Minnesota Statutes 2004, section 297A.99,
17 subdivision 1, is amended to read:

18 Subdivision 1. [AUTHORIZATION; SCOPE.] (a) A political
19 subdivision of this state may impose a general sales tax if
20 permitted by special law or if the political subdivision enacted
21 and imposed the tax before the effective date of section
22 477A.016 and its predecessor provision, or if the tax is allowed
23 under section 297A.981 or subdivision 1a.

24 (b) This section governs the imposition of a general sales
25 tax by the political subdivision. The provisions of this
26 section preempt the provisions of any special law:

27 (1) enacted before June 2, 1997, or

28 (2) enacted on or after June 2, 1997, that does not
29 explicitly exempt the special law provision from this section's
30 rules by reference.

31 (c) This section does not apply to or preempt a sales tax
32 on motor vehicles or a special excise tax on motor vehicles.

33 [EFFECTIVE DATE.] This section is effective for local sales
34 taxes for which the authorizing referendum is held after June
35 30, 2005.

36 Sec. 35. Minnesota Statutes 2004, section 297A.99, is

1 amended by adding a subdivision to read:

2 Subd. 1a. [GENERAL AUTHORITY; CERTAIN CITIES.] (a) A city
3 or a group of cities acting under a joint powers agreement, may
4 impose a local sales tax of one-half of one percent without
5 authorization under a special law provided that:

6 (1) the city or cities are located outside of the
7 metropolitan counties, as defined in section 473.121,
8 subdivision 4;

9 (2) imposition of the tax is approved by the voters of each
10 city pursuant to subdivision 3, paragraph (a);

11 (3) all the conditions for adoption, use, and termination
12 of the tax contained in this subdivision and subdivisions 3 to
13 12 are met;

14 (4) if the tax is imposed by a group of cities, the cities
15 shall be within five miles of each other; and

16 (5) imposition of tax under this authority would not
17 increase the total local tax imposed in the city to a rate
18 greater than one-half of one percent.

19 (b) The proceeds of a tax imposed under this subdivision
20 must be dedicated exclusively to pay for specific regional
21 capital projects that provide benefit to persons outside of the
22 city boundaries, as defined in paragraph (c), as well as to the
23 city, and is approved by the voters in the authorizing
24 referendum. No proceeds may be used for normal maintenance or
25 operating costs of a facility. The proceeds may be used to pay
26 for collecting and administering the tax, to pay all or part of
27 the capital and administrative costs of the development, design,
28 acquisition, construction, expansion, and improvement, and to
29 secure and pay debt service on bonds or other obligations issued
30 to finance capital costs of any of the following regional
31 projects:

32 (1) regional convention or civic center;

33 (2) regional airport;

34 (3) regional public libraries, regional history centers,
35 and performing arts centers;

36 (4) parks, trails, regional recreational centers, and open

1 space;

2 (5) flood control and protection;

3 (6) regional wastewater project to mitigate surface or
4 groundwater pollution;

5 (7) regional government center or jail owned and operated
6 by two or more local government jurisdictions;

7 (8) lake improvement projects included in a watershed plan;

8 (9) overpasses, arterial and collector roads, or bridges,
9 on, adjacent to, or connecting to a Minnesota state highway; or

10 (10) railroad overpasses or crossing safety improvements
11 where the road is adjacent to or connecting to a Minnesota state
12 highway.

13 (c) A capital project is considered to be a "regional
14 capital project that provides benefits to persons outside the
15 city boundaries" if it meets one of the following criteria:

16 (1) the project is one of the projects listed in paragraph
17 (b), clauses (8) to (10);

18 (2) the project is funded by more than one city under a
19 joint powers agreement and no more than 80 percent of the
20 revenues for the project will be provided by one city;

21 (3) at least 20 percent of the direct users of the
22 facility, except for a convention or civic center, will be
23 persons from outside of the city; or

24 (4) at least 20 percent of the benefit derived from the
25 project will accrue to persons residing or businesses located
26 outside of the city boundaries.

27 (d) At least three months prior to holding a referendum to
28 impose the tax, a city must provide to the commissioner of
29 revenue a resolution approved by the city that shows that the
30 tax will fund a project that meets the requirements of
31 paragraphs (a) to (c), the date on which the referendum will be
32 held, the maximum amount raised by the tax that may be used for
33 the specified project, excluding issuance and interest costs for
34 any related bonds, and the maximum time that the tax may be
35 imposed. The commissioner shall certify that the requirements
36 under this subdivision are met and the city shall provide any

1 additional information the commissioner requests in order to
2 make that determination. The commissioner's decision is final.

3 (e) The question put to the voters at the referendum
4 authorizing the vote must include information on the specific
5 project to be funded by the proceeds of the tax, the maximum
6 amount of sales tax revenues that will be used to fund each
7 project, not including any issuance and interest costs for
8 related bonds, and the maximum length of time that the tax will
9 be imposed. The referendum must also include a statement that
10 the sales tax revenues are pledged to pay for the specific
11 capital improvement but the improvement costs and any related
12 bonds are a general obligation of the political subdivision and
13 will be guaranteed by the political subdivision's property tax
14 levy. If the referendum is not held on the date contained in
15 the resolution, the authority for imposing the tax expires.

16 (f) A city may hold a referendum for more than one project
17 at the same election provided that:

18 (1) all the requirements under this subdivision are met by
19 each project;

20 (2) the question, with information on amount to be raised
21 and the years needed to raise the amount, is stated separately
22 for each project; and

23 (3) the total amount needed to fund all projects listed on
24 the ballot does not exceed the amount of revenue that can be
25 raised by the imposition of the tax under this subdivision in a
26 12-year period.

27 (g) A city may issue general obligation bonds to pay the
28 costs of projects specified in the referendum authorizing
29 imposition of the tax. The approval of the question under
30 paragraph (e) meets the requirement for elector approval for
31 issuance of bonds under section 475.58, subdivision 1. The debt
32 represented by the bonds must not be included in computing any
33 debt limitations applicable to the city, and the levy of taxes
34 required by section 475.61 to pay the principal or any interest
35 on the bonds must not be subject to any levy limitations or be
36 included in computing or applying any levy limitation to the

1 city.

2 (h) The tax, if enacted, expires when the specified revenue
3 has been raised or the maximum time in which the tax is in
4 effect under the resolution is reached, whichever is sooner.
5 Any tax imposed under this subdivision must expire no later than
6 12 years after imposition. The governing board of the city may,
7 by ordinance, terminate the tax at an earlier date.

8 (i) Except as specifically authorized by this section, a
9 city must not use public funds to prepare or disseminate
10 material regarding the passage of a ballot question under
11 section 297A.99, subdivision 1a, including but not limited to
12 billboards or other signs, newspaper advertising, advertising
13 messages broadcast on radio or television, programming on cable
14 television, except for any legal requirements regarding notice
15 of election. A city may allow meetings in a public building of
16 proponents of a question involving imposing a local sales tax
17 under section 297A.99, subdivision 1a, if opponents of the
18 question who so request are allowed to meet in a public building
19 on similar terms to those applicable to the proponents. A city
20 must not allow proponents or opponents of a ballot question on
21 imposition of a local sales tax under section 297A.99,
22 subdivision 1a, to place campaign signs on public property.

23 [EFFECTIVE DATE.] This section is effective for local sales
24 taxes for which the authorizing referendum is held after June
25 30, 2004. If the authorizing referendum was held prior to July
26 1, 2005, the three month prior notice to the commissioner
27 contained in paragraph (d) shall not apply, but the commissioner
28 must still certify that all other provisions of this subdivision
29 are met before the tax may be imposed.

30 Sec. 36. Minnesota Statutes 2004, section 297A.99,
31 subdivision 3, is amended to read:

32 Subd. 3. [REQUIREMENTS FOR ADOPTION, USE, TERMINATION.]

33 (a) Imposition of a local sales tax is subject to approval by
34 voters of the political subdivision at a general election.

35 (b) The proceeds of the tax must be dedicated exclusively
36 to payment of the cost of a specific capital improvement which

1 is designated at least 90 days before the referendum on
2 imposition of the tax is conducted.

3 (c) The tax must terminate after the improvement designated
4 under paragraph (b) has been completed.

5 ~~(d) After a sales tax imposed by a political subdivision~~
6 ~~has expired or been terminated, the political subdivision is~~
7 ~~prohibited from imposing a local sales tax for a period of one~~
8 ~~year. Notwithstanding subdivision 137, this paragraph applies to~~
9 ~~all local sales taxes in effect at the time of or imposed after~~
10 ~~May 26, 1999.~~

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

12 Sec. 37. Minnesota Statutes 2004, section 297A.99,
13 subdivision 4, is amended to read:

14 Subd. 4. [TAX BASE.] (a) The tax applies to sales taxable
15 under this chapter that occur within the political subdivision.

16 (b) Taxable goods or services are subject to a political
17 subdivision's sales tax, if they are performed either:

18 ~~(1) within the political subdivision, or~~

19 ~~(2) partly within and partly without the political~~

20 ~~subdivision and more of the service is performed within the~~
21 ~~political subdivision, based on the cost of performance sourced~~
22 ~~to the political subdivision pursuant to section 297A.668.~~

23 [EFFECTIVE DATE.] This section is effective for sales made
24 on or after January 1, 2004.

25 Sec. 38. Minnesota Statutes 2004, section 297A.99,
26 subdivision 9, is amended to read:

27 Subd. 9. [ENFORCEMENT; COLLECTION; AND ADMINISTRATION.]

28 (a) The commissioner of revenue shall collect the taxes subject
29 to this section. The commissioner may collect the tax with the
30 state sales and use tax. All taxes under this section are
31 subject to the same penalties, interest, and enforcement
32 provisions as apply to the state sales and use tax.

33 (b) A request for a refund of state sales tax paid in
34 excess of the amount of tax legally due includes a request for a
35 refund of the political subdivision taxes paid on the goods or
36 services. The commissioner shall refund to the taxpayer the

1 full amount of the political subdivision taxes paid on exempt
2 sales or use.

3 (c) A political subdivision shall incur a legal debt to the
4 state for refunds of local sales taxes made by the commissioner
5 after a tax has terminated when the amount of the refunds
6 exceeds the amount of local sales taxes collected for but not
7 remitted to the political subdivision. The commissioner of
8 revenue shall deduct the amount of the debt from the next
9 payment scheduled to be made to the political subdivision under
10 section 273.1384, 273.1398, or sections 477A.011 to 477A.014.
11 The commissioner shall deposit the money in the state treasury
12 and credit it to the general fund.

13 [EFFECTIVE DATE.] This section is effective for all refunds
14 made on or after the day following final enactment.

15 Sec. 39. Minnesota Statutes 2004, section 297A.99, is
16 amended by adding a subdivision to read:

17 Subd. 12a. [NOTIFICATION OF USE TAX.] Any city or county
18 imposing a local sales and use tax, which maintains an official
19 web site, must display on its main home page a notice that
20 residents and businesses in the city or county may owe a local
21 use tax on purchases of goods and services made outside of the
22 city or county limits. The notice must provide information,
23 including a link to any relevant Department of Revenue Web site,
24 on how the taxpayer may get information and forms necessary for
25 calculating and paying the tax. If the city or county provides
26 and bills for sewer, water, garbage collection, or other public
27 utility services, the billing statement must also include a
28 notice that residents and businesses may owe a local use tax on
29 purchases made outside of the city or county limits and provide
30 information on how the taxpayer may get information and forms
31 necessary for calculating and paying the tax.

32 [EFFECTIVE DATE.] This section is effective January 1, 2006.

33 Sec. 40. Minnesota Statutes 2004, section 477A.016, is
34 amended to read:

35 477A.016 [NEW TAXES PROHIBITED.]

36 No county, city, town or other taxing authority shall

1 increase a present tax or impose a new tax on sales or income,
2 except as provided in section 297A.981 or section 297A.99,
3 subdivision 1a.

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

5 Sec. 41. Laws 1998, chapter 389, article 8, section 43,
6 subdivision 3, is amended to read:

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

11 (1) transportation infrastructure improvements including
12 both highway and airport improvements;

13 (2) improvements to the civic center complex;

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

16 (4) construction of a regional recreation and sports center
17 and associated other facilities available for both community and
18 student use, ~~located at or adjacent to the Rochester center.~~

19 The total amount of capital expenditures or bonds for these
20 projects that may be paid from the revenues raised from the
21 taxes authorized in this section may not exceed \$71,500,000.

22 The total amount of capital expenditures or bonds for the
23 project in clause (4) that may be paid from the revenues raised
24 from the taxes authorized in this section may not exceed
25 \$20,000,000.

26 [EFFECTIVE DATE; LOCAL APPROVAL.] This section is effective
27 the day after the governing body of Rochester and its chief
28 clerical officer timely complete their compliance with Minnesota
29 Statutes, section 645.021, subdivisions 2 and 3.

30 Sec. 42. Laws 2001, First Special Session chapter 5,
31 article 12, section 95, as amended by Laws 2002, chapter 377,
32 article 3, section 24, and Laws 2003, First Special Session
33 chapter 21, article 8, section 15, is amended to read:

34 Sec. 95. [REPEALER.]

35 (a) Minnesota Statutes 2000, sections 297A.61, subdivision
36 16; 297A.68, subdivision 21; and 297A.71, subdivision 2, are

1 repealed effective for sales and purchases occurring after June
2 30, 2001, except that the repeal of section 297A.61, subdivision
3 16, paragraph (d), is effective for sales and purchases
4 occurring after July 31, 2001.

5 (b) Minnesota Statutes 2000, ~~sections~~ section 297A.62,
6 subdivision 2, ~~and-297A.64, subdivision-1, are~~ is repealed
7 effective for sales and purchases made after December 31, 2005.

8 (c) Minnesota Statutes 2000, section 297A.71, subdivision
9 15, is repealed effective for sales and purchases made after
10 June 30, 2002.

11 (d) Minnesota Statutes 2000, section 297A.71, subdivision
12 16, is repealed effective for sales and purchases occurring
13 after December 31, 2002.

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

16 Sec. 43. Laws 2002, chapter 377, article 3, section 4, the
17 effective date, is amended to read:

18 ~~[EFFECTIVE DATE.] With-the-exception-of-clause-(2)-item~~
19 ~~(ii)-~~ This section is effective for sales and purchases made
20 after June 30, 2002. ~~Clause-(2)-item-(ii)-is-effective-for~~
21 ~~sales-and-purchases-made-after-June-30, 2002, and before January~~
22 ~~1, 2006.~~

23 Sec. 44. [CITY OF MANKATO; LOCAL SALES TAX EXPIRATION
24 DATE.] *27 years*

25 Notwithstanding any other provision of law or municipal
26 charter to the contrary, the city of Mankato may by resolution
27 extend the imposition of the taxes imposed under Laws 1991,
28 chapter 291, article 8, section 27, subdivisions 1 and 2, as
29 needed to pay off existing bonds but no later than December 31,
30 2018. The proceeds of the tax must be used only to pay off
31 previously issued bonds authorized under Laws 1991, chapter 291,
32 article 8, section 27, and Laws 1996, chapter 471, article 2,
33 section 25, and for renovations and capital improvements of the
34 original projects funded by the sales tax under these laws.

35 [EFFECTIVE DATE.] This section is effective the day after
36 compliance by the city of Mankato with Minnesota Statutes,

1 section 645.021, subdivision 3.

2 Sec. 45. [ST. CLOUD AREA CITIES; SALES AND USE TAX
3 AUTHORIZED.]

4 Subdivision 1. [SALES AND USE TAX
5 AUTHORIZED.] Notwithstanding Minnesota Statutes, sections
6 297A.99, subdivision 3, paragraph (d), and 477A.016, or any
7 other provision of law, ordinance, or city charter, the
8 following cities may, by ordinance, impose a sales and use tax
9 of one-half of one percent for the purposes specified in
10 subdivision 2:

11 (1) the city of St. Cloud, pursuant to the approval of the
12 city voters at the general election held on November 2, 2004;

13 (2) the city of St. Joseph, pursuant to the approval of the
14 city voters at the general election on November 2, 2004;

15 (3) the city of Waite Park, pursuant to the approval of the
16 city voters at the general election held on November 4, 2003;

17 (4) the city of Sartell, pursuant to the approval of the
18 voters of that city at the general election held on November 2,
19 1999; and

20 (5) the city of St. Augusta, pursuant to the approval of
21 the voters of that city at the next general election.

22 The provisions of Minnesota Statutes, section 297A.99,
23 except subdivision 3, paragraph (d), govern the imposition,
24 administration, collection, and enforcement of the tax
25 authorized under this section, unless specifically provided for
26 otherwise in another subdivision.

27 Subd. 2. [USE OF REVENUES.] (a) Revenues received from the
28 tax authorized by subdivision 1 by the city of St. Cloud must be
29 used for the cost of collecting and administering the tax and to
30 pay all or part of the capital or administrative costs of the
31 development, acquisition, construction, improvement, and
32 securing and paying debt service on bonds or other obligations
33 issued to finance the following regional projects as approved by
34 the voters and specifically detailed in the referendum
35 authorizing the tax:

36 (1) St. Cloud Regional Airport;

1 (2) regional transportation improvements;

2 (3) community and aquatics centers;

3 (4) regional public libraries; and

4 (5) acquisition and improvement of regional park land and
5 open space.

6 (b) Revenues received from the tax authorized by
7 subdivision 1 by the cities of Waite Park, Sartell, and St.
8 Augusta must be used for the cost of collecting and
9 administering the tax and to pay all or part of the capital or
10 administrative costs of the development, acquisition,
11 construction, improvement, and securing and paying debt service
12 on bonds or other obligations issued to fund the projects
13 specifically approved by the voters at the referendum
14 authorizing the tax. The portion of revenues from the city
15 going to fund the regional airport or regional library located
16 in the city of St. Cloud will be as required under the
17 applicable joint powers agreement.

18 (c) The use of revenues received from the taxes authorized
19 in subdivision 1 for projects allowed under paragraphs (a) and
20 (b) are limited to the amount authorized for each project under
21 the enabling referendum.

22 Subd. 3. [ST. CLOUD BONDING AUTHORIZED.] (a) The city of
23 St. Cloud may issue general obligation bonds of up to
24 \$30,000,000 to pay for the costs of the regional public library
25 pursuant to the approval of the projects by the city voters at
26 the election held on November 2, 2004.

27 (b) Each city may issue general obligation bonds for
28 another project authorized under subdivision 2 without separate
29 bonding approval at a referendum only if the issuance of bonds
30 for that project was included in the authorizing question. The
31 amount of bonds issued for a project is limited to the maximum
32 amount of local sales tax revenues that may be spent on the
33 project under the authorizing question.

34 (c) The debt represented by the bonds authorized under this
35 subdivision must not be included in computing any debt
36 limitations applicable to the city, and the levy of taxes

1 required by Minnesota Statutes, section 475.61, to pay the
2 principal or any interest on the bonds must not be subject to
3 any levy limitations or be included in computing or applying any
4 levy limitation applicable to the city.

5 Subd. 4. [TERMINATION OF TAX.] (a) The tax imposed in the
6 cities of St. Joseph and St. Cloud under subdivision 1 expires
7 when the city council determines that sufficient funds have been
8 collected from the tax to retire or redeem the bonds and
9 obligations authorized under subdivision 2, paragraph (a), but
10 no later than 11 years after the date the tax is first imposed.

11 (b) The tax imposed in the city of Waite Park expires July
12 1, 2007. Any funds remaining after completion of the projects
13 specified in subdivision 2 and retirement or redemption of the
14 bonds may be placed in the general fund of the city. The tax
15 imposed in the city of St. Augusta expires five years after it
16 is first imposed. Any funds remaining after completion of the
17 projects specified in subdivision 2 and retirement or redemption
18 of the bonds may be placed in the general fund of the city.
19 Each tax imposed under subdivision 1 may expire at an earlier
20 time if the city so determines by ordinance. The cities may
21 extend the tax beyond the dates in this paragraph upon
22 additional approval of the voters at a subsequent referendum.
23 The tax may not be extended beyond the number of years allowed
24 in paragraph (a). The tax imposed in the city of Sartell
25 expires December 31, 2006.

26 [EFFECTIVE DATE.] This section is effective for the city
27 that approves it the day after compliance by the governing body
28 of each city with Minnesota Statutes, section 645.021,
29 subdivision 3, for sales and purchases made on and after January
30 1, 2006. Spending may not occur for the purposes authorized in
31 subdivision 2 nor may bonds be issued under subdivision 3 until
32 January 1, 2006.

33 Sec. 46. [CITY OF BEMIDJI; LOCAL SALES TAX.]

34 Notwithstanding Minnesota Statutes, sections 297A.99 and
35 477A.03, or any other provision of law, ordinance, or charter to
36 the contrary, the city of Bemidji may impose a sales tax

1 pursuant to the approval of the city voters at a general
2 election on November 5, 2002. Revenues from the tax must be
3 used for the cost of collecting and administering the tax and to
4 pay all or part of the capital and administrative costs of the
5 acquisition, construction, improvement, and development of parks
6 and trails within the city, as provided for in the city of
7 Bemidji's parks, open space, and trail system plan, adopted by
8 the Bemidji city council on November 21, 2001. Authorized
9 expenses include, but are not limited to, acquiring property,
10 paying construction expenses related to the development of these
11 facilities and improvements, and securing and paying any debt
12 service on bonds or other obligations issued to finance
13 acquisition, construction, improvement, or development of parks
14 and trails within the city of Bemidji. All other provisions of
15 section 297A.99 not in conflict with the provisions of this
16 section shall apply to the imposition, collection,
17 administration, and use of revenues from this tax.

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

21 Sec. 47. [CITY OF ROCHESTER; LOCAL SALES TAX EXPIRATION
22 DATE.]

23 Notwithstanding Minnesota Statutes, section 297A.99, or any
24 other provision of law or municipal charter to the contrary, the
25 city of Rochester may by resolution extend the taxes imposed
26 under Laws 1998, chapter 389, article 8, section 43, until
27 December 31, 2014. This extension of the imposition of taxes
28 shall occur notwithstanding either of the total amount
29 limitations on capital expenditures or bonds specified in Laws
30 1998, chapter 389, article 8, section 43. The proceeds of the
31 tax must be used for the purposes authorized under that law and
32 for regional highway infrastructure improvements jointly
33 undertaken with Olmsted County. The city and the county may
34 issue general obligation bonds for the purposes authorized under
35 this section. The county may issue general obligation bonds in
36 an amount not exceeding the amount of sales tax revenue

1 anticipated to be received from the city. The city may issue
2 additional general obligation bonds, above the amount allowed
3 under Laws 1988, chapter 389, article 8, section 43, equal to
4 the difference between the amount of additional local sales tax
5 raised under this section and the amount anticipated to be given
6 to the county. No election is required for the issuance of
7 bonds under this subdivision, other than the election held by
8 the city on June 23, 1998. The bonds shall not be included as
9 net debt of the city or the county.

10 [EFFECTIVE DATE.] This section is effective the day after
11 compliance by the city of Rochester with Minnesota Statutes,
12 section 645.021, subdivisions 2 and 3.

13 Sec. 48. [REPEALER.]

14 Minnesota Rules, parts 8130.0110, subpart 4; 8130.0200,
15 subparts 5 and 6; 8130.0400, subpart 9; 8130.1200, subparts 5
16 and 6; 8130.2900; 8130.3100, subpart 1; 8130.4000, subparts 1
17 and 2; 8130.4200, subpart 1; 8130.4400, subpart 3; 8130.5200;
18 8130.5600, subpart 3; 8130.5800, subpart 5; 8130.7300, subpart
19 5; and 8130.8800, subpart 4, are repealed.

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

22 ARTICLE 8

23 SPECIAL TAXES AND FEES

24 Section 1. Minnesota Statutes 2004, section 240.30, is
25 amended by adding a subdivision to read:

26 Subd. 11. [FRANCHISE FEE.] As a condition of operating a
27 card club under this section, the licensee must pay a fee to the
28 commission equal to 15 percent of the gross revenues, less any
29 refunds, for charges imposed under subdivision 4. Payment,
30 collection, and administration of the fee must be made in the
31 same manner and under the terms provided under section 240.15
32 for the tax on pari-mutuel pools. The commission shall deposit
33 all of the revenues from the fee in the state treasury and
34 amounts deposited must be credited to the general fund. The
35 amount of the fee under this subdivision does not reduce the
36 obligation to set aside revenues from the card club under

1 section 240.135.

2 [EFFECTIVE DATE.] This section is effective for charges and
3 revenues received after June 30, 2005.

4 Sec. 2. Minnesota Statutes 2004, section 287.04, is
5 amended to read:

6 287.04 [EXEMPTIONS.]

7 The tax imposed by section 287.035 does not apply to:

8 (a) A decree of marriage dissolution or an instrument made
9 pursuant to it.

10 (b) A mortgage given to correct a misdescription of the
11 mortgaged property.

12 (c) A mortgage or other instrument that adds additional
13 security for the same debt for which mortgage registry tax has
14 been paid.

15 (d) A contract for the conveyance of any interest in real
16 property, including a contract for deed.

17 (e) A mortgage secured by real property subject to the
18 minerals production tax of sections 298.24 to 298.28.

19 (f) The principal amount of a mortgage loan made under a
20 low and moderate income or other affordable housing program, if
21 the mortgagee is a federal, state, or local government agency.

22 (g) Mortgages granted by fraternal benefit societies
23 subject to section 64B.24.

24 (h) A mortgage amendment or extension, as defined in
25 section 287.01.

26 (i) An agricultural mortgage if the proceeds of the loan
27 secured by the mortgage are used to acquire or improve real
28 property classified under section 273.13, subdivision 23,
29 paragraph (a), or (b), clause (1), (2), or (3).

30 (j) A mortgage on an armory building as set forth in
31 section 193.147.

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

34 Sec. 3. Minnesota Statutes 2004, section 295.52,
35 subdivision 4, is amended to read:

36 Subd. 4. [USE TAX; PRESCRIPTION DRUGS.] (a) A person that

1 receives prescription drugs for resale or use in Minnesota,
2 other than from a wholesale drug distributor that is subject to
3 tax under subdivision 3, is subject to a tax equal to the price
4 paid to the wholesale drug distributor multiplied by the tax
5 percentage specified in this section. Liability for the tax is
6 incurred when prescription drugs are received or delivered in
7 Minnesota by the person.

8 (b) A person that receives prescription drugs for use in
9 Minnesota from a nonresident pharmacy required to be registered
10 under section 151.19 is subject to a tax equal to the price paid
11 by the nonresident pharmacy to the wholesale drug distributor or
12 the price received by the nonresident pharmacy, whichever is
13 lower, multiplied by the tax percentage specified in this
14 section. Liability for the tax is incurred when prescription
15 drugs are received in Minnesota by the person.

16 (c) A tax imposed under this subdivision does not apply to
17 purchases by an individual for personal use or consumption.

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

20 Sec. 4. Minnesota Statutes 2004, section 295.53,
21 subdivision 1, is amended to read:

22 Subdivision 1. [EXEMPTIONS.] (a) The following payments
23 are excluded from the gross revenues subject to the hospital,
24 surgical center, or health care provider taxes under sections
25 295.50 to 295.59:

26 (1) payments received for services provided under the
27 Medicare program, including payments received from the
28 government, and organizations governed by sections 1833 and 1876
29 of title XVIII of the federal Social Security Act, United States
30 Code, title 42, section 1395, and enrollee deductibles,
31 coinsurance, and co-payments, whether paid by the Medicare
32 enrollee or by a Medicare supplemental coverage as defined in
33 section 62A.011, subdivision 3, clause (10), or by Medicaid
34 payments under title XIX of the federal Social Security Act.
35 Payments for services not covered by Medicare are taxable;

36 (2) payments received for home health care services;

1 (3) payments received from hospitals or surgical centers
2 for goods and services on which liability for tax is imposed
3 under section 295.52 or the source of funds for the payment is
4 exempt under clause (1), (7), (10), or (14);

5 (4) payments received from health care providers for goods
6 and services on which liability for tax is imposed under this
7 chapter or the source of funds for the payment is exempt under
8 clause (1), (7), (10), or (14);

9 (5) amounts paid for legend drugs, other than nutritional
10 products, to a wholesale drug distributor who is subject to tax
11 under section 295.52, subdivision 3, reduced by reimbursements
12 received for legend drugs otherwise exempt under this chapter;

13 (6) payments received by a health care provider or the
14 wholly owned subsidiary of a health care provider for care
15 provided outside Minnesota;

16 (7) payments received from the chemical dependency fund
17 under chapter 254B;

18 (8) payments received in the nature of charitable donations
19 that are not designated for providing patient services to a
20 specific individual or group;

21 (9) payments received for providing patient services
22 incurred through a formal program of health care research
23 conducted in conformity with federal regulations governing
24 research on human subjects. Payments received from patients or
25 from other persons paying on behalf of the patients are subject
26 to tax;

27 (10) payments received from any governmental agency for
28 services benefiting the public, not including payments made by
29 the government in its capacity as an employer or insurer or
30 payments made by the government for services provided under
31 general assistance medical care, the MinnesotaCare program, or
32 the medical assistance program governed by title XIX of the
33 federal Social Security Act, United States Code, title 42,
34 sections 1396 to 1396v;

35 (11) government payments received by the commissioner of
36 human services for state-operated services;

1 (12) payments received by a health care provider for
2 hearing aids and related equipment or prescription eyewear
3 delivered outside of Minnesota;

4 (13) payments received by an educational institution from
5 student tuition, student activity fees, health care service
6 fees, government appropriations, donations, or grants, and for
7 services identified in and provided under an individualized
8 education plan as defined in section 256B.0625 or Code of
9 Federal Regulations, chapter 34, section 300.340(a). Fee for
10 service payments and payments for extended coverage are taxable;
11 and

12 (14) payments received under the federal Employees Health
13 Benefits Act, United States Code, title 5, section 8909(f), as
14 amended by the Omnibus Reconciliation Act of 1990. Enrollee
15 deductibles, coinsurance, and co-payments are subject to tax;
16 and

17 (15) payments received under the federal Tricare program,
18 Code of Federal Regulations, title 32, section 199.17(a)(7).
19 Enrollee deductibles, coinsurance, and co-payments are subject
20 to tax.

21 (b) Payments received by wholesale drug distributors for
22 legend drugs sold directly to veterinarians or veterinary bulk
23 purchasing organizations are excluded from the gross revenues
24 subject to the wholesale drug distributor tax under sections
25 295.50 to 295.59.

26 [EFFECTIVE DATE.] The change made to paragraph (a), clause
27 (14), of this section is effective for enrollee deductibles,
28 coinsurance, and co-payments received under the federal
29 Employees Health Benefits Act on or after the day following
30 final enactment. Paragraph (a), clause (15), is effective for
31 gross revenues received under the federal Tricare program after
32 December 31, 2004.

33 Sec. 5. Minnesota Statutes 2004, section 295.582, is
34 amended to read:

35 295.582 [AUTHORITY.]

36 Subdivision 1. [TRANSFER TO THIRD-PARTY PURCHASERS.] (a) A

1 hospital, surgical center, or health care provider that is
2 subject to a tax under section 295.52, or a pharmacy that has
3 paid additional expense transferred under this section by a
4 wholesale drug distributor, may transfer additional expense
5 generated by section 295.52 obligations on to all third-party
6 contracts for the purchase of health care services on behalf of
7 a patient or consumer. The additional expense transferred to
8 the third-party purchaser must not exceed the tax percentage
9 specified in section 295.52 multiplied against the gross
10 revenues received under the third-party contract, and the tax
11 percentage specified in section 295.52 multiplied against
12 co-payments and deductibles paid by the individual patient or
13 consumer. A health care provider who chooses to transfer the
14 tax specified in section 295.52 may itemize the tax on patient
15 billings. The expense must not be generated on revenues derived
16 from payments that are excluded from the tax under section
17 295.53. All third-party purchasers of health care services
18 including, but not limited to, third-party purchasers regulated
19 under chapter 60A, 62A, 62C, 62D, 62H, 62N, 64B, 65A, 65B, 79,
20 or 79A, or under section 471.61 or 471.617, and a pharmacy
21 benefits manager must pay the transferred expense in addition to
22 any payments due under existing contracts with the hospital,
23 surgical center, pharmacy, or health care provider, to the
24 extent allowed under federal law. A third-party purchaser of
25 health care services includes, but is not limited to, a health
26 carrier or community integrated service network that pays for
27 health care services on behalf of patients or that reimburses,
28 indemnifies, compensates, or otherwise insures patients for
29 health care services and for purposes of this section, a
30 pharmacy benefits manager means an entity that performs pharmacy
31 benefits management. A third-party purchaser shall comply with
32 this section regardless of whether the third-party purchaser is
33 a for-profit, not-for-profit, or nonprofit entity or whether the
34 health care provider has chosen to itemize the tax on patient
35 billings. If the third-party purchaser's contract limits
36 provider payment to a specified amount, such as an usual and

1 customary fee schedule, the third-party purchaser must still pay
2 the tax transferred or itemized by a health care provider based
3 upon the contractual fee. A third-party purchaser is also
4 responsible for reimbursing providers for the percentage tax
5 levied on co-payments or deductibles paid by the insured. A
6 wholesale drug distributor may transfer additional expense
7 generated by section 295.52 obligations to entities that
8 purchase from the wholesaler, and the entities must pay the
9 additional expense. Nothing in this section limits the ability
10 of a hospital, surgical center, pharmacy, wholesale drug
11 distributor, or health care provider to recover all or part of
12 the section 295.52 obligation by other methods, including
13 increasing fees or charges. Nothing in this section prohibits a
14 pharmacy from passing on additional fees or charges to a
15 pharmacy benefits manager.

16 (b) Each third-party purchaser regulated under any chapter
17 cited in paragraph (a) shall include with its annual renewal for
18 certification of authority or licensure documentation indicating
19 compliance with paragraph (a). The documentation must include
20 information relating to a third-party purchaser's means for
21 compliance with paragraph (a) for health care providers who
22 itemize the tax on patient billings.

23 (c) Any hospital, surgical center, or health care provider
24 subject to a tax under section 295.52 or a pharmacy that has
25 paid additional expense transferred under this section by a
26 wholesale drug distributor may file a complaint with the
27 commissioner responsible for regulating the third-party
28 purchaser if at any time the third-party purchaser fails to
29 comply with paragraph (a).

30 (d) If the commissioner responsible for regulating the
31 third-party purchaser finds at any time that the third-party
32 purchaser has not complied with paragraph (a), the commissioner
33 may take enforcement action against a third-party purchaser
34 which is subject to the commissioner's regulatory jurisdiction
35 and which does not allow a hospital, surgical center, pharmacy,
36 or provider to pass-through the tax. The commissioner may by

1 order fine or censure the third-party purchaser or revoke or
2 suspend the certificate of authority or license of the
3 third-party purchaser to do business in this state if the
4 commissioner finds that the third-party purchaser has not
5 complied with this section. The third-party purchaser may
6 appeal the commissioner's order through a contested case hearing
7 in accordance with chapter 14.

8 Subd. 2. [WHOLESALE DRUG DISTRIBUTOR TAX; AGREEMENT.] A
9 contracting agreement between a health plan company or a
10 pharmacy benefits manager and a resident or nonresident pharmacy
11 registered under chapter 151, may not prohibit:

12 (1) a pharmacy that has paid additional expense transferred
13 under this section by a wholesale drug distributor from
14 exercising its option under this section to transfer such
15 additional expenses generated by the section 295.52 obligations
16 on to the health plan company, a pharmacy benefits manager, or a
17 third-party purchaser; or

18 (2) a pharmacy that is subject to tax under section 295.52,
19 subdivision 4, from exercising its option under this section to
20 recover all or part of the section 295.52 obligations from the
21 health plan company, a pharmacy benefits manager, or a
22 third-party purchaser by other methods, including increasing
23 fees or charges.

24 Sec. 6. Minnesota Statutes 2004, section 295.60,
25 subdivision 3, is amended to read:

26 Subd. 3. [PAYMENT.] (a) Each furrier shall make estimated
27 payments of the taxes for the calendar year in quarterly
28 installments to the commissioner by April 15, July 15, October
29 15, and January 15 of the following calendar year.

30 (b) Estimated tax payments are not required if:

31 (1) the tax for the current calendar year is less than
32 \$500; or

33 (2) the tax for the previous calendar year is less than
34 \$500, if the taxpayer had a tax liability and was doing business
35 the entire year.

36 (c) Underpayment of estimated installments bear interest at

1 the rate specified in section 270.75, from the due date of the
2 payment until paid or until the due date of the annual return,
3 whichever comes first. An underpayment of an estimated
4 installment is the difference between the amount paid and the
5 lesser of (1) ~~90-percent-of-one-quarter-of-the-tax-for-the~~
6 calendar-year the tax for the actual gross revenues received
7 during the quarter, or (2) one-quarter of the total tax for the
8 previous calendar year if the taxpayer had a tax liability and
9 was doing business the entire year.

10 [EFFECTIVE DATE.] This section is effective for gross
11 revenues received after December 31, 2004.

12 Sec. 7. [295.75] [LIQUOR GROSS RECEIPTS TAX.]

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

15 (b) "Commissioner" means the commissioner of revenue.

16 (c) "Gross receipts" means the total amount received, in
17 money or by barter or exchange, for all liquor sales at retail
18 as measured by the sales price, but does not include any taxes
19 imposed directly on the consumer that are separately stated on
20 the invoice, bill of sale, or similar document given to the
21 purchaser.

22 (d) "Liquor" means:

23 (1) intoxicating liquor, as defined in section 340A.101,
24 subdivision 14;

25 (2) beverage containing intoxicating liquor; and

26 (3) 3.2 percent malt liquor, as defined in section
27 340A.101, subdivision 19, when sold at an on-sale or off-sale
28 municipal liquor store or other establishment licensed to sell
29 any type of intoxicating liquor.

30 (e) "Liquor retailer" means a retailer that sells liquor.

31 (f) "Retail sale" has the meaning given in section 297A.61,
32 subdivision 4.

33 Subd. 2. [GROSS RECEIPTS TAX IMPOSED.] A tax is imposed on
34 each liquor retailer equal to 2.5 percent of gross receipts from
35 retail sales in Minnesota of liquor.

36 Subd. 3. [USE TAX IMPOSED; CREDIT FOR TAXES PAID.] (a) A

1 person that receives liquor for use or storage in Minnesota,
2 other than from a liquor retailer that paid the tax under
3 subdivision 2, is subject to tax at the rate imposed under
4 subdivision 2. Liability for the tax is incurred when the
5 person has possession of the liquor in Minnesota. The tax must
6 be remitted to the commissioner in the same manner prescribed
7 for the taxes imposed under chapter 297A.

8 (b) A person that has paid taxes to another jurisdiction on
9 the same transaction and is subject to tax under this section is
10 entitled to a credit for the tax legally due and paid to another
11 jurisdiction to the extent of the lesser of (1) the tax actually
12 paid to the other jurisdiction, or (2) the amount of tax imposed
13 by Minnesota on the transaction subject to tax in the other
14 jurisdiction.

15 Subd. 4. [TAX COLLECTION REQUIRED.] A liquor retailer with
16 nexus in Minnesota, who is not subject to tax under subdivision
17 2, is required to collect the tax imposed under subdivision 3
18 from the purchaser of the liquor and give the purchaser a
19 receipt for the tax paid. The tax collected must be remitted to
20 the commissioner in the same manner prescribed for the taxes
21 imposed under chapter 297A.

22 Subd. 5. [TAXES PAID TO ANOTHER JURISDICTION; CREDIT.] A
23 liquor retailer that has paid taxes to another jurisdiction
24 measured by gross receipts and is subject to tax under this
25 section on the same gross receipts is entitled to a credit for
26 the tax legally due and paid to another jurisdiction to the
27 extent of the lesser of (1) the tax actually paid to the other
28 jurisdiction, or (2) the amount of tax imposed by Minnesota on
29 the gross receipts subject to tax in the other taxing
30 jurisdictions.

31 Subd. 6. [EXEMPTIONS.] All of the exemptions applicable to
32 the taxes imposed under chapter 297A are applicable to the taxes
33 imposed under this section.

34 Subd. 7. [SOURCING OF SALES.] All of the provisions of
35 section 297A.668 apply to the taxes imposed by this section.

36 Subd. 8. [PAYMENT; REPORTING.] A liquor retailer shall

1 report the tax on a return prescribed by the commissioner of
2 revenue, and shall remit the tax with the return. The return
3 and the tax must be filed and paid using the filing cycle and
4 due dates provided for taxes imposed under chapter 297A.

5 Subd. 9. [ADMINISTRATION.] Unless specifically provided
6 otherwise by this section, the audit, assessment, refund,
7 penalty, interest, enforcement, collection remedies, appeal, and
8 administrative provisions of chapters 270 and 289A that are
9 applicable to taxes imposed under chapter 297A apply to taxes
10 imposed under this section.

11 Subd. 10. [INTEREST ON OVERPAYMENTS.] Interest must be
12 paid on an overpayment refunded or credited to the taxpayer from
13 the date of payment of the tax until the date the refund is paid
14 or credited. For purposes of this subdivision, the date of
15 payment is the due date of the return or the date of actual
16 payment of the tax, whichever is later.

17 Subd. 11. [DEPOSIT OF REVENUES.] The commissioner shall
18 deposit all revenues, including penalties and interest, derived
19 from the tax imposed by this section in the general fund.

20 [EFFECTIVE DATE.] This section is effective for sales and
21 purchases occurring on or after January 1, 2006.

22 Sec. 8. Minnesota Statutes 2004, section 296A.22, is
23 amended by adding a subdivision to read:

24 Subd. 9. [ABATEMENT OF PENALTY.] (a) The commissioner may
25 by written order abate any penalty imposed under this section,
26 if in the commissioner's opinion there is reasonable cause to do
27 so.

28 (b) A request for abatement of penalty must be filed with
29 the commissioner within 60 days of the date the notice stating
30 that a penalty has been imposed was mailed to the taxpayer's
31 last known address.

32 (c) If the commissioner issues an order denying a request
33 for abatement of penalty, the taxpayer may file an
34 administrative appeal as provided in section 296A.25 or appeal
35 to Tax Court as provided in section 271.06. If the commissioner
36 does not issue an order on the abatement request within 60 days

1 from the date the request is received, the taxpayer may appeal
2 to Tax Court as provided in section 271.06.

3 [EFFECTIVE DATE.] This section is effective for penalties
4 imposed on or after the day following final enactment.

5 Sec. 9. Minnesota Statutes 2004, section 297E.01,
6 subdivision 5, is amended to read:

7 Subd. 5. [DISTRIBUTOR.] "Distributor" means a distributor
8 as defined in section 349.12, subdivision 11, or a person or
9 linked bingo game provider who markets, sells, or provides
10 gambling product to a person or entity for resale or use at the
11 retail level.

12 [EFFECTIVE DATE.] This section is effective the day
13 following final enactment.

14 Sec. 10. Minnesota Statutes 2004, section 297E.01,
15 subdivision 7, is amended to read:

16 Subd. 7. [GAMBLING PRODUCT.] "Gambling product" means
17 bingo hard cards, bingo paper, or sheets, or linked bingo paper
18 sheets; pull-tabs; tipboards; paddletickets and paddleticket
19 cards; raffle tickets; or any other ticket, card, board,
20 placard, device, or token that represents a chance, for which
21 consideration is paid, to win a prize.

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

24 Sec. 11. Minnesota Statutes 2004, section 297E.01, is
25 amended by adding a subdivision to read:

26 Subd. 9a. [LINKED BINGO GAME.] "Linked bingo game" means a
27 bingo game played at two or more locations where licensed
28 organizations are authorized to conduct bingo, when there is a
29 common prize pool and a common selection of numbers or symbols
30 conducted at one location, and when the results of the selection
31 are transmitted to all participating locations by satellite,
32 telephone, or other means by a linked bingo game provider.

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

35 Sec. 12. Minnesota Statutes 2004, section 297E.01, is
36 amended by adding a subdivision to read:

1 Subd. 9b. [LINKED BINGO GAME PROVIDER.] "Linked bingo game
2 provider" means any person who provides the means to link bingo
3 prizes in a linked bingo game, who provides linked bingo paper
4 sheets to the participating organizations, who provides linked
5 bingo prize management, and who provides the linked bingo game
6 system.

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

9 Sec. 13. Minnesota Statutes 2004, section 297E.06,
10 subdivision 2, is amended to read:

11 Subd. 2. [BUSINESS RECORDS.] An organization shall
12 maintain records supporting the gambling activity reported to
13 the commissioner. Records include, but are not limited to, the
14 following items:

15 (1) all winning and unsold tickets, cards, or stubs for
16 pull-tab, tipboard, paddlewheel, and raffle games;

17 (2) all reports and statements, including checker's
18 records, for each bingo occasion;

19 (3) all cash journals and ledgers, deposit slips, register
20 tapes, and bank statements supporting gambling activity
21 receipts;

22 (4) all invoices that represent purchases of gambling
23 product;

24 (5) all canceled checks or copies of substitute checks as
25 defined in Public Law 108-100, section 3, check recorders,
26 journals and ledgers, vouchers, invoices, bank statements, and
27 other documents supporting gambling activity expenditures; and

28 (6) all organizational meeting minutes.

29 All records required to be kept by this section must be
30 preserved by the organization for at least 3-1/2 years and may
31 be inspected by the commissioner of revenue at any reasonable
32 time without notice or a search warrant.

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

34 Sec. 14. Minnesota Statutes 2004, section 297E.07, is
35 amended to read:

36 297E.07 [INSPECTION RIGHTS.]

1 At any reasonable time, without notice and without a search
2 warrant, the commissioner may enter a place of business of a
3 manufacturer, distributor, ~~or~~ organization, or linked bingo game
4 provider; any site from which pull-tabs or tipboards or other
5 gambling equipment or gambling product are being manufactured,
6 stored, or sold; or any site at which lawful gambling is being
7 conducted, and inspect the premises, books, records, and other
8 documents required to be kept under this chapter to determine
9 whether or not this chapter is being fully complied with. If
10 the commissioner is denied free access to or is hindered or
11 interfered with in making an inspection of the place of
12 business, books, or records, the permit of the distributor may
13 be revoked by the commissioner, and the license of the
14 manufacturer, the distributor, ~~or~~ the organization, or linked
15 bingo game provider may be revoked by the board.

16 [EFFECTIVE DATE.] This section is effective the day
17 following final enactment.

18 Sec. 15. Minnesota Statutes 2004, section 297F.08,
19 subdivision 12, is amended to read:

20 Subd. 12. [CIGARETTES IN INTERSTATE COMMERCE.] (a) A
21 person may not transport or cause to be transported from this
22 state cigarettes for sale in another state without first
23 affixing to the cigarettes the stamp required by the state in
24 which the cigarettes are to be sold or paying any other excise
25 tax on the cigarettes imposed by the state in which the
26 cigarettes are to be sold.

27 (b) A person may not affix to cigarettes the stamp required
28 by another state or pay any other excise tax on the cigarettes
29 imposed by another state if the other state prohibits stamps
30 from being affixed to the cigarettes, prohibits the payment of
31 any other excise tax on the cigarettes, or prohibits the sale of
32 the cigarettes.

33 (c) Not later than 15 days after the end of each calendar
34 quarter, a person who transports or causes to be transported
35 from this state cigarettes for sale in another state shall
36 submit to the commissioner a report identifying the quantity and

1 style of each brand of the cigarettes transported or caused to
2 be transported in the preceding calendar quarter, and the name
3 and address of each recipient of the cigarettes. This reporting
4 requirement only applies to cigarettes manufactured by companies
5 that are not original or subsequent participating manufacturers
6 in the Master Settlement Agreement with other states.

7 (d) For purposes of this section, "person" has the meaning
8 given in section 297F.01, subdivision 12. Person does not
9 include any common or contract carrier, or public warehouse that
10 is not owned, in whole or in part, directly or indirectly by
11 such person, and does not include a manufacturer that ~~has~~
12 entered-into is an original or subsequent participating
13 manufacturer in the Master Settlement Agreement with other
14 states.

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

17 Sec. 16. Minnesota Statutes 2004, section 297F.08, is
18 amended by adding a subdivision to read:

19 Subd. 13. [BOND.] The commissioner may require the
20 furnishing of a corporate surety bond or a certified check in an
21 amount suitable to guarantee payment of the tax stamps purchased
22 by a distributor. The bond or certified check may be required
23 when the commissioner determines that a distributor is (1)
24 delinquent in the filing of any return required under this
25 chapter, or (2) delinquent in the payment of any uncontested tax
26 liability under this chapter. The distributor shall furnish the
27 bond or certified check for a period of two years, after which,
28 if the distributor has not been delinquent in the filing of any
29 returns required under this chapter, or delinquent in the paying
30 of any tax under this chapter, a bond or certified check is no
31 longer required. The commissioner at any time may apply the
32 bond or certified check to any unpaid taxes or fees, including
33 interest and penalties, owed to the department by the
34 distributor.

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

1 Sec. 17. Minnesota Statutes 2004, section 297F.09,
2 subdivision 1, is amended to read:

3 Subdivision 1. [MONTHLY RETURN; CIGARETTE DISTRIBUTOR.] On
4 or before the 18th day of each calendar month, a distributor
5 with a place of business in this state shall file a return with
6 the commissioner showing the quantity of cigarettes manufactured
7 or brought in from outside the state or purchased during the
8 preceding calendar month and the quantity of cigarettes sold or
9 otherwise disposed of in this state and outside this state
10 during that month. A licensed distributor outside this state
11 shall in like manner file a return showing the quantity of
12 cigarettes shipped or transported into this state during the
13 preceding calendar month. Returns must be made in the form and
14 manner prescribed by the commissioner and must contain any other
15 information required by the commissioner. The return must be
16 accompanied by a remittance for the full unpaid tax liability
17 shown by it. ~~The return for the May liability and 85 percent of~~
18 ~~the estimated June liability is due on the date payment of the~~
19 ~~tax is due.~~ For distributors subject to the accelerated tax
20 payment requirements in subdivision 10, the return for the May
21 liability is due two business days before June 30th of the year
22 and the return for the June liability is due on or before August
23 18th of the year.

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

26 Sec. 18. Minnesota Statutes 2004, section 297F.09,
27 subdivision 2, is amended to read:

28 Subd. 2. [MONTHLY RETURN; TOBACCO PRODUCTS DISTRIBUTOR.]
29 On or before the 18th day of each calendar month, a distributor
30 with a place of business in this state shall file a return with
31 the commissioner showing the quantity and wholesale sales price
32 of each tobacco product:

33 (1) brought, or caused to be brought, into this state for
34 sale; and

35 (2) made, manufactured, or fabricated in this state for
36 sale in this state, during the preceding calendar month.

1 Every licensed distributor outside this state shall in like
2 manner file a return showing the quantity and wholesale sales
3 price of each tobacco product shipped or transported to
4 retailers in this state to be sold by those retailers, during
5 the preceding calendar month. Returns must be made in the form
6 and manner prescribed by the commissioner and must contain any
7 other information required by the commissioner. The return must
8 be accompanied by a remittance for the full tax liability
9 shown. ~~The return for the May liability and 85 percent of the~~
10 ~~estimated June liability is due on the date payment of the tax~~
11 ~~is due.~~ For distributors subject to the accelerated tax payment
12 requirements in subdivision 10, the return for the May liability
13 is due two business days before June 30th of the year and the
14 return for the June liability is due on or before August 18th of
15 the year.

16 [EFFECTIVE DATE.] This section is effective the day
17 following final enactment.

18 Sec. 19. Minnesota Statutes 2004, section 297F.14,
19 subdivision 4, is amended to read:

20 Subd. 4. ~~[BAD DEBT.] The commissioner may adopt rules~~
21 ~~providing a refund of the tax paid under this chapter if the tax~~
22 ~~paid qualifies as a bad debt under section 166(a) of the~~
23 ~~Internal Revenue Code.~~ For any reporting period, a taxpayer may
24 offset against taxes payable under this chapter the amount of
25 taxes previously paid under this chapter that is attributable to
26 a bad debt. The taxes must have been included in a transaction
27 the consideration for which was a debt owed to the taxpayer and
28 which became uncollectible, but only in proportion to the
29 portion of debt that became uncollectible. To qualify for
30 offset under this subdivision, the debt must have qualified as a
31 bad debt under section 166(a) of the Internal Revenue Code. The
32 taxpayer may claim the offset within the time period prescribed
33 in section 297F.17, subdivision 6. If the taxpayer is no longer
34 liable for taxes imposed under this chapter, the commissioner
35 shall refund to the taxpayer the amount of the taxes
36 attributable to the bad debt. Any recovery of the tax claimed

1 as a refund or credit must be reported to the commissioner on
2 the tax return for the month in which the recovery is made. If
3 the taxpayer is no longer required to file returns under this
4 chapter, the taxpayer must reimburse the commissioner for tax
5 recovered in the month following the recovery.

6 [EFFECTIVE DATE.] This section is effective for claims
7 filed on or after July 1, 2005.

8 Sec. 20. [297F.25] [CIGARETTE SALES TAX.]

9 Subdivision 1. [IMPOSITION.] A tax is imposed on
10 distributors on the sale of cigarettes by a cigarette
11 distributor to a retailer or cigarette subjobber for resale in
12 this state. The tax is equal to 6.5 percent of the weighted
13 average retail price. The weighted average retail price must be
14 expressed in cents per pack when rounded to the nearest
15 one-tenth of a cent. The weighted average retail price must be
16 determined annually, with new rates published by May 1, and
17 effective for sales on or after August 1. The weighted average
18 retail price must be established by surveying cigarette
19 retailers statewide in a manner and time determined by the
20 commissioner. The determination of the commissioner pursuant to
21 this subdivision is not a "rule" and is not subject to the
22 Administrative Procedure Act contained in chapter 14. As of
23 August 1, 2005, the tax is 20 cents per pack of 20 cigarettes.
24 For packs of cigarettes with other than 20 cigarettes, the tax
25 must be adjusted proportionally.

26 Subd. 2. [PAYMENT.] Each taxpayer must remit payments of
27 the taxes to the commissioner on the same dates prescribed under
28 section 297F.09, subdivision 1, for cigarette tax returns,
29 including the accelerated remittance of the June liability.

30 Subd. 3. [RETURN.] A taxpayer must file a return with the
31 commissioner on the same dates prescribed under section 297F.09,
32 subdivision 1, for cigarette tax returns. Notwithstanding any
33 other provisions of this chapter, the tax due on the return is
34 based upon actual stamps purchased during the reporting period.

35 Subd. 4. [FORM OF RETURN.] The return must contain the
36 information and be in the form prescribed by the commissioner.

1 Subd. 5. [TAX AS DEBT.] The tax that is required to be
2 paid by the distributor is a debt from the retailer or cigarette
3 subjobber to the distributor recoverable at law in the same
4 manner as other debts. A cigarette retailer or subjobber must
5 pay the tax imposed under subdivision 1 to the distributor
6 before the 12th day of the month following the month in which
7 the cigarettes were purchased from the distributor.

8 Subd. 6. [SALES TAX STAMP.] Payment of the tax imposed
9 under section 297F.05 and by this section must be evidenced by a
10 dual-purpose single stamp affixed to each package.

11 Subd. 7. [ADMINISTRATION.] The stamping, audit,
12 assessment, interest, penalty, appeal, refund, and collection
13 provisions applicable to the taxes imposed under this chapter
14 apply to taxes imposed under this section.

15 Subd. 8. [DEPOSIT OF REVENUES.] Notwithstanding the
16 provisions of section 297F.10, the commissioner shall deposit
17 all revenues, including penalties and interest, derived from the
18 tax imposed by this section, in the general fund.

19 [EFFECTIVE DATE.] This section is effective for all sales
20 made on or after August 1, 2005.

21 Sec. 21. Minnesota Statutes 2004, section 297G.09, is
22 amended by adding a subdivision to read:

23 Subd. 9. [QUARTERLY AND ANNUAL PAYMENTS AND RETURNS.] (a)
24 If a manufacturer, wholesaler, brewer, or importer has an
25 average liquor tax liability equal to or less than \$500 per
26 month in any quarter of a calendar year, and has substantially
27 complied with the state tax laws during the preceding four
28 calendar quarters, the manufacturer, wholesaler, brewer, or
29 importer may request authorization to file and pay the taxes
30 quarterly in subsequent calendar quarters. The authorization
31 remains in effect during the period in which the manufacturer's,
32 wholesaler's, brewer's, or importer's quarterly returns reflect
33 liquor tax liabilities of less than \$1,500 and there is
34 continued compliance with state tax laws.

35 (b) If a manufacturer, wholesaler, brewer, or importer has
36 an average liquor tax liability equal to or less than \$100 per

1 month during a calendar year, and has substantially complied
2 with the state tax laws during that period, the manufacturer,
3 wholesaler, brewer, or importer may request authorization to
4 file and pay the taxes annually in subsequent years. The
5 authorization remains in effect during the period in which the
6 manufacturer's, wholesaler's, brewer's, or importer's annual
7 returns reflect liquor tax liabilities of less than \$1,200 and
8 there is continued compliance with state tax laws.

9 (c) The commissioner may also grant quarterly or annual
10 filing and payment authorizations to manufacturers, wholesalers,
11 brewers, or importers if the commissioner concludes that the
12 manufacturer's, wholesaler's, brewer's, or importer's future tax
13 liabilities will be less than the monthly totals identified in
14 paragraphs (a) and (b). An authorization granted under this
15 paragraph is subject to the same conditions as an authorization
16 granted under paragraphs (a) and (b).

17 (d) The annual tax return and payments must be filed and
18 paid on or before the 18th day of January following the calendar
19 year. The quarterly returns and payments must be filed and paid
20 on or before April 18 for the quarter ending March 31, on or
21 before July 18 for the quarter ending June 30, on or before
22 October 18 for the quarter ending September 30, and on or before
23 January 18 for the quarter ending December 31.

24 [EFFECTIVE DATE.] This section is effective for tax returns
25 and payments due on or after January 1, 2006.

26 Sec. 22. Minnesota Statutes 2004, section 297I.01, is
27 amended by adding a subdivision to read:

28 Subd. 6a. [DIRECT BUSINESS.] (a) "Direct business" means
29 all insurance provided by an insurance company or its agents,
30 and specifically includes stop-loss insurance purchased in
31 connection with a self-insurance plan for employee health
32 benefits or for other purposes, but excludes:

33 (1) reinsurance in which an insurance company assumes the
34 liability of another insurance company; and

35 (2) self-insurance.

36 (b) For purposes of this subdivision, an insurance company

1 includes a nonprofit health service corporation, health
2 maintenance organization, and community integrated service
3 network.

4 [EFFECTIVE DATE.] This section is effective for insurance
5 premiums received after December 31, 2005.

6 Sec. 23. Minnesota Statutes 2004, section 297I.01, is
7 amended by adding a subdivision to read:

8 Subd. 13a. [REINSURANCE.] "Reinsurance" is insurance
9 whereby an insurance company, for a consideration, agrees to
10 indemnify another insurance company against all or part of the
11 loss which the latter may sustain under the policy or policies
12 which it has issued.

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

15 Sec. 24. Minnesota Statutes 2004, section 297I.05,
16 subdivision 4, is amended to read:

17 Subd. 4. [MUTUAL PROPERTY AND CASUALTY COMPANIES WITH
18 TOTAL ASSETS LESS THAN \$1,600,000,000 ON DECEMBER 31, 1989.] A
19 tax is imposed on mutual property and casualty companies that
20 had total assets greater than \$5,000,000 at the end of the
21 calendar year but that had total assets less than \$1,600,000,000
22 on December 31, 1989. The rate of tax is equal to:

23 ~~(1) two-percent-of-gross-premiums-less-return-premiums-on~~
24 ~~all-direct-business-received-by-the-insurer-or-agents-of-the~~
25 ~~insurer-in-Minnesota~~ the tax under subdivision 14 for life
26 ~~insurance, in cash or otherwise, during the year; and~~

27 (2) 1.26 percent of gross premiums less return premiums on
28 all other direct business received by the insurer or agents of
29 the insurer in Minnesota, in cash or otherwise, during the year.

30 [EFFECTIVE DATE.] This section is effective for premiums
31 received after December 31, 2007.

32 Sec. 25. Minnesota Statutes 2004, section 297I.05,
33 subdivision 5, is amended to read:

34 Subd. 5. [HEALTH MAINTENANCE ORGANIZATIONS, NONPROFIT
35 HEALTH SERVICE PLAN CORPORATIONS, AND COMMUNITY INTEGRATED
36 SERVICE NETWORKS.] (a) ~~Health-maintenance-organizations,~~

1 ~~community-integrated-service-networks, and nonprofit health care~~
2 ~~service plan corporations are exempt from the tax imposed under~~
3 ~~this section for premiums received in calendar years 2001 to~~
4 ~~2003.~~

5 ~~(b)-~~For calendar years after 2003, A tax is imposed on
6 health maintenance organizations, community integrated service
7 networks, and nonprofit health care service plan corporations.
8 The rate of tax is equal to one percent of gross premiums less
9 return premiums on all direct business received by the
10 organization, network, or corporation or its agents in
11 Minnesota, in cash or otherwise, in the calendar year.

12 ~~(c)-~~In approving the premium rates as required in sections
13 ~~62B.08, subdivision 8, and 62A.65, subdivision 3, the~~
14 ~~commissioners of health and commerce shall ensure that any~~
15 ~~exemption from tax as described in paragraph (a) is reflected in~~
16 ~~the premium rate.~~

17 ~~(d)~~ (b) The commissioner shall deposit all revenues,
18 including penalties and interest, collected under this chapter
19 from health maintenance organizations, community integrated
20 service networks, and nonprofit health service plan corporations
21 in the health care access fund. Refunds of overpayments of tax
22 imposed by this subdivision must be paid from the health care
23 access fund. There is annually appropriated from the health
24 care access fund to the commissioner the amount necessary to
25 make any refunds of the tax imposed under this subdivision.

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

27 Sec. 26. Minnesota Statutes 2004, section 297I.05, is
28 amended by adding a subdivision to read:

29 Subd. 14. [LIFE INSURANCE.] A tax is imposed on life
30 insurance. The rate of the tax equals 1.5 percent of gross
31 premiums less return premiums on all direct business received by
32 the insurer or agents of the insurer in Minnesota for life
33 insurance, in cash or otherwise, during the year.

34 [EFFECTIVE DATE.] This section is effective for premiums
35 received after December 31, 2007.

36 Sec. 27. Minnesota Statutes 2004, section 298.24,

1 subdivision 1, is amended to read:

2 Subdivision 1. (a) For concentrate produced in 2001, 2002,
3 and 2003, there is imposed upon taconite and iron sulphides, and
4 upon the mining and quarrying thereof, and upon the production
5 of iron ore concentrate therefrom, and upon the concentrate so
6 produced, a tax of \$2.103 per gross ton of merchantable iron ore
7 concentrate produced therefrom.

8 (b) For concentrates produced in 2004 and subsequent years,
9 the tax rate shall be equal to the preceding year's tax rate
10 plus an amount equal to the preceding year's tax rate multiplied
11 by the percentage increase in the implicit price deflator from
12 the fourth quarter of the second preceding year to the fourth
13 quarter of the preceding year. "Implicit price deflator" means
14 the implicit price deflator for the gross domestic product
15 prepared by the Bureau of Economic Analysis of the United States
16 Department of Commerce.

17 (c) On concentrates produced in 1997 and thereafter, an
18 additional tax is imposed equal to three cents per gross ton of
19 merchantable iron ore concentrate for each one percent that the
20 iron content of the product exceeds 72 percent, when dried at
21 212 degrees Fahrenheit.

22 (d) The tax shall be imposed on the average of the
23 production for the current year and the previous two years. The
24 rate of the tax imposed will be the current year's tax rate.
25 This clause shall not apply in the case of the closing of a
26 taconite facility if the property taxes on the facility would be
27 higher if this clause and section 298.25 were not applicable.

28 (e) If the tax or any part of the tax imposed by this
29 subdivision is held to be unconstitutional, a tax of \$2.103 per
30 gross ton of merchantable iron ore concentrate produced shall be
31 imposed.

32 (f) Consistent with the intent of this subdivision to
33 impose a tax based upon the weight of merchantable iron ore
34 concentrate, the commissioner of revenue may indirectly
35 determine the weight of merchantable iron ore concentrate
36 included in fluxed pellets by subtracting the weight of the

1 limestone, dolomite, or olivine derivatives or other basic flux
2 additives included in the pellets from the weight of the
3 pellets. For purposes of this paragraph, "fluxed pellets" are
4 pellets produced in a process in which limestone, dolomite,
5 olivine, or other basic flux additives are combined with
6 merchantable iron ore concentrate. No subtraction from the
7 weight of the pellets shall be allowed for binders, mineral and
8 chemical additives other than basic flux additives, or moisture.

9 (g)(1) Notwithstanding any other provision of this
10 subdivision, for the first two years of a plant's commercial
11 production of direct reduced ore, no tax is imposed under this
12 section. As used in this paragraph, "commercial production" is
13 production of more than 50,000 tons of direct reduced ore in the
14 current year or in any prior year, "noncommercial production" is
15 production of 50,000 tons or less of direct reduced ore in any
16 year, and "direct reduced ore" is ore that results in a product
17 that has an iron content of at least 75 percent. For the third
18 year of a plant's commercial production of direct reduced ore,
19 the rate to be applied to direct reduced ore is 25 percent of
20 the rate otherwise determined under this subdivision. For the
21 fourth such commercial production year, the rate is 50 percent
22 of the rate otherwise determined under this subdivision; for the
23 fifth such commercial production year, the rate is 75 percent of
24 the rate otherwise determined under this subdivision; and for
25 all subsequent commercial production years, the full rate is
26 imposed.

27 (2) Subject to clause (1), production of direct reduced ore
28 in this state is subject to the tax imposed by this section, but
29 if that production is not produced by a producer of taconite or
30 iron sulfides, the production of taconite or iron sulfides
31 consumed in the production of direct reduced iron in this state
32 is not subject to the tax imposed by this section on taconite or
33 iron sulfides.

34 (3) Notwithstanding any other provision of this
35 subdivision, no tax is imposed on direct reduced ore under this
36 section during the facility's noncommercial production of direct

1 reduced ore. The taconite or iron sulphides consumed in the
2 noncommercial production of direct reduced ore is subject to the
3 tax imposed by this section on taconite and iron sulphides.

4 [EFFECTIVE DATE.] This section is effective for direct
5 reduced ore produced after the day following final enactment.

6 Sec. 28. Minnesota Statutes 2004, section 298.75, is
7 amended by adding a subdivision to read:

8 Subd. 10. [TAX MAY BE IMPOSED, CASS COUNTY.] (a) If Cass
9 County does not impose a tax under this section, the town of
10 Sylvan in Cass County may impose the aggregate materials tax
11 under this section.

12 (b) For purposes of exercising the powers contained in this
13 section, the "town" is deemed to be the "county."

14 (c) All provisions in this section apply to the town of
15 Sylvan, except that in lieu of the distribution of the tax
16 proceeds under subdivision 7, all proceeds of the tax must be
17 retained by the town.

18 (d) If Cass County imposes an aggregate materials tax under
19 this section, the tax imposed by the town of Sylvan under this
20 subdivision is repealed on the effective date of the Cass County
21 tax.

22 [EFFECTIVE DATE.] This section is effective the day after
23 the governing body of the town of Sylvan and its chief clerical
24 officer comply with Minnesota Statutes, section 645.021,
25 subdivisions 2 and 3.

26 Sec. 29. Minnesota Statutes 2004, section 473.843,
27 subdivision 5, is amended to read:

28 Subd. 5. [PENALTIES; ENFORCEMENT.] The audit, penalty, and
29 enforcement provisions applicable to corporate franchise taxes
30 imposed under chapter 290 apply to the fees imposed under this
31 section. The commissioner of revenue shall administer the
32 provisions.

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

35 Sec. 30. [FLOOR STOCKS TAX.]

36 Subdivision 1. [CIGARETTES.] A floor stocks cigarette

1 sales tax is imposed on every person engaged in the business in
2 this state as a distributor, retailer, subjobber, vendor,
3 manufacturer, or manufacturer's representative of cigarettes, on
4 the stamped cigarettes and unaffixed stamps in the person's
5 possession or under the person's control at 12:01 a.m. on August
6 1, 2005. The tax is imposed at the rate of 20 cents per pack of
7 20 cigarettes. For packs of cigarettes with other than 20
8 cigarettes, the tax shall be adjusted proportionally.

9 Each distributor, by August 10, 2005, shall file a return
10 with the commissioner, in the form the commissioner prescribes,
11 showing the stamped cigarettes and unaffixed stamps on hand at
12 12:01 a.m. on August 1, 2005, and the amount of tax due on the
13 cigarettes and unaffixed stamps. The tax imposed by this
14 section is due and payable by September 7, 2005, and after that
15 date bears interest at the rate of one percent a month.

16 Each retailer, subjobber, vendor, manufacturer, or
17 manufacturer's representative, by August 10, 2005, shall file a
18 return with the commissioner, in the form the commissioner
19 prescribes, showing the cigarettes on hand at 12:01 a.m. on
20 August 1, 2005, and the amount of tax due on the cigarettes.
21 The tax imposed by this section is due and payable by September
22 7, 2005, and after that date bears interest at the rate of one
23 percent a month.

24 Subd. 2. [AUDIT AND ENFORCEMENT.] The tax imposed by this
25 section is subject to the audit, assessment, penalty, and
26 collection provisions applicable to the taxes imposed under
27 Minnesota Statutes, chapter 297F. The commissioner may require
28 a distributor to receive and maintain copies of floor stocks tax
29 returns filed by all persons requesting a credit for returned
30 cigarettes.

31 Subd. 3. [DEPOSIT OF PROCEEDS.] The revenue from the tax
32 imposed under this section shall be deposited by the
33 commissioner in the state treasury and credited to the general
34 fund.

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

36 Sec. 31. [REPEALER.]

1 Minnesota Statutes 2004, section 297E.12, subdivision 10,
2 is repealed effective the day following final enactment.

3 ARTICLE 9

4 ECONOMIC DEVELOPMENT

5 Section 1. Minnesota Statutes 2004, section 272.02,
6 subdivision 64, is amended to read:

7 Subd. 64. [JOB OPPORTUNITY BUILDING ZONE PROPERTY.] (a)
8 Improvements to real property, and personal property, classified
9 under section 273.13, subdivision 24, and located within a job
10 opportunity building zone, designated under section 469.314, are
11 exempt from ad valorem taxes levied under chapter 275.

12 (b) Improvements to real property, and tangible personal
13 property, of an agricultural production facility located within
14 an agricultural processing facility zone, designated under
15 section 469.314, is exempt from ad valorem taxes levied under
16 chapter 275.

17 (c) For property to qualify for exemption under paragraph
18 (a), the occupant must be a qualified business, as defined in
19 section 469.310.

20 (d) The exemption applies beginning for the first
21 assessment year after designation of the job opportunity
22 building zone by the commissioner of employment and economic
23 development. The exemption applies to each assessment year that
24 begins during the duration of the job opportunity building zone
25 and-to-property. To be exempt, the property must be occupied by
26 July 1 of the assessment year by a qualified business that has
27 signed the business subsidy agreement and relocation agreement,
28 if required, by July 1 of the assessment year. This exemption
29 does not apply to:

30 (1) the levy under section 475.61 or similar levy
31 provisions under any other law to pay general obligation bonds;
32 or

33 (2) a levy under section 126C.17, if the levy was approved
34 by the voters before the designation of the job opportunity
35 building zone.

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

1 payable in 2006 and thereafter.

2 Sec. 2. Minnesota Statutes 2004, section 272.0212,
3 subdivision 1, is amended to read:

4 Subdivision 1. [EXEMPTION.] All qualified property in a
5 zone is exempt to the extent and for a period up to the duration
6 provided by the zone designation and under sections 469.1731 to
7 469.1735.

8 [EFFECTIVE DATE.] This section is effective for development
9 agreements approved after the day following final enactment and
10 beginning for property taxes payable in 2006.

11 Sec. 3. Minnesota Statutes 2004, section 272.0212,
12 subdivision 2, is amended to read:

13 Subd. 2. [LIMITS ON EXEMPTION.] (a) Property in a zone is
14 not exempt under this section from the following:

15 (1) special assessments;

16 (2) ad valorem property taxes specifically levied for the
17 payment of principal and interest on debt obligations; and

18 (3) all taxes levied by a school district, except school
19 referendum levies as defined in section 126C.17.

20 (b) The city may limit the property tax exemption to a
21 shorter period than the duration of the zone or to a percentage
22 of the property taxes payable or both.

23 [EFFECTIVE DATE.] This section is effective for development
24 agreements approved after the day following final enactment and
25 beginning for property taxes payable in 2006.

26 Sec. 4. Minnesota Statutes 2004, section 289A.56, is
27 amended by adding a subdivision to read:

28 Subd. 7. [BIOTECHNOLOGY AND HEALTH SCIENCES INDUSTRY ZONE
29 REFUNDS.] Notwithstanding subdivision 3, for refunds payable
30 under section 297A.68, subdivision 38, interest is computed from
31 90 days after the refund claim is filed with the commissioner.

32 [EFFECTIVE DATE.] This section is effective for refund
33 claims filed on or after July 1, 2005.

34 Sec. 5. Minnesota Statutes 2004, section 297A.68,
35 subdivision 37, is amended to read:

36 Subd. 37. [JOB OPPORTUNITY BUILDING ZONES.] (a) Purchases

1 of tangible personal property or taxable services by a qualified
2 business, as defined in section 469.310, are exempt if the
3 property or services are primarily used or consumed in a job
4 opportunity building zone designated under section 469.314. For
5 purposes of this subdivision, aircraft that are operated under a
6 Federal Aviation Administration Restricted Airworthiness
7 Certificate according to Code of Federal Regulations, title 14,
8 part 21, section 21.25(b)(3), relating to aerial surveying, and
9 that are based, maintained, and dispatched from a job
10 opportunity building zone, and any aerial camera package,
11 including any camera, computer, and navigation device contained
12 in the package, that is used in the aircraft, qualify as
13 primarily used or consumed in a job opportunity building zone if
14 the imagery acquired from the aerial camera package is returned
15 to the job opportunity building zone for processing.

16 (b) Purchase and use of construction materials and supplies
17 for construction of improvements to real property in a job
18 opportunity building zone are exempt if the improvements after
19 completion of construction are to be used in the conduct of a
20 qualified business, as defined in section 469.310. This
21 exemption applies regardless of whether the purchases are made
22 by the business or a contractor. The exemption does not apply
23 unless the business subsidy agreement entered into pursuant to
24 section 469.313 requires the prevailing wage to be paid on the
25 construction project.

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

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

31 [EFFECTIVE DATE.] The amendment to paragraph (a) is
32 effective for sales made after June 30, 2005.

33 Sec. 6. Minnesota Statutes 2004, section 297A.68,
34 subdivision 38, is amended to read:

35 Subd. 38. [BIOTECHNOLOGY AND HEALTH SCIENCES INDUSTRY
36 ZONE.] (a) Purchases of tangible personal property or taxable

1 services by a qualified business, as defined in section 469.330,
2 are exempt if the property or services are primarily used or
3 consumed in a biotechnology and health sciences industry zone
4 designated under section 469.334.

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

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

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

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

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

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

34 [EFFECTIVE DATE.] This section is effective for sales made
35 after December 31, 2003.

36 Sec. 7. Minnesota Statutes 2004, section 469.169, is

1 amended by adding a subdivision to read:

2 Subd. 17. [ADDITIONAL BORDER CITY ALLOCATIONS.] (a) In
3 addition to tax reductions authorized in subdivisions 7 to 16,
4 the commissioner shall allocate \$750,000 for tax reductions to
5 border city enterprise zones in cities located on the western
6 border of the state. The commissioner shall make allocations to
7 zones in cities on the western border on a per capita basis.
8 Allocations made under this subdivision may be used for tax
9 reductions as provided in section 469.171, or for other offsets
10 of taxes imposed on or remitted by businesses located in the
11 enterprise zone, but only if the municipality determines that
12 the granting of the tax reduction or offset is necessary in
13 order to retain a business within or attract a business to the
14 zone. Any portion of the allocation provided in this paragraph
15 may alternatively be used for tax reductions under section
16 469.1732 or 469.1734.

17 (b) The commissioner shall allocate \$750,000 for tax
18 reductions under section 469.1732 or 469.1734 to cities with
19 border city enterprise zones located on the western border of
20 the state. The commissioner shall allocate this amount among
21 the cities on a per capita basis. Any portion of the allocation
22 provided in this paragraph may alternatively be used for tax
23 reductions as provided in section 469.171.

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

26 Sec. 8. Minnesota Statutes 2004, section 469.176,
27 subdivision 41, is amended to read:

28 Subd. 41. [PROHIBITED FACILITIES.] (a) No tax increment
29 from any district may be used for:

30 (1) a commons area used as a public park; or

31 (2) a facility used for social, recreational, or conference
32 purposes; or

33 (3) a property that includes a casino or other facility
34 conducting class III gaming as defined in United States Code,
35 title 25, section 2703, regardless of whether it is conducted by
36 an Indian tribe or tribal business.

1 (b) This subdivision does not apply to a privately owned
2 facility for conference purposes or a parking structure.

3 [EFFECTIVE DATE.] This section is effective for
4 expenditures of increment made after June 30, 2005, regardless
5 of when the request for certification of the district was made.

6 Sec. 9. Minnesota Statutes 2004, section 469.176,
7 subdivision 7, is amended to read:

8 Subd. 7. [PARCELS NOT INCLUDABLE IN DISTRICTS.] (a) The
9 authority may request inclusion in a tax increment financing
10 district and the county auditor may certify the original tax
11 capacity of a parcel or a part of a parcel that qualified under
12 the provisions of section 273.111 or 273.112 or chapter 473H for
13 taxes payable in any of the five calendar years before the
14 filing of the request for certification only for:

15 (1) a district in which 85 percent or more of the planned
16 buildings and facilities (determined on the basis of square
17 footage) are a qualified manufacturing facility or a qualified
18 distribution facility or a combination of both; or

19 (2) a qualified housing district.

20 (b)(1) A distribution facility means buildings and other
21 improvements to real property that are used to conduct
22 activities in at least each of the following categories:

23 (i) to store or warehouse tangible personal property;

24 (ii) to take orders for shipment, mailing, or delivery;

25 (iii) to prepare personal property for shipment, mailing,
26 or delivery; and

27 (iv) to ship, mail, or deliver property.

28 (2) A manufacturing facility includes space used for
29 manufacturing or producing tangible personal property, including
30 processing resulting in the change in condition of the property,
31 and space necessary for and related to the manufacturing
32 activities.

33 (3) To be a qualified facility, the owner or operator of a
34 manufacturing or distribution facility must agree to pay and pay
35 90 percent or more of the employees of the facility at a rate
36 equal to or greater than 160 percent of the federal minimum wage

1 for individuals over the age of 20.

2 (c) The authority may not request inclusion in a tax
3 increment financing district and the county auditor may not
4 certify the original tax capacity of a parcel or a part of a
5 parcel that contains or is expected to contain uses, facilities,
6 properties, or businesses containing class III gaming, as
7 defined in United States Code, title 25, section 2703,
8 regardless of whether it is conducted by an Indian tribe or
9 tribal business.

10 [EFFECTIVE DATE.] This section is effective for parcels for
11 which the request for certification is made after June 30, 2005.

12 Sec. 10. Minnesota Statutes 2004, section 469.310,
13 subdivision 11, is amended to read:

14 Subd. 11. [QUALIFIED BUSINESS.] (a) "Qualified-business"
15 means A person carrying on a trade or business at a place of
16 business located within a job opportunity building zone is a
17 qualified business for the purposes of sections 469.310 to
18 469.320 according to the criteria in paragraphs (b) to (f).

19 (b) A person is a qualified business only on those parcels
20 of land for which the person has entered into a business subsidy
21 agreement, as required under section 469.313, with the
22 appropriate local government unit in which the parcels are
23 located.

24 (c) Prior to execution of the business subsidy agreement,
25 the local government unit must consider the following factors:

26 (1) how wages plus benefits compare to 110 percent of the
27 statewide poverty rate for a family of four;

28 (2) how wages compare to the regional industry average;

29 (3) the number of jobs that will be provided relative to
30 overall employment in the community;

31 (4) the economic outlook for the industry the business will
32 engage in;

33 (5) sales that will be generated from outside the state of
34 Minnesota;

35 (6) how the business will build on existing regional
36 strengths or diversify the regional economy;

1 (7) how the business will increase capital investment in
2 the zone; and

3 (8) any other criteria the commissioner deems necessary.

4 ~~(b)~~ (d) A person that relocates a trade or business from
5 outside a job opportunity building zone into a zone is not a
6 qualified business, unless the business meets all of the
7 requirements of paragraphs (b) and (c) and:

8 (1)~~(i)~~ increases full-time employment in the first full
9 year of operation within the job opportunity building zone by at
10 least a minimum of five jobs or 20 percent, whichever is
11 greater, measured relative to the operations that were relocated
12 and maintains the required level of employment for each year the
13 zone designation applies; or

14 ~~(ii)-makes-a-capital-investment-in-the-property-located~~
15 ~~within-a-zone-equivalent-to-ten-percent-of-the-gross-revenues-of~~
16 ~~operation-that-were-relocated-in-the-immediately-preceding~~
17 ~~taxable-year; and~~

18 (2) enters a binding written agreement with the
19 commissioner that:

20 (i) pledges the business will meet the requirements of
21 clause (1);

22 (ii) provides for repayment of all tax benefits enumerated
23 under section 469.315 to the business under the procedures in
24 section 469.319, if the requirements of clause (1) are not met
25 for the taxable year or for taxes payable during the year in
26 which the requirements were not met; and

27 (iii) contains any other terms the commissioner determines
28 appropriate.

29 (e) The commissioner may waive the requirements under
30 paragraph (d), clause (1), if the commissioner determines that
31 the qualified business will substantially achieve the factors
32 under this subdivision.

33 (f) A business is not a qualified business if, at its
34 location or locations in the zone, the business is primarily
35 engaged in making retail sales to purchasers who are physically
36 present at the business's zone location.

1 (g) A qualifying business must pay each employee
2 compensation, including benefits not mandated by law, that on an
3 annualized basis is equal to at least 110 percent of the federal
4 poverty level for a family of four.

5 [EFFECTIVE DATE.] This section is effective the day
6 following final enactment and applies to any business entering a
7 business subsidy agreement for a job opportunity development
8 zone after that date, except that paragraph (b) is effective
9 retroactively from June 9, 2003.

10 Sec. 11. Minnesota Statutes 2004, section 469.310, is
11 amended by adding a subdivision to read:

12 Subd. 13. [RELOCATION PAYROLL PERCENTAGE.] "Relocation
13 payroll percentage" is a fraction, the numerator of which is the
14 zone payroll of the business for the tax year minus the payroll
15 from the relocated operations in the last full year of
16 operations prior to the relocation, and the denominator of which
17 is the zone payroll of the business for the tax year. The
18 relocation payroll percentage of a business that is not a
19 relocating business is 100 percent.

20 [EFFECTIVE DATE.] This section is effective the day
21 following final enactment but applies only to qualified
22 businesses with business subsidy agreements that are fully
23 executed after June 30, 2005.

24 Sec. 12. Minnesota Statutes 2004, section 469.315, is
25 amended to read:

26 469.315 [TAX INCENTIVES AVAILABLE IN ZONES.]

27 Qualified businesses that operate in a job opportunity
28 building zone, individuals who invest in a qualified business
29 that operates in a job opportunity building zone, and property
30 located in a job opportunity building zone qualify for:

31 (1) exemption from individual income taxes as provided
32 under section 469.316;

33 (2) exemption from corporate franchise taxes as provided
34 under section 469.317;

35 (3) exemption from the state sales and use tax and any
36 local sales and use taxes on qualifying purchases as provided in

1 section 297A.68, subdivision 37;

2 (4) exemption from the state sales tax on motor vehicles
3 and any local sales tax on motor vehicles as provided under
4 section 297B.03;

5 (5) exemption from the property tax as provided in section
6 272.02, subdivision 64;

7 (6) exemption from the wind energy production tax under
8 section 272.029, subdivision 7; and

9 (7) the jobs credit allowed under section 469.318.

10 The sales tax exemption under section 297A.68, subdivision 37,
11 paragraph (b), is not "financial assistance" under section
12 116J.871 or a "business subsidy" under section 116J.993 unless
13 the business subsidy agreement entered into pursuant to section
14 469.313 requires the payment of the prevailing wage.

15 [EFFECTIVE DATE.] This section is effective retroactively
16 from January 1, 2004.

17 Sec. 13. Minnesota Statutes 2004, section 469.316, is
18 amended to read:

19 469.316 [INDIVIDUAL INCOME TAX EXEMPTION.]

20 Subdivision 1. [APPLICATION.] An individual, estate, or
21 trust operating a trade or business in a job opportunity
22 building zone, and an individual, estate, or trust making a
23 qualifying investment in a qualified business operating in a job
24 opportunity building zone qualifies for the exemptions from
25 taxes imposed under chapter 290, as provided in this section.
26 The exemptions provided under this section apply only to the
27 extent that the income otherwise would be taxable under chapter
28 290. Subtractions under this section from federal taxable
29 income, alternative minimum taxable income, or any other base
30 subject to tax are limited to the amount that otherwise would be
31 included in the tax base absent the exemption under this
32 section. This section applies only to taxable years beginning
33 during the duration of the job opportunity building zone.

34 Subd. 2. [RENTS.] An individual, estate, or trust is
35 exempt from the taxes imposed under chapter 290 on net rents
36 derived from real or tangible personal property used by a

1 qualified business and located in a zone for a taxable year in
2 which the zone was designated a job opportunity building zone.
3 If tangible personal property was used both within and outside
4 of the zone by the qualified business, the exemption amount for
5 the net rental income must be multiplied by a fraction, the
6 numerator of which is the number of days the property was used
7 in the zone and the denominator of which is the total days the
8 property is rented by the qualified business.

9 Subd. 3. [BUSINESS INCOME.] An individual, estate, or
10 trust is exempt from the taxes imposed under chapter 290 on net
11 income from the operation of a qualified business in a job
12 opportunity building zone. If the trade or business is carried
13 on within and without the zone and the individual is not a
14 resident of Minnesota, or the taxpayer is an estate or trust,
15 the exemption must be apportioned based on the zone percentage
16 and the relocation payroll percentage for the taxable year. If
17 the trade or business is carried on within and without the zone
18 and the individual is a resident of Minnesota, the exemption
19 must be apportioned based on the zone percentage and the
20 relocation payroll percentage for the taxable year, except the
21 ratios under section 469.310, subdivision 7, clause (1), items
22 (i) and (ii), must use the denominators of the property and
23 payroll factors determined under section 290.191. No
24 subtraction is allowed under this section in excess of 20
25 percent of the sum of the job opportunity building zone payroll
26 and the adjusted basis of the property at the time that the
27 property is first used in the job opportunity building zone by
28 the business.

29 Subd. 4. [CAPITAL GAINS.] (a) An individual, estate, or
30 trust is exempt from the taxes imposed under chapter 290 on:

31 (1) net gain derived on a sale or exchange of real property
32 located in the zone and used by a qualified business. If the
33 property was held by the individual, estate, or trust during a
34 period when the zone was not designated, the gain must be
35 prorated based on the percentage of time, measured in calendar
36 days, that the real property was held by the individual, estate,

1 or trust during the period the zone designation was in effect to
2 the total period of time the real property was held by the
3 individual;

4 (2) net gain derived on a sale or exchange of tangible
5 personal property used by a qualified business in the zone. If
6 the property was held by the individual, estate, or trust during
7 a period when the zone was not designated, the gain must be
8 prorated based on the percentage of time, measured in calendar
9 days, that the property was held by the individual, estate, or
10 trust during the period the zone designation was in effect to
11 the total period of time the property was held by the
12 individual. If the tangible personal property was used outside
13 of the zone during the period of the zone's designation, the
14 exemption must be multiplied by a fraction, the numerator of
15 which is the number of days the property was used in the zone
16 during the time of the designation and the denominator of which
17 is the total days the property was held during the time of the
18 designation; and

19 (3) net gain derived on a sale of an ownership interest in
20 a qualified business operating in the job opportunity building
21 zone, meeting the requirements of paragraph (b). The exemption
22 on the gain must be multiplied by the zone percentage of the
23 business for the taxable year prior to the sale.

24 (b) A qualified business meets the requirements of
25 paragraph (a), clause (3), if it is a corporation, an S
26 corporation, or a partnership, and for the taxable year its job
27 opportunity building zone percentage exceeds 25 percent. For
28 purposes of paragraph (a), clause (3), the zone percentage must
29 be calculated by modifying the ratios under section 469.310,
30 subdivision 7, clause (1), items (i) and (ii), to use the
31 denominators of the property and payroll factors determined
32 under section 290.191. Upon the request of an individual,
33 estate, or trust holding an ownership interest in the entity,
34 the entity must certify to the owner, in writing, the job
35 opportunity building zone percentage needed to determine the
36 exemption.

1 [EFFECTIVE DATE.] This section is effective for tax years
2 beginning after December 31, 2003, except that changes in
3 subdivision 3 relating to the relocation payroll percentage are
4 effective the day following final enactment and apply only to
5 qualified businesses with business subsidy agreements that are
6 fully executed after June 30, 2005.

7 Sec. 14. Minnesota Statutes 2004, section 469.317, is
8 amended to read:

9 469.317 [CORPORATE FRANCHISE TAX EXEMPTION.]

10 (a) A qualified business is exempt from taxation under
11 section 290.02, the alternative minimum tax under section
12 290.0921, and the minimum fee under section 290.0922, on the
13 portion of its income attributable to operations within the
14 zone. This exemption is determined as follows:

15 (1) for purposes of the tax imposed under section 290.02,
16 by multiplying its taxable net income by its zone percentage and
17 by its relocation payroll percentage and subtracting the result
18 in determining taxable income;

19 (2) for purposes of the alternative minimum tax under
20 section 290.0921, by multiplying its alternative minimum taxable
21 income by its zone percentage and by its relocation payroll
22 percentage and reducing alternative minimum taxable income by
23 this amount; and

24 (3) for purposes of the minimum fee under section 290.0922,
25 by excluding property and payroll in the zone from the
26 computations of the fee or by exempting the entity under section
27 290.0922, subdivision 2, clause (7).

28 (b) No subtraction is allowed under this section in excess
29 of 20 percent of the sum of the corporation's job opportunity
30 building zone payroll and the adjusted basis of the property at
31 the time that the property is first used in the job opportunity
32 building zone by the corporation.

33 (c) This section applies only to taxable years beginning
34 during the duration of the job opportunity building zone.

35 [EFFECTIVE DATE.] This section is effective the day
36 following final enactment but applies only to qualified

1 businesses with business subsidy agreements that are fully
2 executed after June 30, 2005.

3 Sec. 15. Minnesota Statutes 2004, section 469.319,
4 subdivision 1, is amended to read:

5 Subdivision 1. [REPAYMENT OBLIGATION.] A business must
6 repay the amount of the total tax reduction listed in section
7 469.315 and any refund under section 469.318 in excess of tax
8 liability, received during the two years immediately before it
9 ceased to operate in the zone, if the business:

10 (1) received tax reductions authorized by section 469.315;
11 and

12 (2)(i) did not meet the goals specified in an agreement
13 entered into with the applicant that states any obligation the
14 qualified business must fulfill in order to be eligible for tax
15 benefits. The commissioner of employment and economic
16 development may extend for up to one year the period for meeting
17 any goals provided in an agreement. The applicant may extend
18 the period for meeting other goals by documenting in writing the
19 reason for the extension and attaching a copy of the document to
20 its next annual report to the commissioner of employment and
21 economic development; or

22 (ii) ceased to operate its facility located within the job
23 opportunity building zone or otherwise ceases to be or is not a
24 qualified business.

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

27 Sec. 16. Minnesota Statutes 2004, section 469.319, is
28 amended by adding a subdivision to read:

29 Subd. 6. [RECONCILIATION.] Where this section is
30 inconsistent with section 116J.994, subdivision 3, paragraph
31 (e), or 6, or any other provisions of sections 116J.993 to
32 116J.995, this section prevails.

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

35 Sec. 17. Minnesota Statutes 2004, section 469.320,
36 subdivision 3, is amended to read:

1 Subd. 3. [REMEDIES.] If the commissioner determines, based
2 on a report filed under subdivision 1 or other available
3 information, that a zone or subzone is failing to meet its
4 performance goals, the commissioner may take any actions the
5 commissioner determines appropriate, including modification of
6 the boundaries of the zone or a subzone or termination of the
7 zone or a subzone. Before taking any action, the commissioner
8 shall consult with the applicant and the affected local
9 government units, including notifying them of the proposed
10 actions to be taken. ~~The commissioner shall publish any order~~
11 ~~modifying a zone in the State Register and on the Internet.~~ The
12 applicant may appeal the commissioner's order under the
13 contested case procedures of chapter 14.

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

16 Sec. 18. Minnesota Statutes 2004, section 469.330,
17 subdivision 11, is amended to read:

18 Subd. 11. [QUALIFIED BUSINESS.] (a) "Qualified business"
19 means a person carrying on a trade or business at a
20 biotechnology and health sciences industry facility located
21 within a biotechnology and health sciences industry zone. A
22 person is a qualified business only on those parcels of land for
23 which it has entered into a business subsidy agreement, as
24 required under section 469.333, with the appropriate local
25 government unit in which the parcels are located.

26 (b) A person that relocates a biotechnology and health
27 sciences industry facility from outside a biotechnology and
28 health sciences industry zone into a zone is not a qualified
29 business, unless the business:

30 (1)(i) increases full-time employment in the first full
31 year of operation within the biotechnology and health sciences
32 industry zone by at least 20 percent measured relative to the
33 operations that were relocated and maintains the required level
34 of employment for each year the zone designation applies; or

35 (ii) makes a capital investment in the property located
36 within a zone equivalent to ten percent of the gross revenues of

1 operation that were relocated in the immediately preceding
2 taxable year; and

3 (2) enters a binding written agreement with the
4 commissioner that:

5 (i) pledges the business will meet the requirements of
6 clause (1);

7 (ii) provides for repayment of all tax benefits enumerated
8 under section 469.336 to the business under the procedures in
9 section 469.340, if the requirements of clause (1) are not met;
10 and

11 (iii) contains any other terms the commissioner determines
12 appropriate.

13 [EFFECTIVE DATE.] This section is effective retroactively
14 from June 9, 2003.

15 Sec. 19. Minnesota Statutes 2004, section 469.335, is
16 amended to read:

17 469.335 [APPLICATION FOR TAX BENEFITS.]

18 (a) To claim a tax credit or exemption against a state tax
19 under section 469.336, clauses (2) through (5), a business must
20 apply to the commissioner for a tax credit certificate. As a
21 condition of its application, the business must agree to furnish
22 information to the commissioner that is sufficient to verify the
23 eligibility for any credits or exemptions claimed. The total
24 amount of the state tax credits and exemptions allowed for the
25 specified period may not exceed the amount of the tax credit
26 certificates provided by the commissioner to the business. The
27 commissioner must verify to the commissioner of revenue the
28 amount of tax exemptions or credits for which each business is
29 eligible.

30 (b) A tax credit certificate issued under this section may
31 specify the particular tax exemptions or credits against a state
32 tax that the qualified business is eligible to claim under
33 section 469.336, clauses (2) through (5), and the amount of each
34 exemption or credit allowed.

35 (c) The commissioner may issue \$1,000,000 of tax credits or
36 exemptions in fiscal year 2004. Any tax credits or exemptions

1 not awarded in fiscal year 2004 may be awarded in fiscal year
2 2005. Any tax credits or exemptions not awarded in fiscal year
3 2004 or 2005 do not cancel and may be awarded in fiscal years
4 2006 and 2007.

5 (d) A qualified business must use the tax credits or tax
6 exemptions granted under this section by the later of the end of
7 the state fiscal year or the taxpayer's tax year in which the
8 credits or exemptions are granted.

9 [EFFECTIVE DATE.] This section is effective the day
10 following final enactment.

11 Sec. 20. Minnesota Statutes 2004, section 469.337, is
12 amended to read:

13 469.337 [CORPORATE FRANCHISE TAX EXEMPTION.]

14 (a) A qualified business is exempt from taxation under
15 section 290.02, the alternative minimum tax under section
16 290.0921, and the minimum fee under section 290.0922, on the
17 portion of its income attributable to operations of a qualified
18 business within the biotechnology and health sciences industry
19 zone. This exemption is determined as follows:

20 (1) for purposes of the tax imposed under section 290.02,
21 by multiplying its taxable net income by its zone percentage and
22 subtracting the result in determining taxable income;

23 (2) for purposes of the alternative minimum tax under
24 section 290.0921, by multiplying its alternative minimum taxable
25 income by its zone percentage and reducing alternative minimum
26 taxable income by this amount; and

27 (3) for purposes of the minimum fee under section 290.0922,
28 by excluding zone property and payroll ~~in-the-zone~~ from the
29 computations of the fee. The qualified business is exempt from
30 the minimum fee if all of its property is located in the zone
31 and all of its payroll is zone payroll.

32 (b) No subtraction is allowed under this section in excess
33 of 20 percent of the sum of the corporation's biotechnology and
34 health sciences industry zone payroll and the adjusted basis of
35 the property at the time that the property is first used in the
36 biotechnology and health sciences industry zone by the

1 corporation.

2 (c) No reduction in tax is allowed in excess of the amount
3 allocated under section 469.335.

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

6 Sec. 21. Minnesota Statutes 2004, section 469.340,
7 subdivision 1, is amended to read:

8 Subdivision 1. [REPAYMENT OBLIGATION.] A business must
9 repay the amount of the tax reduction listed in section 469.336
10 and any refunds under sections 469.338 and 469.339 in excess of
11 tax liability, received during the two years immediately before
12 it ceased to operate in the zone, if the business:

13 (1) received tax reductions authorized by section 469.336;
14 and

15 (2)(i) did not meet the goals specified in an agreement
16 entered into with the applicant that states any obligation the
17 qualified business must fulfill in order to be eligible for tax
18 benefits. The commissioner of employment and economic
19 development may extend for up to one year the period for meeting
20 any goals provided in an agreement. The applicant may extend
21 the period for meeting other goals by documenting in writing the
22 reason for the extension and attaching a copy of the document to
23 its next annual report to the commissioner of employment and
24 economic development; or

25 (ii) ceased to operate its facility located within the
26 biotechnology and health sciences industry zone or otherwise
27 ceases to be or is not a qualified business.

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

30 Sec. 22. [FERGUS FALLS; ECONOMIC DEVELOPMENT.]

31 Notwithstanding the time limits in Minnesota Statutes 2004,
32 section 272.02, subdivision 39, the holding of property by the
33 city of Fergus Falls for later resale for economic development
34 purposes is considered a public purpose for purposes of
35 Minnesota Statutes, section 272.02, subdivision 8, for a period
36 not to exceed 15 years. The other requirements of Minnesota

1 Statutes, section 272.02, subdivision 39, apply to property held
2 by the city under this section.

3 [EFFECTIVE DATE.] This section is effective the day after
4 approval by the governing body of the city of Fergus Falls and
5 compliance with Minnesota Statutes, section 645.021, subdivision
6 3.

7 Sec. 23. [CITY OF TAYLORS FALLS; BORDER CITY DEVELOPMENT
8 ZONE.]

9 Subdivision 1. [AUTHORIZATION.] The governing body of the
10 city of Taylors Falls may designate all or any part of the city
11 as a border city development zone.

12 Subd. 2. [APPLICATION OF GENERAL LAW.] (a) Minnesota
13 Statutes, sections 469.1731 to 469.1735, apply to the border
14 city development zones designated under this section. The
15 governing body of the city may exercise the powers granted under
16 Minnesota Statutes, sections 469.1731 to 469.1735, including
17 powers that apply outside of the zones.

18 (b) The allocation under subdivision 3 for purposes of
19 Minnesota Statutes, section 469.1735, subdivision 2, is
20 appropriated to the commissioner of revenue.

21 Subd. 3. [ALLOCATION OF STATE TAX REDUCTIONS.] (a) The
22 cumulative total amount of the state portion of the tax
23 reductions for all years of the program under Minnesota
24 Statutes, sections 469.1731 to 469.1735, for the city of Taylors
25 Falls, is limited to \$100,000.

26 (b) This allocation may be used for tax reductions provided
27 in Minnesota Statutes, section 469.1732 or 469.1734, or for
28 reimbursements under Minnesota Statutes, section 469.1735,
29 subdivision 3, but only if the governing body of the city of
30 Taylors Falls determines that the tax reduction or offset is
31 necessary to enable a business to expand within the city or to
32 attract a business to the city.

33 (c) The commissioner of revenue may waive the limit under
34 this subdivision using the same rules and standards provided in
35 Minnesota Statutes, section 469.169, subdivision 12, paragraph
36 (b).

1 [EFFECTIVE DATE; LOCAL APPROVAL.] This section is effective
2 upon approval by a majority of the voters of the city of Taylors
3 Falls voting on the question at a general election.

4 Sec. 24. [REVISOR'S INSTRUCTION.]

5 The revisor shall renumber Minnesota Statutes, section
6 469.310, subdivision 11, as section 469.3135, and insert the
7 following definition of "qualified business" in Minnesota
8 Statutes, section 469.310: "'Qualified business' means the
9 entity described in section 469.3135."

10 Sec. 25. [REPEALER.]

11 Minnesota Statutes 2004, section 272.02, subdivision 65, is
12 repealed effective for taxes payable in 2006 and thereafter.
13 Minnesota Statutes 2004, section 477A.08, is repealed effective
14 for aid payable in 2005 and thereafter.

15 ARTICLE 10

16 TAX SHELTERS

17 Section 1. [270.103] [EQUITABLE ACTIONS.]

18 (a) The commissioner may bring a civil action to enjoin any
19 person from taking action or failing to take action that is
20 subject to penalty under section 289A.60, subdivisions 7, 20,
21 20a, 26, 27, and 28.

22 (b) In any action under paragraph (a), the court may enjoin
23 the person from engaging in the conduct, if the court finds that:
24 (1) the person has engaged in the specified conduct; and
25 (2) injunctive relief is appropriate to prevent recurrence
26 of the conduct.

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

29 Sec. 2. [289A.121] [TAX SHELTERS SPECIAL RULES.]

30 Subdivision 1. [SCOPE.] The provisions of this section
31 apply to a tax shelter that:

32 (1) is organized in this state;
33 (2) is doing business in this state;
34 (3) is deriving income from sources in this state; or
35 (4) has one or more investors that are Minnesota taxpayers
36 under chapter 290.

1 Subd. 2. [DEFINITIONS.] (a) For purposes of this section,
2 the definitions under sections 6111 and 6112 of the Internal
3 Revenue Code, including the regulations under those sections,
4 apply.

5 (b) The term "tax shelter" includes any reportable
6 transaction under subdivision 5.

7 Subd. 3. [REGISTRATION.] (a) Any tax shelter organizer
8 required to register a tax shelter under section 6111 of the
9 Internal Revenue Code must register the shelter with the
10 commissioner.

11 (b) A tax shelter organizer subject to this subdivision
12 must send a duplicate of the federal registration information,
13 along with any other information the commissioner requires, to
14 the commissioner not later than the day on which interests in
15 that tax shelter are first offered for sale.

16 (c) In addition to the requirements under paragraph (b),
17 any listed transactions must be registered with the commissioner
18 by the latest of:

19 (1) 60 days after entering into the transaction;

20 (2) 60 days after the transaction becomes a listed
21 transaction; or

22 (3) December 31, 2005.

23 Subd. 4. [REGISTRATION NUMBER.] (a) Any person required to
24 register under section 6111 of the Internal Revenue Code who
25 receives a tax registration number from the Secretary of the
26 Treasury must, within 30 days after requested by the
27 commissioner, file a statement of that registration number with
28 the commissioner.

29 (b) Any person who sells or otherwise transfers an interest
30 in a tax shelter must, in the same time and manner required
31 under section 6111(b) of the Internal Revenue Code, furnish to
32 each investor who purchases or otherwise acquires an interest in
33 the tax shelter the identification number assigned under federal
34 law to the tax shelter.

35 (c) Any person claiming any deduction, credit, or other tax
36 benefit by reason of a tax shelter must include on the return of

1 tax on which the deduction, credit, or other benefit is claimed
2 the identification number assigned under federal law to the tax
3 shelter.

4 Subd. 5. [REPORTABLE TRANSACTIONS.] (a) For each taxable
5 year in which a taxpayer must make a disclosure statement under
6 Code of Federal Regulations, title 26, section 1.6011-4, for a
7 reportable transaction, including a listed transaction, in which
8 the taxpayer participated in a taxable year for which a return
9 is required under chapter 290, the taxpayer must file a copy of
10 the disclosure with the commissioner.

11 (b) Any taxpayer that is a member of a unitary business
12 group that includes any person that must make a disclosure
13 statement under Code of Federal Regulations, title 26, section
14 1.6011-4, must file a disclosure under this subdivision.

15 (c) Disclosure under this subdivision is required for any
16 transaction entered into after December 31, 2001, that the
17 Internal Revenue Service determines is a listed transaction at
18 any time, and must be made in the manner prescribed by the
19 commissioner. For transactions in which the taxpayer
20 participated for taxable years ending before December 31, 2005,
21 disclosure must be made by the due date of the first return
22 required under chapter 290 after the enactment of this section.
23 With respect to transactions in which the taxpayer participated
24 for taxable years ending on and after December 31, 2005,
25 disclosure must be made in the time and manner prescribed in the
26 Code of Federal Regulations, title 26, section 1.6011-4(e).

27 (d) Notwithstanding paragraphs (a) to (c), no disclosure is
28 required for transactions entered into after December 31, 2001,
29 and before January 1, 2006, (1) if the taxpayer has filed an
30 amended income tax return which reverses the tax benefits of the
31 potential tax avoidance transaction, or (2) as a result of a
32 federal audit the Internal Revenue Service has determined the
33 tax treatment of the transaction and an amended return has been
34 filed to reflect the federal treatment.

35 Subd. 6. [ABUSIVE SHELTERS; LISTS OF INVESTORS.] (a) Any
36 person required to maintain a list under section 6112 of the

1 Internal Revenue Code with respect to a potentially abusive tax
2 shelter must furnish the list to the commissioner no later than
3 when required under federal law. The list required under this
4 subdivision must include the same information required with
5 respect to a potentially abusive tax shelter under Code of
6 Federal Regulations, title 26, section 301.6112-1, and any other
7 information the commissioner requires.

8 (b) For transactions entered into on or after December 31,
9 2001, that become listed transactions at any time, the list must
10 be furnished to the commissioner by the latest of:

11 (1) 60 days after entering into the transaction;

12 (2) 60 days after the transaction becomes a listed
13 transaction; or

14 (3) December 31, 2005.

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

17 Sec. 3. Minnesota Statutes 2004, section 289A.38, is
18 amended by adding a subdivision to read:

19 Subd. 15. [REPORTABLE TRANSACTIONS.] If a taxpayer fails
20 to include on any return or statement for any taxable year any
21 information with respect to a reportable transaction, as
22 required by federal law and under section 289A.121, subdivision
23 5, the commissioner may recompute the tax, including a refund,
24 within six years after the return is filed with respect to the
25 taxable year in which the taxpayer participated in the
26 reportable transaction. If tax is assessable solely because of
27 this section, the assessable deficiency is limited to the items
28 that were not disclosed as required under section 289A.121,
29 subdivision 5.

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

32 Sec. 4. Minnesota Statutes 2004, section 289A.60,
33 subdivision 4, is amended to read:

34 Subd. 4. [SUBSTANTIAL UNDERSTATEMENT OF LIABILITY;
35 PENALTY.] (a) The commissioner of revenue shall impose a penalty
36 for substantial understatement of any tax payable to the

1 commissioner, except a tax imposed under chapter 297A.

2 (b) There must be added to the tax an amount equal to 20
3 percent of the amount of any underpayment attributable to the
4 understatement. There is a substantial understatement of tax
5 for the period if the amount of the understatement for the
6 period exceeds the greater of:

7 (1) ten percent of the tax required to be shown on the
8 return for the period; or

9 (2)~~(a)~~(i) \$10,000 in the case of a mining company or a
10 corporation, other than an S corporation as defined in section
11 290.9725, when the tax is imposed by chapter 290 or section
12 298.01 or 298.015, or

13 ~~(b)~~(ii) \$5,000 in the case of any other taxpayer, and in
14 the case of a mining company or a corporation any tax not
15 imposed by chapter 290 or section 298.01 or 298.015.

16 (c) For a corporation, other than an S corporation, that
17 has been contacted by the commissioner regarding the use of a
18 potentially abusive tax shelter, as defined under section
19 289A.121, there is also a substantial understatement of tax for
20 any taxable year if the amount of the understatement for the
21 taxable year exceeds the lesser of:

22 (1) ten percent of the tax required to be shown on the
23 return for the taxable year (or, if greater, \$2,500); or

24 (2) \$5,000,000.

25 (d) The term "understatement" means the excess of the
26 amount of the tax required to be shown on the return for the
27 period, over the amount of the tax imposed that is shown on the
28 return. The amount of the understatement shall be reduced by
29 that part of the understatement that is attributable to the tax
30 treatment of any item by the taxpayer if there is or was
31 substantial authority for the treatment, or any item with
32 respect to which the relevant facts affecting the item's tax
33 treatment are adequately disclosed in the return or in a
34 statement attached to the return. The special rules in cases
35 involving tax shelters provided in section 6662(d)(2)(C) of the
36 Internal Revenue Code shall apply and shall apply to a tax

1 shelter the principal purpose of which is the avoidance or
2 evasion of state taxes. The commissioner may abate all or any
3 part of the addition to the tax provided by this section on a
4 showing by the taxpayer that there was reasonable cause for the
5 understatement, or part of it, and that the taxpayer acted in
6 good faith. The additional tax and penalty shall bear interest
7 at the rate specified in section 270.75 from the time the tax
8 should have been paid until paid.

9 (e) For taxpayers that have been contacted by the
10 commissioner regarding the use of a potentially abusive tax
11 shelter within the meaning of section 298A.121, the amount of
12 the understatement is reduced by that part of the understatement
13 that is attributable to the tax treatment of any item by the
14 taxpayer if the taxpayer had reasonable belief that the tax
15 treatment was more likely than not the proper treatment or if
16 any item with respect to which the relevant facts affecting the
17 item's tax treatment are adequately disclosed in the return or
18 in a statement attached to the return.

19 [EFFECTIVE DATE.] This section is effective for taxpayers
20 contacted by the commissioner after the day following final
21 enactment.

22 Sec. 5. Minnesota Statutes 2004, section 289A.60,
23 subdivision 7, is amended to read:

24 Subd. 7. [PENALTY FOR FRIVOLOUS RETURN.] (a) If a taxpayer
25 files what purports to be a tax return or a claim for refund but
26 which does not contain information on which the substantial
27 correctness of the purported return or claim for refund may be
28 judged or contains information that on its face shows that the
29 purported return or claim for refund is substantially incorrect
30 and the conduct is due to a position that is frivolous or a
31 desire that appears on the purported return or claim for refund
32 to delay or impede the administration of Minnesota tax laws,
33 then the individual shall pay a penalty of the greater of \$1,000
34 or 25 percent of the amount of tax required to be shown on the
35 return. In a proceeding involving the issue of whether or not a
36 person is liable for this penalty, the burden of proof is on the

1 commissioner.

2 (b) If the taxpayer has been contacted by the commissioner
3 of revenue regarding the use of a potentially abusive tax
4 shelter within the meaning of section 289A.121, the penalty
5 under this subdivision is the greater of \$5,000 or 25 percent of
6 the amount of tax required to be shown on the return.

7 [EFFECTIVE DATE.] This section is effective for returns or
8 claims filed after the day following final enactment.

9 Sec. 6. Minnesota Statutes 2004, section 289A.60,
10 subdivision 20, is amended to read:

11 Subd. 20. [PENALTY FOR PROMOTING ABUSIVE TAX SHELTERS.]

12 Any person who:

13 (1)(i) organizes or assists in the organization of a
14 partnership or other entity, an investment plan or arrangement,
15 or any other plan or arrangement, or (ii) participates in the
16 sale of any interest in an entity or plan or arrangement
17 referred to in clause (i); and

18 (2) makes or furnishes in connection with the organization
19 or sale a statement with respect to the allowability of a
20 deduction or credit, the excludability of income, or the
21 securing of any other tax benefit by reason of holding an
22 interest in the entity or participating in the plan or
23 arrangement that the person knows or has reason to know is false
24 or fraudulent concerning any material matter, shall pay a
25 penalty equal to the greater of \$1,000 or ~~20~~ 50 percent of the
26 gross income derived or to be derived by the person from the
27 activity.

28 The penalty imposed by this subdivision is in addition to
29 any other penalty provided by this section. The penalty must be
30 collected in the same manner as any delinquent income tax. In a
31 proceeding involving the issue of whether or not any person is
32 liable for this penalty, the burden of proof is upon the
33 commissioner.

34 [EFFECTIVE DATE.] This section is effective for
35 transactions entered into after the day following final
36 enactment.

1 Sec. 7. Minnesota Statutes 2004, section 289A.60, is
2 amended by adding a subdivision to read:

3 Subd. 20a. [AIDING AND ABETTING UNDERSTATING OF TAX
4 LIABILITY.] (a) A penalty in the amount under paragraph (b) for
5 each document is imposed on each person who:

6 (1) aids or assists in, procures, or advises with respect
7 to, the preparation or presentation of any portion of a return,
8 affidavit, claim, or other document;

9 (2) knows or has reason to believe that the portion of a
10 return, affidavit, claim, or other document will be used in
11 connection with any material matter arising under the Minnesota
12 individual income or corporate franchise tax; and

13 (3) knows that the portion, if so used, would result in an
14 understatement of the liability for tax of another person.

15 (b)(1) Except as provided in clause (2), the amount of the
16 penalty imposed by this subdivision is \$1,000.

17 (2) If the return, affidavit, claim, or other document
18 relates to the tax liability of a corporation, the amount of the
19 penalty imposed by paragraph (a) is \$10,000.

20 (3) If any person is subject to a penalty under paragraph
21 (a) for any document relating to any taxpayer for any taxable
22 period or taxable event, the person is not subject to a penalty
23 under paragraph (a) for any other document relating to the
24 taxpayer for the taxable period or event.

25 (c) For purposes of this subdivision, "procures" includes
26 (i) ordering or otherwise causing any other person to do an act,
27 and (ii) knowing of, and not attempting to prevent,
28 participation by any other person in an act.

29 (d) The penalty under this subdivision applies whether or
30 not the understatement is with the knowledge or consent of the
31 persons authorized or required to present the return, affidavit,
32 claim, or other document.

33 (e) For purposes of paragraph (a), clause (1), a person
34 furnishing typing, reproducing, or other mechanical assistance
35 with respect to a document is not treated as having aided or
36 assisted in the preparation of the document by reason of the

1 assistance.

2 (f)(1) Except as provided by clause (2), the penalty
3 imposed by this section is in addition to any other penalty
4 provided by law.

5 (2) No penalty applies under subdivision 20 to any person
6 for any document for which a penalty is assessed on the person
7 under this subdivision.

8 [EFFECTIVE DATE.] This section is effective for documents
9 prepared after the day following final enactment.

10 Sec. 8. Minnesota Statutes 2004, section 289A.60, is
11 amended by adding a subdivision to read:

12 Subd. 26. [TAX SHELTER PENALTIES; REGISTRATION AND
13 LISTING.] (a) For purposes of this subdivision, "material
14 advisor" has the meaning given it under Code of Federal
15 Regulations, title 26, section 301.6112-1(c)(2).

16 (b) The penalties in this subdivision apply in connection
17 with the use of tax shelters, as defined under section 289A.121.

18 (c) A person who fails to register a tax shelter, including
19 providing all of the required information under section
20 289A.121, subdivision 3, is subject to a penalty of \$15,000. If
21 the tax shelter is a listed shelter and disclosure is not made
22 as required by section 289A.121, subdivision 5, a penalty
23 applies equal to the greater of:

24 (1) \$100,000;

25 (2) 50 percent of the gross income that the organizer or
26 material advisor derived from that activity; or

27 (3) 75 percent of the gross income that the organizer or
28 material advisor derived from that activity if the organizer or
29 material advisor intentionally failed to act.

30 (d) Any person who fails to supply a tax shelter
31 registration number required under section 289A.121, subdivision
32 4, paragraph (b), is subject to a penalty of \$100 for each
33 failure. Any person who fails to include a tax shelter
34 registration number on a return as required under section
35 289A.121, subdivision 4, paragraph (c), is subject to a penalty
36 of \$250 for each failure, unless the failure was due to

1 reasonable cause. The penalties under this paragraph are in
2 addition to any penalties under paragraph (c).

3 (e) The person required to maintain or provide a list under
4 section 289A.121, subdivision 6, is subject to a penalty equal
5 to:

6 (1) for reportable transactions, \$10,000 for each day after
7 the 20th day that the organizer or material advisor failed to
8 make the list available to the commissioner after written
9 request for that list was made; and

10 (2) for listed transactions, the greater of:

11 (i) \$100,000; or

12 (ii) 50 percent of the gross income that the organizer or
13 material advisor derived from that activity.

14 (f) The penalty imposed by this subdivision is in addition
15 to any penalty imposed under this section.

16 [EFFECTIVE DATE.] This section is effective for taxable
17 years beginning after December 31, 2000.

18 Sec. 9. Minnesota Statutes 2004, section 289A.60, is
19 amended by adding a subdivision to read:

20 Subd. 27. [FAILURE TO REPORT; REPORTABLE TRANSACTION.] (a)
21 Any large entity or high net worth individual who fails to
22 include on any return or statement any information with respect
23 to a reportable transaction that is required under section 6011
24 of the Internal Revenue Code and under section 289A.121, to be
25 included with that return or statement must pay a penalty for
26 each omission in the amount determined under paragraph (b).

27 (b) The penalty is \$15,000, except for a listed transaction
28 the penalty is \$30,000.

29 (c) For purposes of this subdivision:

30 (1) "High net worth individual" means, for a transaction,
31 an individual whose net worth exceeds \$2,000,000 immediately
32 before the transaction.

33 (2) "Large entity" means, for any taxable year, a person,
34 other than an individual, with gross receipts in excess of
35 \$10,000,000 for either the taxable year in which the reportable
36 transaction occurs or in the preceding taxable year. Rules

1 similar to the rules of section 448(c)(2) and 448(c)(3) of the
2 Internal Revenue Code, other than section 448(c)(3)(A) of the
3 Internal Revenue Code, apply.

4 (3) "Reportable transaction" means a reportable transaction
5 under section 289A.121, subdivision 5.

6 (4) Except as provided in regulations prescribed by the
7 Secretary of the Treasury, the term "listed transaction" means a
8 reportable transaction, as defined in clause (3), that is the
9 same as, or substantially similar to, a transaction specifically
10 identified by the Secretary of the Treasury for purposes of
11 section 6011 of the Internal Revenue Code for federal income tax
12 purposes as a tax avoidance transaction.

13 (d) The penalty imposed by this subdivision is in addition
14 to any penalty imposed under this section.

15 [EFFECTIVE DATE.] This section is effective for taxable
16 years beginning after December 31, 2000.

17 Sec. 10. Minnesota Statutes 2004, section 289A.60, is
18 amended by adding a subdivision to read:

19 Subd. 28. [REPORTABLE TRANSACTION UNDERSTATEMENT.] (a) If
20 a taxpayer has a reportable transaction understatement for any
21 taxable year, an amount equal to 20 percent of the amount of the
22 understatement must be added to the tax.

23 (b)(1) For purposes of this subdivision, "reportable
24 transaction understatement" means the product of:

25 (i) the amount of the increase, if any, in taxable income
26 that results from a difference between the proper tax treatment
27 of an item to which this section applies and the taxpayer's
28 treatment of that item as shown on the taxpayer's tax return;
29 and

30 (ii) the highest rate of tax imposed on the taxpayer under
31 section 290.06.

32 (2) For purposes of clause (1)(i), any reduction of the
33 excess of deductions allowed for the taxable year over gross
34 income for that year, and any reduction in the amount of capital
35 losses which would, without regard to section 1211 of the
36 Internal Revenue Code, be allowed for that year, must be treated

1 as an increase in taxable income.

2 (c) This subdivision applies to any item that is
3 attributable to:

4 (1) any listed transaction under section 289A.121; and

5 (2) any reportable transaction, other than a listed
6 transaction, if a significant purpose of that transaction is the
7 avoidance or evasion of federal income tax liability.

8 (d) The penalty imposed by this subdivision is in addition
9 to any penalty imposed under this section.

10 [EFFECTIVE DATE.] This section is effective for taxable
11 years beginning after December 31, 2000.

12 Sec. 11. Minnesota Statutes 2004, section 289A.60, is
13 amended by adding a subdivision to read:

14 Subd. 29. [ADDITION TO TAX.] (a) If a taxpayer has been
15 contacted by the commissioner regarding the use of a potentially
16 abusive tax shelter and has a deficiency, there must be added to
17 the tax an amount equal to 100 percent of the interest payable
18 under section 270.75 for the period beginning on the last date
19 prescribed by law for the payment of that tax, determined
20 without regard to extensions, and ending on the date the notice
21 of proposed assessment is mailed.

22 (b) "Potentially abusive tax shelter" means:

23 (1) any tax shelter, as defined in section 6111 of the
24 Internal Revenue Code, for which registration is required under
25 section 289A.121; or

26 (2) any entity, investment plan or arrangement, or other
27 plan or arrangement which is of a type that the Secretary of the
28 Treasury determines by regulations as having a potential for tax
29 avoidance or evasion.

30 (c) The penalty imposed by this subdivision is in addition
31 to any other penalty imposed under this section and to the
32 interest computation for purposes of section 270.75.

33 [EFFECTIVE DATE.] This section is effective for notices of
34 proposed assessments mailed after the day following final
35 enactment.

36 Sec. 12. Minnesota Statutes 2004, section 289A.60, is

1 amended by adding a subdivision to read:

2 Subd. 30. [AUTHORITY TO ABATE TAX SHELTER PENALTIES.] (a)
3 Notwithstanding section 270.07, the commissioner may abate all
4 or any portion of any penalty imposed by subdivisions 20, 20a,
5 and 26 to 29 for any violation, only if all of the following
6 apply:

7 (1) the violation is for a reportable transaction, other
8 than a listed transaction, as defined under Code of Federal
9 Regulations, title 26, section 6011-4;

10 (2) the person on whom the penalty is imposed has a history
11 of complying with the requirements of this chapter and chapter
12 290;

13 (3) the violation is due to an unintentional mistake of
14 fact;

15 (4) imposing the penalty would be against equity and good
16 conscience; and

17 (5) abating the penalty would promote compliance with the
18 requirements of chapter 290.

19 (b) The exercise of authority under paragraph (a) is at the
20 sole discretion of the commissioner and may not be delegated.
21 Notwithstanding any other law or rule, a determination under
22 this subdivision may not be reviewed in any administrative or
23 judicial proceeding.

24 Sec. 13. Minnesota Statutes 2004, section 289A.60, is
25 amended by adding a subdivision to read:

26 Subd. 31. [INTEREST COMPUTATION.] For an amended return
27 filed after December 31, 2005, and before the taxpayer is
28 contacted by the Internal Revenue Service or the commissioner
29 regarding a potentially abusive tax shelter, then, for taxable
30 years beginning after December 31, 2001, with respect to any
31 understatement of tax related to using reportable transactions
32 as defined in section 289A.121, the taxpayer is subject to
33 interest at a rate of 150 percent of the applicable rate under
34 section 270.75.

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

1 Sec. 14. [VOLUNTARY COMPLIANCE INITIATIVE.]

2 Subdivision 1. [ESTABLISHMENT.] The commissioner of
3 revenue shall establish and administer a voluntary compliance
4 initiative for taxpayers subject to Minnesota Statutes, section
5 289A.60, subdivision 26, 27, or 28.

6 Subd. 2. [TIME PERIOD; SCOPE.] (a) The commissioner shall
7 conduct the voluntary compliance initiative from July 1, 2005,
8 to December 31, 2005, under Minnesota Statutes, section 270.07.

9 (b) The voluntary compliance initiative applies to tax
10 liabilities and penalties attributable to an abusive tax
11 avoidance transaction for taxable years beginning before January
12 1, 2005. An abusive tax avoidance transaction means a listed
13 transaction, a potentially abusive tax shelter, or a reportable
14 transaction as those terms are used in Minnesota Statutes,
15 section 289A.121.

16 Subd. 3. [ELIGIBILITY.] (a) No person may participate in
17 the voluntary compliance initiative, if:

18 (1) the taxpayer was convicted of a crime in connection
19 with an abusive tax avoidance transaction or transactions;

20 (2) a criminal complaint was filed against the taxpayer in
21 connection with an abusive tax avoidance transaction or
22 transactions;

23 (3) the taxpayer is the subject of a criminal investigation
24 in connection with an abusive tax avoidance transaction or
25 transactions; or

26 (4) the taxpayer was eligible to participate in the
27 Internal Revenue Service's Offshore Voluntary Compliance
28 Initiative, as set forth in Revenue Procedure 2003-11.

29 (b) A person not disqualified under paragraph (a) may
30 participate in the voluntary compliance initiative.

31 Subd. 4. [ELECTION; COMMISSIONER AUTHORITY.] (a) An
32 eligible taxpayer that meets the requirements of subdivision 3
33 with respect to any taxable year may elect to participate in the
34 voluntary compliance program under either subdivision 5 or 6 for
35 a particular tax avoidance period. The election must be made
36 separately for each taxable year and in the form and manner

1 prescribed by the commissioner, and once made is irrevocable.

2 (b) The commissioner of revenue may issue forms and
3 instructions and take other actions necessary, including the use
4 of agreements under Minnesota Statutes, section 270.67, to
5 implement the voluntary compliance initiative.

6 Subd. 5. [PARTICIPATION WITHOUT RIGHT OF APPEAL.] (a) A
7 person participating in the voluntary compliance initiative
8 under this subdivision waives the right to an administrative
9 appeal, to a claim for refund, or to file an action in district
10 court or tax court. The person participating must:

11 (1) file an amended return for each taxable year for which
12 the taxpayer has filed a tax return using an abusive tax
13 avoidance transaction to underreport the taxpayer's tax
14 liability for the taxable year. Each amended return must report
15 all income from all sources, without regard to the abusive tax
16 avoidance transactions; and

17 (2) pay taxes and interest due in full, except that the
18 commissioner of revenue may enter into an installment payment
19 agreement under Minnesota Statutes, section 270.67, before the
20 taxpayer files an amended return.

21 (b) The commissioner of revenue shall abate all penalties
22 imposed under Minnesota Statutes, chapter 289A, which could have
23 been assessed in connection with the use of an abusive tax
24 avoidance transaction, for each taxable year for which the
25 taxpayer elects to participate in the voluntary compliance
26 initiative under this subdivision, to the extent those penalties
27 are a result of underreporting of tax liabilities attributable
28 to the use of abusive tax avoidance transactions, for which a
29 participating person files an amended return in compliance with
30 paragraph (a).

31 (c) No criminal action must be brought against a taxpayer
32 for the taxable years reported under the voluntary compliance
33 initiative with respect to the issues for which a taxpayer
34 voluntarily complies under this chapter.

35 (d) A person filing an amended return under this
36 subdivision of the voluntary compliance initiative may not file

1 a claim for refund, an administrative appeal, or an action in
2 district court with regard to the amount of taxes or interest
3 paid with the amended return. Nothing in this subdivision
4 precludes a taxpayer from filing a claim for credit or refund
5 for the same taxable year in which a tax avoidance transaction
6 was reported if the credit or refund is not attributable to the
7 tax avoidance transaction.

8 Subd. 6. [PARTICIPATION WITH RIGHT OF APPEAL.] (a) A
9 person participating in the voluntary compliance initiative who
10 does not waive the right to an administrative appeal, a claim
11 for refund, or an action in district court must:

12 (1) file an amended return for each taxable year for which
13 the taxpayer has filed a tax return using an abusive tax
14 avoidance transaction to underreport the taxpayer's tax
15 liability for that taxable year. Each amended return must
16 report all income from all sources, without regard to the
17 abusive tax avoidance transactions; and

18 (2) pay taxes and interest due in full, except that the
19 commissioner of revenue may enter into an installment payment
20 agreement pursuant to Minnesota Statutes, section 270.67, prior
21 to the taxpayer filing an amended return.

22 (b) The commissioner of revenue shall abate all penalties
23 imposed under Minnesota Statutes, chapter 289A, except for the
24 penalty for substantial understatement of tax liability under
25 Minnesota Statutes, section 289A.60, subdivision 4, determined
26 without regard to paragraph (e) of that section, which could
27 have been assessed in connection with the use of an abusive tax
28 avoidance transaction, for each taxable year for which the
29 taxpayer elects to participate in the voluntary compliance
30 initiative under this subdivision, to the extent those penalties
31 apply to underreporting of tax liabilities attributable to the
32 use of abusive tax avoidance transactions for which a
33 participating person files an amended return in compliance with
34 paragraph (a).

35 (c) No criminal action must be brought against a taxpayer
36 for the taxable years reported under the voluntary compliance

1 initiative with respect to the issues for which a taxpayer
2 voluntarily complies under this chapter.

3 (d) The taxpayer may file a claim for refund, an
4 administrative appeal, or an action in district court only after
5 the earlier of the following occurs:

6 (1) the date the commissioner of revenue takes action on
7 the claim for refund for the taxable year;

8 (2) the later of:

9 (i) 180 days after the date of a final determination by the
10 Internal Revenue Service with respect to the transaction or
11 transactions to which Minnesota Statutes, chapter 290, applies;
12 or

13 (ii) four years after the date the claim for refund was
14 filed, or one year after full payment of all tax was made,
15 including penalty and interest, whichever is later.

16 (e)(1) The taxpayer is subject to the substantial
17 understatement penalty under Minnesota Statutes, section
18 289A.60, subdivision 4. The penalty may be assessed:

19 (i) when the commissioner of revenue takes action on the
20 claim for refund; or

21 (ii) when a federal determination becomes final for the
22 same issue, in which case the penalty must be assessed, and may
23 not be abated, if the penalty was assessed at the federal level.

24 (2) In determining the amount of the underpayment of tax,
25 Code of Federal Regulations, title 26, section 1.6664-2(c)(2),
26 relating to qualified amended returns, applies. The
27 underpayment is the difference between the amount of tax on the
28 original return and the correct amount of tax for the taxable
29 year. The underpayment must not be less than the amount of the
30 claim for refund filed by the taxpayer under paragraph (d) that
31 was denied.

32 (3) The penalty is due and payable upon notice and demand
33 by the commissioner of revenue. Only after the taxpayer has
34 paid all amounts due, including the penalty, and the claim is
35 denied in whole or in part, may the taxpayer file an appeal
36 under Minnesota Statutes, section 270.07, in conjunction with

1 the appeal filed under paragraph (d).

2 Subd. 7. [COMMISSIONER ORDERS AND PENALTIES.] After
3 December 31, 2005, the commissioner of revenue may issue an
4 order of assessment within the time period permitted under
5 Minnesota Statutes, section 289A.38, upon an amended return
6 filed under this section for an underreported amount of tax, may
7 impose penalties on an underreported amount of tax on an amended
8 return filed under this chapter, or seek initiation of a
9 criminal action against any person based on any underreported
10 amount of tax on an amended return filed under this chapter.

11 Subd. 8. [PENALTY RELIEF; EXCEPTION.] For purposes of this
12 section, if the commissioner subsequently determines that the
13 correct amount of Minnesota income tax was not paid for the
14 taxable year for a participant in the voluntary compliance
15 initiative, then the penalty relief under this section does not
16 apply to any portion of the underpayment attributable to a tax
17 avoidance transaction not paid to the state.

18 [EFFECTIVE DATE.] This section is effective the day
19 following final enactment.

20 Sec. 15. [APPROPRIATION.]

21 For purposes of administering the voluntary compliance
22 initiative and the tax shelter registration and compliance
23 provisions of this act, \$..... is appropriated from the
24 general fund for fiscal year 2006 and \$..... for fiscal year
25 2007 to the commissioner of revenue. \$..... is added to the
26 base budget.

27 ARTICLE 11

28 MISCELLANEOUS

29 Section 1. [15.60] [PUBLIC SAFETY OFFICERS; AMERICAN
30 FLAG.]

31 (a) A public employer may not forbid a peace officer or
32 firefighter from wearing a patch or pin depicting the flag of
33 the United States of America on the employee's uniform,
34 according to customary and standard flag etiquette. However, a
35 public employer may limit the size of a flag patch worn on a
36 uniform to no more than three inches by five inches.

1 (b) For purposes of this section:

2 (1) "peace officer" has the meaning given in section
3 626.84, subdivision 1, paragraph (c) or (f);

4 (2) "firefighter" means a person as defined in section
5 299A.41, subdivision 4, clause (3) or (4); and

6 (3) "public employer" has the meaning given in section
7 179A.03, subdivision 15, and also includes a municipal fire
8 department and an independent nonprofit firefighting corporation.

9 (c) The commissioner of finance or the commissioner of
10 revenue must suspend disbursement, not to exceed \$10,000, of any
11 state appropriation or aid to any public employer whom the
12 commissioner determines is not complying with paragraph (a)
13 until the commissioner determines that the employer is in
14 compliance.

15 Sec. 2. Minnesota Statutes 2004, section 16D.10, is
16 amended to read:

17 16D.10 [CASE REVIEWER.]

18 Subdivision 1. [DUTIES.] The commissioner shall make a
19 case reviewer available to debtors. The reviewer must be
20 available to answer a debtor's questions concerning the
21 collection process and to review the collection activity taken.
22 If the reviewer reasonably believes that the particular action
23 being taken is unreasonable or unfair, the reviewer may make
24 recommendations to the commissioner in regard to the collection
25 action.

26 Subd. 2. [AUTHORITY TO ISSUE DEBTOR ASSISTANCE ORDER.] On
27 application filed by a debtor with the case reviewer, in the
28 form, manner, and in the time prescribed by the commissioner,
29 and after thorough investigation, the case reviewer may issue a
30 debtor assistance order if, in the determination of the case
31 reviewer, the manner in which the state debt collection laws are
32 being administered is creating or will create an unjust and
33 inequitable result for the debtor. Debtor assistance orders are
34 governed by the provisions relating to taxpayer assistance
35 orders under section 270.273.

36 Subd. 3. [TRANSFER OF DUTIES TO TAXPAYER RIGHTS ADVOCATE.]

1 All duties and authority of the case reviewer under subdivisions
2 1 and 2 are transferred to the taxpayer rights advocate.

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

5 Sec. 3. Minnesota Statutes 2004, section 270.02,
6 subdivision 3, is amended to read:

7 Subd. 3. [POWERS, ORGANIZATION, ASSISTANTS.] Subject to
8 the provisions of this chapter and other applicable laws the
9 commissioner shall have power to organize the department with
10 such divisions and other agencies as the commissioner deems
11 necessary and to appoint one deputy commissioner, a department
12 secretary, directors of divisions, and such other officers,
13 employees, and agents as the commissioner may deem necessary to
14 discharge the functions of the department, define the duties of
15 such officers, employees, and agents, and delegate to them any
16 of the commissioner's powers or duties, subject to the
17 commissioner's control and under such conditions as the
18 commissioner may prescribe. Appointments to exercise delegated
19 power to sign documents which require the signature of the
20 commissioner or a delegate by law shall be by written order
21 filed with the secretary of state. The delegations of authority
22 granted by the commissioner remain in effect until revoked by
23 the commissioner or a successor commissioner.

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

26 Sec. 4. Minnesota Statutes 2004, section 270.30,
27 subdivision 1, is amended to read:

28 Subdivision 1. [SCOPE.] ~~{a}~~ This section applies to a
29 person who ~~offers, provides, or facilitates the provision of~~
30 ~~refund-anticipation-loans, as part of or in connection with the~~
31 ~~provision of~~ tax preparation services.

32 ~~{b} This section does not apply to:~~

33 ~~{1} a tax preparer who provides tax preparation services~~
34 ~~for fewer than six clients in a calendar year;~~

35 ~~{2} the provision by a person of tax preparation services~~
36 ~~to a spouse, parent, grandparent, child, or sibling; and~~

1 ~~{3}-the-provision-of-services-by-an-employee-for-an~~
2 ~~employer-~~

3 Sec. 5. Minnesota Statutes 2004, section 270.30,
4 subdivision 5, is amended to read:

5 Subd. 5. [ITEMIZED BILL REQUIRED.] A tax preparer must
6 provide an itemized statement of the charges for services, at
7 least separately stating the charges for:

8 (1) return preparation; and

9 (2) ~~electronic-filing,-and~~

10 ~~{3}~~ providing or facilitating a refund anticipation loan.

11 Sec. 6. Minnesota Statutes 2004, section 270.30, is
12 amended by adding a subdivision to read:

13 Subd. 5a. [NONGAME WILDLIFE CHECKOFF.] A tax preparer must
14 give written notice of the option to contribute to the nongame
15 wildlife management account in section 290.431 to corporate
16 clients that file an income tax return and to individual clients
17 who file an income tax return or property tax refund claim
18 form. This notification must:

19 (1) state substantially the following: "You can help
20 preserve Minnesota's nongame wildlife, such as bald eagles and
21 loons, by donating to the nongame wildlife fund. If you wish to
22 donate, enter the amount on the appropriate line provided by
23 your tax preparer or otherwise notify your tax preparer. This
24 amount will decrease your refund or increase the amount you
25 owe"; and

26 (2) be included with information sent to the client at the
27 same time as the preliminary worksheets or other documents used
28 in preparing the client's return and must include a line for
29 displaying contributions.

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

32 Sec. 7. Minnesota Statutes 2004, section 270.30,
33 subdivision 6, is amended to read:

34 Subd. 6. [ENFORCEMENT; PENALTIES.] The commissioner may
35 impose an administrative penalty of not more than \$1,000 per
36 violation of subdivision 3, 4, or 5. The commissioner may

1 terminate a tax preparer's authority to transmit returns
2 electronically to the state, if the commissioner determines the
3 tax preparer engaged in a pattern and practice of violating this
4 section. Imposition of a penalty under this subdivision is
5 subject to the contested case procedure under chapter 14. The
6 commissioner shall collect the penalty in the same manner as the
7 income tax. Penalties imposed under this subdivision are public
8 data.

9 Sec. 8. Minnesota Statutes 2004, section 270.30, is
10 amended by adding a subdivision to read:

11 Subd. 6a. [EXCHANGE OF DATA; STATE BOARD OF
12 ACCOUNTANCY.] The State Board of Accountancy shall refer to the
13 commissioner complaints it receives about tax preparers who are
14 not subject to the jurisdiction of the State Board of
15 Accountancy and who are alleged to have violated the provisions
16 of subdivisions 3 to 5.

17 Sec. 9. Minnesota Statutes 2004, section 270.30, is
18 amended by adding a subdivision to read:

19 Subd. 6b. [EXCHANGE OF DATA; LAWYERS BOARD OF PROFESSIONAL
20 RESPONSIBILITY.] The Lawyers Board of Professional
21 Responsibility may refer to the commissioner complaints it
22 receives about tax preparers who are not subject to its
23 jurisdiction and who are alleged to have violated the provisions
24 of subdivisions 3 to 5.

25 Sec. 10. Minnesota Statutes 2004, section 270.30, is
26 amended by adding a subdivision to read:

27 Subd. 6c. [EXCHANGE OF DATA; COMMISSIONER.] The
28 commissioner shall refer complaints about tax preparers who are
29 alleged to have violated the provisions of subdivisions 3 to 5
30 to:

31 (1) the State Board of Accountancy, if the tax preparer is
32 under its jurisdiction; and

33 (2) the Lawyers Board of Professional Responsibility, if
34 the tax preparer is under its jurisdiction.

35 Sec. 11. Minnesota Statutes 2004, section 270.30, is
36 amended by adding a subdivision to read:

1 Subd. 6d. [DATA PRIVATE.] Information exchanged on
2 individuals under subdivisions 6a to 6c are private data under
3 section 13.02, subdivision 12, until such time as a penalty is
4 imposed as provided in section 326A.08 or by the Lawyers Board
5 of Professional Responsibility.

6 Sec. 12. Minnesota Statutes 2004, section 270.30,
7 subdivision 8, is amended to read:

8 Subd. 8. [EXEMPTIONS; ENFORCEMENT PROVISIONS.] (a) The
9 provisions of ~~subdivisions 6 and 7~~ this section, except for
10 subdivision 4, do not apply to:

11 (1) an attorney admitted to practice under section 481.01;

12 (2) a certified public accountant ~~holding a certificate~~
13 ~~under section 326A.04 or a person issued a permit to practice~~
14 ~~under section 326A.05~~ or other person who is subject to the
15 jurisdiction of the State Board of Accountancy;

16 (3) ~~a person designated as a registered accounting~~
17 ~~practitioner under Minnesota Rules, part 1105.6600, or a~~
18 ~~registered accounting practitioner firm issued a permit under~~
19 ~~Minnesota Rules, part 1105.7100;~~

20 ~~(4)~~ an enrolled agent who has passed the special enrollment
21 examination administered by the Internal Revenue Service; and

22 ~~(5)~~ (4) any fiduciary, or the regular employees of a
23 fiduciary, while acting on behalf of the fiduciary estate, the
24 testator, trustor, grantor, or beneficiaries of them;

25 (5) a tax preparer who provides tax preparation services
26 for fewer than six clients in a calendar year;

27 (6) tax preparation services to a spouse, parent,
28 grandparent, child, or sibling of the tax preparer; and

29 (7) the preparation by an employee of the tax return of the
30 employee's employer.

31 Sec. 13. [270.301] [PUBLICATION OF NAMES OF TAX PREPARERS
32 SUBJECT TO PENALTIES.]

33 Subdivision 1. [PUBLICATION OF LIST.] Notwithstanding any
34 other law, the commissioner must publish as provided in this
35 section a list or lists of tax preparers subject to penalties.

36 Subd. 2. [REQUIRED AND EXCLUDED TAX PREPARERS.] (a)

1 Subject to the limitations of paragraph (b), the commissioner
2 must publish lists of tax preparers who have been convicted
3 under section 289A.63.

4 (b) For the purposes of this section, tax preparers are not
5 subject to publication if:

6 (1) an administrative or court action contesting the
7 penalty has been filed or served and is unresolved at the time
8 when notice would be given under subdivision 3;

9 (2) an appeal period to contest the penalty has not
10 expired; or

11 (3) the commissioner has been notified that the tax
12 preparer is deceased.

13 Subd. 3. [NOTICE TO TAX PREPARER.] (a) At least 30 days
14 before publishing the name of a tax preparer subject to penalty,
15 the commissioner shall mail a written notice to the tax
16 preparer, detailing the amount and nature of each penalty and
17 the intended publication of the information listed in
18 subdivision 4 related to the penalty. The notice must be mailed
19 by first class and certified mail addressed to the last known
20 address of the tax preparer. The notice must include
21 information regarding the exceptions listed in subdivision 2,
22 paragraph (b), and must state that the tax preparer's
23 information will not be published if the tax preparer provides
24 information establishing that subdivision 2, paragraph (b),
25 prohibits publication of the tax preparer's name.

26 (b) Thirty days after the notice is mailed and if the tax
27 preparer has not proved to the commissioner that subdivision 2,
28 paragraph (b), prohibits publication, the commissioner may
29 publish in a list of tax preparers subject to penalty the
30 information about the tax preparer that is listed in subdivision
31 4.

32 Subd. 4. [FORM OF LIST.] The list may be published by any
33 medium or method. The list must contain the name, associated
34 business name or names, address or addresses, and violation or
35 violations for which a penalty was imposed of each tax preparer
36 subject to penalty.

1 Subd. 5. [REMOVAL FROM LIST.] The commissioner shall
2 remove the name of a tax preparer from the list of tax preparers
3 published under this section:

4 (1) when the commissioner determines that the name was
5 included on the list in error;

6 (2) within 90 days after the preparer has fully paid all
7 finances imposed, served any suspension, and demonstrated to the
8 satisfaction of the commissioner that the preparer has
9 successfully completed any remedial actions required by the
10 commissioner, the State Board of Accountancy, or the Lawyers
11 Board of Professional Responsibility; or

12 (3) when the commissioner has been notified that the tax
13 preparer is deceased.

14 Subd. 6. [NAMES PUBLISHED IN ERROR.] If the commissioner
15 publishes a name under subdivision 1 in error, the tax preparer
16 whose name was erroneously published has a right to request a
17 retraction and apology. If the tax preparer so requests, the
18 commissioner shall publish a retraction and apology
19 acknowledging that the tax preparer's name was published in
20 error. The retraction and apology must appear in the same
21 medium and the same format as the original list that contained
22 the name listed in error.

23 Subd. 7. [PAYMENT OF DAMAGES.] Actions against the
24 commissioner of revenue or the state of Minnesota arising out of
25 the implementation of this program must be brought under section
26 270.276.

27 [EFFECTIVE DATE.] The provision of this section requiring
28 the commissioner to publish the names of tax preparers applies
29 only to publishing the names of those tax preparers who commit a
30 crime under section 289A.63 on or after August 1, 2005.

31 Sec. 14. Minnesota Statutes 2004, section 270.65, is
32 amended to read:

33 270.65 [DATE OF ASSESSMENT; DEFINITION.]

34 For purposes of taxes administered by the commissioner, the
35 term "date of assessment" means the date a liability reported on
36 a return was entered into the records of the commissioner or the

1 date a return should have been filed, whichever is later; or, in
2 the case of taxes determined by the commissioner, "date of
3 assessment" means the date of the order assessing taxes or date
4 of the return made by the commissioner; or, in the case of an
5 amended return filed by the taxpayer, the assessment date is the
6 date additional liability reported on the return, if any, was
7 entered into the records of the commissioner; or, in the case of
8 a consent agreement signed by the taxpayer under section 270.67,
9 subdivision 3, the assessment date is the notice date shown on
10 the agreement; or, in the case of a check from a taxpayer that
11 is dishonored and results in an erroneous refund being given to
12 the taxpayer, remittance of the check is deemed to be an
13 assessment and the "date of assessment" is the date the check
14 was received by the commissioner.

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

17 Sec. 15. Minnesota Statutes 2004, section 270.67,
18 subdivision 4, is amended to read:

19 Subd. 4. [OFFER-IN-COMPROMISE AND INSTALLMENT PAYMENT
20 PROGRAM.] (a) In implementing the authority provided in
21 subdivision 2 or in sections 8.30 and 16D.15 to accept offers of
22 installment payments or offers-in-compromise of tax liabilities,
23 the commissioner of revenue shall prescribe guidelines for
24 employees of the Department of Revenue to determine whether an
25 offer-in-compromise or an offer to make installment payments is
26 adequate and should be accepted to resolve a dispute. In
27 prescribing the guidelines, the commissioner shall develop and
28 publish schedules of national and local allowances designed to
29 provide that taxpayers entering into a compromise or payment
30 agreement have an adequate means to provide for basic living
31 expenses. The guidelines must provide that the taxpayer's
32 ownership interest in a motor vehicle, to the extent of the
33 value allowed in section 550.37, will not be considered as an
34 asset; in the case of an offer related to a joint tax liability
35 of spouses, that value of two motor vehicles must be excluded.
36 The guidelines must provide that employees of the department

1 shall determine, on the basis of the facts and circumstances of
2 each taxpayer, whether the use of the schedules is appropriate
3 and that employees must not use the schedules to the extent the
4 use would result in the taxpayer not having adequate means to
5 provide for basic living expenses. The guidelines must provide
6 that:

7 (1) an employee of the department shall not reject an
8 offer-in-compromise or an offer to make installment payments
9 from a low-income taxpayer solely on the basis of the amount of
10 the offer; and

11 (2) in the case of an offer-in-compromise which relates
12 only to issues of liability of the taxpayer:

13 (i) the offer must not be rejected solely because the
14 commissioner is unable to locate the taxpayer's return or return
15 information for verification of the liability; and

16 (ii) the taxpayer shall not be required to provide an
17 audited, reviewed, or compiled financial statement.

18 (b) The commissioner shall establish procedures:

19 (1) that require presentation of a counteroffer or a
20 written rejection of the offer by the commissioner if the amount
21 offered by the taxpayer in an offer-in-compromise or an offer to
22 make installment payments is not accepted by the commissioner;

23 (2) for an administrative review of any written rejection
24 of a proposed offer-in-compromise or installment agreement made
25 by a taxpayer under this section before the rejection is
26 communicated to the taxpayer;

27 (3) that allow a taxpayer to request reconsideration of any
28 written rejection of the offer or agreement to the commissioner
29 of revenue to determine whether the rejection is reasonable and
30 appropriate under the circumstances; and

31 (4) that provide for notification to the taxpayer when an
32 offer-in-compromise has been accepted, and issuance of
33 certificates of release of any liens imposed under section
34 270.69 related to the liability which is the subject of the
35 compromise.

36 (c) Each compromise proposal must be accompanied by a

1 nonrefundable payment of \$250. If the compromise proposal is
2 accepted, the payment must be applied to the accepted compromise
3 amount. If the compromise is rejected, the payment must be
4 applied to the outstanding tax debts of the taxpayer pursuant to
5 section 270.652. In cases of financial hardship, upon
6 presentation of information establishing an inability to make
7 the \$250 payment, the commissioner may waive this requirement.

8 [EFFECTIVE DATE.] This section is effective for offers in
9 compromise submitted after August 31, 2005.

10 Sec. 16. Minnesota Statutes 2004, section 270.69,
11 subdivision 4, is amended to read:

12 Subd. 4. [PERIOD OF LIMITATIONS.] The lien imposed by this
13 section shall, notwithstanding any other provision of law to the
14 contrary, be enforceable from the time the lien arises and for
15 ten years from the date of filing the notice of lien, which must
16 be filed by the commissioner within five years after the date of
17 assessment of the tax or final administrative or judicial
18 determination of the assessment. A notice of lien filed in one
19 county may be transcribed to the secretary of state or to any
20 other county within ten years after the date of its filing, but
21 the transcription shall not extend the period during which the
22 lien is enforceable. A notice of lien may be renewed by the
23 commissioner before the expiration of the ten-year period for an
24 additional ten years. The taxpayer must receive written notice
25 of the renewal.

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

28 Sec. 17. Minnesota Statutes 2004, section 270A.03,
29 subdivision 5, is amended to read:

30 Subd. 5. [DEBT.] "Debt" means a legal obligation of a
31 natural person to pay a fixed and certain amount of money, which
32 equals or exceeds \$25 and which is due and payable to a claimant
33 agency. The term includes criminal fines imposed under section
34 609.10 or 609.125, fines imposed for petty misdemeanors as
35 defined in section 609.02, subdivision 4a, and restitution. The
36 term also includes the co-payment for the appointment of a

1 district public defender imposed under section 611.17, paragraph
2 (c). A debt may arise under a contractual or statutory
3 obligation, a court order, or other legal obligation, but need
4 not have been reduced to judgment.

5 A debt includes any legal obligation of a current recipient
6 of assistance which is based on overpayment of an assistance
7 grant where that payment is based on a client waiver or an
8 administrative or judicial finding of an intentional program
9 violation; or where the debt is owed to a program wherein the
10 debtor is not a client at the time notification is provided to
11 initiate recovery under this chapter and the debtor is not a
12 current recipient of food support, transitional child care, or
13 transitional medical assistance.

14 A debt does not include any legal obligation to pay a
15 claimant agency for medical care, including hospitalization if
16 the income of the debtor at the time when the medical care was
17 rendered does not exceed the following amount:

18 (1) for an unmarried debtor, an income of \$8,800 or less;

19 (2) for a debtor with one dependent, an income of \$11,270
20 or less;

21 (3) for a debtor with two dependents, an income of \$13,330
22 or less;

23 (4) for a debtor with three dependents, an income of
24 \$15,120 or less;

25 (5) for a debtor with four dependents, an income of \$15,950
26 or less; and

27 (6) for a debtor with five or more dependents, an income of
28 \$16,630 or less.

29 The income amounts in this subdivision shall be adjusted
30 for inflation for debts incurred in calendar years 2001 and
31 thereafter. The dollar amount of each income level that applied
32 to debts incurred in the prior year shall be increased in the
33 same manner as provided in section 1(f) of the Internal Revenue
34 Code of 1986, as amended through December 31, 2000, except that
35 for the purposes of this subdivision the percentage increase
36 shall be determined from the year starting September 1, 1999,

1 and ending August 31, 2000, as the base year for adjusting for
2 inflation for debts incurred after December 31, 2000.

3 Debt also includes an agreement to pay a MinnesotaCare
4 premium, regardless of the dollar amount of the premium
5 authorized under section 256L.15, subdivision 1a.

6 Sec. 18. Minnesota Statutes 2004, section 270A.03,
7 subdivision 7, is amended to read:

8 Subd. 7. [REFUND.] "Refund" means an individual income tax
9 ~~refund or political contribution refund, pursuant to chapter~~
10 ~~290~~, or a property tax credit or refund, pursuant to chapter
11 290A, or a sustainable forest tax payment to a claimant under
12 chapter 290C.

13 For purposes of this chapter, lottery prizes, as set forth
14 in section 349A.08, subdivision 8, and amounts granted to
15 persons by the legislature on the recommendation of the joint
16 senate-house of representatives Subcommittee on Claims shall be
17 treated as refunds.

18 In the case of a joint property tax refund payable to
19 spouses under chapter 290A, the refund shall be considered as
20 belonging to each spouse in the proportion of the total refund
21 that equals each spouse's proportion of the total income
22 determined under section 290A.03, subdivision 3. In the case of
23 a joint income tax refund under chapter 289A, the refund shall
24 be considered as belonging to each spouse in the proportion of
25 the total refund that equals each spouse's proportion of the
26 total taxable income determined under section 290.01,
27 subdivision 29. The commissioner shall remit the entire refund
28 to the claimant agency, which shall, upon the request of the
29 spouse who does not owe the debt, determine the amount of the
30 refund belonging to that spouse and refund the amount to that
31 spouse. For court fines, fees, and surcharges and court-ordered
32 restitution under section 611A.04, subdivision 2, the notice
33 provided by the commissioner of revenue under section 270A.07,
34 subdivision 2, paragraph (b), serves as the appropriate legal
35 notice to the spouse who does not owe the debt.

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

1 contribution refund claims based on contributions made on or
2 after July 1, 2005.

3 Sec. 19. Minnesota Statutes 2004, section 289A.08,
4 subdivision 16, is amended to read:

5 Subd. 16. [TAX REFUND OR RETURN PREPARERS; ELECTRONIC
6 FILING; PAPER FILING FEE IMPOSED.] (a) A "tax refund or return
7 preparer," as defined in section 289A.60, subdivision 13,
8 paragraph ~~(g)~~ (h), who prepared more than ~~500~~ 100 Minnesota
9 individual income tax returns for the prior calendar year must
10 file all Minnesota individual income tax returns prepared for
11 the current calendar year by electronic means.

12 ~~(b) For tax returns prepared for the tax year beginning in~~
13 ~~2001, the "500" in paragraph (a) is reduced to 250.~~

14 ~~(c) For tax returns prepared for tax years beginning after~~
15 ~~December 31, 2001, the "500" in paragraph (a) is reduced to 100.~~

16 ~~(d)~~ Paragraph (a) does not apply to a return if the
17 taxpayer has indicated on the return that the taxpayer did not
18 want the return filed by electronic means.

19 ~~(e)~~ (c) For each return that is not filed electronically by
20 a tax refund or return preparer under this subdivision,
21 including returns filed under paragraph ~~(d)~~ (b), a paper filing
22 fee of \$5 is imposed upon the preparer. The fee is collected
23 from the preparer in the same manner as income tax. The fee
24 does not apply to returns that the commissioner requires to be
25 filed in paper form.

26 Sec. 20. Minnesota Statutes 2004, section 289A.37,
27 subdivision 5, is amended to read:

28 Subd. 5. [SUFFICIENCY OF NOTICE.] An order of assessment,
29 sent postage prepaid by United States mail to the taxpayer at
30 the taxpayer's last known address, or sent by electronic mail to
31 the taxpayer's last known electronic mailing address as provided
32 for in section 325L.08, is sufficient even if the taxpayer is
33 deceased or is under a legal disability, or, in the case of a
34 corporation, has terminated its existence, unless the department
35 has been provided with a new address by a party authorized to
36 receive notices of assessment.

1 [EFFECTIVE DATE.] This section is effective the day
2 following final enactment.

3 Sec. 21. Minnesota Statutes 2004, section 289A.50,
4 subdivision 1, is amended to read:

5 Subdivision 1. [GENERAL RIGHT TO REFUND.] (a) Subject to
6 the requirements of this section and section 289A.40, a taxpayer
7 who has paid a tax in excess of the taxes lawfully due and who
8 files a written claim for refund will be refunded or credited
9 the overpayment of the tax determined by the commissioner to be
10 erroneously paid.

11 (b) The claim must specify the name of the taxpayer, the
12 date when and the period for which the tax was paid, the kind of
13 tax paid, the amount of the tax that the taxpayer claims was
14 erroneously paid, the grounds on which a refund is claimed, and
15 other information relative to the payment and in the form
16 required by the commissioner. An income tax, estate tax, or
17 corporate franchise tax return, or amended return claiming an
18 overpayment constitutes a claim for refund.

19 (c) When, in the course of an examination, and within the
20 time for requesting a refund, the commissioner determines that
21 there has been an overpayment of tax, the commissioner shall
22 refund or credit the overpayment to the taxpayer and no demand
23 is necessary. If the overpayment exceeds \$1, the amount of the
24 overpayment must be refunded to the taxpayer. If the amount of
25 the overpayment is less than \$1, the commissioner is not
26 required to refund. In these situations, the commissioner does
27 not have to make written findings or serve notice by mail to the
28 taxpayer.

29 (d) If the amount allowable as a credit for withholding,
30 estimated taxes, or dependent care exceeds the tax against which
31 the credit is allowable, the amount of the excess is considered
32 an overpayment. ~~The refund allowed by section 290.067~~
33 ~~subdivision 237 is also considered an overpayment.~~ The
34 requirements of section 270.10, subdivision 1, do not apply to
35 the refunding of such an overpayment shown on the original
36 return filed by a taxpayer.

1 (e) If the entertainment tax withheld at the source exceeds
2 by \$1 or more the taxes, penalties, and interest reported in the
3 return of the entertainment entity or imposed by section
4 290.9201, the excess must be refunded to the entertainment
5 entity. If the excess is less than \$1, the commissioner need
6 not refund that amount.

7 (f) If the surety deposit required for a construction
8 contract exceeds the liability of the out-of-state contractor,
9 the commissioner shall refund the difference to the contractor.

10 (g) An action of the commissioner in refunding the amount
11 of the overpayment does not constitute a determination of the
12 correctness of the return of the taxpayer.

13 (h) There is appropriated from the general fund to the
14 commissioner of revenue the amount necessary to pay refunds
15 allowed under this section.

16 [EFFECTIVE DATE.] This section is effective for political
17 contribution refund claims based on contributions made on or
18 after July 1, 2005.

19 Sec. 22. Minnesota Statutes 2004, section 289A.60,
20 subdivision 2a, is amended to read:

21 Subd. 2a. [PENALTIES FOR EXTENDED DELINQUENCY.] (a) If an
22 individual income tax is not paid within 180 days after the date
23 of filing of a return or, in the case of taxes assessed by the
24 commissioner, within 180 days after the assessment date or, if
25 appealed, within 180 days after final resolution of the appeal,
26 an extended delinquency penalty of five percent of the tax
27 remaining unpaid is added to the amount due.

28 (b) If a ~~corporate-franchise, fiduciary-income, mining~~
29 ~~company, estate, partnership, S-corporation, or nonresident~~
30 ~~entertainer~~ tax return is not filed within 30 days after written
31 demand for the filing of a delinquent return, an extended
32 delinquency penalty of five percent of the tax not paid prior to
33 the demand ~~is added to the tax, or in the case of an individual~~
34 ~~income tax return, a minimum penalty of \$100 or the five percent~~
35 ~~penalty~~ is imposed, whichever amount is greater.

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

1 originally due on or after August 1, 2005.

2 Sec. 23. Minnesota Statutes 2004, section 289A.60,
3 subdivision 6, is amended to read:

4 Subd. 6. [PENALTY FOR FAILURE TO FILE, FALSE OR FRAUDULENT
5 RETURN, EVASION.] If a person, with intent to evade or defeat a
6 tax or payment of tax, fails to file a return, files a false or
7 fraudulent return, or attempts in any other manner to evade or
8 defeat a tax or payment of tax, there is imposed on the person a
9 penalty equal to 50 percent of the tax, less amounts paid by the
10 person on the basis of the false or fraudulent return, if any,
11 due for the period to which the return related.

12 [EFFECTIVE DATE.] This section is effective the day
13 following final enactment.

14 Sec. 24. Minnesota Statutes 2004, section 289A.60,
15 subdivision 11, is amended to read:

16 Subd. 11. [PENALTIES RELATING TO INFORMATION REPORTS,
17 WITHHOLDING.] (a) When a person required under section 289A.09,
18 subdivision 2, to give a statement to an employee or payee and a
19 duplicate statement to the commissioner, or to give a
20 reconciliation of the statements and quarterly returns to the
21 commissioner, gives a false or fraudulent statement to an
22 employee or payee or a false or fraudulent duplicate statement
23 or reconciliation of statements and quarterly returns to the
24 commissioner, or fails to give a statement or the reconciliation
25 in the manner, when due, and showing the information required by
26 section 289A.09, subdivision 2, or rules prescribed by the
27 commissioner under that section, that person is liable for a
28 penalty of \$50 for an act or failure to act. The total amount
29 imposed on the delinquent person for failures during a calendar
30 year must not exceed \$25,000.

31 (b) In addition to any other penalty provided by law, an
32 employee who gives a withholding exemption certificate or a
33 residency affidavit to an employer that ~~the-employee-has-reason~~
34 ~~to-know-contains-a-materially-incorrect-statement~~ decreases the
35 amount withheld under section 290.92 and as of the time the
36 certificate or affidavit was given to the employer there was no

1 reasonable basis for the statements in the certificate or
2 affidavit is liable to the commissioner of revenue for a penalty
3 of \$500 for each instance.

4 (c) In addition to any other penalty provided by law, an
5 employer who fails to submit a copy of a withholding exemption
6 certificate or a residency affidavit required by section 290.92,
7 subdivision 5a, clause (1)(a), (1)(b), or (2) is liable to the
8 commissioner of revenue for a penalty of \$50 for each instance.

9 (d) An employer or payor who fails to file an application
10 for a withholding account number, as required by section 290.92,
11 subdivision 24, is liable to the commissioner for a penalty of
12 \$100.

13 [EFFECTIVE DATE.] This section is effective for
14 certificates and affidavits given to employers after December
15 31, 2005.

16 Sec. 25. Minnesota Statutes 2004, section 289A.60,
17 subdivision 13, is amended to read:

18 Subd. 13. [PENALTIES FOR TAX RETURN PREPARERS.] (a) If an
19 understatement of liability with respect to a return or claim
20 for refund is due to a willful attempt in any manner to
21 understate the liability for a tax by a person who is a tax
22 return preparer with respect to the return or claim, the person
23 shall pay to the commissioner a penalty of \$500. If a part of a
24 property tax refund claim is excessive due to a willful attempt
25 in any manner to overstate the claim for relief allowed under
26 chapter 290A by a person who is a tax refund or return preparer,
27 the person shall pay to the commissioner a penalty of \$500 with
28 respect to the claim. These penalties may not be assessed
29 against the employer of a tax return preparer unless the
30 employer was actively involved in the willful attempt to
31 understate the liability for a tax or to overstate the claim for
32 refund. These penalties are income tax liabilities and may be
33 assessed at any time as provided in section 289A.38, subdivision
34 5.

35 (b) A civil action in the name of the state of Minnesota
36 may be commenced to enjoin any person who is a tax return

1 preparer doing business in this state from further engaging in
2 any conduct described in paragraph (c). An action under this
3 paragraph must be brought by the attorney general in the
4 district court for the judicial district of the tax return
5 preparer's residence or principal place of business, or in which
6 the taxpayer with respect to whose tax return the action is
7 brought resides. The court may exercise its jurisdiction over
8 the action separate and apart from any other action brought by
9 the state of Minnesota against the tax return preparer or any
10 taxpayer.

11 (c) In an action under paragraph (b), if the court finds
12 that a tax return preparer has:

13 (1) engaged in any conduct subject to a civil penalty under
14 section 289A.60 or a criminal penalty under section 289A.63;

15 (2) misrepresented the preparer's eligibility to practice
16 before the Department of Revenue, or otherwise misrepresented
17 the preparer's experience or education as a tax return preparer;

18 (3) guaranteed the payment of any tax refund or the
19 allowance of any tax credit; or

20 (4) engaged in any other fraudulent or deceptive conduct
21 that substantially interferes with the proper administration of
22 state tax law, and injunctive relief is appropriate to prevent
23 the recurrence of that conduct,
24 the court may enjoin the person from further engaging in that
25 conduct.

26 (d) If the court finds that a tax return preparer has
27 continually or repeatedly engaged in conduct described in
28 paragraph (c), and that an injunction prohibiting that conduct
29 would not be sufficient to prevent the person's interference
30 with the proper administration of state tax laws, the court may
31 enjoin the person from acting as a tax return preparer. The
32 court may not enjoin the employer of a tax return preparer for
33 conduct described in paragraph (c) engaged in by one or more of
34 the employer's employees unless the employer was also actively
35 involved in that conduct.

36 (e) The commissioner may terminate or suspend a tax

1 preparer's authority to transmit returns electronically to the
2 state, if the commissioner determines that the tax preparer has
3 engaged in a pattern and practice of conduct in violation of
4 paragraph (a) of this subdivision or has been convicted under
5 section 289A.63.

6 (f) For purposes of this subdivision, the term
7 "understatement of liability" means an understatement of the net
8 amount payable with respect to a tax imposed by state tax law,
9 or an overstatement of the net amount creditable or refundable
10 with respect to a tax. The determination of whether or not
11 there is an understatement of liability must be made without
12 regard to any administrative or judicial action involving the
13 taxpayer. For purposes of this subdivision, the amount
14 determined for underpayment of estimated tax under either
15 section 289A.25 or 289A.26 is not considered an understatement
16 of liability.

17 ~~(f)~~ (g) For purposes of this subdivision, the term
18 "overstatement of claim" means an overstatement of the net
19 amount refundable with respect to a claim for property tax
20 relief provided by chapter 290A. The determination of whether
21 or not there is an overstatement of a claim must be made without
22 regard to administrative or judicial action involving the
23 claimant.

24 ~~(g)~~ (h) For purposes of this section, the term "tax refund
25 or return preparer" means an individual who prepares for
26 compensation, or who employs one or more individuals to prepare
27 for compensation, a return of tax, or a claim for refund of
28 tax. The preparation of a substantial part of a return or claim
29 for refund is treated as if it were the preparation of the
30 entire return or claim for refund. An individual is not
31 considered a tax return preparer merely because the individual:

32 (1) gives typing, reproducing, or other mechanical
33 assistance;

34 (2) prepares a return or claim for refund of the employer,
35 or an officer or employee of the employer, by whom the
36 individual is regularly and continuously employed;

1 (3) prepares a return or claim for refund of any person as
2 a fiduciary for that person; or

3 (4) prepares a claim for refund for a taxpayer in response
4 to a tax order issued to the taxpayer.

5 Sec. 26. Minnesota Statutes 2004, section 290.01,
6 subdivision 6, is amended to read:

7 Subd. 6. [TAXPAYER.] The term "taxpayer" means any person
8 or corporation subject to a tax imposed by this chapter. For
9 ~~purposes of section 290.067, subdivision 23, the term "taxpayer"~~
10 ~~means an individual eligible to vote in Minnesota under section~~
11 ~~201.014.~~

12 [EFFECTIVE DATE.] This section is effective for political
13 contribution refund claims based on contributions that are made
14 on or after July 1, 2005.

15 Sec. 27. Minnesota Statutes 2004, section 290.92,
16 subdivision 1, is amended to read:

17 Subdivision 1. [DEFINITIONS.] (1) [WAGES.] For purposes
18 of this section, the term "wages" means the same as that term is
19 defined in section 3401(a) and (f) of the Internal Revenue Code.

20 (2) [PAYROLL PERIOD.] For purposes of this section the
21 term "payroll period" means a period for which a payment of
22 wages is ordinarily made to the employee by the employee's
23 employer, and the term "miscellaneous payroll period" means a
24 payroll period other than a daily, weekly, biweekly,
25 semimonthly, monthly, quarterly, semiannual, or annual payroll
26 period.

27 (3) [EMPLOYEE.] For purposes of this section the term
28 "employee" means any resident individual performing services for
29 an employer, either within or without, or both within and
30 without the state of Minnesota, and every nonresident individual
31 performing services within the state of Minnesota, the
32 performance of which services constitute, establish, and
33 determine the relationship between the parties as that of
34 employer and employee. As used in the preceding sentence, the
35 term "employee" includes an officer of a corporation, and an
36 officer, employee, or elected official of the United States, a

1 state, or any political subdivision thereof, or the District of
2 Columbia, or any agency or instrumentality of any one or more of
3 the foregoing.

4 (4) [EMPLOYER.] For purposes of this section the term
5 "employer" means any person, including individuals, fiduciaries,
6 estates, trusts, partnerships, limited liability companies, and
7 corporations transacting business in or deriving any income from
8 sources within the state of Minnesota for whom an individual
9 performs or performed any service, of whatever nature, as the
10 employee of such person, except that if the person for whom the
11 individual performs or performed the services does not have
12 legal control of the payment of the wages for such services, the
13 term "employer," except for purposes of paragraph (1), means the
14 person having legal control of the payment of such wages. As
15 used in the preceding sentence, the term "employer" includes any
16 corporation, individual, estate, trust, or organization which is
17 exempt from taxation under section 290.05 and further includes,
18 but is not limited to, officers of corporations who have legal
19 control, either individually or jointly with another or others,
20 of the payment of the wages.

21 (5) [NUMBER OF WITHHOLDING EXEMPTIONS CLAIMED.] For
22 purposes of this section, the term "number of withholding
23 exemptions claimed" means the number of withholding exemptions
24 claimed in a withholding exemption certificate in effect under
25 subdivision 5, except that if no such certificate is in effect,
26 the number of withholding exemptions claimed shall be considered
27 to be zero.

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

30 Sec. 28. Minnesota Statutes 2004, section 325D.33,
31 subdivision 6, is amended to read:

32 Subd. 6. [VIOLATIONS.] If the commissioner determines that
33 a distributor is violating any provision of this chapter, the
34 commissioner must give the distributor a written warning
35 explaining the violation and an explanation of what must be done
36 to comply with this chapter. Within ten days of issuance of the

1 warning, the distributor must notify the commissioner that the
2 distributor has complied with the commissioner's recommendation
3 or request that the commissioner set the issue for a hearing
4 pursuant to chapter 14. If a hearing is requested, the hearing
5 shall be scheduled within 20 days of the request and the
6 recommendation of the administrative law judge shall be issued
7 within five working days of the close of the hearing. The
8 commissioner's final determination shall be issued within five
9 working days of the receipt of the administrative law judge's
10 recommendation. If the commissioner's final determination is
11 adverse to the distributor and the distributor does not comply
12 within ten days of receipt of the commissioner's final
13 determination, the commissioner may order the distributor to
14 immediately cease the stamping of cigarettes. As soon as
15 practicable after the order, the commissioner must remove the
16 meter and any unapplied cigarette stamps from the premises of
17 the distributor.

18 If within ten days of issuance of the written warning the
19 distributor has not complied with the commissioner's
20 recommendation or requested a hearing, the commissioner may
21 order the distributor to immediately cease the stamping of
22 cigarettes and remove the meter and unapplied stamps from the
23 distributor's premises.

24 ~~If, within any 12-month period, the commissioner has issued~~
25 ~~three written warnings to any distributor, even if the~~
26 ~~distributor has complied within ten days, the commissioner shall~~
27 ~~notify the distributor of the commissioner's intent to revoke~~
28 ~~the distributor's license for a continuing course of conduct~~
29 ~~contrary to this chapter. For purposes of this paragraph, a~~
30 ~~written warning that was ultimately resolved by removal of the~~
31 ~~warning by the commissioner is not deemed to be a warning. The~~
32 ~~commissioner must notify the distributor of the date and time of~~
33 ~~a hearing pursuant to chapter 14 at least 20 days before the~~
34 ~~hearing is held. The hearing must provide an opportunity for~~
35 ~~the distributor to show cause why the license should not be~~
36 ~~revoked. If the commissioner revokes a distributor's license,~~

1 ~~the commissioner shall not issue a new license to that~~
2 ~~distributor for 180 days.~~

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

5 Sec. 29. [459.21] [GAMBLING SUBSIDIES; REFERENDUM
6 APPROVAL.]

7 No city or county may provide an exemption from a tax or
8 fee, an abatement of a tax, or fee or any other type of public
9 subsidy to an enterprise engaged in gambling, unless the
10 question of whether to provide the exemption, abatement, or
11 subsidy has been submitted to the voters at a special or general
12 election and a majority of the votes cast on the question are in
13 the affirmative.

14 For purposes of this section, the following terms have the
15 meanings given:

16 (1) "Gambling" means conducting class III gaming as defined
17 in United States Code, title 25, section 2703.

18 (2) "Public subsidy" does not include (i) construction of
19 public infrastructure unless the predominant use of the
20 infrastructure is to serve an enterprise engaged in gambling or
21 (ii) the use, maintenance, or reconstruction (without expansion)
22 of preexisting infrastructure.

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

25 Sec. 30. Minnesota Statutes 2004, section 645.44, is
26 amended by adding a subdivision to read:

27 Subd. 19. [FEE AND TAX.] (a) "Tax" means any fee, charge,
28 exaction, or assessment imposed by a governmental entity on an
29 individual, person, entity, transaction, good, service, or other
30 thing. It excludes a price that an individual or entity chooses
31 voluntarily to pay in return for receipt of goods or services
32 provided by the governmental entity. A government good or
33 service does not include access to or the authority to engage in
34 private market transactions with a nongovernmental party, such
35 as licenses to engage in a trade, profession, or business or to
36 improve private property.

1 (b) For purposes of applying the laws of this state, a
2 "fee," "charge," or other similar term that satisfies the
3 functional requirements of paragraph (a) must be treated as a
4 tax for all purposes, regardless of whether the statute or law
5 names or describes it as a tax. The provisions of this
6 subdivision do not preempt or supersede limitations under
7 statute or law that apply to fees, charges, or assessments.

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

10 Sec. 31. [TAX REFORM COMMISSION.]

11 Subdivision 1. [COMMISSION ESTABLISHED.] A tax reform
12 action commission is established in the legislative branch to
13 study the Minnesota tax and revenue system and to make
14 recommendations to the legislature.

15 Subd. 2. [MEMBERSHIP.] (a) The commission consists of 15
16 members, appointed as follows:

17 (1) three members appointed by the governor, two from the
18 executive branch and one from private life;

19 (2) four members appointed by the majority leader of the
20 senate, two members of the senate and two from private life;

21 (3) two members appointed by the minority leader of the
22 senate, one member of the senate and one from private life;

23 (4) four members appointed by the speaker of the house of
24 representatives, two members of the house of representatives and
25 two from private life; and

26 (5) two members appointed by the minority leader of the
27 house of representatives, one member of the house of
28 representatives and one from private life.

29 (b) The appointing authority shall select members who are
30 of recognized standing and distinction and who possess
31 demonstrated capacity to discharge the duties of the
32 commission. In making appointments, the appointing authorities
33 shall attempt to appoint some individuals to the commission who
34 have special experience or knowledge in taxation, economics, and
35 accounting.

36 (c) The governor shall designate a member of the commission

1 as its chair who shall determine its duties and supervise its
2 staff.

3 (d) The appointing authorities shall appoint members of the
4 commission not more than 30 days after enactment of this
5 section. Members serve for the life of the commission. A
6 vacancy in the commission membership does not affect the power
7 of the remaining members to execute the duties of the
8 commission. A vacancy in commission membership is filled in the
9 same manner in which the original appointment was made.

10 Subd. 3. [DUTIES; REPORT.] (a) The commission shall study
11 and evaluate the Minnesota state and local tax and revenue
12 system with a goal of making long-term improvements in the
13 system for the citizens of the state, given standard principles
14 of good tax policy and the background of expected demographic
15 and economic changes in the state, nation, and world. The
16 commission's recommendations must be done on a revenue neutral
17 basis. In particular, the commission shall examine:

18 (1) the mix of state revenues between tax revenues and fees
19 and charges for services used or benefits received;

20 (2) the implications of likely demographic and economic
21 changes, affecting both (i) the demands for state and local
22 government services and (ii) taxes and other revenues; and

23 (3) the extent to which the existing tax system and the
24 commission's proposal satisfy the following basic tax policy
25 principles:

26 (i) equity or fairness, including measures based on ability
27 to pay, equal treatment of equals, and payment for benefits
28 received;

29 (ii) neutrality or efficiency, the extent to which the
30 effects on private market decisions are minimized;

31 (iii) revenue adequacy, the extent to which the revenues
32 are stable and predictable and grow with increases in income or
33 economic activity;

34 (iv) competitiveness, the extent to which negative effects
35 on the state's attractiveness as a location for investment,
36 working, and living are minimized;

1 (v) simplicity, the extent to which it is easy to
2 understand;

3 (vi) ease of compliance and administration, the extent to
4 which taxpayers can easily comply and the government can easily
5 administer it; and

6 (vii) visibility or accountability, the extent to which the
7 taxes or other charges are clear and apparent to their payers as
8 a cost of government and that the government officials imposing
9 the tax are accountable, through election or otherwise, to the
10 principal payers of the tax.

11 (b) The commission shall report to the legislature as
12 provided in this paragraph. Each report must include the
13 commission's evaluation of the tax or taxes, its recommendations
14 for reform and improvement of the tax or taxes on a revenue
15 neutral basis, its rationale for the proposed changes, and a
16 draft bill implementing the commission's recommendation for
17 introduction in the legislature. The reports must be submitted
18 by the following dates:

19 (1) corporate and other business taxation, including the
20 credit for increasing research activities, by July 1, 2007;

21 (2) general sales and motor vehicle sales and special
22 excise taxes by July 1, 2008;

23 (3) individual income taxation by July 1, 2009; and

24 (4) estate, insurance premium, MinnesotaCare, and all other
25 taxes not covered by clauses (1) to (3) by July 1, 2010.

26 Subd. 4. [PER DIEM AND EXPENSES.] Members of the
27 commission may be compensated and receive reimbursement for
28 expenses, as provided for members of advisory councils under
29 Minnesota Statutes, section 15.059, subdivision 3. This
30 subdivision does not apply to members of the legislature or
31 state employees.

32 Subd 5. [STAFF.] The commission may employ staff as it
33 deems appropriate to carry out its duties or use existing
34 legislative and executive branch staff. All staff are in the
35 unclassified state service. Legislative staff and the
36 Department of Revenue staff must provide research, bill

1 drafting, and other services to the commission upon its
2 request. The commission may contract with consultants for
3 research and other services and enter other contracts, as it
4 deems necessary or appropriate to carry out its duties. These
5 contracts are not subject to the requirements of Minnesota
6 Statutes, chapter 16C.

7 Subd. 6. [EXPIRATION.] The commission terminates 30 days
8 after transmitting its final report to the legislature under
9 subdivision 3, paragraph (b).

10 [EFFECTIVE DATE.] This section is effective the day
11 following final enactment.

12 Sec. 32. [TRANSFER.]

13 On July 1, 2005, the commissioner of finance shall transfer
14 \$3,408,000 and any additional amount from the tax relief account
15 under Minnesota Statutes, section 16A.1522, subdivision 4, to
16 the general fund.

17 Sec. 33. [APPROPRIATION.]

18 (a) \$125,000 in fiscal year 2006 and \$125,000 in fiscal
19 year 2007 are appropriated from the general fund to the
20 commissioner of revenue to make grants to one or more nonprofit
21 organizations, qualifying under section 501(c)(3) of the
22 Internal Revenue Code of 1986, to coordinate, facilitate,
23 encourage, and aid in the provision of taxpayer assistance
24 services. This is a onetime appropriation and is not added to
25 the base.

26 (b) "Taxpayer assistance services" mean accounting and tax
27 preparation services provided by volunteers to low-income and
28 disadvantaged Minnesota residents to help them file federal and
29 state income tax returns and Minnesota property tax refund
30 claims and to provide personal representation before the
31 Department of Revenue and Internal Revenue Service.

32 Sec. 34. [REPEALER.]

33 (a) Minnesota Statutes 2004, section 10A.322, subdivision
34 4, is repealed effective July 1, 2005.

35 (b) Minnesota Statutes 2004, section 16A.1522, subdivision
36 4, is repealed effective July 2, 2005.

1 (c) Minnesota Statutes 2004, section 290.06, subdivision
2 23, is repealed effective for contributions made after June 30,
3 2005.

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10A.322 SPENDING LIMIT AGREEMENTS.

Subd. 4. Refund receipt forms; penalty. The board must make available to a political party on request and to any candidate for whom an agreement under this section is effective, a supply of official refund receipt forms that state in boldface type that (1) a contributor who is given a receipt form is eligible to claim a refund as provided in section 290.06, subdivision 23, and (2) if the contribution is to a candidate, that the candidate has signed an agreement to limit campaign expenditures as provided in this section. The forms must provide duplicate copies of the receipt to be attached to the contributor's claim. A candidate who does not sign an agreement under this section and who willfully issues an official refund receipt form or a facsimile of one to any of the candidate's contributors is guilty of a misdemeanor.

16A.1522 REBATE REQUIREMENTS.

Subd. 4. Transfer to tax relief account. Any positive unrestricted budgetary general fund balance on June 30 of an odd-numbered year is appropriated to the commissioner for transfer to the tax relief account.

270.85 REVIEW OF VALUATION.

A railroad company may within ten days of the date of the notice of valuation file a written request for a conference with the commissioner relating to the value of its operating property. The commissioner shall thereupon designate a time and place for the conference which the commissioner shall conduct, upon commissioner's entire files and records and such further information as may be offered. The conference must be held no later than 20 days after the date of the commissioner's valuation notice. At a reasonable time after such conference the commissioner shall make a final determination of the fair market value of the operating property of the railroad company and shall notify the company promptly of the determination.

270.88 PROCEEDINGS AND APPEALS.

The commissioner's final determination under section 270.85 and certification to county assessors under section 270.87 shall be final orders appealable to the Tax Court in accordance with chapter 271. Appeals by railroad companies under Laws 1979, Chapter 303 shall be taken against the commissioner and not against the county or taxing district to which payment is made. Upon the filing of any appeal by a railroad company, the commissioner shall give notice thereof by first class mail to each county which would be affected by the appeal.

272.02 EXEMPT PROPERTY.

Subd. 65. Biotechnology and health sciences industry zone property. (a) Improvements to real property, and personal property, classified under section 273.13, subdivision 24, and located within a biotechnology and health sciences industry zone are exempt from ad valorem taxes levied under chapter 275, as provided in this subdivision.

(b) For property to qualify for exemption under paragraph (a), the occupant must be a qualified business, as defined in section 469.330.

(c) The exemption applies beginning for the first assessment year after designation of the biotechnology and health sciences industry zone by the commissioner of employment and economic development. The exemption applies to each assessment year that begins during the duration of the biotechnology and health sciences industry zone. This exemption

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does not apply to:

(1) a levy under section 475.61 or similar levy provisions under any other law to pay general obligation bonds; or

(2) a levy under section 126C.17, if the levy was approved by the voters before the designation of the biotechnology and health sciences industry zone.

(d) The exemption does not apply to taxes imposed by a city, town, or county, unless the governing body adopts a resolution granting the exemption. A city, town, or county may provide a complete property tax exemption, partial property tax exemption, or no property tax exemption to qualified businesses in the biotechnology and health sciences industry zone. "City" includes a statutory or home rule charter city.

(e) For property located in a tax increment financing district, the county shall not adjust the original net tax capacity of the district under section 469.177, subdivision 1, paragraph (a), upon the expiration of an exemption under this subdivision.

273.19 LESSEES AND EQUITABLE OWNERS.

Subd. 5. **Property used for production of hydro power.** Notwithstanding the provisions of subdivision 4, real and personal property used or to be used primarily for the production of hydroelectric or hydromechanical power and leased from the state or a local governmental unit pursuant to section 103G.535 may be exempt from taxation or payments in lieu of taxes.

The exemption from taxation or payments in lieu of taxes provided by this subdivision does not apply to hydroelectric or hydromechanical facilities operated at any time between January 1, 1980 and January 1, 1984.

273.37 COMPANIES SUPPLYING ELECTRIC POWER.

Subd. 3. **Taxable wind energy conversion systems.** Taxable wind energy conversion systems, as defined in section 216C.06, subdivision 19, which are not owned, operated, and exclusively controlled by the owner of the land upon which the system is situated, must be listed and assessed by the commissioner of revenue as personal property in the name of the owner of the system in the taxing district where it is situated.

274.05 AUDITOR'S CERTIFICATES.

Subdivision 1. **Auditor's certificate of assessment books.** Upon the return of the assessment books under section 274.04, the county auditor shall examine them; and, if found in proper form, shall issue a certificate to the assessor. The certificate must state that the books comply with section 274.04. The assessor shall file the certificate with the clerk of the town. The town board must not pay the assessor for services until the assessor has complied with this section.

Subd. 2. **Auditor's certificate of summaries.** On receiving the summaries under section 274.04, subdivision 2, the county auditor shall examine them and, if found in proper form, shall issue a certificate to the assessor. The certificate must state that the summaries comply with section 274.04, subdivision 2.

275.065 PROPOSED PROPERTY TAXES; NOTICE.

Subd. 5a. **Public advertisement.** (a) A city that has a population of more than 2,500, county, a metropolitan special taxing district as defined in subdivision 3, paragraph (i), a regional library district established under section 134.201, or

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school district shall advertise in a newspaper a notice of its intent to adopt a budget and property tax levy or, in the case of a school district, to review its current budget and proposed property taxes payable in the following year, at a public hearing, if a public hearing is required under subdivision 6. The notice must be published not less than two business days nor more than six business days before the hearing.

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

For purposes of this section, the metropolitan special taxing district's advertisement must only be published in the Minneapolis Star and Tribune and the Saint Paul Pioneer Press.

In addition to other requirements, a county and a city having a population of more than 2,500 must show in the public advertisement required under this subdivision the current local tax rate, the proposed local tax rate if no property tax levy increase is adopted, and the proposed rate if the proposed levy is adopted. For purposes of this subdivision, "local tax rate" means the city's or county's net tax capacity levy divided by the city's or county's taxable net tax capacity.

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

"NOTICE OF
PROPOSED PROPERTY TAXES
(School District/Metropolitan
Special Taxing District/Regional
Library District) of

The governing body of will soon hold budget hearings and vote on the property taxes for (metropolitan special taxing district/regional library district services that will be provided in (year)/school district services that will be provided in (year) and (year)).

NOTICE OF PUBLIC HEARING:

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

(c) The advertisement for cities and counties must be in the following form.

"NOTICE OF PROPOSED
TOTAL BUDGET AND PROPERTY TAXES

The (city/county) governing body or board of commissioners will hold a public hearing to discuss the budget and to vote on the amount of property taxes to collect for services the (city/county) will provide in (year).

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SPENDING: The total budget amounts below compare (city's/county's) (year) total actual budget with the amount the (city/county) proposes to spend in (year).

(Year) Total Actual Budget	Proposed (Year) Budget	Change from (Year)-(Year)
\$.....	\$.....	...%

TAXES: The property tax amounts below compare that portion of the current budget levied in property taxes in (city/county) for (year) with the property taxes the (city/county) proposes to collect in (year).

(Year) Property Taxes	Proposed (Year) Property Taxes	Change from (Year)-(Year)
\$.....	\$.....	...%

LOCAL TAX RATE COMPARISON: The current local tax rate, the local tax rate if no tax levy increase is adopted, and the proposed local tax rate if the proposed levy is adopted.

(Year) Tax Rate	(Year) Tax Rate if NO Levy Increase	(Year) Proposed Tax Rate
.....

ATTEND THE PUBLIC HEARING

All (city/county) residents are invited to attend the public hearing of the (city/county) to express your opinions on the budget and the proposed amount of (year) property taxes. The hearing will be held on:

(Month/Day/Year/Time)
 (Location/Address)

If the discussion of the budget cannot be completed, a time and place for continuing the discussion will be announced at the hearing. You are also invited to send your written comments to:

(City/County)
 (Location/Address)"

(d) For purposes of this subdivision, the budget amounts listed on the advertisement mean:

(1) for cities, the total government fund expenditures, as defined by the state auditor under section 471.6965, less any expenditures for improvements or services that are specially assessed or charged under chapter 429, 430, 435, or the provisions of any other law or charter; and

(2) for counties, the total government fund expenditures, as defined by the state auditor under section 375.169, less any expenditures for direct payments to recipients or providers for the human service aids listed below:

(i) Minnesota family investment program under chapters 256J and 256K;

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

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

(iv) general assistance under section 256D.03, subdivision

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2;

- (v) emergency assistance under section 256J.48;
- (vi) Minnesota supplemental aid under section 256D.36, subdivision 1;
- (vii) preadmission screening under section 256B.0911, and alternative care grants under section 256B.0913;
- (viii) general assistance medical care claims processing, medical transportation and related costs under section 256D.03, subdivision 4;
- (ix) medical transportation and related costs under section 256B.0625, subdivisions 17 to 18a;
- (x) group residential housing under section 256I.05, subdivision 8, transferred from programs in clauses (iv) and (vi); or
- (xi) any successor programs to those listed in clauses (i) to (x).

(e) A city with a population of over 500 but not more than 2,500 that is required to hold a public hearing under subdivision 6 must advertise by posted notice as defined in section 645.12, subdivision 1. The advertisement must be posted at the time provided in paragraph (a). It must be in the form required in paragraph (b).

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

(g) The commissioner of revenue, subject to the approval of the chairs of the house and senate tax committees, shall prescribe the form and format of the advertisements required under this subdivision.

Subd. 6. Public hearing; adoption of budget and levy.

(a) For purposes of this section, the following terms shall have the meanings given:

(1) "Initial hearing" means the first and primary hearing held to discuss the taxing authority's proposed budget and proposed property tax levy for taxes payable in the following year, or, for school districts, the current budget and the proposed property tax levy for taxes payable in the following year.

(2) "Continuation hearing" means a hearing held to complete the initial hearing, if the initial hearing is not completed on its scheduled date.

(3) "Subsequent hearing" means the hearing held to adopt the taxing authority's final property tax levy, and, in the case of taxing authorities other than school districts, the final budget, for taxes payable in the following year.

(b) Between November 29 and December 20, the governing bodies of a city that has a population over 500, county, metropolitan special taxing districts as defined in subdivision 3, paragraph (i), and regional library districts shall each hold an initial public hearing to discuss and seek public comment on its final budget and property tax levy for taxes payable in the following year, and the governing body of the school district shall hold an initial public hearing to review its current budget and proposed property tax levy for taxes payable in the following year. The metropolitan special taxing districts shall be required to hold only a single joint initial public hearing, the location of which will be determined by the affected metropolitan agencies. A city, county, metropolitan special taxing district as defined in subdivision 3, paragraph (i),

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regional library district established under section 134.201, or school district is not required to hold a public hearing under this subdivision unless its proposed property tax levy for taxes payable in the following year, as certified under subdivision 1, has increased over its final property tax levy for taxes payable in the current year by a percentage that is greater than the percentage increase in the implicit price deflator for government consumption expenditures and gross investment for state and local governments prepared by the Bureau of Economic Analysts of the United States Department of Commerce for the 12-month period ending March 31 of the current year.

(c) The initial hearing must be held after 5:00 p.m. if scheduled on a day other than Saturday. No initial hearing may be held on a Sunday.

(d) At the initial hearing under this subdivision, the percentage increase in property taxes proposed by the taxing authority, if any, and the specific purposes for which property tax revenues are being increased must be discussed. During the discussion, the governing body shall hear comments regarding a proposed increase and explain the reasons for the proposed increase. The public shall be allowed to speak and to ask questions. At the public hearing, the school district must also provide and discuss information on the distribution of its revenues by revenue source, and the distribution of its spending by program area.

(e) If the initial hearing is not completed on its scheduled date, the taxing authority must announce, prior to adjournment of the hearing, the date, time, and place for the continuation of the hearing. The continuation hearing must be held at least five business days but no more than 14 business days after the initial hearing. A continuation hearing may not be held later than December 20 except as provided in paragraphs (f) and (g). A continuation hearing must be held after 5:00 p.m. if scheduled on a day other than Saturday. No continuation hearing may be held on a Sunday.

(f) The governing body of a county shall hold its initial hearing on the first Thursday in December each year, and may hold additional initial hearings on other dates before December 20 if necessary for the convenience of county residents. If the county needs a continuation of its hearing, the continuation hearing shall be held on the third Tuesday in December. If the third Tuesday in December falls on December 21, the county's continuation hearing shall be held on Monday, December 20.

(g) The metropolitan special taxing districts shall hold a joint initial public hearing on the first Wednesday of December. A continuation hearing, if necessary, shall be held on the second Wednesday of December even if that second Wednesday is after December 10.

(h) The county auditor shall provide for the coordination of initial and continuation hearing dates for all school districts and cities within the county to prevent conflicts under clauses (i) and (j).

(i) By August 10, each school board and the board of the regional library district shall certify to the county auditors of the counties in which the school district or regional library district is located the dates on which it elects to hold its initial hearing and any continuation hearing. If a school board or regional library district does not certify these dates by August 10, the auditor will assign the initial and continuation

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hearing dates. The dates elected or assigned must not conflict with the initial and continuation hearing dates of the county or the metropolitan special taxing districts.

(j) By August 20, the county auditor shall notify the clerks of the cities within the county of the dates on which school districts and regional library districts have elected to hold their initial and continuation hearings. At the time a city certifies its proposed levy under subdivision 1 it shall certify the dates on which it elects to hold its initial hearing and any continuation hearing. Until September 15, the first and second Mondays of December are reserved for the use of the cities. If a city does not certify its hearing dates by September 15, the auditor shall assign the initial and continuation hearing dates. The dates elected or assigned for the initial hearing must not conflict with the initial hearing dates of the county, metropolitan special taxing districts, regional library districts, or school districts within which the city is located. To the extent possible, the dates of the city's continuation hearing should not conflict with the continuation hearing dates of the county, metropolitan special taxing districts, regional library districts, or school districts within which the city is located. This paragraph does not apply to cities of 500 population or less.

(k) The county initial hearing date and the city, metropolitan special taxing district, regional library district, and school district initial hearing dates must be designated on the notices required under subdivision 3. The continuation hearing dates need not be stated on the notices.

(l) At a subsequent hearing, each county, school district, city over 500 population, and metropolitan special taxing district may amend its proposed property tax levy and must adopt a final property tax levy. Each county, city over 500 population, and metropolitan special taxing district may also amend its proposed budget and must adopt a final budget at the subsequent hearing. The final property tax levy must be adopted prior to adopting the final budget. A school district is not required to adopt its final budget at the subsequent hearing. The subsequent hearing of a taxing authority must be held on a date subsequent to the date of the taxing authority's initial public hearing. If a continuation hearing is held, the subsequent hearing must be held either immediately following the continuation hearing or on a date subsequent to the continuation hearing. The subsequent hearing may be held at a regularly scheduled board or council meeting or at a special meeting scheduled for the purposes of the subsequent hearing. The subsequent hearing of a taxing authority does not have to be coordinated by the county auditor to prevent a conflict with an initial hearing, a continuation hearing, or a subsequent hearing of any other taxing authority. All subsequent hearings must be held prior to five working days after December 20 of the levy year. The date, time, and place of the subsequent hearing must be announced at the initial public hearing or at the continuation hearing.

(m) The property tax levy certified under section 275.07 by a city of any population, county, metropolitan special taxing district, regional library district, or school district must not exceed the proposed levy determined under subdivision 1, except by an amount up to the sum of the following amounts:

- (1) the amount of a school district levy whose voters

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approved a referendum to increase taxes under section 123B.63, subdivision 3, or 126C.17, subdivision 9, after the proposed levy was certified;

(2) the amount of a city or county levy approved by the voters after the proposed levy was certified;

(3) the amount of a levy to pay principal and interest on bonds approved by the voters under section 475.58 after the proposed levy was certified;

(4) the amount of a levy to pay costs due to a natural disaster occurring after the proposed levy was certified, if that amount is approved by the commissioner of revenue under subdivision 6a;

(5) the amount of a levy to pay tort judgments against a taxing authority that become final after the proposed levy was certified, if the amount is approved by the commissioner of revenue under subdivision 6a;

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

(7) the amount required under section 126C.55.

(n) This subdivision does not apply to towns and special taxing districts other than regional library districts and metropolitan special taxing districts.

(o) Notwithstanding the requirements of this section, the employer is required to meet and negotiate over employee compensation as provided for in chapter 179A.

Subd. 6b. Joint public hearings. Notwithstanding any other provision of law, any city with a population of 10,000 and over, may conduct a more comprehensive public hearing than is contained in subdivision 6 by including a board member from the county, a board member from the school district located within the city's boundary, and a representative of the metropolitan council, if the city is in the metropolitan area, as defined in section 473.121, subdivision 2, at the city's public hearing. All provisions regarding the public hearings under subdivision 6 are applicable to the joint public hearings under this subdivision.

Upon the adoption of a resolution by the governing body of the city to hold a joint hearing, the city shall notify the county, the school district, and the Metropolitan Council if the city is in the metropolitan area, of the decision to hold a joint public hearing and request a board member from each of those taxing authorities, and the member or the designee of the Metropolitan Council if applicable, to be at the joint hearing. If the city is located in more than one county, the city may choose to request a county board member from each county or only from the county containing the majority of the city's market value. If more than one school district is partially or totally located within the city, the city may choose to request a school district board member from each school district, or a board member only from the school district containing the majority of the city's market value. If, as a result of requests under this subdivision, there are not sufficient board members in the county or the school district to attend the joint hearing, the county or school district may send a nonelected person working for its taxing authority to speak on the authority's behalf. The city may also invite each state senator and representative who represents the city, or a portion of the city, to come to

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the joint hearing.

The primary purpose of the joint hearing is to discuss the city's budget and property tax levy. The county and school district officials, and Metropolitan Council representative, if the city is in the metropolitan area, should be prepared to answer questions relevant to its budget and levy and the effect that its levy has on the property owners in the city.

If a city conducts a hearing under this subdivision, this hearing is in lieu of the initial hearing required under subdivision 6. However, the city is still required to adopt its proposed property tax levy at a subsequent hearing as provided under subdivision 6. The hearings under this subdivision do not relieve a county, school district, or the Metropolitan Council of the requirement to hold its individual hearing under subdivision 6.

Subd. 8. Hearing. Notwithstanding any other provision of law, Ramsey County, the city of St. Paul, and Independent School District No. 625 are authorized to and shall hold their initial public hearing jointly. The hearing must be held on the second Tuesday of December each year. The advertisement required in subdivision 5a may be a joint advertisement. The hearing is otherwise subject to the requirements of this section.

Ramsey County is authorized to hold an additional initial hearing or hearings as provided under this section, provided that any additional hearings must not conflict with the initial or continuation hearing dates of the other taxing districts. However, if Ramsey County elects not to hold such additional initial hearing or hearings, the joint initial hearing required by this subdivision must be held in a St. Paul location convenient to residents of Ramsey County.

275.15 NOT TO INCREASE LEVIES.

Sections 275.124 to 275.16 shall not authorize, nor be construed as, in any instance, authorizing the levy of total amounts of taxes in any year in excess of the amount allowed by law at the time of the passage of these sections, but shall be considered an additional limitation.

275.61 VOTER APPROVED LEVY; MARKET VALUE; NET TAX CAPACITY CONVERSION.

283.07 TAXES PAID BY MISTAKE ON RAILROAD LANDS.

When it shall be made to appear to the board of county commissioners of any county that any person has heretofore by mistake paid taxes on real estate based on the good faith belief at the time of payment that the person was the owner, in which real estate the person never owned any right, title, or interest, and which real estate had never been sold to any person by such railroad company; but was, at the time of the assessment and payment of such taxes, owned by a railroad company and exempt from taxation, the county commissioners shall certify the facts to the state auditor, and the state auditor shall, if satisfied, upon consultation with the attorney general, that the facts stated by the petitioner requesting reimbursement are true, authorize the refunding to the person who has paid such taxes the full amount so paid, together with interest thereon from the date of such payment, and thereafter the county auditor shall draw an order, for the sum so authorized to be refunded, on the treasurer of such county, to be countersigned and paid as other county orders. The several funds, state, county, town, city, school and other, shall be

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charged with their several proportions of the amount so refunded.
290.06 RATES OF TAX; CREDITS.

Subd. 23. Refund of contributions to political parties and candidates. (a) A taxpayer may claim a refund equal to the amount of the taxpayer's contributions made in the calendar year to candidates and to a political party. The maximum refund for an individual must not exceed \$50 and for a married couple, filing jointly, must not exceed \$100. A refund of a contribution is allowed only if the taxpayer files a form required by the commissioner and attaches to the form a copy of an official refund receipt form issued by the candidate or party and signed by the candidate, the treasurer of the candidate's principal campaign committee, or the chair or treasurer of the party unit, after the contribution was received. The receipt forms must be numbered, and the data on the receipt that are not public must be made available to the campaign finance and public disclosure board upon its request. A claim must be filed with the commissioner no sooner than January 1 of the calendar year in which the contribution was made and no later than April 15 of the calendar year following the calendar year in which the contribution was made. A taxpayer may file only one claim per calendar year. Amounts paid by the commissioner after June 15 of the calendar year following the calendar year in which the contribution was made must include interest at the rate specified in section 270.76.

(b) No refund is allowed under this subdivision for a contribution to a candidate unless the candidate:

(1) has signed an agreement to limit campaign expenditures as provided in section 10A.322;

(2) is seeking an office for which voluntary spending limits are specified in section 10A.25; and

(3) has designated a principal campaign committee.

This subdivision does not limit the campaign expenditures of a candidate who does not sign an agreement but accepts a contribution for which the contributor improperly claims a refund.

(c) For purposes of this subdivision, "political party" means a major political party as defined in section 200.02, subdivision 7, or a minor political party qualifying for inclusion on the income tax or property tax refund form under section 10A.31, subdivision 3a.

A "major party" or "minor party" includes the aggregate of that party's organization within each house of the legislature, the state party organization, and the party organization within congressional districts, counties, legislative districts, municipalities, and precincts.

"Candidate" means a candidate as defined in section 10A.01, subdivision 10, except a candidate for judicial office.

"Contribution" means a gift of money.

(d) The commissioner shall make copies of the form available to the public and candidates upon request.

(e) The following data collected or maintained by the commissioner under this subdivision are private: the identities of individuals claiming a refund, the identities of candidates to whom those individuals have made contributions, and the amount of each contribution.

(f) The commissioner shall report to the campaign finance and public disclosure board by each August 1 a summary showing the total number and aggregate amount of political contribution

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refunds made on behalf of each candidate and each political party. These data are public.

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

(h) For a taxpayer who files a claim for refund via the Internet or other electronic means, the commissioner may accept the number on the official receipt as documentation that a contribution was made rather than the actual receipt as required by paragraph (a).

297A.61 DEFINITIONS.

297A.62 SALES TAX IMPOSED; RATES.

Subd. 2. **Liquor and beer sales.** The rate of the sales tax imposed is nine percent on the gross receipts from retail sales of:

(1) intoxicating liquor, as defined in section 340A.101, subdivision 14; and

(2) 3.2 percent malt liquor, as defined in section 340A.101, subdivision 19, when sold at an on-sale or off-sale municipal liquor store or other establishment licensed to sell any type of intoxicating liquor.

297A.64 RENTAL MOTOR VEHICLE TAX IMPOSED; RATE.

Subdivision 1. **Tax imposed.** A tax is imposed on the lease or rental in this state for not more than 28 days of a passenger automobile as defined in section 168.011, subdivision 7, a van as defined in section 168.011, subdivision 28, or a pickup truck as defined in section 168.011, subdivision 29. The rate of tax is 6.2 percent of the sales price. The tax applies whether or not the vehicle is licensed in the state.

297A.68 BUSINESS EXEMPTIONS.

297A.71 CONSTRUCTION EXEMPTIONS.

297E.12 CIVIL PENALTIES.

Subd. 10. **Order payments credited.** All payments received may be credited first to the oldest liability not secured by a judgment or lien in the discretion of the commissioner of revenue, but in all cases must be credited first to penalties, next to interest, and then to the tax due.

469.1794 DURATION EXTENSION TO OFFSET DEFICITS.

Subd. 6. **Commissioner authority.** (a) If the municipality determines that the extension permitted under subdivision 5 will not provide sufficient revenue to pay in full the amount of qualifying obligations, the municipality may apply to the commissioner of revenue for an additional duration extension. The commissioner may authorize an extension of the duration of the district of up to two years after determining that:

(1) the insufficiency of revenues to pay the qualifying obligations, which will be offset by the additional extension of the duration limit, result from (i) the changes in the class rates and (ii) elimination of the state-determined general education property tax levy under Laws 2001, First Special Session chapter 5;

(2) the municipality has or is transferring all available increments from other preexisting districts and after August 1, 2001, has not entered into new obligations or authorized new spending that reduced the amount of those increments that are available for transfer to pay qualifying obligations; and

(3) increases in increments over the term of the district are unlikely to eliminate the insufficiency.

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(b) The commissioner may:

(1) establish the form of and time for applications under this subdivision; and

(2) require the municipality to provide the information that the commissioner determines is necessary or useful in evaluating the application.

(c) This subdivision does not apply to a district if the authority has made an election under subdivision 5, paragraph (c).

477A.08 JOB OPPORTUNITY BUILDING ZONE AID.

Subdivision 1. **Eligibility.** (a) For each assessment year that the exemption for job opportunity building zone property is in effect under section 272.02, subdivision 64, the assessor shall determine the difference between the actual net tax capacity and the net tax capacity that would be determined for the job opportunity building zone, including any property removed from the zone that continues to qualify under section 469.320, subdivision 4, if the exemption were not in effect.

(b) Each city and county is eligible for aid equal to one-half of:

(1) the amount by which the sum of the differences determined in paragraph (a) for the corresponding assessment year exceeds three percent of the city's or county's total taxable net tax capacity for taxes payable in 2003, multiplied by

(2) the city's or the county's, as applicable, average local tax rate for taxes payable in 2003.

Subd. 2. **Certification.** The county assessor shall notify the commissioner of revenue of the amount determined under subdivision 1, paragraph (b), clause (1), for any city or county that qualifies for aid under this section by June 30 of the assessment year, in a form prescribed by the commissioner. The commissioner shall notify each city and county of its qualifying aid amount by August 15 of the assessment year.

Subd. 3. **Appropriation; payment.** The commissioner shall pay each city and county its qualifying aid amount by July 20 of the following year. An amount sufficient to pay the aid under this section is appropriated to the commissioner of revenue from the general fund.

HF785

Unofficial Engrossment

Senate Tax bill

(Includes the language of SF1209, SF1683 and SF2206)

A bill for an act

1

2 relating to financing and operation of state and local
3 government; making policy, technical, administrative,
4 enforcement, collection, refund, and other changes to
5 income, franchise, property, sales and use, health
6 care provider, cigarette and tobacco products,
7 insurance premiums, aggregate removal, occupation, net
8 proceeds, and production taxes, and other taxes and
9 tax-related provisions; requiring withholding;
10 modifying income tax rates and providing income tax
11 credits; modifying taxation of certain trusts;
12 modifying taxation of certain compensation paid to
13 nonresidents; providing for taxation of foreign
14 operating corporations; providing tax shelter and
15 compliance initiatives; providing an income tax
16 checkoff; providing a refund for transit passes;
17 modifying and authorizing sales tax exemptions;
18 providing for taxation of liquor and rented vehicles;
19 modifying and authorizing local government sales
20 taxes; modifying the homestead market value credit;
21 modifying certain levies; changing and providing
22 property tax exemptions and value exclusions;
23 modifying the state general levy and providing for
24 deposit of revenues; providing a property tax freeze;
25 providing for aids to local governments; providing for
26 an international economic development zone; conveying
27 certain powers and providing tax incentives in the
28 zone; clarifying the effect of certain statements of
29 taxpayer rights by commissioner of revenue; limiting
30 agricultural processing zone property tax exemption in
31 certain circumstances; defining term "tax"; extending
32 a petrofund fee exemption; extending fiscal disparity
33 computation for city of Bloomington; authorizing
34 distributions of tax proceeds; changing provisions
35 relating to fiscal disparities, education financing,
36 state debt collection procedures, sustainable forest
37 incentives programs, and business subsidy provisions;
38 conforming provisions to certain changes in federal
39 law; changing and imposing powers, duties, and
40 requirements on certain local governments and
41 authorities and state departments or agencies;
42 providing for issuance of obligations by local
43 governments, and use of the proceeds of the debt;
44 requiring transfer of a parking facility; changing tax
45 increment financing and abatement provisions, and
46 providing authorities to certain districts; changing

1 provisions relating to tax preparers and providing for
2 exchange of data; providing for publication of tax
3 preparers subject to penalties; changing provisions
4 relating to certificates of title of motor vehicles
5 and manufactured homes; changing electronic filing
6 provisions; prohibiting misrepresentation of
7 employment; imposing requirements related to JOBZ;
8 prohibiting state contracts with certain vendors;
9 providing for certain payments to certain cities and
10 counties; providing for studies and reports; providing
11 penalties; creating an education reserve account;
12 providing for allocation and transfers of funds;
13 reducing appropriations; appropriating money; amending
14 Minnesota Statutes 2004, sections 4A.02; 15.06,
15 subdivision 6; 16A.152, subdivision 2; 16C.03, by
16 adding a subdivision; 16D.10; 103C.331, subdivision
17 16; 116J.993, subdivision 3, by adding a subdivision;
18 116J.994, subdivisions 4, 5, 9, by adding a
19 subdivision; 118A.05, subdivision 5; 123B.53,
20 subdivisions 4, 5, by adding a subdivision; 123B.55;
21 123B.71, subdivision 9; 126C.01, by adding a
22 subdivision; 126C.17, subdivisions 6, 7, 9, by adding
23 subdivisions; 127A.48, by adding a subdivision;
24 161.1231, by adding a subdivision; 168A.05,
25 subdivisions 1a, 1b; 254B.02, subdivision 3; 270.0603,
26 subdivision 3; 270.0682, subdivision 1; 270.11,
27 subdivision 2; 270.16, subdivision 2; 270.30,
28 subdivisions 1, 5, 6, 8, by adding subdivisions;
29 270.65; 270.67, subdivision 4; 270.69, subdivision 4;
30 270A.03, subdivision 5; 272.01, subdivision 2; 272.02,
31 subdivisions 1a, 7, 22, 47, 53, 56, 64, by adding
32 subdivisions; 272.0211, subdivisions 1, 2; 272.0212,
33 subdivisions 1, 2; 272.029, subdivisions 4, 6; 273.11,
34 subdivisions 1a, 8, by adding subdivisions; 273.112,
35 subdivision 3; 273.123, by adding a subdivision;
36 273.124, subdivisions 1, 3, 6, 8, 13, 14, 21; 273.13,
37 subdivisions 22, 23, 25; 273.1315; 273.1384,
38 subdivisions 1, 3; 273.19, subdivision 1a; 273.372;
39 274.014, subdivisions 2, 3; 274.14; 275.025,
40 subdivision 1; 275.065, subdivisions 1a, 3, by adding
41 subdivisions; 275.066; 275.07, subdivisions 1, 4;
42 275.70, subdivision 5; 276.04, subdivision 2; 276.112;
43 276A.01, subdivision 7; 278.03, subdivision 1; 279.01,
44 subdivision 1, by adding a subdivision; 282.016;
45 282.08; 282.15; 282.21; 282.224; 282.301; 287.04;
46 289A.02, subdivision 7; 289A.08, subdivisions 3, 7,
47 16; 289A.11, subdivision 1; 289A.18, subdivisions 1,
48 4, by adding a subdivision; 289A.19, subdivision 4;
49 289A.20, subdivisions 2, 4; 289A.31, subdivision 2;
50 289A.37, subdivision 5; 289A.38, subdivisions 6, 7, by
51 adding subdivisions; 289A.39, subdivision 1; 289A.40,
52 subdivision 2, by adding subdivisions; 289A.50,
53 subdivision 1a; 289A.60, subdivisions 2a, 6, 11, 12,
54 13, by adding a subdivision; 290.01, subdivisions 6b,
55 7, 7b, 19, 19a, as amended, if enacted, 19b, 19c, 19d,
56 31; 290.032, subdivisions 1, 2; 290.05, subdivision 1;
57 290.06, subdivisions 2c, 2d, 22, 28, by adding
58 subdivisions; 290.067, subdivisions 1, 2a; 290.0671,
59 subdivision 1; 290.0674, subdivisions 1, 2; 290.0675,
60 subdivision 1; 290.091, subdivisions 2, 3; 290.0922,
61 subdivision 2; 290.10; 290.17, subdivisions 2, 4;
62 290.191, subdivision 1; 290.92, subdivisions 1, 4b, by
63 adding a subdivision; 290A.03, subdivisions 3, 15;
64 290A.07, by adding a subdivision; 290A.19; 290B.05,
65 subdivision 3; 290C.05; 290C.10; 291.005, subdivision
66 1; 291.03, subdivision 1; 295.50, subdivision 3, by
67 adding a subdivision; 295.53, subdivision 1; 295.60,
68 subdivision 3; 296A.09, by adding a subdivision;
69 296A.22, by adding a subdivision; 297A.61,
70 subdivisions 3, 4, by adding subdivisions; 297A.64,
71 subdivision 4; 297A.668, subdivisions 1, 5; 297A.67,

1 subdivisions 2, 6, 7, 8, 29, by adding subdivisions;
2 297A.68, subdivisions 2, 4, 5, 19, 28, 35, 39, by
3 adding subdivisions; 297A.70, subdivision 8, by adding
4 a subdivision; 297A.71, subdivision 12, by adding
5 subdivisions; 297A.75, subdivisions 1, 2, 3; 297A.83,
6 subdivision 1; 297A.87, subdivisions 2, 3; 297A.99,
7 subdivisions 4, 7; 297B.03; 297E.01, subdivisions 5,
8 7, by adding subdivisions; 297E.02, subdivision 4;
9 297E.06, subdivision 2; 297E.07; 297F.01, by adding a
10 subdivision; 297F.08, subdivision 12, by adding a
11 subdivision; 297F.09, subdivisions 1, 2, by adding a
12 subdivision; 297F.14, subdivision 4; 297G.09, by
13 adding a subdivision; 297I.01, by adding a
14 subdivision; 297I.05, subdivisions 4, 5, by adding a
15 subdivision; 298.001, by adding subdivisions; 298.01,
16 subdivisions 3, 3a, 4; 298.015, subdivisions 1, 2;
17 298.016, subdivision 4; 298.018; 298.223, subdivision
18 1; 298.24, subdivision 1; 298.28, subdivisions 9b, 10;
19 298.2961, by adding a subdivision; 298.75,
20 subdivisions 1, 2; 325D.33, subdivision 6; 343.11;
21 366.011; 366.012; 373.01, subdivision 3; 373.40,
22 subdivision 1; 373.45, subdivision 7; 400.04, by
23 adding a subdivision; 410.32; 412.301; 428A.101;
24 428A.21; 429.021, subdivision 1; 429.031, by adding a
25 subdivision; 429.051; 469.015, subdivision 4; 469.033,
26 subdivision 6; 469.034, subdivision 2; 469.158;
27 469.169, by adding a subdivision; 469.1735,
28 subdivision 3; 469.174, by adding a subdivision;
29 469.175, subdivisions 1, 2, 4, 6; 469.176, subdivision
30 1c, by adding subdivisions; 469.1761, by adding a
31 subdivision; 469.1763, subdivision 2; 469.1792;
32 469.310, subdivision 11; 473.39, by adding a
33 subdivision; 473.843, subdivisions 3, 5; 473F.02,
34 subdivision 7; 473F.08, subdivision 3a, by adding
35 subdivisions; 474A.061, subdivision 2c; 474A.131,
36 subdivision 1; 475.51, subdivision 4; 475.52,
37 subdivisions 1, 3, 4; 475.521, subdivisions 1, 2, 3,
38 4; 475.58, subdivision 3b; 477A.011, subdivisions 3,
39 34, 36, as amended, 38; 477A.0124, subdivisions 2, 4;
40 477A.013, subdivisions 8, 9; 477A.03, subdivisions 2a,
41 2b; 477A.11, subdivision 4, by adding a subdivision;
42 477A.12, subdivisions 1, 2; 477A.14, subdivision 1;
43 645.44, by adding a subdivision; Laws 1991, chapter
44 291, article 8, section 27, subdivision 4; Laws 1993,
45 chapter 375, article 9, section 46, subdivision 2, as
46 amended; Laws 1994, chapter 587, article 9, section 8,
47 subdivision 1; Laws 1994, chapter 587, article 9,
48 section 20, subdivision 1; Laws 1994, chapter 587,
49 article 9, section 20, subdivision 2; Laws 1996,
50 chapter 471, article 2, section 29; Laws 1998, chapter
51 389, article 3, section 41; Laws 1998, chapter 389,
52 article 3, section 42, subdivision 2, as amended; Laws
53 1998, chapter 389, article 8, section 43, subdivision
54 3; Laws 1998, chapter 389, article 8, section 43,
55 subdivision 4; Laws 1998, chapter 389, article 11,
56 section 19, subdivision 3; Laws 1999, chapter 243,
57 article 4, section 18, subdivision 1; Laws 1999,
58 chapter 243, article 4, section 18, subdivision 3;
59 Laws 1999, chapter 243, article 4, section 18,
60 subdivision 4; Laws 2001, First Special Session
61 chapter 5, article 3, section 8; Laws 2001, First
62 Special Session chapter 5, article 12, section 44, the
63 effective date; Laws 2001, First Special Session
64 chapter 5, article 12, section 67; Laws 2001, First
65 Special Session chapter 5, article 12, section 82, as
66 amended; Laws 2001, First Special Session chapter 5,
67 article 12, section 95; Laws 2002, chapter 377,
68 article 3, section 4; Laws 2002, chapter 377, article
69 12, section 16, subdivision 1; Laws 2003, chapter 127,
70 article 5, section 27; Laws 2003, chapter 127, article
71 5, section 28; Laws 2003, chapter 127, article 12,

1 section 38; Laws 2003, chapter 128, article 1, section
2 172; Laws 2003, First Special Session chapter 21,
3 article 4, section 12, subdivision 11; Laws 2003,
4 First Special Session chapter 21, article 5, section
5 13; Laws 2003, First Special Session chapter 21,
6 article 6, section 9; 2005 S.F. No. 467, section 1, if
7 enacted; proposing coding for new law in Minnesota
8 Statutes, chapters 103C; 174; 270; 273; 278; 289A;
9 290; 290C; 295; 297A; 297F; 298; 325D; 325F; 462A;
10 469; 473; 477A; repealing Minnesota Statutes 2004,
11 sections 273.19, subdivision 5; 274.05; 275.15;
12 275.61, subdivision 2; 283.07; 289A.26, subdivision
13 2a; 289A.60, subdivision 21; 295.55, subdivision 4;
14 295.60, subdivision 4; 297A.99, subdivision 13;
15 297E.12, subdivision 10; 297F.09, subdivision 7;
16 297G.09, subdivision 6; 297I.35, subdivision 2;
17 297I.85, subdivision 7; 298.01, subdivisions 3c, 3d,
18 4d, 4e; 298.017; 473.39, subdivision 1f; Laws 1975,
19 chapter 287, section 5; Laws 1994, chapter 587,
20 article 9, section 20, subdivision 4; Laws 2003,
21 chapter 127, article 9, section 9, subdivision 4;
22 Minnesota Rules, parts 8093.2000; 8093.3000;
23 8130.0110, subpart 4; 8130.0200, subparts 5, 6;
24 8130.0400, subpart 9; 8130.1200, subparts 5, 6;
25 8130.2900; 8130.3100, subpart 1; 8130.4000, subparts
26 1, 2; 8130.4200, subpart 1; 8130.4400, subpart 3;
27 8130.5200; 8130.5600, subpart 3; 8130.5800, subpart 5;
28 8130.7300, subpart 5; 8130.8800, subpart 4.

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

30 ARTICLE 1

31 INCOME AND CORPORATE FRANCHISE TAXES - SF1209

32 Section 1. Minnesota Statutes 2004, section 289A.20,
33 subdivision 2, is amended to read:

34 Subd. 2. [WITHHOLDING FROM WAGES, ENTERTAINER WITHHOLDING,
35 WITHHOLDING FROM PAYMENTS TO OUT-OF-STATE CONTRACTORS, AND
36 WITHHOLDING BY PARTNERSHIPS AND SMALL BUSINESS CORPORATIONS.]

37 (a) A tax required to be deducted and withheld during the
38 quarterly period must be paid on or before the last day of the
39 month following the close of the quarterly period, unless an
40 earlier time for payment is provided. A tax required to be
41 deducted and withheld from compensation of an entertainer and
42 from a payment to an out-of-state contractor must be paid on or
43 before the date the return for such tax must be filed under
44 section 289A.18, subdivision 2. Taxes required to be deducted
45 and withheld by partnerships and, S corporations, and trusts
46 must be paid on or before the date the return must be filed
47 under section 289A.18, subdivision 2 a quarterly basis as
48 estimated taxes under section 289A.25 for partnerships and
49 trusts and under section 289A.26 for S corporations.

1 (b) An employer who, during the previous quarter, withheld
2 more than \$1,500 of tax under section 290.92, subdivision 2a or
3 3, or 290.923, subdivision 2, must deposit tax withheld under
4 those sections with the commissioner within the time allowed to
5 deposit the employer's federal withheld employment taxes under
6 Code of Federal Regulations, title 26, section 31.6302-1, as
7 amended through December 31, 2001, without regard to the safe
8 harbor or de minimis rules in subparagraph (f) or the one-day
9 rule in subsection (c), clause (3). Taxpayers must submit a
10 copy of their federal notice of deposit status to the
11 commissioner upon request by the commissioner.

12 (c) The commissioner may prescribe by rule other return
13 periods or deposit requirements. In prescribing the reporting
14 period, the commissioner may classify payors according to the
15 amount of their tax liability and may adopt an appropriate
16 reporting period for the class that the commissioner judges to
17 be consistent with efficient tax collection. In no event will
18 the duration of the reporting period be more than one year.

19 (d) If less than the correct amount of tax is paid to the
20 commissioner, proper adjustments with respect to both the tax
21 and the amount to be deducted must be made, without interest, in
22 the manner and at the times the commissioner prescribes. If the
23 underpayment cannot be adjusted, the amount of the underpayment
24 will be assessed and collected in the manner and at the times
25 the commissioner prescribes.

26 (e) If the aggregate amount of the tax withheld during a
27 fiscal year ending June 30 under section 290.92, subdivision 2a
28 or 3, is equal to or exceeds the amounts established for
29 remitting federal withheld taxes pursuant to the regulations
30 promulgated under section 6302(h) of the Internal Revenue Code,
31 the employer must remit each required deposit for wages paid in
32 the subsequent calendar year by electronic means.

33 (f) A third-party bulk filer as defined in section 290.92,
34 subdivision 30, paragraph (a), clause (2), who remits
35 withholding deposits must remit all deposits by electronic means
36 as provided in paragraph (e), regardless of the aggregate amount

1 of tax withheld during a fiscal year for all of the employers.

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

4 Sec. 2. Minnesota Statutes 2004, section 290.92, is
5 amended by adding a subdivision to read:

6 Subd. 31. [PAYMENTS TO PERSONS WHO ARE NOT EMPLOYEES;
7 WITHHOLDING.] Any person engaged in a trade or business who in
8 the course of such trade or business makes payments to an
9 individual, who is not an employee of the person, for work
10 described in industry code numbers 23 through 238990 of the
11 North American Industry Classification System, shall deduct from
12 the payment and withhold two percent of the amount as Minnesota
13 withholding tax when the amount paid to that individual by the
14 same person during the calendar year exceeds \$600. For purposes
15 of this section, a payment to any person that is subject to
16 withholding under this subdivision must be treated as if the
17 payment was a wage paid by an employer to an employee. Every
18 individual who is to receive a payment that is subject to
19 withholding under this subdivision shall furnish the contracting
20 person with a statement, containing the name, address, and
21 Social Security account number of the person receiving the
22 payment.

23 [EFFECTIVE DATE.] This section is effective for payments
24 made after July 31, 2005.

25 ARTICLE 2

26 FEDERAL UPDATE - SF1209

27 Section 1. Minnesota Statutes 2004, section 290.01,
28 subdivision 19, is amended to read:

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

36 In the case of a regulated investment company or a fund

1 thereof, as defined in section 851(a) or 851(g) of the Internal
2 Revenue Code, federal taxable income means investment company
3 taxable income as defined in section 852(b)(2) of the Internal
4 Revenue Code, except that:

5 (1) the exclusion of net capital gain provided in section
6 852(b)(2)(A) of the Internal Revenue Code does not apply;

7 (2) the deduction for dividends paid under section
8 852(b)(2)(D) of the Internal Revenue Code must be applied by
9 allowing a deduction for capital gain dividends and
10 exempt-interest dividends as defined in sections 852(b)(3)(C)
11 and 852(b)(5) of the Internal Revenue Code; and

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

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

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

25 The provisions of sections 1113(a), 1117, 1206(a), 1313(a),
26 1402(a), 1403(a), 1443, 1450, 1501(a), 1605, 1611(a), 1612,
27 1616, 1617, 1704(1), and 1704(m) of the Small Business Job
28 Protection Act, Public Law 104-188, the provisions of Public Law
29 104-117, the provisions of sections 313(a) and (b)(1), 602(a),
30 913(b), 941, 961, 971, 1001(a) and (b), 1002, 1003, 1012, 1013,
31 1014, 1061, 1062, 1081, 1084(b), 1086, 1087, 1111(a), 1131(b)
32 and (c), 1211(b), 1213, 1530(c)(2), 1601(f)(5) and (h), and
33 1604(d)(1) of the Taxpayer Relief Act of 1997, Public Law
34 105-34, the provisions of section 6010 of the Internal Revenue
35 Service Restructuring and Reform Act of 1998, Public Law
36 105-206, the provisions of section 4003 of the Omnibus

1 Consolidated and Emergency Supplemental Appropriations Act,
 2 1999, Public Law 105-277, and the provisions of section 318 of
 3 the Consolidated Appropriation Act of 2001, Public Law 106-554,
 4 shall become effective at the time they become effective for
 5 federal purposes.

6 The Internal Revenue Code of 1986, as amended through
 7 December 31, 1996, shall be in effect for taxable years
 8 beginning after December 31, 1996.

9 The provisions of sections 202(a) and (b), 221(a), 225,
 10 312, 313, 913(a), 934, 962, 1004, 1005, 1052, 1063, 1084(a) and
 11 (c), 1089, 1112, 1171, 1204, 1271(a) and (b), 1305(a), 1306,
 12 1307, 1308, 1309, 1501(b), 1502(b), 1504(a), 1505, 1527, 1528,
 13 1530, 1601(d), (e), (f), and (i) and 1602(a), (b), (c), and (e)
 14 of the Taxpayer Relief Act of 1997, Public Law 105-34, the
 15 provisions of sections 6004, 6005, 6012, 6013, 6015, 6016, 7002,
 16 and 7003 of the Internal Revenue Service Restructuring and
 17 Reform Act of 1998, Public Law 105-206, the provisions of
 18 section 3001 of the Omnibus Consolidated and Emergency
 19 Supplemental Appropriations Act, 1999, Public Law 105-277, the
 20 provisions of section 3001 of the Miscellaneous Trade and
 21 Technical Corrections Act of 1999, Public Law 106-36, and the
 22 provisions of section 316 of the Consolidated Appropriation Act
 23 of 2001, Public Law 106-554, shall become effective at the time
 24 they become effective for federal purposes.

25 The Internal Revenue Code of 1986, as amended through
 26 December 31, 1997, shall be in effect for taxable years
 27 beginning after December 31, 1997.

28 The provisions of sections 5002, 6009, 6011, and 7001 of
 29 the Internal Revenue Service Restructuring and Reform Act of
 30 1998, Public Law 105-206, the provisions of section 9010 of the
 31 Transportation Equity Act for the 21st Century, Public Law
 32 105-178, the provisions of sections 1004, 4002, and 5301 of the
 33 Omnibus Consolidation and Emergency Supplemental Appropriations
 34 Act, 1999, Public Law 105-277, the provision of section 303 of
 35 the Ricky Ray Hemophilia Relief Fund Act of 1998, Public Law
 36 105-369, the provisions of sections 532, 534, 536, 537, and 538

1 of the Ticket to Work and Work Incentives Improvement Act of
2 1999, Public Law 106-170, the provisions of the Installment Tax
3 Correction Act of 2000, Public Law 106-573, and the provisions
4 of section 309 of the Consolidated Appropriation Act of 2001,
5 Public Law 106-554, shall become effective at the time they
6 become effective for federal purposes.

7 The Internal Revenue Code of 1986, as amended through
8 December 31, 1998, shall be in effect for taxable years
9 beginning after December 31, 1998.

10 The provisions of the FSC Repeal and Extraterritorial
11 Income Exclusion Act of 2000, Public Law 106-519, and the
12 provision of section 412 of the Job Creation and Worker
13 Assistance Act of 2002, Public Law 107-147, shall become
14 effective at the time it became effective for federal purposes.

15 The Internal Revenue Code of 1986, as amended through
16 December 31, 1999, shall be in effect for taxable years
17 beginning after December 31, 1999. The provisions of sections
18 306 and 401 of the Consolidated Appropriation Act of 2001,
19 Public Law 106-554, and the provision of section 632(b)(2)(A) of
20 the Economic Growth and Tax Relief Reconciliation Act of 2001,
21 Public Law 107-16, and provisions of sections 101 and 402 of the
22 Job Creation and Worker Assistance Act of 2002, Public Law
23 107-147, shall become effective at the same time it became
24 effective for federal purposes.

25 The Internal Revenue Code of 1986, as amended through
26 December 31, 2000, shall be in effect for taxable years
27 beginning after December 31, 2000. The provisions of sections
28 659a and 671 of the Economic Growth and Tax Relief
29 Reconciliation Act of 2001, Public Law 107-16, the provisions of
30 sections 104, 105, and 111 of the Victims of Terrorism Tax
31 Relief Act of 2001, Public Law 107-134, and the provisions of
32 sections 201, 403, 413, and 606 of the Job Creation and Worker
33 Assistance Act of 2002, Public Law 107-147, shall become
34 effective at the same time it became effective for federal
35 purposes.

36 The Internal Revenue Code of 1986, as amended through March

1 15, 2002, shall be in effect for taxable years beginning after
 2 December 31, 2001.

3 The provisions of sections 101 and 102 of the Victims of
 4 Terrorism Tax Relief Act of 2001, Public Law 107-134, shall
 5 become effective at the same time it becomes effective for
 6 federal purposes.

7 The Internal Revenue Code of 1986, as amended through June
 8 15, 2003, shall be in effect for taxable years beginning after
 9 December 31, 2002, provided that the provisions of the American
 10 Jobs Creation Act of 2004, Public Law 108-435, are effective at
 11 the same time they became effective for federal income tax
 12 purposes. The provisions of section 201 of the Jobs and Growth
 13 Tax Relief and Reconciliation Act of 2003, H.R. 2, if it is
 14 enacted into law, are effective at the same time it became
 15 effective for federal purposes.

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

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

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

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

30 (ii) exempt-interest dividends as defined in section
 31 852(b)(5) of the Internal Revenue Code, except the portion of
 32 the exempt-interest dividends derived from interest income on
 33 obligations of the state of Minnesota or its political or
 34 governmental subdivisions, municipalities, governmental agencies
 35 or instrumentalities, but only if the portion of the
 36 exempt-interest dividends from such Minnesota sources paid to

1 all shareholders represents 95 percent or more of the
2 exempt-interest dividends that are paid by the regulated
3 investment company as defined in section 851(a) of the Internal
4 Revenue Code, or the fund of the regulated investment company as
5 defined in section 851(g) of the Internal Revenue Code, making
6 the payment; and

7 (iii) for the purposes of items (i) and (ii), interest on
8 obligations of an Indian tribal government described in section
9 7871(c) of the Internal Revenue Code shall be treated as
10 interest income on obligations of the state in which the tribe
11 is located;

12 (2) the amount of income or sales and use taxes paid or
13 accrued within the taxable year under this chapter and income or
14 sales and use taxes paid to any other state or to any province
15 or territory of Canada, to the extent allowed as a deduction
16 under section 63(d) of the Internal Revenue Code of 1986, as
17 amended through June 15, 2003, but the addition may not be more
18 than the amount by which the itemized deductions as allowed
19 under section 63(d) of the Internal Revenue Code exceeds the
20 amount of the standard deduction as defined in section 63(c) of
21 the Internal Revenue Code. For the purpose of this paragraph,
22 the disallowance of itemized deductions under section 68 of the
23 Internal Revenue Code of 1986, income or sales and use tax is
24 the last itemized deduction disallowed;

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

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

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

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

5 (7) 80 percent of the depreciation deduction allowed under
6 section 168(k) of the Internal Revenue Code. For purposes of
7 this clause, if the taxpayer has an activity that in the taxable
8 year generates a deduction for depreciation under section 168(k)
9 and the activity generates a loss for the taxable year that the
10 taxpayer is not allowed to claim for the taxable year, "the
11 depreciation allowed under section 168(k)" for the taxable year
12 is limited to excess of the depreciation claimed by the activity
13 under section 168(k) over the amount of the loss from the
14 activity that is not allowed in the taxable year. In succeeding
15 taxable years when the losses not allowed in the taxable year
16 are allowed, the depreciation under section 168(k) is allowed;

17 (8) 80 percent of the amount by which the deduction allowed
18 by section 179 of the Internal Revenue Code exceeds the
19 deduction allowable by section 179 of the Internal Revenue Code
20 of 1986, as amended through December 31, 2003; and

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

24 [EFFECTIVE DATE.] This section is effective for tax years
25 beginning after December 31, 2004, except the changes in clause
26 (2) are effective for tax years beginning after December 31,
27 2003.

28 Sec. 3. Minnesota Statutes 2004, section 290.01,
29 subdivision 19b, is amended to read:

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

33 (1) interest income on obligations of any authority,
34 commission, or instrumentality of the United States to the
35 extent includable in taxable income for federal income tax
36 purposes but exempt from state income tax under the laws of the

1 United States;

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

7 (3) the amount paid to others, less the amount used to
8 claim the credit allowed under section 290.0674, not to exceed
9 \$1,625 for each qualifying child in grades kindergarten to 6 and
10 \$2,500 for each qualifying child in grades 7 to 12, for tuition,
11 textbooks, and transportation of each qualifying child in
12 attending an elementary or secondary school situated in
13 Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin,
14 wherein a resident of this state may legally fulfill the state's
15 compulsory attendance laws, which is not operated for profit,
16 and which adheres to the provisions of the Civil Rights Act of
17 1964 and chapter 363A. For the purposes of this clause,
18 "tuition" includes fees or tuition as defined in section
19 290.0674, subdivision 1, clause (1). As used in this clause,
20 "textbooks" includes books and other instructional materials and
21 equipment purchased or leased for use in elementary and
22 secondary schools in teaching only those subjects legally and
23 commonly taught in public elementary and secondary schools in
24 this state. Equipment expenses qualifying for deduction
25 includes expenses as defined and limited in section 290.0674,
26 subdivision 1, clause (3). "Textbooks" does not include
27 instructional books and materials used in the teaching of
28 religious tenets, doctrines, or worship, the purpose of which is
29 to instill such tenets, doctrines, or worship, nor does it
30 include books or materials for, or transportation to,
31 extracurricular activities including sporting events, musical or
32 dramatic events, speech activities, driver's education, or
33 similar programs. For purposes of the subtraction provided by
34 this clause, "qualifying child" has the meaning given in section
35 32(c)(3) of the Internal Revenue Code;

36 (4) income as provided under section 290.0802;

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

4 (6) to the extent included in federal taxable income,
5 postservice benefits for youth community service under section
6 124D.42 for volunteer service under United States Code, title
7 42, sections 12601 to 12604;

8 (7) to the extent not deducted in determining federal
9 taxable income by an individual who does not itemize deductions
10 for federal income tax purposes for the taxable year, an amount
11 equal to 50 percent of the excess of charitable contributions
12 allowable as a deduction for the taxable year under section
13 170(a) of the Internal Revenue Code over \$500;

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

19 (9) for individuals who are allowed a federal foreign tax
20 credit for taxes that do not qualify for a credit under section
21 290.06, subdivision 22, an amount equal to the carryover of
22 subnational foreign taxes for the taxable year, but not to
23 exceed the total subnational foreign taxes reported in claiming
24 the foreign tax credit. For purposes of this clause, "federal
25 foreign tax credit" means the credit allowed under section 27 of
26 the Internal Revenue Code, and "carryover of subnational foreign
27 taxes" equals the carryover allowed under section 904(c) of the
28 Internal Revenue Code minus national level foreign taxes to the
29 extent they exceed the federal foreign tax credit;

30 (10) in each of the five tax years immediately following
31 the tax year in which an addition is required under subdivision
32 19a, clause (7), an amount equal to one-fifth of the delayed
33 depreciation. For purposes of this clause, "delayed
34 depreciation" means the amount of the addition made by the
35 taxpayer under subdivision 19a, clause (7), minus the positive
36 value of any net operating loss under section 172 of the

1 Internal Revenue Code generated for the tax year of the
2 addition. The resulting delayed depreciation cannot be less
3 than zero; and

4 (11) job opportunity building zone income as provided under
5 section 469.316; and

6 (12) in each of the five tax years immediately following
7 the tax year in which an addition is required under subdivision
8 19a, clause (8), or 19c, clause (17), in the case of a
9 shareholder of a corporation that is an S corporation, an amount
10 equal to one-fifth of the addition made by the taxpayer under
11 subdivision 19a, clause (8), or 19c, clause (17), in the case of
12 a shareholder of a corporation that is an S corporation, minus
13 the positive value of any net operating loss under section 172
14 of the Internal Revenue Code generated for the tax year of the
15 addition. If the net operating loss exceeds the addition for
16 the tax year, a subtraction is not allowed under this clause.

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

19 Sec. 4. Minnesota Statutes 2004, section 290.01,
20 subdivision 19c, is amended to read:

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

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

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

1 governments;

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

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

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

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

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

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

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

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

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

32 (12) the amount of any environmental tax paid under section
 33 59(a) of the Internal Revenue Code;

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

1 6242(a)(2) of the Internal Revenue Code;

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

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

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

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

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

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

29 Sec. 5. Minnesota Statutes 2004, section 290.01,
30 subdivision 19d, is amended to read:

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

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

1 Internal Revenue Code;

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

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

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

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

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

23 (5) the deduction for capital losses pursuant to sections
 24 1211 and 1212 of the Internal Revenue Code, except that:

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

28 (ii) for capital losses incurred in taxable years beginning
 29 after December 31, 1986, a capital loss carryover to each of the
 30 15 taxable years succeeding the loss year shall be allowed;

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

36 (iv) for capital losses incurred in taxable years beginning

1 before January 1, 1987, a capital loss carryover to each of the
2 five taxable years succeeding the loss year to the extent such
3 loss was not used in a prior taxable year and subject to the
4 provisions of Minnesota Statutes 1986, section 290.16, shall be
5 allowed;

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

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

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

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

1 were added to federal taxable income under section 290.01,
 2 subdivision 19c, clause (1), in a prior taxable year;

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

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

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

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

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

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

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

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

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

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

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

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

18 Sec. 6. Minnesota Statutes 2004, section 290.01,
19 subdivision 31, is amended to read:

20 Subd. 31. [INTERNAL REVENUE CODE.] Unless specifically
21 defined otherwise, "Internal Revenue Code" means the Internal
22 Revenue Code of 1986, as amended through June 15, 2003, and as
23 further amended by the American Jobs Creation Act of 2004,
24 Public Law 108-435.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

24 (d) In lieu of a tax computed according to the rates set
25 forth in this subdivision, the tax of any individual taxpayer
26 whose taxable net income for the taxable year is less than an
27 amount determined by the commissioner must be computed in
28 accordance with tables prepared and issued by the commissioner
29 of revenue based on income brackets of not more than \$100. The
30 amount of tax for each bracket shall be computed at the rates
31 set forth in this subdivision, provided that the commissioner
32 may disregard a fractional part of a dollar unless it amounts to
33 50 cents or more, in which case it may be increased to \$1.

34 (e) An individual who is not a Minnesota resident for the
35 entire year must compute the individual's Minnesota income tax
36 as provided in this subdivision. After the application of the

1 nonrefundable credits provided in this chapter, the tax
2 liability must then be multiplied by a fraction in which:

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

14 (2) the denominator is the individual's federal adjusted
15 gross income as defined in section 62 of the Internal Revenue
16 Code of 1986, increased by the amounts specified in section
17 290.01, subdivision 19a, clauses (1), (5), and (6), (7), (8),
18 and (9), and reduced by the amounts specified in section 290.01,
19 subdivision 19b, clauses (1) and, (10), (11), and (12).

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

22 Sec. 8. Minnesota Statutes 2004, section 290.067,
23 subdivision 2a, is amended to read:

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

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

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

30 (i) all nontaxable income;

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

36 (iii) an amount equal to the total of any discharge of

1 qualified farm indebtedness of a solvent individual excluded
2 from gross income under section 108(g) of the Internal Revenue
3 Code;

4 (iv) cash public assistance and relief;

5 (v) any pension or annuity (including railroad retirement
6 benefits, all payments received under the federal Social
7 Security Act, supplemental security income, and veterans
8 benefits), which was not exclusively funded by the claimant or
9 spouse, or which was funded exclusively by the claimant or
10 spouse and which funding payments were excluded from federal
11 adjusted gross income in the years when the payments were made;

12 (vi) interest received from the federal or a state
13 government or any instrumentality or political subdivision
14 thereof;

15 (vii) workers' compensation;

16 (viii) nontaxable strike benefits;

17 (ix) the gross amounts of payments received in the nature
18 of disability income or sick pay as a result of accident,
19 sickness, or other disability, whether funded through insurance
20 or otherwise;

21 (x) a lump sum distribution under section 402(e)(3) of the
22 Internal Revenue Code of 1986, as amended through December 31,
23 1995;

24 (xi) contributions made by the claimant to an individual
25 retirement account, including a qualified voluntary employee
26 contribution; simplified employee pension plan; self-employed
27 retirement plan; cash or deferred arrangement plan under section
28 401(k) of the Internal Revenue Code; or deferred compensation
29 plan under section 457 of the Internal Revenue Code; and

30 (xii) nontaxable scholarship or fellowship grants; and

31 (xiii) the amount of deduction allowed under section 199 of
32 the Internal Revenue Code.

33 In the case of an individual who files an income tax return
34 on a fiscal year basis, the term "federal adjusted gross income"
35 means federal adjusted gross income reflected in the fiscal year
36 ending in the next calendar year. Federal adjusted gross income

1 may not be reduced by the amount of a net operating loss
2 carryback or carryforward or a capital loss carryback or
3 carryforward allowed for the year.

4 (b) "Income" does not include:

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

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

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

13 (4) relief granted under chapter 290A;

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

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

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

22 Sec. 9. Minnesota Statutes 2004, section 290.091,
23 subdivision 2, is amended to read:

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

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

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

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

33 (i) the charitable contribution deduction under section 170
34 of the Internal Revenue Code to the extent that the deduction
35 exceeds 1.0 percent of adjusted gross income, as defined in
36 section 62 of the Internal Revenue Code;

1 (ii) the medical expense deduction;
 2 (iii) the casualty, theft, and disaster loss deduction; and
 3 (iv) the impairment-related work expenses of a disabled
 4 person;

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

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

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

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

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

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

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

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

35 (4) amounts subtracted from federal taxable income as
 36 provided by section 290.01, subdivision 19b, clauses (10) and,

1 (11), and (12).

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

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

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

10 (d) "Regular tax" means the tax that would be imposed under
11 this chapter (without regard to this section and section
12 290.032), reduced by the sum of the nonrefundable credits
13 allowed under this chapter.

14 (e) "Net minimum tax" means the minimum tax imposed by this
15 section.

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

18 Sec. 10. Minnesota Statutes 2004, section 290A.03,
19 subdivision 3, is amended to read:

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

22 (a) federal adjusted gross income as defined in the
23 Internal Revenue Code; and

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

26 (i) all nontaxable income;

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

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

36 (iv) cash public assistance and relief;

1 (v) any pension or annuity (including railroad retirement
 2 benefits, all payments received under the federal Social
 3 Security Act, supplemental security income, and veterans
 4 benefits), which was not exclusively funded by the claimant or
 5 spouse, or which was funded exclusively by the claimant or
 6 spouse and which funding payments were excluded from federal
 7 adjusted gross income in the years when the payments were made;

8 (vi) interest received from the federal or a state
 9 government or any instrumentality or political subdivision
 10 thereof;

11 (vii) workers' compensation;

12 (viii) nontaxable strike benefits;

13 (ix) the gross amounts of payments received in the nature
 14 of disability income or sick pay as a result of accident,
 15 sickness, or other disability, whether funded through insurance
 16 or otherwise;

17 (x) a lump sum distribution under section 402(e)(3) of the
 18 Internal Revenue Code of 1986, as amended through December 31,
 19 1995;

20 (xi) contributions made by the claimant to an individual
 21 retirement account, including a qualified voluntary employee
 22 contribution; simplified employee pension plan; self-employed
 23 retirement plan; cash or deferred arrangement plan under section
 24 401(k) of the Internal Revenue Code; or deferred compensation
 25 plan under section 457 of the Internal Revenue Code; and

26 (xii) nontaxable scholarship or fellowship grants; and

27 (xiii) the amount of deduction allowed under section 199 of
 28 the Internal Revenue Code.

29 In the case of an individual who files an income tax return
 30 on a fiscal year basis, the term "federal adjusted gross income"
 31 shall mean federal adjusted gross income reflected in the fiscal
 32 year ending in the calendar year. Federal adjusted gross income
 33 shall not be reduced by the amount of a net operating loss
 34 carryback or carryforward or a capital loss carryback or
 35 carryforward allowed for the year.

36 (2) "Income" does not include:

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

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

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

9 (d) relief granted under this chapter;

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

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

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

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

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

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

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

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

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

31 For purposes of this subdivision, the "exemption amount"
32 means the exemption amount under section 151(d) of the Internal
33 Revenue Code for the taxable year for which the income is
34 reported.

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

1 Sec. 11. Minnesota Statutes 2004, section 290A.03,
2 subdivision 15, is amended to read:

3 Subd. 15. [INTERNAL REVENUE CODE.] "Internal Revenue Code"
4 means the Internal Revenue Code of 1986, as amended through June
5 15, 2003, and as further amended by the American Jobs Creation
6 Act of 2004, Public Law 108-435.

7 [EFFECTIVE DATE.] This section is effective for property
8 tax refunds based on property taxes payable on or after December
9 31, 2004, and rent paid on or after December 31, 2003.

10 ARTICLE 3

11 SALES, USE, AND SPECIAL TAXES - SF1209

12 Section 1. Minnesota Statutes 2004, section 16C.03, is
13 amended by adding a subdivision to read:

14 Subd. 18. [CONTRACTS WITH FOREIGN VENDORS.] (a) The
15 commissioner and other agencies to which this section applies
16 and the legislative branch of government shall, subject to
17 paragraph (d), cancel a contract for goods or services from a
18 vendor or an affiliate of a vendor or suspend or debar a vendor
19 or an affiliate of a vendor from future contracts upon
20 notification from the commissioner of revenue that the vendor or
21 an affiliate of the vendor has not registered to collect the
22 sales and use tax imposed under chapter 297A on its sales in
23 Minnesota or to a destination in Minnesota. This subdivision
24 shall not apply to state colleges and universities, the courts,
25 and any agency in the judicial branch of government. For
26 purposes of this subdivision, the term "affiliate" means any
27 person or entity that is controlled by, or is under common
28 control of, a vendor through stock ownership or other
29 affiliation.

30 (b) Beginning January 1, 2006, each vendor or affiliate of
31 a vendor selling goods or services, subject to tax under chapter
32 297A, to an agency or the legislature must provide its Minnesota
33 sales and use tax business identification number, upon request,
34 to show that the vendor is registered to collect Minnesota sales
35 or use tax.

36 (c) The commissioner of revenue shall periodically provide

1 to the commissioner and the legislative branch a list of vendors
2 who have not registered to collect Minnesota sales and use tax
3 and who are subject to being suspended or debarred as vendors or
4 having their contracts canceled.

5 (d) The provisions of this subdivision may be waived by the
6 commissioner or the legislative branch when the vendor is the
7 single source of such goods or services, in the event of an
8 emergency, or when it is in the best interests of the state as
9 determined by the commissioner in consultation with the
10 commissioner of revenue. Such consultation is not a disclosure
11 violation under chapter 270B.

12 [EFFECTIVE DATE.] This section is effective for all
13 contracts entered into after December 31, 2005.

14 Sec. 2. [295.75] [LIQUOR GROSS RECEIPTS TAX.]

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

17 (b) "Commissioner" means the commissioner of revenue.

18 (c) "Gross receipts" means the total amount received, in
19 money or by barter or exchange, for all liquor sales at retail
20 as measured by the sales price, but does not include any taxes
21 imposed directly on the consumer that are separately stated on
22 the invoice, bill of sale, or similar document given to the
23 purchaser.

24 (d) "Liquor" means:

25 (1) intoxicating liquor, as defined in section 340A.101,
26 subdivision 14;

27 (2) beverage containing intoxicating liquor; and

28 (3) 3.2 percent malt liquor, as defined in section
29 340A.101, subdivision 19, when sold at an on-sale or off-sale
30 municipal liquor store or other establishment licensed to sell
31 any type of intoxicating liquor.

32 (e) "Liquor retailer" means a retailer that sells liquor.

33 (f) "Retail sale" has the meaning given in section 297A.61,
34 subdivision 4.

35 Subd. 2. [GROSS RECEIPTS TAX IMPOSED.] A tax is imposed on
36 each liquor retailer equal to 2.5 percent of gross receipts from

1 retail sales in Minnesota of liquor.

2 Subd. 3. [USE TAX IMPOSED; CREDIT FOR TAXES PAID.] (a) A
 3 person that receives liquor for use or storage in Minnesota,
 4 other than from a liquor retailer that paid the tax under
 5 subdivision 2, is subject to tax at the rate imposed under
 6 subdivision 2. Liability for the tax is incurred when the
 7 person has possession of the liquor in Minnesota. The tax must
 8 be remitted to the commissioner in the same manner prescribed
 9 for the taxes imposed under chapter 297A.

10 (b) A person that has paid taxes to another jurisdiction on
 11 the same transaction and is subject to tax under this section is
 12 entitled to a credit for the tax legally due and paid to another
 13 jurisdiction to the extent of the lesser of (1) the tax actually
 14 paid to the other jurisdiction, or (2) the amount of tax imposed
 15 by Minnesota on the transaction subject to tax in the other
 16 jurisdiction.

17 Subd. 4. [TAX COLLECTION REQUIRED.] A liquor retailer with
 18 nexus in Minnesota, who is not subject to tax under subdivision
 19 2, is required to collect the tax imposed under subdivision 3
 20 from the purchaser of the liquor and give the purchaser a
 21 receipt for the tax paid. The tax collected must be remitted to
 22 the commissioner in the same manner prescribed for the taxes
 23 imposed under chapter 297A.

24 Subd. 5. [TAXES PAID TO ANOTHER JURISDICTION; CREDIT.] A
 25 liquor retailer that has paid taxes to another jurisdiction
 26 measured by gross receipts and is subject to tax under this
 27 section on the same gross receipts is entitled to a credit for
 28 the tax legally due and paid to another jurisdiction to the
 29 extent of the lesser of (1) the tax actually paid to the other
 30 jurisdiction, or (2) the amount of tax imposed by Minnesota on
 31 the gross receipts subject to tax in the other taxing
 32 jurisdictions.

33 Subd. 6. [EXEMPTIONS.] All of the exemptions applicable to
 34 the taxes imposed under chapter 297A are applicable to the taxes
 35 imposed under this section.

36 Subd. 7. [SOURCING OF SALES.] All of the provisions of

1 section 297A.668 apply to the taxes imposed by this section.

2 Subd. 8. [PAYMENT; REPORTING.] A liquor retailer shall
3 report the tax on a return prescribed by the commissioner of
4 revenue, and shall remit the tax with the return. The return
5 and the tax must be filed and paid using the filing cycle and
6 due dates provided for taxes imposed under chapter 297A.

7 Subd. 9. [ADMINISTRATION.] Unless specifically provided
8 otherwise by this section, the audit, assessment, refund,
9 penalty, interest, enforcement, collection remedies, appeal, and
10 administrative provisions of chapters 270 and 289A that are
11 applicable to taxes imposed under chapter 297A apply to taxes
12 imposed under this section.

13 Subd. 10. [INTEREST ON OVERPAYMENTS.] Interest must be
14 paid on an overpayment refunded or credited to the taxpayer from
15 the date of payment of the tax until the date the refund is paid
16 or credited. For purposes of this subdivision, the date of
17 payment is the due date of the return or the date of actual
18 payment of the tax, whichever is later.

19 Subd. 11. [DEPOSIT OF REVENUES.] The commissioner shall
20 deposit all revenues, including penalties and interest, derived
21 from the tax imposed by this section in the general fund.

22 [EFFECTIVE DATE.] This section is effective for sales and
23 purchases occurring on or after January 1, 2006.

24 Sec. 3. Minnesota Statutes 2004, section 297A.68,
25 subdivision 2, is amended to read:

26 Subd. 2. [MATERIALS CONSUMED IN INDUSTRIAL PRODUCTION.]

27 (a) Materials stored, used, or consumed in industrial production
28 of personal property intended to be sold ultimately at retail
29 are exempt, whether or not the item so used becomes an
30 ingredient or constituent part of the property produced.
31 Materials that qualify for this exemption include, but are not
32 limited to, the following:

33 (1) chemicals, including chemicals used for cleaning food
34 processing machinery and equipment;

35 (2) materials, including chemicals, fuels, and electricity
36 purchased by persons engaged in industrial production to treat

1 waste generated as a result of the production process;

2 (3) fuels, electricity, gas, and steam used or consumed in
 3 the production process, except that electricity, gas, or steam
 4 used for space heating, cooling, or lighting is exempt if (i) it
 5 is in excess of the average climate control or lighting for the
 6 production area, and (ii) it is necessary to produce that
 7 particular product;

8 (4) petroleum products and lubricants;

9 (5) packaging materials, including returnable containers
 10 used in packaging food and beverage products;

11 (6) accessory tools, equipment, and other items that are
 12 separate detachable units with an ordinary useful life of less
 13 than 12 months used in producing a direct effect upon the
 14 product; and

15 (7) the following materials, tools, and equipment used in
 16 metalcasting: crucibles, thermocouple protection sheaths and
 17 tubes, stalk tubes, refractory materials, molten metal filters
 18 and filter boxes, degassing lances, and base blocks.

19 (b) This exemption does not include:

20 (1) machinery, equipment, implements, tools, accessories,
 21 appliances, contrivances and furniture and fixtures, except
 22 those listed in paragraph (a), clause (6); and

23 (2) petroleum and special fuels used in producing or
 24 generating power for propelling ready-mixed concrete trucks on
 25 the public highways of this state.

26 (c) Industrial production includes, but is not limited to,
 27 research, development, design or production of any tangible
 28 personal property, manufacturing, processing (other than by
 29 restaurants and consumers) of agricultural products (whether
 30 vegetable or animal), commercial fishing, refining, smelting,
 31 reducing, brewing, distilling, printing, mining, quarrying,
 32 lumbering, generating electricity, the production of road
 33 building materials, and the research, development, design, or
 34 production of computer software. Industrial production does not
 35 include painting, cleaning, repairing or similar processing of
 36 property except as part of the original manufacturing process.

1 Industrial production does not include the transportation,
2 transmission, or distribution of petroleum, liquefied gas,
3 natural gas, water, or steam, in, by, or through pipes, lines,
4 tanks, mains, or other means of transporting those products.
5 For purposes of this paragraph, "transportation, transmission,
6 or distribution" does not include blending of petroleum or
7 biodiesel fuel as defined in section 239.77.

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

10 Sec. 4. Minnesota Statutes 2004, section 297A.68,
11 subdivision 5, is amended to read:

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

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

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

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

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

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

34 (4) materials and supplies used to construct and install
35 machinery or equipment;

36 (5) repair and replacement parts, including accessories,

1 whether purchased as spare parts, repair parts, or as upgrades
2 or modifications to machinery or equipment;

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

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

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

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

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

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

15 (2) machinery or equipment used to receive or store raw
16 materials;

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

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

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

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

29 (7) machinery or equipment used in the transportation,
30 transmission, or distribution of petroleum, liquefied gas,
31 natural gas, water, or steam, in, by, or through pipes, lines,
32 tanks, mains, or other means of transporting those products.

33 This clause does not apply to machinery or equipment used to
34 blend petroleum or biodiesel fuel as defined in section 239.77;
35 or

36 (8) any other item that is not essential to the integrated

1 process of manufacturing, fabricating, mining, or refining.

2 (d) For purposes of this subdivision:

3 (1) "Equipment" means independent devices or tools separate
4 from machinery but essential to an integrated production
5 process, including computers and computer software, used in
6 operating, controlling, or regulating machinery and equipment;
7 and any subunit or assembly comprising a component of any
8 machinery or accessory or attachment parts of machinery, such as
9 tools, dies, jigs, patterns, and molds.

10 (2) "Fabricating" means to make, build, create, produce, or
11 assemble components or property to work in a new or different
12 manner.

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

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

34 (5) "Machinery and equipment used for pollution control"
35 means machinery and equipment used solely to eliminate, prevent,
36 or reduce pollution resulting from an activity described in

1 paragraph (a).

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

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

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

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

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

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

21 Sec. 5. Minnesota Statutes 2004, section 297I.01, is
22 amended by adding a subdivision to read:

23 Subd. 6a. [DIRECT BUSINESS.] (a) "Direct business" means
24 all insurance provided by an insurance company or its agents,
25 and specifically includes stop-loss insurance purchased in
26 connection with a self-insurance plan for employee health
27 benefits or for other purposes, but excludes:

28 (1) reinsurance in which an insurance company assumes the
29 liability of another insurance company; and

30 (2) self-insurance.

31 (b) For purposes of this subdivision, an insurance company
32 includes a nonprofit health service corporation, health
33 maintenance organization, and community integrated service
34 network.

35 [EFFECTIVE DATE.] This section is effective for insurance
36 premiums received after December 31, 2005.

1 portion of the property-, but (ii) if a portion of a property is
2 classified as nonhomestead solely because not all the owners
3 occupy the property, or solely because both spouses do not
4 occupy the property, the credit amount shall be initially
5 computed as if that nonhomestead portion were also in the
6 homestead class and then prorated to the owner-occupant's
7 percentage of ownership or prorated to one-half if both spouses
8 do not occupy the property.

9 [EFFECTIVE DATE.] This section is effective for taxes
10 payable in 2006 and thereafter.

11 Sec. 2. [CITY AID PAYMENTS.]

12 In 2005 and 2006, market value credit reimbursements for
13 each city payable under Minnesota Statutes, section 273.1384,
14 are reduced by the dollar amount of the 2003 reduction in market
15 value credit reimbursements for that city due to Laws 2003,
16 First Special Session chapter 21, article 5, section 12. No
17 city's market value credit reimbursements are reduced to less
18 than zero under this section. To the extent sufficient
19 information is available on each payment date, the commissioner
20 shall pay the annual 2005 and 2006 market value credit
21 reimbursement amounts, after reduction under this section, to
22 cities in equal installments on the dates specified in Minnesota
23 Statutes, section 273.1384.

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

26 ARTICLE 5

27 INCOME TAX - SF1683

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

30 Subdivision 1. [EXTENSIONS FOR SERVICE MEMBERS.] (a) The
31 limitations of time provided by this chapter, chapter 290
32 relating to income taxes, chapter 271 relating to the Tax Court
33 for filing returns, paying taxes, claiming refunds, commencing
34 action thereon, appealing to the Tax Court from orders relating
35 to income taxes, and the filing of petitions under chapter 278
36 that would otherwise be due ~~May 15, 1996~~ May 1, 2004, and

1 appealing to the Supreme Court from decisions of the Tax Court
2 relating to income taxes are extended, as provided in section
3 7508 of the Internal Revenue Code.

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

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

11 (2) in the case of an individual whose active service
12 includes service abroad, the period of initial service plus six
13 months.

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

16 (c) If an individual entitled to the benefit of paragraph
17 (a) files a return during the period disregarded under paragraph
18 (a), interest must be paid on an overpayment or refundable
19 credit from the due date of the return, notwithstanding section
20 289A.56, subdivision 2.

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

24 [EFFECTIVE DATE.] This section is effective for taxable
25 years beginning after December 31, 2002, and for property taxes
26 payable after 2003.

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

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

33 ~~{1} on active duty stationed outside of Minnesota while in~~
34 ~~the armed forces of the United States or the United Nations, or~~

35 {2} a "qualified individual" as defined in section
36 911(d)(1) of the Internal Revenue Code, if the qualified

1 individual notifies the county within three months of moving out
2 of the country that homestead status be revoked for the
3 Minnesota residence of the qualified individual, and the
4 property is not classified as a homestead while the individual
5 remains a qualified individual.

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

10 (1) the individual or the spouse of the individual is in
11 the armed forces of the United States; or

12 (2) the individual is covered under the reciprocity
13 provisions in section 290.081.

14 For purposes of this subdivision, presence within the state
15 for any part of a calendar day constitutes a day spent in the
16 state. Individuals shall keep adequate records to substantiate
17 the days spent outside the state.

18 The term "abode" means a dwelling maintained by an
19 individual, whether or not owned by the individual and whether
20 or not occupied by the individual, and includes a dwelling place
21 owned or leased by the individual's spouse.

22 (c) Neither the commissioner nor any court shall consider
23 charitable contributions made by an individual within or without
24 the state in determining if the individual is domiciled in
25 Minnesota.

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

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

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

33 (1)(i) interest income on obligations of any state other
34 than Minnesota or a political or governmental subdivision,
35 municipality, or governmental agency or instrumentality of any
36 state other than Minnesota exempt from federal income taxes

1 under the Internal Revenue Code or any other federal statute;
2 and

3 (ii) exempt-interest dividends as defined in section
4 852(b)(5) of the Internal Revenue Code, except the portion of
5 the exempt-interest dividends derived from interest income on
6 obligations of the state of Minnesota or its political or
7 governmental subdivisions, municipalities, governmental agencies
8 or instrumentalities, but only if the portion of the
9 exempt-interest dividends from such Minnesota sources paid to
10 all shareholders represents 95 percent or more of the
11 exempt-interest dividends that are paid by the regulated
12 investment company as defined in section 851(a) of the Internal
13 Revenue Code, or the fund of the regulated investment company as
14 defined in section 851(g) of the Internal Revenue Code, making
15 the payment; and

16 (iii) for the purposes of items (i) and (ii), interest on
17 obligations of an Indian tribal government described in section
18 7871(c) of the Internal Revenue Code shall be treated as
19 interest income on obligations of the state in which the tribe
20 is located;

21 (2) the amount of income taxes paid or accrued within the
22 taxable year under this chapter and income taxes paid to any
23 other state or to any province or territory of Canada, to the
24 extent allowed as a deduction under section 63(d) of the
25 Internal Revenue Code, but the addition may not be more than the
26 amount by which the itemized deductions as allowed under section
27 63(d) of the Internal Revenue Code exceeds the amount of the
28 standard deduction as defined in section 63(c) of the Internal
29 Revenue Code. For the purpose of this paragraph, the
30 disallowance of itemized deductions under section 68 of the
31 Internal Revenue Code of 1986, income tax is the last itemized
32 deduction disallowed;

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

36 (4) the amount of income taxes paid or accrued within the

1 taxable year under this chapter and income taxes paid to any
 2 other state or any province or territory of Canada, to the
 3 extent allowed as a deduction in determining federal adjusted
 4 gross income. For the purpose of this paragraph, income taxes
 5 do not include the taxes imposed by sections 290.0922,
 6 subdivision 1, paragraph (b), 290.9727, 290.9728, and 290.9729;

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

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

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

26 (8) the amount of expenses disallowed under section 290.10,
 27 subdivision 2.

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

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

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

35 (1) interest income on obligations of any authority,
 36 commission, or instrumentality of the United States to the

1 extent includable in taxable income for federal income tax
2 purposes but exempt from state income tax under the laws of the
3 United States;

4 (2) if included in federal taxable income, the amount of
5 any overpayment of income tax to Minnesota or to any other
6 state, for any previous taxable year, whether the amount is
7 received as a refund or as a credit to another taxable year's
8 income tax liability;

9 (3) the amount paid to others, less the amount used to
10 claim the credit allowed under section 290.0674, not to exceed
11 \$1,625 for each qualifying child in grades kindergarten to 6 and
12 \$2,500 for each qualifying child in grades 7 to 12, for tuition,
13 textbooks, and transportation of each qualifying child in
14 attending an elementary or secondary school situated in
15 Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin,
16 wherein a resident of this state may legally fulfill the state's
17 compulsory attendance laws, which is not operated for profit,
18 and which adheres to the provisions of the Civil Rights Act of
19 1964 and chapter 363A. For the purposes of this clause,
20 "tuition" includes fees or tuition as defined in section
21 290.0674, subdivision 1, clause (1). As used in this clause,
22 "textbooks" includes books and other instructional materials and
23 equipment purchased or leased for use in elementary and
24 secondary schools in teaching only those subjects legally and
25 commonly taught in public elementary and secondary schools in
26 this state. Equipment expenses qualifying for deduction
27 includes expenses as defined and limited in section 290.0674,
28 subdivision 1, clause (3). "Textbooks" does not include
29 instructional books and materials used in the teaching of
30 religious tenets, doctrines, or worship, the purpose of which is
31 to instill such tenets, doctrines, or worship, nor does it
32 include books or materials for, or transportation to,
33 extracurricular activities including sporting events, musical or
34 dramatic events, speech activities, driver's education, or
35 similar programs. For purposes of the subtraction provided by
36 this clause, "qualifying child" has the meaning given in section

1 32(c)(3) of the Internal Revenue Code;

2 (4) income as provided under section 290.0802;

3 (5) to the extent included in federal adjusted gross

4 income, income realized on disposition of property exempt from

5 tax under section 290.491;

6 (6) to the extent included in federal taxable income,

7 postservice benefits for youth community service under section

8 124D.42 for volunteer service under United States Code, title

9 42, sections 12601 to 12604;

10 (7) to the extent not deducted in determining federal

11 taxable income by an individual who does not itemize deductions

12 for federal income tax purposes for the taxable year, an amount

13 equal to 50 percent of the excess of charitable contributions

14 allowable as a deduction for the taxable year under section

15 170(a) of the Internal Revenue Code over \$500;

16 (8) for taxable years beginning before January 1, 2008, the

17 amount of the federal small ethanol producer credit allowed

18 under section 40(a)(3) of the Internal Revenue Code which is

19 included in gross income under section 87 of the Internal

20 Revenue Code;

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

22 credit for taxes that do not qualify for a credit under section

23 290.06, subdivision 22, an amount equal to the carryover of

24 subnational foreign taxes for the taxable year, but not to

25 exceed the total subnational foreign taxes reported in claiming

26 the foreign tax credit. For purposes of this clause, "federal

27 foreign tax credit" means the credit allowed under section 27 of

28 the Internal Revenue Code, and "carryover of subnational foreign

29 taxes" equals the carryover allowed under section 904(c) of the

30 Internal Revenue Code minus national level foreign taxes to the

31 extent they exceed the federal foreign tax credit;

32 (10) in each of the five tax years immediately following

33 the tax year in which an addition is required under subdivision

34 19a, clause (7), an amount equal to one-fifth of the delayed

35 depreciation. For purposes of this clause, "delayed

36 depreciation" means the amount of the addition made by the

1 taxpayer under subdivision 19a, clause (7), minus the positive
2 value of any net operating loss under section 172 of the
3 Internal Revenue Code generated for the tax year of the
4 addition. The resulting delayed depreciation cannot be less
5 than zero; and

6 (11) job opportunity building zone income as provided under
7 section 469.316;

8 (12) to the extent included in federal taxable income, an
9 amount, not to exceed \$10,000, equal to an individual's
10 unreimbursed expenses for travel, lodging, and lost wages net of
11 sick pay related to the individual's donation of one or more of
12 the individual's organs to another person for human organ
13 transplantation. For purposes of determining the extent to
14 which expenses are included in federal taxable income, expenses
15 qualifying under this paragraph are the first expenses
16 considered in determining the medical expense deduction allowed
17 under section 213 of the Internal Revenue Code. For purposes of
18 this clause, "organ" means all or part of an individual's liver,
19 pancreas, kidney, intestine, lung, or bone marrow, and "human
20 organ transplantation" means the medical procedure by which
21 transfer of a human organ is made from the body of one person to
22 the body of another person. An individual may claim the
23 subtraction in this clause for each instance of organ donation
24 for transplantation, during the taxable year in which the
25 expenses or lost wages occur;

26 (13) the amount of compensation paid to members of the
27 Minnesota National Guard or other reserve components of the
28 United States military for active service performed in
29 Minnesota, excluding compensation for services performed under
30 the Active Guard Reserve (AGR) program. For purposes of this
31 clause, "active service" means (i) state active service as
32 defined in section 190.05, subdivision 5a, clause (1); (ii)
33 federally funded state active service as defined in section
34 190.05, subdivision 5b; or (iii) federal active service as
35 defined in section 190.05, subdivision 5c, but "active service"
36 excludes services performed exclusively for purposes of basic

1 combat training, advanced individual training, annual training,
2 and periodic inactive duty training; special training
3 periodically made available to reserve members; and service
4 performed in accordance with section 190.08, subdivision 3; and
5 (14) the amount of compensation paid to members of the
6 armed forces of the United States or United Nations for active
7 duty performed outside Minnesota.

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

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

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

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

22 (2) interest not subject to federal tax upon obligations
23 of: the United States, its possessions, its agencies, or its
24 instrumentalities; the state of Minnesota or any other state,
25 any of its political or governmental subdivisions, any of its
26 municipalities, or any of its governmental agencies or
27 instrumentalities; the District of Columbia; or Indian tribal
28 governments;

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

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

35 (5) the amount of any special deductions taken for federal
36 income tax purposes under sections 241 to 247 of the Internal

1 Revenue Code;

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

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

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

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

13 (10) for certified pollution control facilities placed in
14 service in a taxable year beginning before December 31, 1986,
15 and for which amortization deductions were elected under section
16 169 of the Internal Revenue Code of 1954, as amended through
17 December 31, 1985, the amount of the amortization deduction
18 allowed in computing federal taxable income for those
19 facilities;

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

23 (12) the amount of any environmental tax paid under section
24 59(a) of the Internal Revenue Code;

25 (13) the amount of a partner's pro rata share of net income
26 which does not flow through to the partner because the
27 partnership elected to pay the tax on the income under section
28 6242(a)(2) of the Internal Revenue Code;

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

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

35 (16) 80 percent of the depreciation deduction allowed under
36 section 168(k) of the Internal Revenue Code. For purposes of

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

12 (17) the amount of expenses disallowed under section
 13 290.10, subdivision 2.

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

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

18 Subdivision 1. [EXEMPT ENTITIES.] The following
 19 corporations, individuals, estates, trusts, and organizations
 20 shall be exempted from taxation under this chapter, provided
 21 that every such person or corporation claiming exemption under
 22 this chapter, in whole or in part, must establish to the
 23 satisfaction of the commissioner the taxable status of any
 24 income or activity:

25 (a) corporations, individuals, estates, and trusts engaged
 26 in the business of mining or producing iron ore and other ores
 27 the mining or production of which is subject to the occupation
 28 tax imposed by section 298.01; but if any such corporation,
 29 individual, estate, or trust engages in any other business or
 30 activity or has income from any property not used in such
 31 business it shall be subject to this tax computed on the net
 32 income from such property or such other business or activity.
 33 Royalty shall not be considered as income from the business of
 34 mining or producing iron ore within the meaning of this section;

35 (b) the United States of America, the state of Minnesota or
 36 any political subdivision of either agencies or

1 instrumentalities, whether engaged in the discharge of
2 governmental or proprietary functions; and
3 (c) any insurance company; and
4 (d) a corporation engaged in the business of operating a
5 personal rapid transit system, as defined in section 297A.61,
6 subdivision 37, in this state, independent of any government
7 subsidiaries, but if the corporation engages in any other business
8 or activity or has income from any property not used in the
9 business of operating a personal rapid transit system, it is
10 subject to this tax computed on the net income from the property
11 or business or activity.

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

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

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

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

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

25 (3) On all over \$102,030, ~~7-85~~ 8.0 percent.

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

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

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

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

36 (3) On all over \$57,710, ~~7-85~~ 8.0 percent.

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

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

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

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

9 (d) In lieu of a tax computed according to the rates set
 10 forth in this subdivision, the tax of any individual taxpayer
 11 whose taxable net income for the taxable year is less than an
 12 amount determined by the commissioner must be computed in
 13 accordance with tables prepared and issued by the commissioner
 14 of revenue based on income brackets of not more than \$100. The
 15 amount of tax for each bracket shall be computed at the rates
 16 set forth in this subdivision, provided that the commissioner
 17 may disregard a fractional part of a dollar unless it amounts to
 18 50 cents or more, in which case it may be increased to \$1.

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

24 (1) the numerator is the individual's Minnesota source
 25 federal adjusted gross income as defined in section 62 of the
 26 Internal Revenue Code and increased by the additions required
 27 under section 290.01, subdivision 19a, clauses (1), (5), and
 28 (6), and reduced by the subtraction under section 290.01,
 29 subdivision 19b, clause (11), and the Minnesota assignable
 30 portion of the subtraction for United States government interest
 31 under section 290.01, subdivision 19b, clause (1), after
 32 applying the allocation and assignability provisions of section
 33 290.081, clause (a), or 290.17; and

34 (2) the denominator is the individual's federal adjusted
 35 gross income as defined in section 62 of the Internal Revenue
 36 Code of 1986, increased by the amounts specified in section

1 290.01, subdivision 19a, clauses (1), (5), and (6), and reduced
2 by the amounts specified in section 290.01, subdivision 19b,
3 clauses (1) and (11).

4 [EFFECTIVE DATE.] This section is effective only if
5 sections 13 and 14 of this article are enacted for taxable years
6 beginning after December 31, 2004.

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

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

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

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

20 (2) "transit pass" has the meaning given in section
21 132(f)(5)(A) of the Internal Revenue Code.

22 (c) If the taxpayer employer purchases the transit passes
23 from the transit system operator, and resells them to the
24 employees, the credit refund is based on the amount of the
25 difference between the price paid for the passes by the employer
26 and the amount charged to employees.

27 (d) The commissioner shall prescribe the forms for and the
28 manner in which the refund may be claimed. The commissioner
29 must provide for paying refunds at least quarterly. The
30 commissioner may set a minimum amount of qualifying expenses
31 that must be incurred before a refund may be claimed.

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

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

36 Sec. 9. Minnesota Statutes 2004, section 290.06, is

1 amended by adding a subdivision to read:

2 Subd. 32. [CARSHARING CREDIT.] (a) For purposes of this
3 subdivision, a "carsharing organization" means an organization
4 that:

5 (1) is described in section 501(c) of the Internal Revenue
6 Code;

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

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

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

15 (b) A taxpayer may take a credit against the tax due under
16 this chapter for the expenses incurred by the taxpayer to
17 purchase a membership and pay monthly dues to a carsharing
18 organization or to provide memberships and pay monthly dues to a
19 carsharing organization for employees of the taxpayer. The
20 amount of the credit is equal to the lesser of the actual cost
21 of the membership fee and the monthly dues, or \$390. If an
22 employer purchases the membership or pays the monthly dues to
23 the nonprofit carsharing organization and resells the membership
24 to its employees or charges the monthly dues to its employees,
25 the credit allowed to the employer is the amount of the
26 difference between the amount paid by the employer and the
27 amount charged to the employee.

28 (c) A taxpayer who owns a parking facility that charges
29 customers an amount to park vehicles at the facility and
30 provides dedicated parking space at no charge to a nonprofit
31 carsharing organization to park the motor vehicles that are used
32 by the members of the organization on an hourly or per-trip
33 basis, may take a credit against the tax due under this chapter
34 for the value of the dedicated parking space provided to the
35 nonprofit carsharing organization. The value of the dedicated
36 parking space is equal to the lowest amount charged to customers

1 who pay to park at the facility calculated on an hourly, daily,
2 or other long-term rate that results in the lowest total cost.

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

5 Sec. 10. Minnesota Statutes 2004, section 290.06, is
6 amended by adding a subdivision to read:

7 Subd. 33. [REGIONAL INVESTMENT CREDIT.] (a) A credit is
8 allowed against the tax imposed by this chapter for investment
9 in a qualifying regional angel investment network fund. The
10 credit equals 25 percent of the taxpayer's investment made in
11 the fund for the taxable year, but not to exceed the lesser of:

12 (1) the liability for tax under this chapter; or

13 (2) the amount of the certificate under paragraph (c)
14 provided to the taxpayer by the fund. The taxpayer must claim
15 the credit the same tax year in which the investment to the fund
16 is made. The credit is allowed only for investments made to a
17 fund that are made after the fund has been certified by the
18 commissioner of employment and economic development under
19 paragraph (c).

20 (b) For purposes of this subdivision, a regional angel
21 investment network fund means a pool investment fund that:

22 (1) is organized as a limited liability company and
23 consists of members who are accredited investors within the
24 meaning of Regulation D of the Securities and Exchange
25 Commission, Code of Federal Regulations, title 17, section
26 230.501(a), or consists of members that are not accredited
27 investors that make equity investments or investments in notes
28 that pay interest or other fixed amounts or any combination of
29 both;

30 (2) primarily makes equity investments in emerging and
31 expanding small businesses as defined by the Small Business
32 Administration, or cooperative associations as defined in
33 chapter 308B, that are located in local communities in Minnesota
34 outside of the metropolitan area as defined in section 473.121,
35 subdivision 2, and does not make investments in residential real
36 estate; and

1 (3) has no fewer than five individual investors who are not
2 affiliates with no single investor and affiliates of that
3 investor together owning a total of more than 25 percent
4 ownership interests outstanding in the fund. For purposes of
5 this subdivision, "affiliate" means a spouse, child, or sibling
6 of an investor or a corporation, partnership, or trust in which
7 an investor has a controlling equity interest or in which an
8 investor exercises management control.

9 (c) Regional angel investment network funds may apply to
10 the commissioner of employment and economic development for
11 certification as a qualifying regional angel investment network
12 fund. The application must be in the form and made under
13 procedures specified by the commissioner of employment and
14 economic development. The commissioner of employment and
15 economic development may certify up to 20 qualifying funds and
16 provide certificates entitling investors in the funds to credits
17 under this subdivision of up to \$500,000 for each fund. The
18 commissioner of employment and economic development must not
19 issue a total amount of certificates for all funds of more than
20 \$10,000,000. In awarding certificates under this paragraph, the
21 commissioner of employment and economic development shall
22 generally award them to qualified applicants in the order in
23 which the applications are received, but shall also seek to
24 certify funds that are broadly dispersed across the entire state
25 outside of the metropolitan area, as defined in section 473.121,
26 subdivision 2. The commissioner of employment and economic
27 development must award three certificates to a pooled investment
28 fund that invests in qualifying small businesses located in the
29 region of the state that is the focus of the fund and allocates
30 at least 20 percent of its investments to qualified small
31 businesses that meet local community needs. To be a qualifying
32 small business, a business must satisfy the following
33 requirements:

34 (1) 51 percent of the ownership interests in the business,
35 excluding any equity interest of the fund, must be held by
36 residents of the region; and

1 (2) the business must pay wages and benefits, measured on a
2 full-time equivalent basis, to 75 percent or more of its
3 employees equal to 175 percent of the federal poverty level for
4 a family of four. This requirement does not apply if fewer than
5 three pooled investment funds that would otherwise qualify under
6 this subdivision apply for a certificate.

7 (d) Each fund must provide each investor a statement
8 indicating the investor's share of the credit amount certified
9 to the fund under paragraph (c) based on the order in which
10 their investment is made in the fund.

11 (e) If the amount of the credit under this subdivision for
12 any taxable year exceeds the limitation under paragraph (a),
13 clause (1), the excess is a credit carryover to each of the 15
14 succeeding taxable years. The entire amount of the excess
15 unused credit for the taxable year must be carried first to the
16 earliest of the taxable years to which the credit may be carried
17 and then to each successive year to which the credit may be
18 carried. The amount of the unused credit which may be added
19 under this paragraph may not exceed the taxpayer's liability for
20 tax for the taxable year.

21 [EFFECTIVE DATE.] This section is effective the day
22 following final enactment, for taxable years beginning after
23 December 31, 2005. It applies to investments made after the
24 fund has been certified by the commissioner of employment and
25 economic development.

26 Sec. 11. Minnesota Statutes 2004, section 290.0674,
27 subdivision 2, is amended to read:

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

1 in no case is the credit less than zero.

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

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

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

12 Sec. 12. [290.0676] [CREDIT FOR HISTORIC STRUCTURE
 13 REHABILITATION.]

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

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

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

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

33 Subd. 2. [CREDIT ALLOWED.] A taxpayer who incurs costs for
 34 the rehabilitation of eligible property may take a credit
 35 against the tax imposed under this chapter in an amount equal to
 36 ten percent of the total costs of rehabilitation. Costs of

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

10 Subd. 3. [CARRYBACK AND CARRYFORWARD.] If the amount of
11 the credit under subdivision 2 exceeds the tax liability under
12 this chapter for the year in which the cost is incurred, the
13 amount that exceeds the tax liability may be carried back to any
14 of the three preceding taxable years or carried forward to each
15 of the ten taxable years succeeding the taxable year in which
16 the expense was incurred. The entire amount of the credit must
17 be carried to the earliest taxable year to which the amount may
18 be carried. The unused portion of the credit must be carried to
19 the following taxable year.

20 Subd. 4. [PARTNERSHIPS; MULTIPLE OWNERS; TRANSFERS.] (a)
21 Credits granted to a partnership, a limited liability company
22 taxed as a partnership, or multiple owners of property shall be
23 passed through to the partners, members, or owners,
24 respectively, pro rata or pursuant to an executed agreement
25 among the partners, members, or owners documenting an alternate
26 distribution method.

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

36 Subd. 5. [PROCESS.] To claim the credit, the taxpayer must

1 apply to the State Historic Preservation Office of the Minnesota
 2 Historical Society before a historic rehabilitation project
 3 begins. The State Historic Preservation Office shall determine
 4 the amount of eligible rehabilitation costs and whether the
 5 rehabilitation meets the standards of the United States
 6 Department of the Interior. The State Historic Preservation
 7 Office shall issue certificates verifying eligibility for and
 8 the amount of credit. The taxpayer shall attach the certificate
 9 to any income tax return on which the credit is claimed. The
 10 State Historic Preservation Office of the Minnesota Historical
 11 Society may collect fees for applications for the historic
 12 preservation tax credit. Fees shall be set at an amount that
 13 does not exceed the costs of administering the tax credit
 14 program.

15 Subd. 6. [MORTGAGE CERTIFICATES; CREDIT FOR LENDING
 16 INSTITUTIONS.] (a) The taxpayer may elect, in lieu of the credit
 17 otherwise allowed under this section, to receive a historic
 18 rehabilitation mortgage credit certificate.

19 (b) For purposes of this subdivision, a historic
 20 rehabilitation mortgage credit is a certificate that is issued
 21 to the taxpayer according to procedures prescribed by the State
 22 Historic Preservation Office with respect to the certified
 23 rehabilitation and which meets the requirements of this
 24 paragraph. The face amount of the certificate must be equal to
 25 the credit that would be allowable under subdivision 2 to the
 26 taxpayer with respect to the rehabilitation. The certificate
 27 may only be transferred by the taxpayer to a lending
 28 institution, including a nondepository home mortgage lending
 29 institution, in connection with a loan:

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

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

34 (c) In exchange for the certificate, the lending
 35 institution must provide to the taxpayer an amount equal to the
 36 face amount of the certificate discounted by the amount by which

1 the federal income tax liability of the lending institution is
2 increased due to its use of the certificate in the manner
3 provided in this section. That amount must be applied, as
4 directed by the taxpayer, in whole or in part, to reduce:

5 (1) the principal amount of the loan;

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

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

8 only in the case of a qualified historic home that is located in
9 a poverty-impacted area as designated by the State Historic
10 Preservation Office.

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

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

25 Sec. 13. Minnesota Statutes 2004, section 290.091,
26 subdivision 2, is amended to read:

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

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

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

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

36 (i) the charitable contribution deduction under section 170

1 of the Internal Revenue Code ~~to the extent that the deduction~~
 2 ~~exceeds 1.0 percent of adjusted gross income, as defined in~~
 3 ~~section 62 of the Internal Revenue Code;~~

4 (ii) the medical expense deduction;

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

6 (iv) the impairment-related work expenses of a disabled
 7 person; and

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

10 (3) for depletion allowances computed under section 613A(c)
 11 of the Internal Revenue Code, with respect to each property (as
 12 defined in section 614 of the Internal Revenue Code), to the
 13 extent not included in federal alternative minimum taxable
 14 income, the excess of the deduction for depletion allowable
 15 under section 611 of the Internal Revenue Code for the taxable
 16 year over the adjusted basis of the property at the end of the
 17 taxable year (determined without regard to the depletion
 18 deduction for the taxable year);

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

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

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

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

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

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

34 (3) the amount of investment interest paid or accrued
 35 within the taxable year on indebtedness to the extent that the
 36 amount does not exceed net investment income, as defined in

1 section 163(d)(4) of the Internal Revenue Code. Interest does
 2 not include amounts deducted in computing federal adjusted gross
 3 income; and

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

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

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

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

15 (d) "Regular tax" means the tax that would be imposed under
 16 this chapter (without regard to this section and section
 17 290.032), reduced by the sum of the nonrefundable credits
 18 allowed under this chapter.

19 (e) "Net minimum tax" means the minimum tax imposed by this
 20 section.

21 [EFFECTIVE DATE.] This section is effective only if section
 22 7 of this article is enacted for taxable years beginning after
 23 December 31, 2004.

24 Sec. 14. Minnesota Statutes 2004, section 290.091,
 25 subdivision 3, is amended to read:

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

36 (b) The exemption amount determined under this subdivision

1 is reduced by an amount equal to 25 percent of the amount by
2 which the alternative minimum income exceeds \$248,600 for
3 married individuals filing joint returns; and \$124,300 for
4 married individuals filing separate returns, single individuals,
5 and head of household filers.

6 (c) For taxable years beginning after December 31, 2006,
7 the exemption amounts under paragraph (a), and the income
8 amounts in paragraph (b), must be adjusted for inflation. The
9 commissioner shall make the inflation adjustments in accordance
10 with section 1(f) of the Internal Revenue Code except that for
11 the purposes of this subdivision the percentage increase must be
12 determined from the year starting September 1, 2005, and ending
13 August 31, 2006, as the base year for adjusting for inflation
14 for the tax year beginning after December 31, 2006. The
15 determination of the commissioner under this subdivision is not
16 a rule under the Administrative Procedure Act.

17 [EFFECTIVE DATE.] This section is effective only if section
18 7 of this article is enacted for taxable years beginning after
19 December 31, 2004.

20 Sec. 15. Minnesota Statutes 2004, section 290.10, is
21 amended to read:

22 290.10 [NONDEDUCTIBLE ITEMS.]

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

1 for federal income tax purposes for that year. Occupation taxes
2 imposed under chapter 298, royalty taxes imposed under chapter
3 299, or depletion expenses may not be deducted under this clause.

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

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

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

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

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

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

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

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

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

26 or

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

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

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

35 Every individual who files an income tax return or property
36 tax refund claim, and every corporation that files an income tax

1 return, may designate on their return that \$1 or more shall be
2 added to the tax or deducted from the refund that would
3 otherwise be payable by or to that individual or corporation and
4 paid into an account to be established for the purpose of paying
5 bonuses to residents of this state who are veterans of the
6 global war on terrorism. The commissioner shall, on the income
7 tax returns and the property tax refund claim form, notify
8 filers of their right to designate that a portion of their tax
9 or refund shall be paid into the account for veterans of the
10 global war on terrorism. The amounts designated under this
11 section shall be annually appropriated to the commissioner of
12 the Department of Veterans Affairs to pay bonuses to veterans of
13 the global war on terrorism as determined by law. All interest
14 earned on money accrued shall be credited to the account by the
15 commissioner of finance.

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

19 Sec. 17. Minnesota Statutes 2004, section 290.92,
20 subdivision 4b, is amended to read:

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

26 (b) The amount of tax withheld is determined by multiplying
27 the partner's distributive share allocable to Minnesota under
28 section 290.17, paid or credited during the taxable year by the
29 highest rate used to determine the income tax liability for an
30 individual under section 290.06, subdivision 2c, except that the
31 amount of tax withheld may be determined by the commissioner if
32 the partner submits a withholding exemption certificate under
33 subdivision 5.

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

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

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

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

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

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

14 (i) income required to be recognized because of discharge
15 of indebtedness;

16 (ii) income recognized because of a sale, exchange, or
17 other disposition of real estate, depreciable property, or
18 property described in section 179 of the Internal Revenue Code;
19 or

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

24 to the extent that the income does not include cash received or
25 receivable or, if there is cash received or receivable, to the
26 extent that the cash is required to be used to pay indebtedness
27 by the partnership or a secured debt on partnership property; or

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

30 (e) For purposes of subdivision 6a, and sections 289A.09,
31 subdivision 2, 289A.20, subdivision 2, paragraph (c), 289A.50,
32 289A.56, 289A.60, and 289A.63, a partnership is considered an
33 employer.

34 (f) To the extent that income is exempt from withholding
35 under paragraph (d), clause (4), the commissioner has a lien in
36 an amount up to the amount that would be required to be withheld

1 with respect to the income of the partner attributable to the
 2 partnership interest, but for the application of paragraph (d),
 3 clause (4). The lien arises under section 270.69 from the date
 4 of assessment of the tax against the partner, and attaches to
 5 that partner's share of the profits and any other money due or
 6 to become due to that partner in respect of the partnership.
 7 Notice of the lien may be sent by mail to the partnership,
 8 without the necessity for recording the lien. The notice has
 9 the force and effect of a levy under section 270.70, and is
 10 enforceable against the partnership in the manner provided by
 11 that section. Upon payment in full of the liability subsequent
 12 to the notice of lien, the partnership must be notified that the
 13 lien has been satisfied.

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

16 Sec. 18. [DETERMINATION OF ECONOMIC IMPACT.]

17 The Minnesota Historical Society shall annually determine
 18 the economic impact to the state from the rehabilitation of
 19 eligible property for which credits are provided under section
 20 12 and report on the impact to the committees on taxes of the
 21 senate and house of representatives.

22 Sec. 19. [STUDY; CORPORATE FRANCHISE TAX.]

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

36 ARTICLE 6

1 FEDERAL UPDATE - SF1683

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

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

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

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

12 Subd. 19. [NET INCOME.] The term "net income" means the
13 federal taxable income, as defined in section 63 of the Internal
14 Revenue Code of 1986, as amended through the date named in this
15 subdivision, incorporating the federal effective dates of
16 changes to the Internal Revenue Code and any elections made by
17 the taxpayer in accordance with the Internal Revenue Code in
18 determining federal taxable income for federal income tax
19 purposes, and with the modifications provided in subdivisions
20 19a to 19f.

21 In the case of a regulated investment company or a fund
22 thereof, as defined in section 851(a) or 851(g) of the Internal
23 Revenue Code, federal taxable income means investment company
24 taxable income as defined in section 852(b)(2) of the Internal
25 Revenue Code, except that:

26 (1) the exclusion of net capital gain provided in section
27 852(b)(2)(A) of the Internal Revenue Code does not apply;

28 (2) the deduction for dividends paid under section
29 852(b)(2)(D) of the Internal Revenue Code must be applied by
30 allowing a deduction for capital gain dividends and
31 exempt-interest dividends as defined in sections 852(b)(3)(C)
32 and 852(b)(5) of the Internal Revenue Code; and

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

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

6 The net income of a designated settlement fund as defined
 7 in section 468B(d) of the Internal Revenue Code means the gross
 8 income as defined in section 468B(b) of the Internal Revenue
 9 Code.

10 ~~The provisions of sections 1113(a), 1117, 1206(a), 1313(a),~~
 11 ~~1402(a), 1403(a), 1443, 1450, 1501(a), 1605, 1611(a), 1612,~~
 12 ~~1616, 1617, 1704(i), and 1704(m) of the Small Business Job~~
 13 ~~Protection Act, Public Law 104-188, the provisions of Public Law~~
 14 ~~104-117, the provisions of sections 313(a) and (b)(1), 602(a),~~
 15 ~~913(b), 941, 961, 971, 1001(a) and (b), 1002, 1003, 1012, 1013,~~
 16 ~~1014, 1061, 1062, 1081, 1084(b), 1086, 1087, 1111(a), 1131(b)~~
 17 ~~and (c), 1211(b), 1213, 1530(c)(2), 1601(f)(5) and (h), and~~
 18 ~~1604(d)(1) of the Taxpayer Relief Act of 1997, Public Law~~
 19 ~~105-34, the provisions of section 6010 of the Internal Revenue~~
 20 ~~Service Restructuring and Reform Act of 1998, Public Law~~
 21 ~~105-206, the provisions of section 4003 of the Omnibus~~
 22 ~~Consolidated and Emergency Supplemental Appropriations Act,~~
 23 ~~1999, Public Law 105-277, and the provisions of section 318 of~~
 24 ~~the Consolidated Appropriation Act of 2001, Public Law 106-554,~~
 25 ~~shall become effective at the time they become effective for~~
 26 ~~federal purposes.~~

27 The Internal Revenue Code of 1986, as amended through
 28 December 31, 1996 2004, shall be in effect for taxable years
 29 beginning after December 31, 1996. The provisions of Public Law
 30 109-1, shall be effective for tax years beginning after December
 31 31, 2003.

32 ~~The provisions of sections 202(a) and (b), 221(a), 225,~~
 33 ~~312, 313, 913(a), 934, 962, 1004, 1005, 1052, 1063, 1084(a) and~~
 34 ~~(c), 1089, 1112, 1171, 1204, 1271(a) and (b), 1305(a), 1306,~~
 35 ~~1307, 1308, 1309, 1501(b), 1502(b), 1504(a), 1505, 1527, 1528,~~
 36 ~~1530, 1601(d), (e), (f), and (i) and 1602(a), (b), (c), and (e)~~

1 of-the-Taxpayer-Relief-Act-of-1997,-Public-Law-105-347-the
2 provisions-of-sections-6004,-6005,-6012,-6013,-6015,-6016,-7002,
3 and-7003-of-the-Internal-Revenue-Service-Restructuring-and
4 Reform-Act-of-1998,-Public-Law-105-206,-the-provisions-of
5 section-3001-of-the-Omnibus-Consolidated-and-Emergency
6 Supplemental-Appropriations-Act,-1999,-Public-Law-105-277,-the
7 provisions-of-section-3001-of-the-Miscellaneous-Trade-and
8 Technical-Corrections-Act-of-1999,-Public-Law-106-36,-and-the
9 provisions-of-section-316-of-the-Consolidated-Appropriation-Act
10 of-2001,-Public-Law-106-554,-shall-become-effective-at-the-time
11 they-become-effective-for-federal-purposes.

12 The-Internal-Revenue-Code-of-1986,-as-amended-through
13 December-31,-1997,-shall-be-in-effect-for-taxable-years
14 beginning-after-December-31,-1997.

15 The-provisions-of-sections-5002,-6009,-6011,-and-7001-of
16 the-Internal-Revenue-Service-Restructuring-and-Reform-Act-of
17 1998,-Public-Law-105-206,-the-provisions-of-section-9010-of-the
18 Transportation-Equity-Act-for-the-21st-Century,-Public-Law
19 105-178,-the-provisions-of-sections-1004,-4002,-and-5301-of-the
20 Omnibus-Consolidation-and-Emergency-Supplemental-Appropriations
21 Act,-1999,-Public-Law-105-277,-the-provision-of-section-303-of
22 the-Ricky-Ray-Hemophilia-Relief-Fund-Act-of-1998,-Public-Law
23 105-369,-the-provisions-of-sections-532,-534,-536,-537,-and-538
24 of-the-Ticket-to-Work-and-Work-Incentives-Improvement-Act-of
25 1999,-Public-Law-106-170,-the-provisions-of-the-Installment-Tax
26 Correction-Act-of-2000,-Public-Law-106-573,-and-the-provisions
27 of-section-309-of-the-Consolidated-Appropriation-Act-of-2001,
28 Public-Law-106-554,-shall-become-effective-at-the-time-they
29 become-effective-for-federal-purposes.

30 The-Internal-Revenue-Code-of-1986,-as-amended-through
31 December-31,-1998,-shall-be-in-effect-for-taxable-years
32 beginning-after-December-31,-1998.

33 The-provisions-of-the-FSC-Repeal-and-Extraterritorial
34 Income-Exclusion-Act-of-2000,-Public-Law-106-519,-and-the
35 provision-of-section-412-of-the-Job-Creation-and-Worker
36 Assistance-Act-of-2002,-Public-Law-107-147,-shall-become

1 ~~effective-at-the-time-it-became-effective-for-federal-purposes.~~

2 ~~The-Internal-Revenue-Code-of-1986-as-amended-through~~
3 ~~December-31-1999-shall-be-in-effect-for-taxable-years~~
4 ~~beginning-after-December-31-1999.--The-provisions-of-sections~~
5 ~~306-and-401-of-the-Consolidated-Appropriation-Act-of-2001~~
6 ~~Public-Law-106-554-and-the-provision-of-section-632(b)(2)(A)-of~~
7 ~~the-Economic-Growth-and-Tax-Relief-Reconciliation-Act-of-2001~~
8 ~~Public-Law-107-16-and-provisions-of-sections-101-and-402-of-the~~
9 ~~Job-Creation-and-Worker-Assistance-Act-of-2002-Public-Law~~
10 ~~107-147-shall-become-effective-at-the-same-time-it-became~~
11 ~~effective-for-federal-purposes.~~

12 ~~The-Internal-Revenue-Code-of-1986-as-amended-through~~
13 ~~December-31-2000-shall-be-in-effect-for-taxable-years~~
14 ~~beginning-after-December-31-2000.--The-provisions-of-sections~~
15 ~~659a-and-671-of-the-Economic-Growth-and-Tax-Relief~~
16 ~~Reconciliation-Act-of-2001-Public-Law-107-16-the-provisions-of~~
17 ~~sections-104-105-and-111-of-the-Victims-of-Terrorism-Tax~~
18 ~~Relief-Act-of-2001-Public-Law-107-134-and-the-provisions-of~~
19 ~~sections-201-403-413-and-606-of-the-Job-Creation-and-Worker~~
20 ~~Assistance-Act-of-2002-Public-Law-107-147-shall-become~~
21 ~~effective-at-the-same-time-it-became-effective-for-federal~~
22 ~~purposes.~~

23 ~~The-Internal-Revenue-Code-of-1986-as-amended-through-March~~
24 ~~15-2002-shall-be-in-effect-for-taxable-years-beginning-after~~
25 ~~December-31-2001.~~

26 ~~The-provisions-of-sections-101-and-102-of-the-Victims-of~~
27 ~~Terrorism-Tax-Relief-Act-of-2001-Public-Law-107-134-shall~~
28 ~~become-effective-at-the-same-time-it-becomes-effective-for~~
29 ~~federal-purposes.~~

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

36 ~~Except as otherwise provided, references to the Internal~~

1 Revenue Code in subdivisions ~~19a~~ 19 to ~~19g~~ 19f mean the code in
2 effect for purposes of determining net income for the applicable
3 year.

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

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

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

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

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

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

35 (2) the amount of income or sales and use taxes paid or
36 accrued within the taxable year under this chapter and income or

1 sales and use taxes paid to any other state or to any province
2 or territory of Canada, to the extent allowed as a deduction
3 under section 63(d) of the Internal Revenue Code, but the
4 addition may not be more than the amount by which the itemized
5 deductions as allowed under section 63(d) of the Internal
6 Revenue Code exceeds the amount of the standard deduction as
7 defined in section 63(c) of the Internal Revenue Code of 1986,
8 as amended through June 15, 2003. For the purpose of this
9 paragraph, the disallowance of itemized deductions under section
10 68 of the Internal Revenue Code of 1986, income or sales and use
11 tax is the last itemized deduction disallowed;

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

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

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

24 (6) the amount of a partner's pro rata share of net income
25 which does not flow through to the partner because the
26 partnership elected to pay the tax on the income under section
27 6242(a)(2) of the Internal Revenue Code; and

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

1 activity that is not allowed in the taxable year. In succeeding
2 taxable years when the losses not allowed in the taxable year
3 are allowed, the depreciation under section 168(k) is allowed;

4 (8) 80 percent of the amount by which the deduction allowed
5 by section 179 of the Internal Revenue Code exceeds the
6 deduction allowable by section 179 of the Internal Revenue Code
7 of 1986, as amended through December 31, 2003;

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

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

16 (11) the exclusion allowed under section 139A of the
17 Internal Revenue Code for federal subsidies for prescription
18 drug plans; and

19 (12) the deduction or exclusion allowed under section 223
20 of the Internal Revenue Code for contributions to health savings
21 accounts.

22 [EFFECTIVE DATE.] This section is effective for tax years
23 beginning after December 31, 2004, except the changes in clause
24 (2) are effective for tax years beginning after December 31,
25 2003.

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

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

31 (1) interest income on obligations of any authority,
32 commission, or instrumentality of the United States to the
33 extent includable in taxable income for federal income tax
34 purposes but exempt from state income tax under the laws of the
35 United States;

36 (2) if included in federal taxable income, the amount of

1 any overpayment of income tax to Minnesota or to any other
2 state, for any previous taxable year, whether the amount is
3 received as a refund or as a credit to another taxable year's
4 income tax liability;

5 (3) the amount paid to others, less the amount used to
6 claim the credit allowed under section 290.0674, not to exceed
7 \$1,625 for each qualifying child in grades kindergarten to 6 and
8 \$2,500 for each qualifying child in grades 7 to 12, for tuition,
9 textbooks, and transportation of each qualifying child in
10 attending an elementary or secondary school situated in
11 Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin,
12 wherein a resident of this state may legally fulfill the state's
13 compulsory attendance laws, which is not operated for profit,
14 and which adheres to the provisions of the Civil Rights Act of
15 1964 and chapter 363A. For the purposes of this clause,
16 "tuition" includes fees or tuition as defined in section
17 290.0674, subdivision 1, clause (1). As used in this clause,
18 "textbooks" includes books and other instructional materials and
19 equipment purchased or leased for use in elementary and
20 secondary schools in teaching only those subjects legally and
21 commonly taught in public elementary and secondary schools in
22 this state. Equipment expenses qualifying for deduction
23 includes expenses as defined and limited in section 290.0674,
24 subdivision 1, clause (3). "Textbooks" does not include
25 instructional books and materials used in the teaching of
26 religious tenets, doctrines, or worship, the purpose of which is
27 to instill such tenets, doctrines, or worship, nor does it
28 include books or materials for, or transportation to,
29 extracurricular activities including sporting events, musical or
30 dramatic events, speech activities, driver's education, or
31 similar programs. For purposes of the subtraction provided by
32 this clause, "qualifying child" has the meaning given in section
33 32(c)(3) of the Internal Revenue Code;

34 (4) income as provided under section 290.0802;

35 (5) to the extent included in federal adjusted gross
36 income, income realized on disposition of property exempt from

1 tax under section 290.491;

2 (6) to the extent included in federal taxable income,
3 postservice benefits for youth community service under section
4 124D.42 for volunteer service under United States Code, title
5 42, sections 12601 to 12604;

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

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

18 (9) for individuals who are allowed a federal foreign tax
19 credit for taxes that do not qualify for a credit under section
20 290.06, subdivision 22, an amount equal to the carryover of
21 subnational foreign taxes for the taxable year, but not to
22 exceed the total subnational foreign taxes reported in claiming
23 the foreign tax credit. For purposes of this clause, "federal
24 foreign tax credit" means the credit allowed under section 27 of
25 the Internal Revenue Code, and "carryover of subnational foreign
26 taxes" equals the carryover allowed under section 904(c) of the
27 Internal Revenue Code minus national level foreign taxes to the
28 extent they exceed the federal foreign tax credit;

29 (10) in each of the five tax years immediately following
30 the tax year in which an addition is required under subdivision
31 19a, clause (7), an amount equal to one-fifth of the delayed
32 depreciation. For purposes of this clause, "delayed
33 depreciation" means the amount of the addition made by the
34 taxpayer under subdivision 19a, clause (7), minus the positive
35 value of any net operating loss under section 172 of the
36 Internal Revenue Code generated for the tax year of the

1 addition. The resulting delayed depreciation cannot be less
2 than zero; and

3 (11) job opportunity building zone income as provided under
4 section 469.316;

5 (12) in each of the five tax years immediately following
6 the tax year in which an addition is required under subdivision
7 19a, clause (8), or 19c, clause (17), in the case of a
8 shareholder of a corporation that is an S corporation, an amount
9 equal to one-fifth of the addition made by the taxpayer under
10 subdivision 19a, clause (8), or 19c, clause (17), in the case of
11 a shareholder of a corporation that is an S corporation, minus
12 the positive value of any net operating loss under section 172
13 of the Internal Revenue Code generated for the tax year of the
14 addition. If the net operating loss exceeds the addition for
15 the tax year, a subtraction is not allowed under this clause;

16 (13) to the extent included in federal taxable income,
17 compensation paid to a service member as defined in United
18 States Code, title 10, section 101(a)(5), for military service
19 as defined in the Service Member Civil Relief Act, Public Law
20 108-189, section 101(2), and compensation paid for state active
21 service as defined in section 190.05, subdivision 5a, clauses
22 (1) and (3), or federally funded state active service as defined
23 in section 190.05, subdivision 5b. This subtraction does not
24 apply to retirement income as defined in section 290.17,
25 subdivision 2, paragraph (a), clause (3); and

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

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

36 Sec. 5. Minnesota Statutes 2004, section 290.01,

1 subdivision 19c, is amended to read:

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

5 (1) the amount of any deduction taken for federal income
6 tax purposes for income, excise, or franchise taxes based on net
7 income or related minimum taxes, including but not limited to
8 the tax imposed under section 290.0922, paid by the corporation
9 to Minnesota, another state, a political subdivision of another
10 state, the District of Columbia, or any foreign country or
11 possession of the United States;

12 (2) interest not subject to federal tax upon obligations
13 of: the United States, its possessions, its agencies, or its
14 instrumentalities; the state of Minnesota or any other state,
15 any of its political or governmental subdivisions, any of its
16 municipalities, or any of its governmental agencies or
17 instrumentalities; the District of Columbia; or Indian tribal
18 governments;

19 (3) exempt-interest dividends received as defined in
20 section 852(b)(5) of the Internal Revenue Code;

21 (4) the amount of any net operating loss deduction taken
22 for federal income tax purposes under section 172 or 832(c)(10)
23 of the Internal Revenue Code or operations loss deduction under
24 section 810 of the Internal Revenue Code;

25 (5) the amount of any special deductions taken for federal
26 income tax purposes under sections 241 to 247 of the Internal
27 Revenue Code;

28 (6) losses from the business of mining, as defined in
29 section 290.05, subdivision 1, clause (a), that are not subject
30 to Minnesota income tax;

31 (7) the amount of any capital losses deducted for federal
32 income tax purposes under sections 1211 and 1212 of the Internal
33 Revenue Code;

34 (8) the exempt foreign trade income of a foreign sales
35 corporation under sections 921(a) and 291 of the Internal
36 Revenue Code;

1 (9) the amount of percentage depletion deducted under
 2 sections 611 through 614 and 291 of the Internal Revenue Code;

3 (10) for certified pollution control facilities placed in
 4 service in a taxable year beginning before December 31, 1986,
 5 and for which amortization deductions were elected under section
 6 169 of the Internal Revenue Code of 1954, as amended through
 7 December 31, 1985, the amount of the amortization deduction
 8 allowed in computing federal taxable income for those
 9 facilities;

10 (11) the amount of any deemed dividend from a foreign
 11 operating corporation determined pursuant to section 290.17,
 12 subdivision 4, paragraph (g);

13 (12) the amount of any environmental tax paid under section
 14 59(a) of the Internal Revenue Code;

15 (13) the amount of a partner's pro rata share of net income
 16 which does not flow through to the partner because the
 17 partnership elected to pay the tax on the income under section
 18 6242(a)(2) of the Internal Revenue Code;

19 (14) the amount of net income excluded under section 114 of
 20 the Internal Revenue Code;

21 (15) any increase in subpart F income, as defined in
 22 section 952(a) of the Internal Revenue Code, for the taxable
 23 year when subpart F income is calculated without regard to the
 24 provisions of section 614 of Public Law 107-147; and

25 (16) 80 percent of the depreciation deduction allowed under
 26 section 168(k) of the Internal Revenue Code. For purposes of
 27 this clause, if the taxpayer has an activity that in the taxable
 28 year generates a deduction for depreciation under section 168(k)
 29 and the activity generates a loss for the taxable year that the
 30 taxpayer is not allowed to claim for the taxable year, "the
 31 depreciation allowed under section 168(k)" for the taxable year
 32 is limited to excess of the depreciation claimed by the activity
 33 under section 168(k) over the amount of the loss from the
 34 activity that is not allowed in the taxable year. In succeeding
 35 taxable years when the losses not allowed in the taxable year
 36 are allowed, the depreciation under section 168(k) is allowed;

1 (17) 80 percent of the amount by which the deduction
2 allowed by section 179 of the Internal Revenue Code exceeds the
3 deduction allowable by section 179 of the Internal Revenue Code
4 of 1986, as amended through December 31, 2003; and

5 (18) to the extent deducted in computing federal taxable
6 income, the amount of the deduction allowable under section 199
7 of the Internal Revenue Code.

8 [EFFECTIVE DATE.] This section is effective for tax years
9 beginning after December 31, 2004.

10 Sec. 6. Minnesota Statutes 2004, section 290.01,
11 subdivision 19d, is amended to read:

12 Subd. 19d. [CORPORATIONS; MODIFICATIONS DECREASING FEDERAL
13 TAXABLE INCOME.] For corporations, there shall be subtracted
14 from federal taxable income after the increases provided in
15 subdivision 19c:

16 (1) the amount of foreign dividend gross-up added to gross
17 income for federal income tax purposes under section 78 of the
18 Internal Revenue Code;

19 (2) the amount of salary expense not allowed for federal
20 income tax purposes due to claiming the federal jobs credit
21 under section 51 of the Internal Revenue Code;

22 (3) any dividend (not including any distribution in
23 liquidation) paid within the taxable year by a national or state
24 bank to the United States, or to any instrumentality of the
25 United States exempt from federal income taxes, on the preferred
26 stock of the bank owned by the United States or the
27 instrumentality;

28 (4) amounts disallowed for intangible drilling costs due to
29 differences between this chapter and the Internal Revenue Code
30 in taxable years beginning before January 1, 1987, as follows:

31 (i) to the extent the disallowed costs are represented by
32 physical property, an amount equal to the allowance for
33 depreciation under Minnesota Statutes 1986, section 290.09,
34 subdivision 7, subject to the modifications contained in
35 subdivision 19e; and

36 (ii) to the extent the disallowed costs are not represented

1 by physical property, an amount equal to the allowance for cost
2 depletion under Minnesota Statutes 1986, section 290.09,
3 subdivision 8;

4 (5) the deduction for capital losses pursuant to sections
5 1211 and 1212 of the Internal Revenue Code, except that:

6 (i) for capital losses incurred in taxable years beginning
7 after December 31, 1986, capital loss carrybacks shall not be
8 allowed;

9 (ii) for capital losses incurred in taxable years beginning
10 after December 31, 1986, a capital loss carryover to each of the
11 15 taxable years succeeding the loss year shall be allowed;

12 (iii) for capital losses incurred in taxable years
13 beginning before January 1, 1987, a capital loss carryback to
14 each of the three taxable years preceding the loss year, subject
15 to the provisions of Minnesota Statutes 1986, section 290.16,
16 shall be allowed; and

17 (iv) for capital losses incurred in taxable years beginning
18 before January 1, 1987, a capital loss carryover to each of the
19 five taxable years succeeding the loss year to the extent such
20 loss was not used in a prior taxable year and subject to the
21 provisions of Minnesota Statutes 1986, section 290.16, shall be
22 allowed;

23 (6) an amount for interest and expenses relating to income
24 not taxable for federal income tax purposes, if (i) the income
25 is taxable under this chapter and (ii) the interest and expenses
26 were disallowed as deductions under the provisions of section
27 171(a)(2), 265 or 291 of the Internal Revenue Code in computing
28 federal taxable income;

29 (7) in the case of mines, oil and gas wells, other natural
30 deposits, and timber for which percentage depletion was
31 disallowed pursuant to subdivision 19c, clause (11), a
32 reasonable allowance for depletion based on actual cost. In the
33 case of leases the deduction must be apportioned between the
34 lessor and lessee in accordance with rules prescribed by the
35 commissioner. In the case of property held in trust, the
36 allowable deduction must be apportioned between the income

1 beneficiaries and the trustee in accordance with the pertinent
2 provisions of the trust, or if there is no provision in the
3 instrument, on the basis of the trust's income allocable to
4 each;

5 (8) for certified pollution control facilities placed in
6 service in a taxable year beginning before December 31, 1986,
7 and for which amortization deductions were elected under section
8 169 of the Internal Revenue Code of 1954, as amended through
9 December 31, 1985, an amount equal to the allowance for
10 depreciation under Minnesota Statutes 1986, section 290.09,
11 subdivision 7;

12 (9) amounts included in federal taxable income that are due
13 to refunds of income, excise, or franchise taxes based on net
14 income or related minimum taxes paid by the corporation to
15 Minnesota, another state, a political subdivision of another
16 state, the District of Columbia, or a foreign country or
17 possession of the United States to the extent that the taxes
18 were added to federal taxable income under section 290.01,
19 subdivision 19c, clause (1), in a prior taxable year;

20 (10) 80 percent of royalties, fees, or other like income
21 accrued or received from a foreign operating corporation or a
22 foreign corporation which is part of the same unitary business
23 as the receiving corporation;

24 (11) income or gains from the business of mining as defined
25 in section 290.05, subdivision 1, clause (a), that are not
26 subject to Minnesota franchise tax;

27 (12) the amount of handicap access expenditures in the
28 taxable year which are not allowed to be deducted or capitalized
29 under section 44(d)(7) of the Internal Revenue Code;

30 (13) the amount of qualified research expenses not allowed
31 for federal income tax purposes under section 280C(c) of the
32 Internal Revenue Code, but only to the extent that the amount
33 exceeds the amount of the credit allowed under section 290.068;

34 (14) the amount of salary expenses not allowed for federal
35 income tax purposes due to claiming the Indian employment credit
36 under section 45A(a) of the Internal Revenue Code;

1 (15) the amount of any refund of environmental taxes paid
2 under section 59A of the Internal Revenue Code;

3 (16) for taxable years beginning before January 1, 2008,
4 the amount of the federal small ethanol producer credit allowed
5 under section 40(a)(3) of the Internal Revenue Code which is
6 included in gross income under section 87 of the Internal
7 Revenue Code;

8 (17) for a corporation whose foreign sales corporation, as
9 defined in section 922 of the Internal Revenue Code, constituted
10 a foreign operating corporation during any taxable year ending
11 before January 1, 1995, and a return was filed by August 15,
12 1996, claiming the deduction under section 290.21, subdivision
13 4, for income received from the foreign operating corporation,
14 an amount equal to 1.23 multiplied by the amount of income
15 excluded under section 114 of the Internal Revenue Code,
16 provided the income is not income of a foreign operating
17 company;

18 (18) any decrease in subpart F income, as defined in
19 section 952(a) of the Internal Revenue Code, for the taxable
20 year when subpart F income is calculated without regard to the
21 provisions of section 614 of Public Law 107-147; and

22 (19) in each of the five tax years immediately following
23 the tax year in which an addition is required under subdivision
24 19c, clause (16), an amount equal to one-fifth of the delayed
25 depreciation. For purposes of this clause, "delayed
26 depreciation" means the amount of the addition made by the
27 taxpayer under subdivision 19c, clause (16). The resulting
28 delayed depreciation cannot be less than zero; and

29 (20) in each of the five tax years immediately following
30 the tax year in which an addition is required under subdivision
31 19c, clause (17), an amount equal to one-fifth of the amount of
32 the addition.

33 [EFFECTIVE DATE.] This section is effective for tax years
34 beginning after December 31, 2004.

35 Sec. 7. Minnesota Statutes 2004, section 290.01,
36 subdivision 31, is amended to read:

1 Subd. 31. [INTERNAL REVENUE CODE.] Unless specifically
2 defined otherwise, "Internal Revenue Code" means the Internal
3 Revenue Code of 1986, as amended through ~~June-15, 2003~~ December
4 31, 2004.

5 [EFFECTIVE DATE.] This section is effective the day
6 following final enactment except the changes incorporated by
7 federal changes are effective at the same times as the changes
8 were effective for federal purposes.

9 Sec. 8. Minnesota Statutes 2004, section 290.032,
10 subdivision 1, is amended to read:

11 Subdivision 1. [IMPOSITION.] There is hereby imposed as an
12 addition to the annual income tax for a taxable year of a
13 taxpayer in the classes described in section 290.03 a tax with
14 respect to any distribution received by such taxpayer that is
15 treated as a lump sum distribution under section ~~402(d) of the~~
16 ~~Internal Revenue Code~~ 1401(c)(2) of the Small Business Job
17 Protection Act, Public Law 104-188 and that is subject to tax
18 for such taxable year under section ~~402(d) of the Internal~~
19 ~~Revenue Code~~ 1401(c)(2) of the Small Business Job Protection
20 Act, Public Law 104-188.

21 [EFFECTIVE DATE.] This section is effective for tax years
22 beginning after December 31, 1999.

23 Sec. 9. Minnesota Statutes 2004, section 290.032,
24 subdivision 2, is amended to read:

25 Subd. 2. [COMPUTATION.] The amount of tax imposed by
26 subdivision 1 shall be computed in the same way as the tax
27 imposed under section 402(d) of the Internal Revenue Code of
28 1986, as amended through December 31, 1995, except that the
29 initial separate tax shall be an amount equal to five times the
30 tax which would be imposed by section 290.06, subdivision 2c, if
31 the recipient was an unmarried individual, and the taxable net
32 income was an amount equal to one-fifth of the excess of

33 (i) the total taxable amount of the lump sum distribution
34 for the year, over

35 (ii) the minimum distribution allowance, and except that
36 references in section 402(d) of the Internal Revenue Code of

1 1986, as amended through December 31, 1995, to paragraph (1)(A)
2 thereof shall instead be references to subdivision 1, and the
3 excess, if any, of the subtraction base amount over federal
4 taxable income for a qualified individual as provided under
5 section 290.0802, subdivision 2.

6 [EFFECTIVE DATE.] This section is effective for tax years
7 beginning after December 31, 1999.

8 Sec. 10. Minnesota Statutes 2004, section 290.06,
9 subdivision 2c, is amended to read:

10 Subd. 2c. [SCHEDULES OF RATES FOR INDIVIDUALS, ESTATES,
11 AND TRUSTS.] (a) The income taxes imposed by this chapter upon
12 married individuals filing joint returns and surviving spouses
13 as defined in section 2(a) of the Internal Revenue Code must be
14 computed by applying to their taxable net income the following
15 schedule of rates:

16 (1) On the first \$25,680, 5.35 percent;

17 (2) On all over \$25,680, but not over \$102,030, 7.05
18 percent;

19 (3) On all over \$102,030, 7.85 percent.

20 Married individuals filing separate returns, estates, and
21 trusts must compute their income tax by applying the above rates
22 to their taxable income, except that the income brackets will be
23 one-half of the above amounts.

24 (b) The income taxes imposed by this chapter upon unmarried
25 individuals must be computed by applying to taxable net income
26 the following schedule of rates:

27 (1) On the first \$17,570, 5.35 percent;

28 (2) On all over \$17,570, but not over \$57,710, 7.05
29 percent;

30 (3) On all over \$57,710, 7.85 percent.

31 (c) The income taxes imposed by this chapter upon unmarried
32 individuals qualifying as a head of household as defined in
33 section 2(b) of the Internal Revenue Code must be computed by
34 applying to taxable net income the following schedule of rates:

35 (1) On the first \$21,630, 5.35 percent;

36 (2) On all over \$21,630, but not over \$86,910, 7.05

1 percent;

2 (3) On all over \$86,910, 7.85 percent.

3 (d) In lieu of a tax computed according to the rates set
4 forth in this subdivision, the tax of any individual taxpayer
5 whose taxable net income for the taxable year is less than an
6 amount determined by the commissioner must be computed in
7 accordance with tables prepared and issued by the commissioner
8 of revenue based on income brackets of not more than \$100. The
9 amount of tax for each bracket shall be computed at the rates
10 set forth in this subdivision, provided that the commissioner
11 may disregard a fractional part of a dollar unless it amounts to
12 50 cents or more, in which case it may be increased to \$1.

13 (e) An individual who is not a Minnesota resident for the
14 entire year must compute the individual's Minnesota income tax
15 as provided in this subdivision. After the application of the
16 nonrefundable credits provided in this chapter, the tax
17 liability must then be multiplied by a fraction in which:

18 (1) the numerator is the individual's Minnesota source
19 federal adjusted gross income as defined in section 62 of the
20 Internal Revenue Code and increased by the additions required
21 under section 290.01, subdivision 19a, clauses (1), (5), and
22 (6), (7), (8), and (9), and reduced by the subtraction under
23 section 290.01, subdivision 19b, clause (11), and the Minnesota
24 assignable portion of the subtraction for United States
25 government interest under section 290.01, subdivision 19b,
26 clause (1), and the subtractions under clauses (10), (11), (12),
27 and (13), after applying the allocation and assignability
28 provisions of section 290.081, clause (a), or 290.17; and

29 (2) the denominator is the individual's federal adjusted
30 gross income as defined in section 62 of the Internal Revenue
31 Code of 1986, increased by the amounts specified in section
32 290.01, subdivision 19a, clauses (1), (5), and (6), (7), (8),
33 and (9), and reduced by the amounts specified in section 290.01,
34 subdivision 19b, clauses (1) and, (10), (11), (12), and (13).

35 [EFFECTIVE DATE.] This section is effective for tax years
36 beginning after December 31, 2004.

1 Sec. 11. Minnesota Statutes 2004, section 290.067,
2 subdivision 1, is amended to read:

3 Subdivision 1. [AMOUNT OF CREDIT.] (a) A taxpayer may take
4 as a credit against the tax due from the taxpayer and a spouse,
5 if any, under this chapter an amount equal to the dependent care
6 credit for which the taxpayer is eligible pursuant to the
7 provisions of section 21 of the Internal Revenue Code subject to
8 the limitations provided in subdivision 2 except that in
9 determining whether the child qualified as a dependent, income
10 received as a Minnesota family investment program grant or
11 allowance to or on behalf of the child must not be taken into
12 account in determining whether the child received more than half
13 of the child's support from the taxpayer, and the provisions of
14 section 32(b)(1)(D) of the Internal Revenue Code do not apply.

15 (b) If a child who has not attained the age of six years at
16 the close of the taxable year is cared for at a licensed family
17 day care home operated by the child's parent, the taxpayer is
18 deemed to have paid employment-related expenses. If the child
19 is 16 months old or younger at the close of the taxable year,
20 the amount of expenses deemed to have been paid equals the
21 maximum limit for one qualified individual under section 21(c)
22 and (d) of the Internal Revenue Code. If the child is older
23 than 16 months of age but has not attained the age of six years
24 at the close of the taxable year, the amount of expenses deemed
25 to have been paid equals the amount the licensee would charge
26 for the care of a child of the same age for the same number of
27 hours of care.

28 (c) If a married couple:

29 (1) has a child who has not attained the age of one year at
30 the close of the taxable year;

31 (2) files a joint tax return for the taxable year; and

32 (3) does not participate in a dependent care assistance
33 program as defined in section 129 of the Internal Revenue Code,
34 in lieu of the actual employment related expenses paid for that
35 child under paragraph (a) or the deemed amount under paragraph
36 (b), the lesser of (i) the combined earned income of the couple

1 or (ii) the amount of the maximum limit for one qualified
2 individual under section 21(c) and (d) of the Internal Revenue
3 Code will be deemed to be the employment related expense paid
4 for that child. The earned income limitation of section 21(d)
5 of the Internal Revenue Code shall not apply to this deemed
6 amount. These deemed amounts apply regardless of whether any
7 employment-related expenses have been paid.

8 (d) If the taxpayer is not required and does not file a
9 federal individual income tax return for the tax year, no credit
10 is allowed for any amount paid to any person unless:

11 (1) the name, address, and taxpayer identification number
12 of the person are included on the return claiming the credit; or

13 (2) if the person is an organization described in section
14 501(c)(3) of the Internal Revenue Code and exempt from tax under
15 section 501(a) of the Internal Revenue Code, the name and
16 address of the person are included on the return claiming the
17 credit.

18 In the case of a failure to provide the information required
19 under the preceding sentence, the preceding sentence does not
20 apply if it is shown that the taxpayer exercised due diligence
21 in attempting to provide the information required.

22 In the case of a nonresident, part-year resident, or a
23 person who has earned income not subject to tax under this
24 chapter including earned income excluded pursuant to section
25 290.01, subdivision 19b, clause (11), the credit determined
26 under section 21 of the Internal Revenue Code must be allocated
27 based on the ratio by which the earned income of the claimant
28 and the claimant's spouse from Minnesota sources bears to the
29 total earned income of the claimant and the claimant's spouse.

30 For residents of Minnesota, the exclusion of combat pay
31 under section 112 of the Internal Revenue Code and the
32 subtraction for military pay under section 290.01, subdivision
33 19b, clause (13), are not considered "earned income not subject
34 to tax under this chapter."

35 [EFFECTIVE DATE.] This section is effective for tax years
36 beginning after December 31, 2004.

1 Sec. 12. Minnesota Statutes 2004, section 290.067,
2 subdivision 2a, is amended to read:

3 Subd. 2a. [INCOME.] (a) For purposes of this section,
4 "income" means the sum of the following:

5 (1) federal adjusted gross income as defined in section 62
6 of the Internal Revenue Code; and

7 (2) the sum of the following amounts to the extent not
8 included in clause (1):

9 (i) all nontaxable income;

10 (ii) the amount of a passive activity loss that is not
11 disallowed as a result of section 469, paragraph (i) or (m) of
12 the Internal Revenue Code and the amount of passive activity
13 loss carryover allowed under section 469(b) of the Internal
14 Revenue Code;

15 (iii) an amount equal to the total of any discharge of
16 qualified farm indebtedness of a solvent individual excluded
17 from gross income under section 108(g) of the Internal Revenue
18 Code;

19 (iv) cash public assistance and relief;

20 (v) any pension or annuity (including railroad retirement
21 benefits, all payments received under the federal Social
22 Security Act, supplemental security income, and veterans
23 benefits), which was not exclusively funded by the claimant or
24 spouse, or which was funded exclusively by the claimant or
25 spouse and which funding payments were excluded from federal
26 adjusted gross income in the years when the payments were made;

27 (vi) interest received from the federal or a state
28 government or any instrumentality or political subdivision
29 thereof;

30 (vii) workers' compensation;

31 (viii) nontaxable strike benefits;

32 (ix) the gross amounts of payments received in the nature
33 of disability income or sick pay as a result of accident,
34 sickness, or other disability, whether funded through insurance
35 or otherwise;

36 (x) a lump sum distribution under section 402(e)(3) of the

1 Internal Revenue Code of 1986, as amended through December 31,
2 1995;

3 (xi) contributions made by the claimant to an individual
4 retirement account, including a qualified voluntary employee
5 contribution; simplified employee pension plan; self-employed
6 retirement plan; cash or deferred arrangement plan under section
7 401(k) of the Internal Revenue Code; or deferred compensation
8 plan under section 457 of the Internal Revenue Code; and

9 (xii) nontaxable scholarship or fellowship grants;

10 (xiii) the amount of deduction allowed under section 199 of
11 the Internal Revenue Code; and

12 (xiv) the amount of deduction allowed under section 220 or
13 223 of the Internal Revenue Code.

14 In the case of an individual who files an income tax return
15 on a fiscal year basis, the term "federal adjusted gross income"
16 means federal adjusted gross income reflected in the fiscal year
17 ending in the next calendar year. Federal adjusted gross income
18 may not be reduced by the amount of a net operating loss
19 carryback or carryforward or a capital loss carryback or
20 carryforward allowed for the year.

21 (b) "Income" does not include:

22 (1) amounts excluded pursuant to the Internal Revenue Code,
23 sections 101(a) and 102;

24 (2) amounts of any pension or annuity that were exclusively
25 funded by the claimant or spouse if the funding payments were
26 not excluded from federal adjusted gross income in the years
27 when the payments were made;

28 (3) surplus food or other relief in kind supplied by a
29 governmental agency;

30 (4) relief granted under chapter 290A;

31 (5) child support payments received under a temporary or
32 final decree of dissolution or legal separation; and

33 (6) restitution payments received by eligible individuals
34 and excludable interest as defined in section 803 of the
35 Economic Growth and Tax Relief Reconciliation Act of 2001,
36 Public Law 107-16.

1 [EFFECTIVE DATE.] This section is effective for tax years
 2 beginning after December 31, 2003.

3 Sec. 13. Minnesota Statutes 2004, section 290.0671,
 4 subdivision 1, is amended to read:

5 Subdivision 1. [CREDIT ALLOWED.] (a) An individual is
 6 allowed a credit against the tax imposed by this chapter equal
 7 to a percentage of earned income. To receive a credit, a
 8 taxpayer must be eligible for a credit under section 32 of the
 9 Internal Revenue Code.

10 (b) For individuals with no qualifying children, the credit
 11 equals 1.9125 percent of the first \$4,620 of earned income. The
 12 credit is reduced by 1.9125 percent of earned income or modified
 13 adjusted gross income, whichever is greater, in excess of
 14 \$5,770, but in no case is the credit less than zero.

15 (c) For individuals with one qualifying child, the credit
 16 equals 8.5 percent of the first \$6,920 of earned income and 8.5
 17 percent of earned income over \$12,080 but less than \$13,450.
 18 The credit is reduced by 5.73 percent of earned income or
 19 modified adjusted gross income, whichever is greater, in excess
 20 of \$15,080, but in no case is the credit less than zero.

21 (d) For individuals with two or more qualifying children,
 22 the credit equals ten percent of the first \$9,720 of earned
 23 income and 20 percent of earned income over \$14,860 but less
 24 than \$16,800. The credit is reduced by 10.3 percent of earned
 25 income or modified adjusted gross income, whichever is greater,
 26 in excess of \$17,890, but in no case is the credit less than
 27 zero.

28 (e) For a nonresident or part-year resident, the credit
 29 must be allocated based on the percentage calculated under
 30 section 290.06, subdivision 2c, paragraph (e).

31 (f) For a person who was a resident for the entire tax year
 32 and has earned income not subject to tax under this chapter,
 33 including income excluded under section 290.01, subdivision 19b,
 34 clause (11), the credit must be allocated based on the ratio of
 35 federal adjusted gross income reduced by the earned income not
 36 subject to tax under this chapter over federal adjusted gross

1 income. For the purposes of this paragraph, the exclusion of
2 combat pay under section 112 of the Internal Revenue Code and
3 the subtraction for military pay under section 290.01,
4 subdivision 19b, clause (13), are not considered "earned income
5 not subject to tax under this chapter."

6 (g) For tax years beginning after December 31, 2001, and
7 before December 31, 2004, the \$5,770 in paragraph (b), the
8 \$15,080 in paragraph (c), and the \$17,890 in paragraph (d),
9 after being adjusted for inflation under subdivision 7, are each
10 increased by \$1,000 for married taxpayers filing joint returns.

11 (h) For tax years beginning after December 31, 2004, and
12 before December 31, 2007, the \$5,770 in paragraph (b), the
13 \$15,080 in paragraph (c), and the \$17,890 in paragraph (d),
14 after being adjusted for inflation under subdivision 7, are each
15 increased by \$2,000 for married taxpayers filing joint returns.

16 (i) For tax years beginning after December 31, 2007, and
17 before December 31, 2010, the \$5,770 in paragraph (b), the
18 \$15,080 in paragraph (c), and the \$17,890 in paragraph (d),
19 after being adjusted for inflation under subdivision 7, are each
20 increased by \$3,000 for married taxpayers filing joint returns.
21 For tax years beginning after December 31, 2008, the \$3,000 is
22 adjusted annually for inflation under subdivision 7.

23 (j) The commissioner shall construct tables showing the
24 amount of the credit at various income levels and make them
25 available to taxpayers. The tables shall follow the schedule
26 contained in this subdivision, except that the commissioner may
27 graduate the transition between income brackets.

28 [EFFECTIVE DATE.] This section is effective for tax years
29 beginning after December 31, 2004.

30 Sec. 14. Minnesota Statutes 2004, section 290.0675,
31 subdivision 1, is amended to read:

32 Subdivision 1. [DEFINITIONS.] (a) For purposes of this
33 section the following terms have the meanings given.

34 (b) "Earned income" means the sum of the following, to the
35 extent included in Minnesota taxable income:

36 (1) earned income as defined in section 32(c)(2) of the

1 Internal Revenue Code;

2 (2) income received from a retirement pension,
3 profit-sharing, stock bonus, or annuity plan; and

4 (3) Social Security benefits as defined in section 86(d)(1)
5 of the Internal Revenue Code.

6 (c) "Taxable income" means net income as defined in section
7 290.01, subdivision 19.

8 (d) "Earned income of lesser-earning spouse" means the
9 earned income of the spouse with the lesser amount of earned
10 income as defined in paragraph (b) for the taxable year minus
11 the sum of (i) the amount for one exemption under section 151(d)
12 of the Internal Revenue Code and (ii) one-half the amount of the
13 standard deduction under section 63(c)(2)(A) and (4) of the
14 Internal Revenue Code of 1986, as amended through December 31,
15 2003.

16 [EFFECTIVE DATE.] This section is effective for tax years
17 beginning after December 31, 2004.

18 Sec. 15. Minnesota Statutes 2004, section 290.091,
19 subdivision 2, is amended to read:

20 Subd. 2. [DEFINITIONS.] For purposes of the tax imposed by
21 this section, the following terms have the meanings given:

22 (a) "Alternative minimum taxable income" means the sum of
23 the following for the taxable year:

24 (1) the taxpayer's federal alternative minimum taxable
25 income as defined in section 55(b)(2) of the Internal Revenue
26 Code;

27 (2) the taxpayer's itemized deductions allowed in computing
28 federal alternative minimum taxable income, but excluding:

29 (i) the charitable contribution deduction under section 170
30 of the Internal Revenue Code to the extent that the deduction
31 exceeds 1.0 percent of adjusted gross income, as defined in
32 section 62 of the Internal Revenue Code;

33 (ii) the medical expense deduction;

34 (iii) the casualty, theft, and disaster loss deduction; and

35 (iv) the impairment-related work expenses of a disabled
36 person;

1 (3) for depletion allowances computed under section 613A(c)
2 of the Internal Revenue Code, with respect to each property (as
3 defined in section 614 of the Internal Revenue Code), to the
4 extent not included in federal alternative minimum taxable
5 income, the excess of the deduction for depletion allowable
6 under section 611 of the Internal Revenue Code for the taxable
7 year over the adjusted basis of the property at the end of the
8 taxable year (determined without regard to the depletion
9 deduction for the taxable year);

10 (4) to the extent not included in federal alternative
11 minimum taxable income, the amount of the tax preference for
12 intangible drilling cost under section 57(a)(2) of the Internal
13 Revenue Code determined without regard to subparagraph (E);

14 (5) to the extent not included in federal alternative
15 minimum taxable income, the amount of interest income as
16 provided by section 290.01, subdivision 19a, clause (1); and

17 (6) the amount of addition required by section 290.01,
18 subdivision 19a, clause clauses (7), (8), and (9);

19 less the sum of the amounts determined under the following:

20 (1) interest income as defined in section 290.01,
21 subdivision 19b, clause (1);

22 (2) an overpayment of state income tax as provided by
23 section 290.01, subdivision 19b, clause (2), to the extent
24 included in federal alternative minimum taxable income;

25 (3) the amount of investment interest paid or accrued
26 within the taxable year on indebtedness to the extent that the
27 amount does not exceed net investment income, as defined in
28 section 163(d)(4) of the Internal Revenue Code. Interest does
29 not include amounts deducted in computing federal adjusted gross
30 income; and

31 (4) amounts subtracted from federal taxable income as
32 provided by section 290.01, subdivision 19b, clauses (10) and,
33 (11), (12), and (13).

34 In the case of an estate or trust, alternative minimum
35 taxable income must be computed as provided in section 59(c) of
36 the Internal Revenue Code.

1 (b) "Investment interest" means investment interest as
2 defined in section 163(d)(3) of the Internal Revenue Code.

3 (c) "Tentative minimum tax" equals 6.4 percent of
4 alternative minimum taxable income after subtracting the
5 exemption amount determined under subdivision 3.

6 (d) "Regular tax" means the tax that would be imposed under
7 this chapter (without regard to this section and section
8 290.032), reduced by the sum of the nonrefundable credits
9 allowed under this chapter.

10 (e) "Net minimum tax" means the minimum tax imposed by this
11 section.

12 [EFFECTIVE DATE.] This section is effective for tax years
13 beginning after December 31, 2004.

14 Sec. 16. Minnesota Statutes 2004, section 290A.03,
15 subdivision 3, is amended to read:

16 Subd. 3. [INCOME.] (1) "Income" means the sum of the
17 following:

18 (a) federal adjusted gross income as defined in the
19 Internal Revenue Code; and

20 (b) the sum of the following amounts to the extent not
21 included in clause (a):

22 (i) all nontaxable income;

23 (ii) the amount of a passive activity loss that is not
24 disallowed as a result of section 469, paragraph (i) or (m) of
25 the Internal Revenue Code and the amount of passive activity
26 loss carryover allowed under section 469(b) of the Internal
27 Revenue Code;

28 (iii) an amount equal to the total of any discharge of
29 qualified farm indebtedness of a solvent individual excluded
30 from gross income under section 108(g) of the Internal Revenue
31 Code;

32 (iv) cash public assistance and relief;

33 (v) any pension or annuity (including railroad retirement
34 benefits, all payments received under the federal Social
35 Security Act, supplemental security income, and veterans
36 benefits), which was not exclusively funded by the claimant or

1 spouse, or which was funded exclusively by the claimant or
 2 spouse and which funding payments were excluded from federal
 3 adjusted gross income in the years when the payments were made;

4 (vi) interest received from the federal or a state
 5 government or any instrumentality or political subdivision
 6 thereof;

7 (vii) workers' compensation;

8 (viii) nontaxable strike benefits;

9 (ix) the gross amounts of payments received in the nature
 10 of disability income or sick pay as a result of accident,
 11 sickness, or other disability, whether funded through insurance
 12 or otherwise;

13 (x) a lump sum distribution under section 402(e)(3) of the
 14 Internal Revenue Code of 1986, as amended through December 31,
 15 1995;

16 (xi) contributions made by the claimant to an individual
 17 retirement account, including a qualified voluntary employee
 18 contribution; simplified employee pension plan; self-employed
 19 retirement plan; cash or deferred arrangement plan under section
 20 401(k) of the Internal Revenue Code; or deferred compensation
 21 plan under section 457 of the Internal Revenue Code; and

22 (xii) nontaxable scholarship or fellowship grants;

23 (xiii) the amount of deduction allowed under section 199 of
 24 the Internal Revenue Code; and

25 (xiv) the amount of deduction allowed under section 220 or
 26 223 of the Internal Revenue Code.

27 In the case of an individual who files an income tax return
 28 on a fiscal year basis, the term "federal adjusted gross income"
 29 shall mean federal adjusted gross income reflected in the fiscal
 30 year ending in the calendar year. Federal adjusted gross income
 31 shall not be reduced by the amount of a net operating loss
 32 carryback or carryforward or a capital loss carryback or
 33 carryforward allowed for the year.

34 (2) "Income" does not include:

35 (a) amounts excluded pursuant to the Internal Revenue Code,
 36 sections 101(a) and 102;

1 (b) amounts of any pension or annuity which was exclusively
 2 funded by the claimant or spouse and which funding payments were
 3 not excluded from federal adjusted gross income in the years
 4 when the payments were made;

5 (c) surplus food or other relief in kind supplied by a
 6 governmental agency;

7 (d) relief granted under this chapter;

8 (e) child support payments received under a temporary or
 9 final decree of dissolution or legal separation; or

10 (f) restitution payments received by eligible individuals
 11 and excludable interest as defined in section 803 of the
 12 Economic Growth and Tax Relief Reconciliation Act of 2001,
 13 Public Law 107-16.

14 (3) The sum of the following amounts may be subtracted from
 15 income:

16 (a) for the claimant's first dependent, the exemption
 17 amount multiplied by 1.4;

18 (b) for the claimant's second dependent, the exemption
 19 amount multiplied by 1.3;

20 (c) for the claimant's third dependent, the exemption
 21 amount multiplied by 1.2;

22 (d) for the claimant's fourth dependent, the exemption
 23 amount multiplied by 1.1;

24 (e) for the claimant's fifth dependent, the exemption
 25 amount; and

26 (f) if the claimant or claimant's spouse was disabled or
 27 attained the age of 65 on or before December 31 of the year for
 28 which the taxes were levied or rent paid, the exemption amount.

29 For purposes of this subdivision, the "exemption amount"
 30 means the exemption amount under section 151(d) of the Internal
 31 Revenue Code for the taxable year for which the income is
 32 reported.

33 [EFFECTIVE DATE.] This section is effective for property
 34 tax refunds based on household income for 2004 and thereafter.

35 Sec. 17. Minnesota Statutes 2004, section 290A.03,
 36 subdivision 15, is amended to read:

1 Subd. 15. [INTERNAL REVENUE CODE.] "Internal Revenue Code"
2 means the Internal Revenue Code of 1986, as amended through June
3 15, 2003 December 31, 2004.

4 [EFFECTIVE DATE.] This section is effective for property
5 tax refunds based on property taxes payable on or after December
6 31, 2004, and rent paid on or after December 31, 2003.

7 Sec. 18. [PREEMPTION.]

8 If a bill styled as S.F. No. 1209 is enacted during the
9 2005 legislative session, and includes federal update
10 provisions, the provisions of that act relating to federal
11 updates are repealed.

12 ARTICLE 7

13 SALES TAX - SF1683

14 Section 1. Minnesota Statutes 2004, section 289A.11,
15 subdivision 1, is amended to read:

16 Subdivision 1. [RETURN REQUIRED.] Except as provided in
17 section 289A.18, subdivision subdivisions 4 and 4a, for the
18 month in which taxes imposed by chapter 297A are payable, or for
19 which a return is due, a return for the preceding reporting
20 period must be filed with the commissioner in the form and
21 manner the commissioner prescribes. A person making sales at
22 retail at two or more places of business may file a consolidated
23 return subject to rules prescribed by the commissioner. In
24 computing the dollar amount of items on the return, the amounts
25 are rounded off to the nearest whole dollar, disregarding
26 amounts less than 50 cents and increasing amounts of 50 cents to
27 99 cents to the next highest dollar.

28 ~~Notwithstanding this subdivision, a person who is not~~
29 ~~required to hold a sales tax permit under chapter 297A and who~~
30 ~~makes annual purchases of less than \$18,500 that are subject to~~
31 ~~the use tax imposed by section 297A.63, may file an annual use~~
32 ~~tax return on a form prescribed by the commissioner. -- If a~~
33 ~~person who qualifies for an annual use tax reporting period is~~
34 ~~required to obtain a sales tax permit or makes use tax purchases~~
35 ~~in excess of \$18,500 during the calendar year, the reporting~~
36 ~~period must be considered ended at the end of the month in which~~

1 the-permit-is-applied-for-or-the-purchase-in-excess-of-\$18,500
 2 is-made-and-a-return-must-be-filed-for-the-preceding-reporting
 3 period:

4 [EFFECTIVE DATE.] This section is effective for purchases
 5 made on and after July 1, 2005.

6 Sec. 2. Minnesota Statutes 2004, section 289A.18,
 7 subdivision 4, is amended to read:

8 Subd. 4. [SALES AND USE TAX RETURNS.] (a) Sales and use
 9 tax returns must be filed on or before the 20th day of the month
 10 following the close of the preceding reporting period,
 11 except that-annual-use-tax returns provided for under section
 12 ~~289A.17-subdivision-17-must-be-filed-by-April-15-following-the~~
 13 ~~close-of-the-calendar-year~~ subdivision 4a, in the case of
 14 individuals. Annual use tax returns of businesses, including
 15 sole proprietorships, and annual sales tax returns must be filed
 16 by February 5 following the close of the calendar year.

17 (b) Returns for the June reporting period filed by
 18 retailers required to remit their June liability under section
 19 289A.20, subdivision 4, paragraph (b), are due on or before
 20 August 20.

21 (c) If a retailer has an average sales and use tax
 22 liability, including local sales and use taxes administered by
 23 the commissioner, equal to or less than \$500 per month in any
 24 quarter of a calendar year, and has substantially complied with
 25 the tax laws during the preceding four calendar quarters, the
 26 retailer may request authorization to file and pay the taxes
 27 quarterly in subsequent calendar quarters. The authorization
 28 remains in effect during the period in which the retailer's
 29 quarterly returns reflect sales and use tax liabilities of less
 30 than \$1,500 and there is continued compliance with state tax
 31 laws.

32 (d) If a retailer has an average sales and use tax
 33 liability, including local sales and use taxes administered by
 34 the commissioner, equal to or less than \$100 per month during a
 35 calendar year, and has substantially complied with the tax laws
 36 during that period, the retailer may request authorization to

1 file and pay the taxes annually in subsequent years. The
2 authorization remains in effect during the period in which the
3 retailer's annual returns reflect sales and use tax liabilities
4 of less than \$1,200 and there is continued compliance with state
5 tax laws.

6 (e) The commissioner may also grant quarterly or annual
7 filing and payment authorizations to retailers if the
8 commissioner concludes that the retailers' future tax
9 liabilities will be less than the monthly totals identified in
10 paragraphs (c) and (d). An authorization granted under this
11 paragraph is subject to the same conditions as an authorization
12 granted under paragraphs (c) and (d).

13 (f) A taxpayer who is a materials supplier may report gross
14 receipts either on:

- 15 (1) the cash basis as the consideration is received; or
16 (2) the accrual basis as sales are made.

17 As used in this paragraph, "materials supplier" means a person
18 who provides materials for the improvement of real property; who
19 is primarily engaged in the sale of lumber and building
20 materials-related products to owners, contractors,
21 subcontractors, repairers, or consumers; who is authorized to
22 file a mechanics lien upon real property and improvements under
23 chapter 514; and who files with the commissioner an election to
24 file sales and use tax returns on the basis of this paragraph.

25 (g) Notwithstanding paragraphs (a) to (f), a seller that is
26 not a Model 1, 2, or 3 seller, as those terms are used in the
27 Streamlined Sales and Use Tax Agreement, that does not have a
28 legal requirement to register in Minnesota, and that is
29 registered under the agreement, must file a return by February 5
30 following the close of the calendar year in which the seller
31 initially registers, and must file subsequent returns on
32 February 5 on an annual basis in succeeding years.
33 Additionally, a return must be submitted on or before the 20th
34 day of the month following any month by which sellers have
35 accumulated state and local tax funds for the state in the
36 amount of \$1,000 or more.

1 [EFFECTIVE DATE.] This section is effective for purchases
2 on and after July 1, 2005.

3 Sec. 3. Minnesota Statutes 2004, section 289A.18, is
4 amended by adding a subdivision to read:

5 Subd. 4a. [USE TAX RETURNS FOR INDIVIDUALS.] Individuals
6 who are subject to the use tax imposed under section 297A.63 may
7 file and pay use tax owed on purchases for personal use under
8 their Social Security number as follows:

9 (1) on the individual income tax return for the calendar
10 year in which the purchases are made;

11 (2) on the form for making payments of the individual
12 income tax estimated payments under section 289A.25 for the
13 calendar quarter in which the purchases are made; or

14 (3) on the individual use tax return, in the form
15 prescribed by the commissioner, for purchases made in a calendar
16 quarter, to be filed on or before the 20th day of the month
17 following the close of the preceding quarter.

18 [EFFECTIVE DATE.] This section is effective for purchases
19 made on and after July 1, 2005, and for income tax returns
20 required to be filed for tax years beginning after December 31,
21 2004.

22 Sec. 4. Minnesota Statutes 2004, section 297A.61, is
23 amended by adding a subdivision to read:

24 Subd. 37. [PERSONAL RAPID TRANSIT SYSTEM.] "Personal rapid
25 transit system" means a transportation system of small,
26 computer-controlled vehicles, transporting one to three
27 passengers on elevated guideways in a transportation network
28 operating on demand and nonstop directly to any stations in the
29 network. The system shall provide service on a regular and
30 continuing basis and operate independent of any government
31 subsidies.

32 [EFFECTIVE DATE.] This section is effective for sales and
33 purchases made after June 30, 2008.

34 Sec. 5. Minnesota Statutes 2004, section 297A.67, is
35 amended by adding a subdivision to read:

36 Subd. 32. [GEOTHERMAL EQUIPMENT.] The loop field

1 collection system and the heat pump of a geothermal heating and
2 cooling system is exempt.

3 [EFFECTIVE DATE.] This section is effective for sales and
4 purchases occurring after June 30, 2005.

5 Sec. 6. Minnesota Statutes 2004, section 297A.67, is
6 amended by adding a subdivision to read:

7 Subd. 33. [BIOMASS FUEL STOVES.] Stoves designed to burn
8 fuel pellets made from biomass materials are exempt.

9 [EFFECTIVE DATE.] This section is effective for sales and
10 purchases made after June 30, 2005.

11 Sec. 7. Minnesota Statutes 2004, section 297A.68,
12 subdivision 5, is amended to read:

13 Subd. 5. [CAPITAL EQUIPMENT.] (a) Capital equipment is
14 exempt. The tax must be imposed and collected as if the rate
15 under section 297A.62, subdivision 1, applied, and then refunded
16 in the manner provided in section 297A.75.

17 "Capital equipment" means machinery and equipment purchased
18 or leased, and used in this state by the purchaser or lessee
19 primarily for manufacturing, fabricating, mining, or refining
20 tangible personal property to be sold ultimately at retail if
21 the machinery and equipment are essential to the integrated
22 production process of manufacturing, fabricating, mining, or
23 refining. Capital equipment also includes machinery and
24 equipment used to electronically transmit results retrieved by a
25 customer of an on-line computerized data retrieval system.

26 (b) Capital equipment includes, but is not limited to:

27 (1) machinery and equipment used to operate, control, or
28 regulate the production equipment;

29 (2) machinery and equipment used for research and
30 development, design, quality control, and testing activities;

31 (3) environmental control devices that are used to maintain
32 conditions such as temperature, humidity, light, or air pressure
33 when those conditions are essential to and are part of the
34 production process;

35 (4) materials and supplies used to construct and install
36 machinery or equipment;

1 (5) repair and replacement parts, including accessories,
2 whether purchased as spare parts, repair parts, or as upgrades
3 or modifications to machinery or equipment;

4 (6) materials used for foundations that support machinery
5 or equipment;

6 (7) materials used to construct and install special purpose
7 buildings used in the production process;

8 (8) ready-mixed concrete equipment in which the ready-mixed
9 concrete is mixed as part of the delivery process regardless if
10 mounted on a chassis and leases of ready-mixed concrete trucks;
11 and

12 (9) machinery or equipment used for research, development,
13 design, or production of computer software.

14 (c) Capital equipment does not include the following:

15 (1) motor vehicles taxed under chapter 297B;

16 (2) machinery or equipment used to receive or store raw
17 materials;

18 (3) building materials, except for materials included in
19 paragraph (b), clauses (6) and (7);

20 (4) machinery or equipment used for nonproduction purposes,
21 including, but not limited to, the following: plant security,
22 fire prevention, first aid, and hospital stations; support
23 operations or administration; pollution control; and plant
24 cleaning, disposal of scrap and waste, plant communications,
25 space heating, cooling, lighting, or safety;

26 (5) farm machinery and aquaculture production equipment as
27 defined by section 297A.61, subdivisions 12 and 13;

28 (6) machinery or equipment purchased and installed by a
29 contractor as part of an improvement to real property; or

30 (7) any other item that is not essential to the integrated
31 process of manufacturing, fabricating, mining, or refining.

32 (d) For purposes of this subdivision:

33 (1) "Equipment" means independent devices or tools separate
34 from machinery but essential to an integrated production
35 process, including computers and computer software, used in
36 operating, controlling, or regulating machinery and equipment;

1 and any subunit or assembly comprising a component of any
2 machinery or accessory or attachment parts of machinery, such as
3 tools, dies, jigs, patterns, and molds.

4 (2) "Fabricating" means to make, build, create, produce, or
5 assemble components or property to work in a new or different
6 manner.

7 (3) "Integrated production process" means a process or
8 series of operations through which tangible personal property is
9 manufactured, fabricated, mined, or refined. For purposes of
10 this clause, (i) manufacturing begins with the removal of raw
11 materials from inventory and ends when the last process prior to
12 loading for shipment has been completed; (ii) fabricating begins
13 with the removal from storage or inventory of the property to be
14 assembled, processed, altered, or modified and ends with the
15 creation or production of the new or changed product; (iii)
16 mining begins with the removal of overburden from the site of
17 the ores, minerals, stone, peat deposit, or surface materials
18 and ends when the last process before stockpiling is completed;
19 and (iv) refining begins with the removal from inventory or
20 storage of a natural resource and ends with the conversion of
21 the item to its completed form.

22 (4) "Machinery" means mechanical, electronic, or electrical
23 devices, including computers and computer software, that are
24 purchased or constructed to be used for the activities set forth
25 in paragraph (a), beginning with the removal of raw materials
26 from inventory through completion of the product, including
27 packaging of the product.

28 (5) "Machinery and equipment used for pollution control"
29 means machinery and equipment used solely to eliminate, prevent,
30 or reduce pollution resulting from an activity described in
31 paragraph (a).

32 (6) "Manufacturing" means an operation or series of
33 operations where raw materials are changed in form, composition,
34 or condition by machinery and equipment and which results in the
35 production of a new article of tangible personal property. For
36 purposes of this subdivision, "manufacturing" includes the

1 generation of electricity or steam to be sold at retail.

2 (7) "Mining" means the extraction of minerals, ores, stone,
3 or peat.

4 (8) "On-line data retrieval system" means a system whose
5 cumulation of information is equally available and accessible to
6 all its customers.

7 (9) "Primarily" means machinery and equipment used 50
8 percent or more of the time in an activity described in
9 paragraph (a).

10 (10) "Refining" means the process of converting a natural
11 resource to an intermediate or finished product, including the
12 treatment of water to be sold at retail.

13 (11) This subdivision does not apply to telecommunications
14 equipment as provided in subdivision 35, and does not apply to
15 wire, cable, fiber, poles, or conduit for telecommunications
16 services.

17 [EFFECTIVE DATE.] This section is effective for purchases
18 made after July 31, 2005, and before July 1, 2008.

19 Sec. 8. Minnesota Statutes 2004, section 297A.68,
20 subdivision 19, is amended to read:

21 Subd. 19. [PETROLEUM PRODUCTS.] The following petroleum
22 products are exempt:

23 (1) products upon which a tax has been imposed and paid
24 under chapter 296A, and for which no refund has been or will be
25 allowed because the buyer used the fuel for nonhighway use;

26 (2) products that are used in the improvement of
27 agricultural land by constructing, maintaining, and repairing
28 drainage ditches, tile drainage systems, grass waterways, water
29 impoundment, and other erosion control structures;

30 (3) products purchased by a transit system receiving
31 financial assistance under section 174.24, 256B.0625,
32 subdivision 17, or 473.384;

33 (4) products purchased by an ambulance service licensed
34 under chapter 144E;

35 (5) products used in a passenger snowmobile, as defined in
36 section 296A.01, subdivision 39, for off-highway business use as

1 part of the operations of a resort as provided under section
2 296A.16, subdivision 2, clause (2); or

3 (6) products purchased by a state or a political
4 subdivision of a state for use in motor vehicles exempt from
5 registration under section 168.012, subdivision 1, paragraph
6 (b); or

7 (7) products purchased for use as fuel for a commuter rail
8 system operating under sections 174.80 to 174.90. The tax must
9 be imposed and collected as if the rate under section 297A.62,
10 subdivision 1, applied, and then refunded in the manner provided
11 in section 297A.75.

12 [EFFECTIVE DATE.] This section is effective for purchases
13 made after June 30, 2005, and terminates when the commissioner
14 of revenue determines that the cost of the exemption under this
15 subdivision to that point in time totals \$20,000.

16 Sec. 9. Minnesota Statutes 2004, section 297A.68, is
17 amended by adding a subdivision to read:

18 Subd. 40. [MOVIES AND TELEVISION; INPUTS TO PRODUCTION.]
19 The sale of tangible personal property primarily used or
20 consumed directly in the preproduction, production, and
21 postproduction of movies and television shows that are produced
22 for domestic and international commercial distribution are
23 exempt. "Preproduction" and "production" include all the
24 activities related to the preparation of shooting and the
25 shooting of movies and television shows, including film
26 processing. Equipment rented for preproduction and production
27 activities are exempt. "Postproduction" includes all activities
28 related to editing and finishing of the movie or television
29 show. This exemption does not apply to tangible personal
30 property or services used primarily in administration, general
31 management, or marketing. Machinery and equipment purchased for
32 use in producing movies and television shows, fuel, electricity,
33 gas, or steam used for space heating and lighting, food,
34 lodging, and any property or service for the personal use of any
35 individual are not exempt under this subdivision.

36 [EFFECTIVE DATE.] This section is effective for sales and

1 purchases made after June 30, 2005.

2 Sec. 10. Minnesota Statutes 2004, section 297A.68, is
3 amended by adding a subdivision to read:

4 Subd. 41. [PERSONAL RAPID TRANSIT SYSTEM.] (a) Machinery,
5 equipment, and supplies purchased or leased, and used by the
6 purchaser or lessee in this state directly in the provision of a
7 personal rapid transit system as defined in section 297A.61,
8 subdivision 37, are exempt. Machinery, equipment, and supplies
9 that qualify for this exemption include, but are not limited to,
10 the following:

11 (1) vehicles, guideways, and related parts used directly in
12 the transit system;

13 (2) computers and equipment used primarily for operating,
14 controlling, and regulating the system;

15 (3) machinery, equipment, furniture, and fixtures necessary
16 for the functioning of system stations;

17 (4) machinery, equipment, implements, tools, and supplies
18 used to maintain vehicles, guideways, and stations; and

19 (5) electricity and other fuels used in the provision of
20 the transit service, including heating, cooling, and lighting of
21 system stations.

22 (b) This exemption does not include machinery, equipment,
23 and supplies used for support and administration operations.

24 [EFFECTIVE DATE.] This section is effective for sales and
25 purchases made after June 30, 2008.

26 Sec. 11. Minnesota Statutes 2004, section 297A.70,
27 subdivision 8, is amended to read:

28 Subd. 8. [REGIONWIDE PUBLIC SAFETY RADIO COMMUNICATION
29 SYSTEM; PRODUCTS AND SERVICES.] Products and services including,
30 but not limited to, end user equipment used for construction,
31 ownership, operation, maintenance, and enhancement of the
32 backbone system of the regionwide public safety radio
33 communication system established under sections 403.21 to
34 403.34, are exempt. For purposes of this subdivision, backbone
35 system is defined in section 403.21, subdivision 9. This
36 subdivision is effective for purchases, sales, storage, use, or

1 consumption occurring before August 17, 2005, in the counties of
2 Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and
3 Washington for use in the first and second phases of the system,
4 as defined in section 403.21, subdivisions 3, 10, and 11, and
5 that portion of the third phase of the system that is located in
6 the southeast district of the State Patrol and the counties of
7 Benton, Sherburne, Stearns, and Wright.

8 [EFFECTIVE DATE.] This section is effective for sales after
9 April 30, 2005, and terminates when the commissioner of revenue
10 determines that the cost of the exemption under this subdivision
11 to that point in time totals \$4,800,000.

12 Sec. 12. Minnesota Statutes 2004, section 297A.70, is
13 amended by adding a subdivision to read:

14 Subd. 17. [DONATED MEALS.] Meals that are normally sold at
15 retail in the ordinary business activities of the taxpayer are
16 exempt if the meals are donated to a nonprofit group as defined
17 in subdivision 4 for fund-raising purposes.

18 [EFFECTIVE DATE.] This section is effective for donations
19 made after June 30, 2005.

20 Sec. 13. Minnesota Statutes 2004, section 297A.71, is
21 amended by adding a subdivision to read:

22 Subd. 33. [COMMUTER RAIL MATERIAL, SUPPLIES, AND
23 EQUIPMENT.] Materials and supplies consumed in, and equipment
24 incorporated in the construction, equipment, or improvement of a
25 commuter rail transportation system operated under sections
26 174.80 and 174.90 are exempt. This exemption includes railroad
27 cars and engines and related equipment.

28 [EFFECTIVE DATE.] This section is effective for purchases
29 made after June 30, 2005, and terminates when the commissioner
30 of revenue determines that the cost of the exemption for sales
31 to that point in time totals \$8,600,000.

32 Sec. 14. Minnesota Statutes 2004, section 297A.71, is
33 amended by adding a subdivision to read:

34 Subd. 34. [WASTE RECOVERY FACILITY.] Materials and
35 supplies used or consumed in, and equipment incorporated into,
36 the construction, improvement, or expansion of a waste-to-energy

1 resource recovery facility are exempt if the facility uses
 2 biomass or mixed municipal solid waste as a primary fuel to
 3 generate steam or electricity.

4 [EFFECTIVE DATE.] This section is effective for sales and
 5 purchases made after June 30, 2005.

6 Sec. 15. Minnesota Statutes 2004, section 297A.71, is
 7 amended by adding a subdivision to read:

8 Subd. 35. [PERSONAL RAPID TRANSIT SYSTEM.] Materials and
 9 supplies used or consumed in, and equipment incorporated into
 10 the construction, expansion, or improvement of a personal rapid
 11 transit system as defined in section 297A.61, subdivision 37,
 12 are exempt.

13 [EFFECTIVE DATE.] This section is effective for sales and
 14 purchases made after June 30, 2005, and terminates when the
 15 commissioner of revenue determines that the cost of the
 16 exemption under this subdivision to that point in time totals
 17 \$200,000.

18 Sec. 16. Minnesota Statutes 2004, section 297A.71, is
 19 amended by adding a subdivision to read:

20 Subd. 36. [ST. MARY'S DULUTH CLINIC HEALTH
 21 SYSTEM.] Materials and supplies used or consumed in and
 22 equipment incorporated into the construction of the hospital
 23 portion of the St. Mary's Duluth Clinic Health System are exempt.

24 [EFFECTIVE DATE.] This section is effective for purchases
 25 made on or after March 1, 2004, and on or before December 31,
 26 2006. For purchases made on or after March 1, 2004, and before
 27 the day following final enactment of this act, for which the
 28 sales tax was paid, the commissioner of revenue shall refund the
 29 tax. Except as otherwise provided in this paragraph, the
 30 provisions of section 297A.75, subdivisions 2, 3, 4, and 5,
 31 apply to a refund under this paragraph. The applicant must be
 32 the owner of the St. Mary's Duluth Clinic Health System. If the
 33 tax was paid by the contractor, subcontractor, or builder, the
 34 contractor, subcontractor, or builder must furnish to the owner
 35 a statement indicating the cost of the exempt items and the
 36 taxes paid on the items.

1 Sec. 17. Minnesota Statutes 2004, section 297A.71, is
2 amended by adding a subdivision to read:

3 Subd. 37. [MUNICIPAL UTILITIES.] Materials and supplies
4 used or consumed in, and equipment incorporated into, the
5 construction, improvement, or expansion of electric generation
6 and related facilities used pursuant to a joint power purchase
7 agreement to meet the biomass energy mandate in section
8 216B.2424 are exempt if the owner or owners of the facilities
9 are a municipal electric utility or utilities or a joint venture
10 of municipal electric utilities. The tax must be imposed and
11 collected as if the rate under section 297A.62, subdivision 1,
12 applied and then refunded under section 297A.75.

13 [EFFECTIVE DATE.] This section is effective for sales and
14 purchases made after January 1, 2005.

15 Sec. 18. Minnesota Statutes 2004, section 297A.71, is
16 amended by adding a subdivision to read:

17 Subd. 38. [CHATFIELD WASTEWATER TREATMENT
18 FACILITY.] Materials and supplies used in and equipment
19 incorporated into the construction, improvement, or expansion of
20 a wastewater treatment facility owned by the city of Chatfield
21 are exempt. This exemption is effective for purchases made
22 before December 31, 2007.

23 [EFFECTIVE DATE.] This section is effective for sales and
24 purchases made on or after June 1, 2005.

25 Sec. 19. Minnesota Statutes 2004, section 297A.75,
26 subdivision 1, is amended to read:

27 Subdivision 1. [TAX COLLECTED.] The tax on the gross
28 receipts from the sale of the following exempt items must be
29 imposed and collected as if the sale were taxable and the rate
30 under section 297A.62, subdivision 1, applied. The exempt items
31 include:

32 (1) capital equipment exempt under section 297A.68,
33 subdivision 5;

34 (2) building materials for an agricultural processing
35 facility exempt under section 297A.71, subdivision 13;

36 (3) building materials for mineral production facilities

1 exempt under section 297A.71, subdivision 14;

2 (4) building materials for correctional facilities under
3 section 297A.71, subdivision 3;

4 (5) building materials used in a residence for disabled
5 veterans exempt under section 297A.71, subdivision 11;

6 (6) chair lifts, ramps, elevators, and associated building
7 materials exempt under section 297A.71, subdivision 12;

8 (7) building materials for the Long Lake Conservation
9 Center exempt under section 297A.71, subdivision 17;

10 (8) materials, supplies, fixtures, furnishings, and
11 equipment for a county law enforcement and family service center
12 under section 297A.71, subdivision 26; and

13 (9) materials and supplies for qualified low-income housing
14 under section 297A.71, subdivision 23;

15 (10) fuel purchased for commuter rail systems under section
16 297A.68, subdivision 19, clause (7); and

17 (11) materials, supplies, and equipment for municipal
18 electric utility facilities under section 297A.71, subdivision
19 37.

20 [EFFECTIVE DATE.] Clause (10) is effective for purchases
21 made after June 30, 2005, and clause (11) is effective for
22 purchases made after December 31, 2004.

23 Sec. 20. Minnesota Statutes 2004, section 297A.75,
24 subdivision 2, is amended to read:

25 Subd. 2. [REFUND; ELIGIBLE PERSONS.] Upon application on
26 forms prescribed by the commissioner, a refund equal to the tax
27 paid on the gross receipts of the exempt items must be paid to
28 the applicant. Only the following persons may apply for the
29 refund:

30 (1) for subdivision 1, clauses (1) to (3), the applicant
31 must be the purchaser;

32 (2) for subdivision 1, clauses (4), (7), and (8), the
33 applicant must be the governmental subdivision;

34 (3) for subdivision 1, clause (5), the applicant must be
35 the recipient of the benefits provided in United States Code,
36 title 38, chapter 21;

1 (4) for subdivision 1, clause (6), the applicant must be
2 the owner of the homestead property; and

3 (5) for subdivision 1, clause (9), the owner of the
4 qualified low-income housing project;

5 (6) for subdivision 1, clause (10), the operator of the
6 commuter rail system; and

7 (7) for subdivision 1, clause (11), the applicant must be a
8 municipal electric utility or a joint venture of municipal
9 electric utilities.

10 [EFFECTIVE DATE.] Clause (6) is effective for purchases
11 made after June 30, 2005. Clause (7) is effective for purchases
12 made after December 31, 2004.

13 Sec. 21. Minnesota Statutes 2004, section 297A.75,
14 subdivision 3, is amended to read:

15 Subd. 3. [APPLICATION.] (a) The application must include
16 sufficient information to permit the commissioner to verify the
17 tax paid. If the tax was paid by a contractor, subcontractor,
18 or builder, under subdivision 1, clause (4), (5), (6), (7), (8),
19 or (9), or (11), the contractor, subcontractor, or builder must
20 furnish to the refund applicant a statement including the cost
21 of the exempt items and the taxes paid on the items unless
22 otherwise specifically provided by this subdivision. The
23 provisions of sections 289A.40 and 289A.50 apply to refunds
24 under this section.

25 (b) An applicant may not file more than two applications
26 per calendar year for refunds for taxes paid on capital
27 equipment exempt under section 297A.68, subdivision 5.

28 [EFFECTIVE DATE.] This section is effective for sales and
29 purchases made after December 31, 2004.

30 Sec. 22. Minnesota Statutes 2004, section 297A.83,
31 subdivision 1, is amended to read:

32 Subdivision 1. [PERSONS APPLYING.] (a) A retailer required
33 to collect and remit sales taxes under section 297A.66 shall
34 file with the commissioner an application for a permit.

35 (b) A retailer making retail sales from outside this state
36 to a destination within this state who is not required to obtain

1 a permit under paragraph (a) may nevertheless voluntarily file
2 an application for a permit.

3 (c) The commissioner may require any person or class of
4 persons obligated to file a use tax return under section
5 289A.11, subdivision 3, to file an application for a permit,
6 except an individual allowed to file and pay use tax under
7 section 289A.18, subdivision 4a, is not required to obtain a
8 permit.

9 [EFFECTIVE DATE.] This section is effective for purchases
10 on and after July 1, 2005.

11 Sec. 23. Minnesota Statutes 2004, section 297A.87,
12 subdivision 2, is amended to read:

13 Subd. 2. [SELLER'S PERMIT OR ALTERNATE STATEMENT.] (a) The
14 operator of an event under subdivision 1 shall obtain one of the
15 following from a person who wishes to do business as a seller at
16 the event:

17 (1) evidence that the person holds a valid seller's permit
18 under section 297A.84; or

19 (2) a written statement that the person is not offering for
20 sale any item that is taxable under this chapter; or

21 (3) a written statement that this is the only selling event
22 that the person will be participating in for that calendar year,
23 that the person will be participating for three or fewer days,
24 and that the person will make \$500 or less in total sales in the
25 calendar year. The written statement shall include the person's
26 name, address, and telephone number.

27 (b) The operator shall require the evidence or statement as
28 a prerequisite to participating in the event as a seller.

29 [EFFECTIVE DATE.] This section is effective for selling
30 events occurring after June 30, 2005.

31 Sec. 24. Minnesota Statutes 2004, section 297A.87,
32 subdivision 3, is amended to read:

33 Subd. 3. [OCCASIONAL SALE PROVISIONS NOT APPLICABLE UNDER
34 LIMITED CIRCUMSTANCES.] The isolated and occasional
35 sale provisions provision under section 297A.67, subdivision 23,
36 or applies, provided that the seller only participates for three

1 or fewer days in one event per calendar year, makes \$500 or less
2 in sales in the calendar year, and provides the written
3 statement required in subdivision 2, paragraph (a), clause (3).

4 The isolated and occasional sales provision under section
5 297A.68, subdivision 25, do does not apply to a seller at an
6 event under this section.

7 [EFFECTIVE DATE.] This section is effective for selling
8 events occurring after June 30, 2005.

9 Sec. 25. Minnesota Statutes 2004, section 297B.03, is
10 amended to read:

11 297B.03 [EXEMPTIONS.]

12 There is specifically exempted from the provisions of this
13 chapter and from computation of the amount of tax imposed by it
14 the following:

15 (1) purchase or use, including use under a lease purchase
16 agreement or installment sales contract made pursuant to section
17 465.71, of any motor vehicle by the United States and its
18 agencies and instrumentalities and by any person described in
19 and subject to the conditions provided in section 297A.67,
20 subdivision 11;

21 (2) purchase or use of any motor vehicle by any person who
22 was a resident of another state or country at the time of the
23 purchase and who subsequently becomes a resident of Minnesota,
24 provided the purchase occurred more than 60 days prior to the
25 date such person began residing in the state of Minnesota and
26 the motor vehicle was registered in the person's name in the
27 other state or country;

28 (3) purchase or use of any motor vehicle by any person
29 making a valid election to be taxed under the provisions of
30 section 297A.90;

31 (4) purchase or use of any motor vehicle previously
32 registered in the state of Minnesota when such transfer
33 constitutes a transfer within the meaning of section 118, 331,
34 332, 336, 337, 338, 351, 355, 368, 721, 731, 1031, 1033, or
35 1563(a) of the Internal Revenue Code of 1986, as amended through
36 December 31, 1999;

1 (5) purchase or use of any vehicle owned by a resident of
2 another state and leased to a Minnesota-based private or
3 for-hire carrier for regular use in the transportation of
4 persons or property in interstate commerce provided the vehicle
5 is titled in the state of the owner or secured party, and that
6 state does not impose a sales tax or sales tax on motor vehicles
7 used in interstate commerce;

8 (6) purchase or use of a motor vehicle by a private
9 nonprofit or public educational institution for use as an
10 instructional aid in automotive training programs operated by
11 the institution. "Automotive training programs" includes motor
12 vehicle body and mechanical repair courses but does not include
13 driver education programs;

14 (7) purchase of a motor vehicle for use as an ambulance by
15 an ambulance service licensed under section 144E.10;

16 (8) purchase of a motor vehicle by or for a public library,
17 as defined in section 134.001, subdivision 2, as a bookmobile or
18 library delivery vehicle;

19 (9) purchase of a ready-mixed concrete truck;

20 (10) purchase or use of a motor vehicle by a town for use
21 exclusively for road maintenance, including snowplows and dump
22 trucks, but not including automobiles, vans, or pickup trucks;

23 (11) purchase or use of a motor vehicle by a corporation,
24 society, association, foundation, or institution organized and
25 operated exclusively for charitable, religious, or educational
26 purposes, except a public school, university, or library, but
27 only if the vehicle is:

28 (i) a truck, as defined in section 168.011, a bus, as
29 defined in section 168.011, or a passenger automobile, as
30 defined in section 168.011, if the automobile is designed and
31 used for carrying more than nine persons including the driver;
32 and

33 (ii) intended to be used primarily to transport tangible
34 personal property or individuals, other than employees, to whom
35 the organization provides service in performing its charitable,
36 religious, or educational purpose;

1 (12) purchase of a motor vehicle for use by a transit
2 provider exclusively to provide transit service is exempt if the
3 transit provider is either (i) receiving financial assistance or
4 reimbursement under section 174.24 or 473.384, or (ii) operating
5 under section 174.29, 473.388, or 473.405;

6 (13) purchase or use of a motor vehicle by a qualified
7 business, as defined in section 469.310, located in a job
8 opportunity building zone, if the motor vehicle is principally
9 garaged in the job opportunity building zone and is primarily
10 used as part of or in direct support of the person's operations
11 carried on in the job opportunity building zone. The exemption
12 under this clause applies to sales, if the purchase was made and
13 delivery received during the duration of the job opportunity
14 building zone. The exemption under this clause also applies to
15 any local sales and use tax;

16 (14) purchase or use after June 30, 2005, and before July
17 1, 2008, of a motor vehicle by a state agency or political
18 subdivision, provided that the motor vehicle has a fuel
19 efficiency greater than 45 miles per gallon in highway use, and
20 greater than 35 miles per gallon in city use, as certified by
21 the United States Environmental Protection Agency.

22 [EFFECTIVE DATE.] This section is effective for sales and
23 transfers made after June 30, 2005, and before July 1, 2008.

24 Sec. 26. Laws 1991, chapter 291, article 8, section 27,
25 subdivision 4, is amended to read:

26 Subd. 4. [EXPIRATION OF TAXING AUTHORITY AND EXPENDITURE
27 LIMITATION.] The authority granted by subdivisions 1 and 2 to
28 the city to impose a sales tax and an excise tax shall expire on
29 the earlier of (1) December 31, 2018; (2) when the principal and
30 interest on any bonds or obligations issued to finance
31 construction of Riverfront 2000 and related facilities have been
32 paid; or (3) at an earlier time as the city shall, by ordinance,
33 determine. ~~The total capital, administrative, and operating~~
34 expenditures payable from bond proceeds and revenues received
35 from the taxes authorized by subdivisions 1 and 2, excluding
36 investment earnings on bond proceeds and revenues, shall not

1 ~~exceed-\$25,000,000-for-Riverfront-2000-and-related-facilities-~~

2 [EFFECTIVE DATE.] This section is effective upon compliance
3 by the Mankato City Council with the provisions in section 43
4 and, if required under section 43, approval of the voters at a
5 general or special election.

6 Sec. 27. Laws 1996, chapter 471, article 2, section 29, is
7 amended to read:

8 Sec. 29. [CITY OF HERMANTOWN; SALES AND USE TAX.]

9 Subdivision 1. [SALES AND USE TAX AUTHORIZED.] (a)

10 Notwithstanding Minnesota Statutes, section 477A.016, or any
11 other contrary provision of law, ordinance, or city charter, the
12 city of Hermantown may, by ordinance, impose an additional sales
13 and use tax of up to one percent on sales transactions, storage,
14 and use taxable pursuant to Minnesota Statutes, chapter 297A,
15 that occur within the city.

16 (b) The proceeds of the first one-half of one percent of
17 tax imposed under this section must be used to meet the costs of
18 by the city for the following projects:

19 (1) extending a sewer interceptor line;

20 (2) construction of a booster pump station, reservoirs, and
21 related improvements to the water system; and

22 (3) construction of a police and fire station.

23 (c) Revenues received from the remaining one-half of one
24 percent of the tax authorized under this section must be used by
25 the city to pay all or part of the capital and administrative
26 costs of developing, acquiring, constructing, and initially
27 furnishing and equipping for the following projects:

28 (1) construction of a city hall to be connected to the
29 existing public safety facility;

30 (2) construction of a new facility or purchase of an
31 existing facility to be used as a public works facility;

32 (3) construction, signalization, and rehabilitation of
33 primary collector roads and commercial frontage roads, within
34 the city; and

35 (4) extension of a sewer interceptor line.

36 (d) Authorized expenses include, but are not limited to,

1 acquiring property; paying construction, administrative, and
2 operating expenses related to the development of the projects
3 listed in paragraph (c); paying debt service on bonds or other
4 obligations, including lease obligations, issued to finance
5 construction, expansion, or improvement of the projects listed
6 in paragraph (c); and other compatible uses, including but not
7 limited to, parking, lighting, and landscaping.

8 Subd. 2. [REFERENDUM.] (a) If the Hermantown city council
9 proposes to impose the sales tax authorized by this section, it
10 shall conduct a referendum on the issue.

11 (b) If the Hermantown city council initially imposes the
12 tax at a rate that is less than one percent and proposes
13 increasing the tax rate at a later date up to the full one
14 percent, it shall conduct a referendum on the increase.

15 (c) The question of imposing or increasing the tax must be
16 submitted to the voters at a special or general election. The
17 tax may not be imposed unless a majority of votes cast on the
18 question of imposing the tax are in the affirmative. The
19 commissioner of revenue shall prepare a suggested form of
20 question to be presented at the election. This subdivision
21 applies notwithstanding any city charter provision to the
22 contrary.

23 Subd. 3. [ENFORCEMENT; COLLECTION; AND ADMINISTRATION OF
24 TAXES.] A sales tax imposed under this section must be reported
25 and paid to the commissioner of revenue with the state sales
26 taxes, and be subject to the same penalties, interest, and
27 enforcement provisions. The proceeds of the tax, less refunds
28 and a proportionate share of the cost of collection, shall be
29 remitted at least quarterly to the city. The commissioner shall
30 deduct from the proceeds remitted an amount that equals the
31 indirect statewide cost as well as the direct and indirect
32 department costs necessary to administer, audit, and collect the
33 tax. The amount deducted shall be deposited in the state
34 general fund.

35 Subd. 3a. [BONDING AUTHORITY.] (a) The city may issue
36 general obligation bonds under Minnesota Statutes, chapter 475,

1 to finance the costs in subdivision 1, paragraph (c). The total
2 amount of bonds issued for the projects under subdivision 1,
3 paragraph (c), may not exceed \$13,000,000 in the aggregate. An
4 election to approve the bonds is not required.

5 (b) The bonds are not included in computing any debt
6 limitation applicable to the city and the levy of taxes under
7 Minnesota Statutes, section 475.61, to pay principal of and
8 interest on the bonds is not subject to any levy limitation.

9 (c) The taxes authorized under this section may be pledged
10 to and used for the payment of the bonds and any bonds issued to
11 refund them.

12 Subd. 4. [TERMINATION.] The portion of the tax authorized
13 under this section to finance the improvements described in
14 subdivision 1, paragraph (b), terminates at the later of (1) ten
15 years after the date of initial imposition of the tax, or (2) on
16 the first day of the second month next succeeding a
17 determination by the city council that sufficient funds have
18 been received from that portion of the tax dedicated to finance
19 the those improvements described in subdivision 1, clauses (1)
20 to (3), and to prepay or retire at maturity the principal,
21 interest, and premium due on any bonds issued for the
22 improvements. The portion of the tax authorized to finance the
23 improvements described in subdivision 1, paragraph (c),
24 terminates when the revenues raised are sufficient to finance
25 those improvements, up to an amount equal to \$13,000,000 plus
26 any interest, premium, and other costs associated with the bonds
27 issued under subdivision 3a. The city council may terminate
28 this portion of the tax earlier. Any funds remaining after
29 completion of the improvements and retirement or redemption of
30 the bonds may be placed in the general fund of the city.

31 ~~Subd. 5. [LOCAL APPROVAL, EFFECTIVE DATE.] This section is~~
32 ~~effective the day after final enactment, upon compliance with~~
33 ~~Minnesota Statutes, section 645.021, subdivision 3, by the city~~
34 ~~of Hermantown.~~

35 [EFFECTIVE DATE.] This section is effective the day after
36 the governing body of the city of Hermantown and its chief

1 clerical officer comply with Minnesota Statutes, section
2 645.021, subdivisions 2 and 3.

3 Sec. 28. Laws 1998, chapter 389, article 8, section 43,
4 subdivision 3, is amended to read:

5 Subd. 3. [USE OF REVENUES.] Revenues received from the
6 taxes authorized by subdivisions 1 and 2 must be used by the
7 city to pay for the cost of collecting and administering the
8 taxes and to pay for the following projects:

9 (1) transportation infrastructure improvements including
10 both regional highway and airport improvements;

11 (2) improvements to the civic center complex;

12 (3) a municipal water, sewer, and storm sewer project
13 necessary to improve regional ground water quality; and

14 (4) construction of a regional recreation and sports center
15 and associated other higher education facilities available for
16 both community and student use, ~~located at or adjacent to the~~
17 ~~Rochester center.~~

18 The total amount of capital expenditures or bonds for these
19 projects that may be paid from the revenues raised from the
20 taxes authorized in this section may not exceed

21 ~~\$71,500,000~~ \$111,500,000. The total amount of capital
22 expenditures or bonds for the project in clause (4) that may be
23 paid from the revenues raised from the taxes authorized in this
24 section may not exceed ~~\$20,000,000~~ \$28,000,000.

25 [EFFECTIVE DATE.] This section is effective the day
26 following final enactment.

27 Sec. 29. Laws 1998, chapter 389, article 8, section 43,
28 subdivision 4, is amended to read:

29 Subd. 4. [BONDING AUTHORITY.] (a) The city may issue bonds
30 under Minnesota Statutes, chapter 475, to finance the capital
31 expenditure and improvement projects. An election to approve
32 the bonds under Minnesota Statutes, section 475.58, may be held
33 in combination with the election to authorize imposition of the
34 tax under subdivision 1. Whether to permit imposition of the
35 tax and issuance of bonds may be posed to the voters as a single
36 question. The question must state that the sales tax revenues

1 are pledged to pay the bonds, but that the bonds are general
 2 obligations and will be guaranteed by the city's property
 3 taxes. No election is required for the issuance of bonds under
 4 this subdivision, other than the election held by the city on
 5 June 23, 1998.

6 The city may enter into an agreement with Olmsted County
 7 under which the city and the county agree to jointly undertake
 8 and finance certain roadway infrastructure improvements. The
 9 agreement may provide that the city will make available to the
 10 county a portion of the sales tax revenues collected pursuant to
 11 the authority granted in this section and the bonding authority
 12 provided in this subdivision. The county may, pursuant to the
 13 agreement, issue its general obligation bonds in a principal
 14 amount not exceeding the amount authorized by its agreement with
 15 the city payable primarily from the sales tax revenues from the
 16 city under the agreement. The county's bonds must be issued in
 17 accordance with the provisions of Minnesota Statutes, chapter
 18 475, except that no election is required for the issuance of the
 19 bonds and the bonds shall not be included in the net debt of the
 20 county.

21 (b) The issuance of bonds under this subdivision is not
 22 subject to Minnesota Statutes, section 275.60.

23 (c) The bonds are not included in computing any debt
 24 limitation applicable to the city, and the levy of taxes under
 25 Minnesota Statutes, section 475.61, to pay principal of and
 26 interest on the bonds is not subject to any levy limitation.
 27 The aggregate principal amount of bonds, plus the aggregate of
 28 the taxes used directly to pay eligible capital expenditures and
 29 improvements may not exceed ~~\$71,500,000~~ \$111,500,000, plus an
 30 amount equal to the costs related to issuance of the bonds.

31 (d) The taxes may be pledged to and used for the payment of
 32 the bonds and any bonds issued to refund them, only if the bonds
 33 and any refunding bonds are general obligations of the city.

34 [EFFECTIVE DATE.] This section is effective the day
 35 following final enactment.

36 Sec. 30. Laws 1999, chapter 243, article 4, section 18,

1 subdivision 1, is amended to read:

2 Subdivision 1. [SALES AND USE TAX.] (a) Notwithstanding
3 Minnesota Statutes, section ~~297A.48, subdivision 1a,~~ 477A.016,
4 or any other provision of law, ordinance, or city charter, if
5 approved by the city voters at the first municipal general
6 election held after the date of final enactment of this act or
7 at a special election held November 2, 1999, the city of Proctor
8 may impose by ordinance a sales and use tax of up to one-half of
9 one percent for the purposes specified in subdivision 3,
10 paragraph (a). The provisions of Minnesota Statutes,
11 section ~~297A.48~~ 297A.99, govern the imposition, administration,
12 collection, and enforcement of the tax authorized under this
13 subdivision.

14 (b) The city of Proctor may impose by ordinance an
15 additional sales and use tax of up to one-half of one percent if
16 approved by the city voters at a general election or at a
17 special election held for this purpose. The revenues received
18 from this additional tax must be used for the purposes specified
19 in subdivision 3, paragraph (b).

20 [EFFECTIVE DATE.] This section is effective the day
21 following final enactment, upon compliance by the city of
22 Proctor with Minnesota Statutes, section 645.021, subdivision 3.

23 Sec. 31. Laws 1999, chapter 243, article 4, section 18,
24 subdivision 3, is amended to read:

25 Subd. 3. [USE OF REVENUES.] (a) Revenues received from
26 taxes authorized by subdivisions 1, paragraph (a), and 2 must be
27 used by the city to pay the cost of collecting the taxes and to
28 pay for construction and improvement of the following city
29 facilities:

30 (1) streets; and

31 (2) constructing and equipping the Proctor community
32 activity center.

33 Authorized expenses include, but are not limited to,
34 acquiring property, paying construction and operating expenses
35 related to the development of an authorized facility, and paying
36 debt service on bonds or other obligations, including lease

1 obligations, issued to finance the construction, expansion, or
2 improvement of an authorized facility. The capital expenses for
3 all projects authorized under this paragraph that may be paid
4 with these taxes is limited to \$3,600,000, plus an amount equal
5 to the costs related to issuance of the bonds.

6 (b) Revenues received from taxes authorized by subdivision
7 1, paragraph (b), must be used by the city to pay the cost of
8 collecting the taxes and for construction and improvements of
9 city streets, public utilities, sidewalks, bikeways, and trails.

10 [EFFECTIVE DATE.] This section is effective the day
11 following final enactment, upon compliance by the city of
12 Proctor with Minnesota Statutes, section 645.021, subdivision 3.

13 Sec. 32. Laws 1999, chapter 243, article 4, section 18,
14 subdivision 4, is amended to read:

15 Subd. 4. [BONDING AUTHORITY.] (a) The city may issue bonds
16 under Minnesota Statutes, chapter 475, to finance the capital
17 expenditure and improvement projects described in subdivision
18 3. An election to approve the bonds under Minnesota Statutes,
19 section 475.58, is not required.

20 (b) The issuance of bonds under this subdivision is not
21 subject to Minnesota Statutes, sections 275.60 and ~~279.61~~ 275.61.

22 (c) The bonds are not included in computing any debt
23 limitation applicable to the city, and the levy of taxes under
24 Minnesota Statutes, section 475.61, to pay principal of and
25 interest on the bonds is not subject to any levy limitation.

26 (d) For projects described in subdivision 3, paragraph (a),
27 the aggregate principal amount of bonds, plus the aggregate of
28 the taxes used directly to pay eligible capital expenditures and
29 improvements, may not exceed \$3,600,000, plus an amount equal to
30 the costs related to issuance of the bonds, including interest
31 on the bonds. For projects described in subdivision 3,
32 paragraph (b), the aggregate principal amount of bonds may not
33 exceed \$7,200,000, plus an amount equal to the costs related to
34 issuance of the bonds, including interest on the bonds.

35 (e) The sales and use and excise taxes authorized in this
36 section may be pledged to and used for the payment of the bonds

1 and any bonds issued to refund them only if the bonds and any
2 refunding bonds are general obligations of the city.

3 [EFFECTIVE DATE.] This section is effective the day
4 following final enactment, upon compliance by the city of
5 Proctor with Minnesota Statutes, section 645.021, subdivision 3.

6 Sec. 33. Laws 2001, First Special Session chapter 5,
7 article 12, section 67, the effective date, is amended to read:

8 [EFFECTIVE DATE.] This section is effective for purchases
9 and sales made after June 30, 2001, and before ~~January 17, 2003~~
10 July 1, 2007.

11 [EFFECTIVE DATE.] This section is effective the day
12 following final enactment.

13 Sec. 34. Laws 2001, First Special Session chapter 5,
14 article 12, section 82, the effective date, as amended by Laws
15 2002, chapter 377, article 3, section 23, is amended to read:

16 [EFFECTIVE DATE.] This section is effective for sales and
17 purchases made after December 31, ~~2005~~ 2007, or until the State
18 of Minnesota is found to be out of compliance with the
19 streamlined sales tax project only to the extent of the change
20 in this act and for no other reason, if that finding is made
21 before December 31, 2007.

22 Sec. 35. Laws 2002, chapter 377, article 3, section 4, the
23 effective date, is amended to read:

24 [EFFECTIVE DATE.] ~~With-the-exception-of-clause-(2),-item~~
25 ~~(ii),~~ This section is effective for sales and purchases made
26 after June 30, 2002. ~~Clause-(2),-item-(ii),-is-effective-for~~
27 ~~sales-and-purchases-made-after-June-30, 2002, and before January~~
28 ~~17, 2006.~~

29 Sec. 36. Laws 2002, chapter 377, article 12, section 16,
30 subdivision 1, is amended to read:

31 Subdivision 1. [NONPROFIT CORPORATION MAY BE ESTABLISHED.]
32 The city of Thief River Falls may incorporate or authorize the
33 incorporation of a nonprofit corporation to operate a community
34 or regional center in the city. A nonprofit corporation
35 incorporated under this section is exempt from payment of sales
36 and use tax on materials, equipment, and supplies consumed or

1 incorporated into the construction of the community or regional
2 center. The exemption under this section applies to purchases
3 by the nonprofit corporation, a contractor, subcontractor, or
4 builder. A contractor, subcontractor, or builder that does not
5 pay sales tax on purchases for construction of the community or
6 regional center shall not charge sales or use tax to the
7 nonprofit corporation. The nonprofit corporation may file a
8 claim for refund for any sales taxes paid on the construction
9 costs of the community or regional center, and the commissioner
10 of revenue shall pay the refunded amount directly to the
11 nonprofit corporation.

12 [EFFECTIVE DATE.] This section is effective retroactively
13 for purchases made on and after July 1, 2002.

14 Sec. 37. [CITY OF ALBERT LEA; SALES AND USE TAX.]

15 Subdivision 1. [SALES AND USE TAX

16 AUTHORIZED.] Notwithstanding Minnesota Statutes, section
17 477A.016, or any other provision of law, ordinance, or city
18 charter, the city of Albert Lea may, by ordinance, impose a
19 sales and use tax of one-half of 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 proceeds of the tax
25 imposed under this section shall be used to pay for lake
26 improvement projects as detailed in the Shell Rock River
27 watershed plan.

28 Subd. 3. [REFERENDUM.] If the Albert Lea City Council
29 proposes to impose the tax authorized by this section, the
30 question of imposing the tax must be submitted to the voters at
31 the next general election.

32 Subd. 4. [TERMINATION OF TAXES.] The taxes imposed under
33 this section expire at the earlier of (1) ten years after the
34 taxes are first imposed, or (2) when the city council first
35 determines that the amount of revenues raised to pay for the
36 projects under subdivision 2, shall meet or exceed the sum of

1 \$15,000,000. Any funds remaining after completion of the
2 projects may be placed in the general fund of the city.

3 [EFFECTIVE DATE.] This section is effective the day after
4 compliance by the governing body of the city of Albert Lea with
5 Minnesota Statutes, section 645.021, subdivision 3.

6 Sec. 38. [CITY OF BAXTER; TAXES AUTHORIZED.]

7 Subdivision 1. [SALES AND USE TAX AUTHORIZED.]

8 Notwithstanding Minnesota Statutes, section 477A.016, or any
9 other provision of law, ordinance, or city charter, pursuant to
10 the approval of the voters on November 2, 2004, and pursuant to
11 Minnesota Statutes, section 297A.99, the city of Baxter may
12 impose by ordinance a sales and use tax of one-half of one
13 percent for the purposes specified in subdivision 3. The
14 provisions of Minnesota Statutes, section 297A.99, govern the
15 imposition, administration, collection, and enforcement of the
16 tax authorized under this subdivision.

17 Subd. 2. [EXCISE TAX AUTHORIZED.] Notwithstanding
18 Minnesota Statutes, section 477A.016, or any other contrary
19 provision of law, ordinance, or city charter, the city of Baxter
20 may impose by ordinance, for the purposes specified in
21 subdivision 3, an excise tax of up to \$20 per motor vehicle, as
22 defined by ordinance, purchased or acquired from any person
23 engaged within the city in the business of selling motor
24 vehicles at retail.

25 Subd. 3. [USE OF REVENUES.] Revenues received from the
26 taxes authorized by subdivisions 1 and 2 must be used to pay the
27 cost of collecting and administering the tax and to finance the
28 acquisition and betterment of water and waste water facilities,
29 a fire substation, and the Paul Bunyan Bridge over Excelsior
30 Road, as approved by the voters at the referendum authorizing
31 the tax. Authorized costs include, but are not limited to,
32 acquiring property and paying construction, legal, and
33 engineering costs related to the projects.

34 Subd. 4. [BONDS.] The city of Baxter, pursuant to the
35 approval of the voters at the referendum authorizing the
36 imposition of the taxes in this section, may issue general

1 obligation bonds of the city, in one or more series, in the
 2 aggregate principal amount not to exceed \$15,000,000 to finance
 3 the projects listed in subdivision 3. The debt represented by
 4 the bonds is not included in computing any debt limitations
 5 applicable to the city, and the levy of taxes required by
 6 Minnesota Statutes, section 475.61, to pay the principal of and
 7 interest on the bonds is not subject to any levy limitation or
 8 included in computing or applying any levy limitation applicable
 9 to the city.

10 Subd. 5. [TERMINATION OF TAXES.] The taxes imposed under
 11 subdivisions 1 and 2 expire at the earlier of 12 years after the
 12 imposition of the tax or when the city council first determines
 13 that the amount of revenues raised from the taxes to pay for the
 14 projects equals or exceeds \$15,000,000 plus any interest on
 15 bonds issued for the projects under subdivision 4. Any funds
 16 remaining after expiration of the taxes and retirement of the
 17 bonds shall be placed in a capital project fund of the city.
 18 The taxes imposed under subdivisions 1 and 2 may expire at an
 19 earlier time if the city so determines by ordinance.

20 [EFFECTIVE DATE.] This section is effective the day after
 21 compliance by the governing body of the city of Baxter with
 22 Minnesota Statutes, section 645.021, subdivision 3.

23 Sec. 39. [CITY OF BEAVER BAY; TAXES AUTHORIZED.]

24 Subdivision 1. [SALES AND USE TAXES.] Notwithstanding
 25 Minnesota Statutes, section 477A.016, or any other provision of
 26 law or ordinance, if approved by the voters of the city at the
 27 next general election held after the date of final enactment of
 28 this act, the city of Beaver Bay may impose by ordinance a sales
 29 and use tax at a rate of up to one percent for the purposes
 30 specified in subdivision 2. The provisions of Minnesota
 31 Statutes, section 297A.99, govern the imposition,
 32 administration, collection, and enforcement of the tax
 33 authorized under this subdivision.

34 Subd. 2. [USE OF REVENUES.] The revenues received from
 35 taxes authorized by subdivision 1 must be used to pay the bonded
 36 indebtedness on the city community building and to provide

1 funding for recreational facilities, the upgrading of the water
 2 and sewer system, upgrading and replacement of fire equipment,
 3 and improvement of streets.

4 Subd. 3. [TERMINATION OF TAXES.] The authority granted
 5 under subdivision 1 to the city of Beaver Bay to impose sales
 6 and use taxes expires when the city council determines that the
 7 amount of revenue received to pay the costs of the projects
 8 described in subdivision 2 shall meet or exceed \$1,500,000. Any
 9 funds remaining after completion of the projects may be placed
 10 in the general fund of the city. The tax imposed under
 11 subdivision 1 may expire at an earlier time if the city so
 12 determines by ordinance.

13 [EFFECTIVE DATE.] This section is effective the day after
 14 the governing body of the city of Beaver Bay and its chief
 15 clerical officer timely comply with Minnesota Statutes, section
 16 645.021, subdivisions 2 and 3.

17 Sec. 40. [CITY OF BEMIDJI.]

18 Subdivision 1. [SALES AND USE TAX AUTHORIZED.]
 19 Notwithstanding Minnesota Statutes, section 477A.016, or any
 20 other provision of law, ordinance, or city charter, pursuant to
 21 the approval of the city voters at the general election held on
 22 November 5, 2002, the city of Bemidji may impose by ordinance a
 23 sales and use tax of one-half of one percent for the purposes
 24 specified in subdivision 2. The provisions of Minnesota
 25 Statutes, section 297A.99, govern the imposition,
 26 administration, collection, and enforcement of the tax
 27 authorized under this subdivision.

28 Subd. 2. [USE OF REVENUES.] Revenues received from the tax
 29 authorized by subdivision 1 must be used for the cost of
 30 collecting and administering the tax and to pay all or part of
 31 the capital or administrative costs of the acquisition,
 32 construction, and improvement of parks and trails within the
 33 city, as provided for in the city of Bemidji's parks, open
 34 space, and trail system plan, adopted by the Bemidji City
 35 Council on November 21, 2001. Authorized expenses include, but
 36 are not limited to, acquiring property, paying construction

1 expenses related to the development of these facilities and
 2 improvements, and securing and paying debt service on bonds or
 3 other obligations issued to finance acquisition, construction,
 4 improvement, or development of parks and trails within the city
 5 of Bemidji.

6 Subd. 3. [BONDS.] Pursuant to the approval of the city
 7 voters at the general election held on November 5, 2002, the
 8 city of Bemidji may issue, without an additional election,
 9 general obligation bonds of the city in an amount not to exceed
 10 \$9,826,000 to pay capital and administrative expenses for the
 11 acquisition, construction, improvement, and development of parks
 12 and trails as specified in subdivision 2. The debt represented
 13 by the bonds must not be included in computing any debt
 14 limitations applicable to the city, and the levy of taxes
 15 required by Minnesota Statutes, section 475.61, to pay the
 16 principal of any interest on the bonds must not be subject to
 17 any levy limitations or be included in computing or applying any
 18 levy limitation applicable to the city.

19 Subd. 4. [TERMINATION OF TAX.] The tax imposed under
 20 subdivision 1 expires when the Bemidji City Council determines
 21 that the amount described in subdivision 3 has been received
 22 from the tax to finance the capital and administrative costs for
 23 acquisition, construction, improvement, and development of parks
 24 and trails and to repay or retire at maturity the principal,
 25 interest, and premium due on any bonds issued for the park and
 26 trail improvements under subdivision 3. Any funds remaining
 27 after completion of the park and trail improvements and
 28 retirement or redemption of the bonds may be placed in the
 29 general fund of the city. The tax imposed under subdivision 1
 30 may expire at an earlier time if the city so determines by
 31 ordinance.

32 [EFFECTIVE DATE.] This section is effective the day after
 33 compliance by the governing body of the city of Bemidji with
 34 Minnesota Statutes, section 645.021, subdivision 3.

35 Sec. 41. [CITY OF CLOQUET; TAXES AUTHORIZED.]

36 Subdivision 1. [SALES AND USE TAX.] Notwithstanding

1 Minnesota Statutes, section 477A.016, or any other provision of
2 law, ordinance, or city charter, if approved by the voters
3 pursuant to Minnesota Statutes, section 297A.99, the city of
4 Cloquet may impose by ordinance a sales and use tax of up to
5 one-half of one percent for the purpose specified in subdivision
6 3. The provisions of Minnesota Statutes, section 297A.99,
7 govern the imposition, administration, collection, and
8 enforcement of the tax authorized under this subdivision.

9 Subd. 2. [EXCISE TAX AUTHORIZED.] Notwithstanding
10 Minnesota Statutes, section 477A.016, or any other provision of
11 law, ordinance, or city charter, the city of Cloquet may impose
12 by ordinance, for the purposes specified in subdivision 3, an
13 excise tax of up to \$20 per motor vehicle, as defined by
14 ordinance, purchased or acquired from any person engaged within
15 the city in the business of selling motor vehicles at retail.

16 Subd. 3. [USE OF REVENUES.] Revenues received from taxes
17 authorized by subdivisions 1 and 2 must be used by the city to
18 pay the cost of collecting the taxes and to pay for the
19 following projects:

20 (1) construction and implementation of riverfront task
21 force park improvements including Veteran's Park;

22 (2) extension of water and sewer lines and other
23 improvements to city infrastructure necessary for construction
24 of a city industrial park; and

25 (3) costs associated with the closure of the Cloquet
26 Municipal Landfill.

27 Authorized expenses include, but are not limited to,
28 acquiring property and paying construction expenses related to
29 these improvements, and paying debt service on bonds or other
30 obligations issued to finance acquisition and construction of
31 these improvements.

32 Subd. 4. [BONDING AUTHORITY.] (a) The city may issue bonds
33 under Minnesota Statutes, chapter 475, to pay capital and
34 administrative expenses for the improvements described in
35 subdivision 3 in an amount that does not exceed \$7,000,000. An
36 election to approve the bonds under Minnesota Statutes, section

1 475.58, is not required.

2 (b) The issuance of bonds under this subdivision is not
 3 subject to Minnesota Statutes, sections 275.60 and 275.61.

4 (c) The debt represented by the bonds is not included in
 5 computing any debt limitation applicable to the city, and any
 6 levy of taxes under Minnesota Statutes, section 475.61, to pay
 7 principal of and interest on the bonds is not subject to any
 8 levy limitation.

9 Subd. 5. [TERMINATION OF TAXES.] The taxes imposed under
 10 subdivisions 1 and 2 expire at the earlier of (1) 14 years, or
 11 (2) when the city council determines that sufficient funds have
 12 been received from the taxes to finance the capital and
 13 administrative costs of the improvements described in
 14 subdivision 3, plus the additional amount needed to pay the
 15 costs related to issuance of bonds under subdivision 4,
 16 including interest on the bonds. Any funds remaining after
 17 completion of the project and retirement or redemption of the
 18 bonds may be placed in the general fund of the city. The taxes
 19 imposed under subdivisions 1 and 2 may expire at an earlier time
 20 if the city so determines by ordinance.

21 [EFFECTIVE DATE.] This section is effective the day after
 22 the governing body of the city of Cloquet and its chief clerical
 23 officer timely comply with Minnesota Statutes, section 645.021,
 24 subdivisions 2 and 3.

25 Sec. 42. [CITY OF CLEARWATER.]

26 Subdivision 1. [SALES AND USE TAX AUTHORIZED.]

27 Notwithstanding Minnesota Statutes, section 477A.016, or any
 28 other provision of law, ordinance, or city charter, pursuant to
 29 the approval of the city voters at the next general election or
 30 at a special election held for this purpose, the city of
 31 Clearwater may impose by ordinance a sales and use tax of
 32 one-half of one percent for the purposes specified in
 33 subdivision 2. The provisions of Minnesota Statutes, section
 34 297A.99, govern the imposition, administration, collection, and
 35 enforcement of the tax authorized under this subdivision.

36 Subd. 2. [USE OF REVENUES.] Revenues received from the tax

1 authorized by subdivision 1 must be used for the cost of
2 collecting and administering the tax and to pay all or part of
3 the capital or administrative costs of the development,
4 acquisition, construction, and improvement of parks, trails,
5 parkland, open space, and land and buildings for a regional
6 community and recreation center. Authorized expenses include,
7 but are not limited to, acquiring property, paying construction
8 expenses related to the development of these facilities and
9 improvements, and securing and paying debt service on bonds or
10 other obligations issued to finance acquisition, construction,
11 improvement, or development.

12 Subd. 3. [BONDS.] Pursuant to the approval of the city
13 voters to impose the tax authorized in subdivision 1, the city
14 of Clearwater may issue without an additional election general
15 obligation bonds of the city in an amount not to exceed
16 \$3,000,000 to pay capital and administrative expenses for the
17 acquisition, construction, improvement, and development of the
18 projects specified in subdivision 2. The debt represented by
19 the bonds must not be included in computing any debt limitations
20 applicable to the city, and the levy of taxes required by
21 Minnesota Statutes, section 475.61, to pay the principal or any
22 interest on the bonds must not be subject to any levy
23 limitations or be included in computing or applying any levy
24 limitation applicable to the city.

25 Subd. 4. [TERMINATION OF TAX.] The tax imposed under
26 subdivision 1 expires when the Clearwater City Council
27 determines that the amount described in subdivision 3 has been
28 received from the tax to finance the capital and administrative
29 costs for acquisition, construction, improvement, and
30 development of the projects specified in subdivision 2 and to
31 repay or retire at maturity the principal, interest, and premium
32 due on any bonds issued for the projects under subdivision 3.
33 Any funds remaining after completion of the projects specified
34 in subdivision 2 and retirement or redemption of the bonds may
35 be placed in the general fund of the city. The tax imposed
36 under subdivision 1 may expire at an earlier time if the city so

1 determines by ordinance.

2 [EFFECTIVE DATE.] This section is effective the day after
3 compliance by the governing body of the city of Clearwater with
4 Minnesota Statutes, section 645.021, subdivision 3.

5 Sec. 43. [REVERSE REFERENDUM; CHANGE IN MANKATO SALES TAX
6 EXPIRATION DATE.]

7 For the change in section 26 to be effective, the Mankato
8 City Council must pass a resolution stating that they intend to
9 implement the change in the expiration date of the local sales
10 tax authorized under section 26. The resolution must indicate
11 when the sales tax would expire under the law before any change,
12 and when it will expire under the authorized change in the law.
13 The resolution must be published for two successive weeks in the
14 official newspaper of the city or, if there is no official
15 newspaper, in a newspaper of general circulation in the city,
16 together with a notice fixing a date for a public hearing on the
17 matter. The hearing must be held at least two weeks but no more
18 than four weeks after the first publication of the resolution.
19 Following the public hearing, the city may determine to take no
20 further action or adopt a resolution confirming its intention to
21 extend the expiration date of the sales tax. That resolution
22 must also be published in the official newspaper of the city or,
23 if there is no official newspaper, in a newspaper of general
24 circulation in the city. If within 30 days of publication of
25 the resolution a petition signed by voters equal in number to at
26 least ten percent of the votes cast in the city in the last
27 general election requesting a vote on the resolution is filed
28 with the county, the resolution is not effective until it has
29 been submitted to the voters at a general or special election
30 and a majority of votes cast on the question of approving the
31 resolution are in the affirmative. The commissioner of revenue
32 shall prepare a suggested form of question to be presented at
33 the election. The notices, hearing, and any required referendum
34 must be held before December 31, 2005.

35 Notwithstanding any other law or charter provision, the
36 taxes imposed under Laws 1991, chapter 291, article 8, section

1 27, shall not expire before December 31, 2005. However, if the
2 city has not met the requirements in this section for adopting
3 the change in the effective date allowed in section 26, the tax
4 shall expire after December 31, 2005, as soon as is feasible
5 under Minnesota Statutes, section 297A.99, subdivision 12.

6 [EFFECTIVE DATE.] This section is effective the day after
7 compliance by the city of Mankato with Minnesota Statutes,
8 section 645.021, subdivision 3.

9 Sec. 44. [CITY OF MEDFORD; SALES AND USE TAX.]

10 Subdivision 1. [SALES AND USE TAX AUTHORIZED.]

11 Notwithstanding Minnesota Statutes, section 477A.016, or any
12 other provision of law, ordinance, or city charter, the city of
13 Medford may, by ordinance, impose a sales and use tax of
14 one-half of one percent for the purposes specified in
15 subdivision 2. Except as otherwise specifically provided, the
16 provisions of Minnesota Statutes, section 297A.99, govern the
17 imposition, administration, collection, and enforcement of the
18 tax authorized under this subdivision.

19 Subd. 2. [USE OF REVENUES.] The proceeds of the tax
20 imposed under this section must be used to pay up to \$5,000,000
21 in costs related to improving the city's wastewater system and
22 wastewater treatment plant.

23 Subd. 3. [REFERENDUM.] If the Medford City Council
24 proposes to impose the tax authorized by this section, the
25 question of imposing the tax must be submitted to the voters at
26 the next general election. The tax may not be imposed unless
27 the majority of votes cast on the question of imposing the tax
28 are in the affirmative. The commissioner of revenue shall
29 prepare a suggested form of the question to be presented at the
30 election. The question must state that the sales tax revenues
31 would be pledged to pay any bonds issued under subdivision 4 and
32 that these bonds are guaranteed by the city's property taxes.

33 Subd. 4. [BONDING AUTHORITY.] (a) The city may issue bonds
34 under Minnesota Statutes, chapter 475, to finance the capital
35 expenditure and improvement projects authorized under
36 subdivision 2. The total amount of bonds issued for the

1 projects listed in subdivision 2 may not exceed \$5,000,000 in
 2 aggregate. An election to approve the bonds, as required under
 3 Minnesota Statutes, section 475.58, is not required.

4 (b) The issuance of the bonds under this subdivision is not
 5 subject to Minnesota Statutes, sections 275.60 and 275.61.

6 (c) The bonds are not included in computing any debt
 7 limitation applicable to the city, and the levy of taxes under
 8 Minnesota Statutes, section 475.61, to pay the principal of and
 9 interest on the bonds is not subject to any levy limitation.

10 (d) The taxes authorized under this section may be pledged
 11 to and used for the payment of the bonds and any bonds issued to
 12 refund them only if the bonds and any refunding bonds are
 13 general obligations of the city.

14 Subd. 5. [TERMINATION OF TAXES.] The taxes imposed under
 15 this section expire at the earlier of (1) 20 years after the
 16 taxes are first imposed, or (2) when the city council first
 17 determines that the amount of revenues raised to pay for the
 18 projects under subdivision 2 shall meet or exceed the sum of
 19 \$5,000,000, plus an amount equal to the costs related to the
 20 issuance of bonds under subdivision 4. Any funds remaining
 21 after completion of the projects and retirement or redemption of
 22 the bonds may be placed in the general funds of the city.

23 [EFFECTIVE DATE.] This section is effective the day after
 24 compliance with the governing body of the city of Medford with
 25 Minnesota Statutes, section 645.021, subdivision 3.

26 Sec. 45. [CITY OF PARK RAPIDS.]

27 Subdivision 1. [SALES AND USE TAX AUTHORIZED.]

28 Notwithstanding Minnesota Statutes, section 477A.016, or any
 29 other provision of law, ordinance, or city charter, pursuant to
 30 the approval of the city voters at the next general election or
 31 at a special election held for this purpose, the city of Park
 32 Rapids may impose by ordinance a sales and use tax of one
 33 percent for the purposes specified in subdivision 2. The
 34 provisions of Minnesota Statutes, section 297A.99, govern the
 35 imposition, administration, collection, and enforcement of the
 36 tax authorized under this subdivision.

1 Subd. 2. [USE OF REVENUES.] Revenues received from the tax
2 authorized by subdivision 1 must be used for the cost of
3 collecting and administering the tax and to pay all or part of
4 the capital or administrative costs of the development,
5 acquisition, construction, and improvement of the following
6 projects:

7 (1) two-thirds of the cost of construction and operation of
8 a community center that may include a senior citizen center,
9 fitness center, swimming pool, meeting rooms, indoor track, and
10 racquetball, basketball, and tennis courts, provided that an
11 amount equal to one-third of the cost of construction is
12 received from private sources;

13 (2) capital improvement projects including, but not limited
14 to, installation of water, sewer, storm sewer, street
15 improvements, new city water tower and well, costs related to
16 improvements to marked trunk highway 34; and

17 (3) park improvements.

18 Authorized expenses include, but are not limited to,
19 acquiring property, paying construction expenses related to the
20 development of these facilities and improvements, and securing
21 and paying debt service on bonds or other obligations issued to
22 finance acquisition, construction, improvement, or development.

23 Subd. 3. [BONDS.] Pursuant to the approval of the city
24 voters to impose the tax authorized in subdivision 1, the city
25 of Park Rapids may issue without an additional election general
26 obligation bonds of the city to pay capital and administrative
27 expenses for the acquisition, construction, improvement, and
28 development of the projects specified in subdivision 2. The
29 debt represented by the bonds must not be included in computing
30 any debt limitations applicable to the city, and the levy of
31 taxes required by Minnesota Statutes, section 475.61, to pay the
32 principal or any interest on the bonds must not be subject to
33 any levy limitations or be included in computing or applying any
34 levy limitation applicable to the city.

35 Subd. 4. [TERMINATION OF TAX.] The tax imposed under
36 subdivision 1 expires the earlier of July 1, 2023, or when the

1 city council determines that sufficient revenues have been
 2 received to retire the bonds in subdivision 3. Any funds
 3 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 of Park Rapids with
 10 Minnesota Statutes, section 645.021, subdivision 3.

11 Sec. 46. [CITY OF PROCTOR; LODGING TAX.]

12 The city of Proctor may use up to ten percent of the
 13 revenues received from the lodging tax imposed by the city under
 14 Minnesota Statutes, section 469.190, for preservation of the
 15 Caboose and the Baldwin Locomotive, Class M3 Mallet, Number 225,
 16 donated to the city by the Duluth, Missabe and Iron Range
 17 Railway Company, and the F-101F aircraft, serial number 59-0407,
 18 donated to the city by the Department of the Air Force.

19 [EFFECTIVE DATE.] This section is effective the day
 20 following final enactment.

21 Sec. 47. [ST. CLOUD AREA CITIES; SALES AND USE TAX
 22 AUTHORIZED.]

23 Subdivision 1. [SALES AND USE TAX AUTHORIZED.] (a)
 24 Notwithstanding Minnesota Statutes, sections 297A.99,
 25 subdivision 3, paragraph (d), and 477A.016, or any other
 26 provision of law, ordinance, or city charter, the following
 27 cities may, by ordinance, impose a sales and use tax of one half
 28 of one percent for the purposes specified in subdivision 2:

29 (1) the city of St. Cloud, pursuant to the approval of the
 30 city voters at the general election held on November 2, 2004:

31 (2) the city of St. Joseph, pursuant to the approval of the
 32 city voters at the general election on November 2, 2004;

33 (3) the city of Waite Park, pursuant to the approval of the
 34 city voters at the general election held on November 4, 2003,
 35 and any additional approval by the voters of that city at the
 36 next general election;

1 (4) the city of Sartell, pursuant to the approval of the
2 city voters at the general election held on November 2, 1999,
3 and any additional approval at the next general election; and

4 (5) the cities of Sauk Rapids and St. Augusta, pursuant to
5 the approval of the voters of that city at the next general
6 election.

7 (b) The provisions of Minnesota Statutes, section 297A.99,
8 except subdivision 3, paragraph (d), govern the imposition,
9 administration, collection, and enforcement of the tax
10 authorized under this subdivision.

11 Subd. 2. [USE OF REVENUES.] (a) Revenues received from the
12 tax authorized under subdivision 1 must be used for collecting
13 and administering the taxes and to pay all or part of the
14 capital and administrative costs of the acquisition,
15 construction, and improvement of a new regional library located
16 in the city of St. Cloud. Authorized expenses include, but are
17 not limited to, acquiring property, paying construction expenses
18 related to the development of the library, and securing and
19 paying debt service issued to finance construction or
20 improvement of the authorized facility. The total amount that
21 may be spent on this project may not exceed \$30,000,000 plus any
22 debt service costs.

23 (b) If revenues collected from the taxes imposed under
24 subdivision 1 are greater than the amount needed to meet
25 obligations under paragraph (a) in any year, the surplus may be
26 returned to the cities in a manner agreed upon by the
27 participating cities under an applicable joint powers
28 agreement. Cities must use revenues received under this
29 paragraph to fund projects that have been approved by the voters
30 at the referendum authorizing the tax. Authorized expenses
31 include, but are not limited to, acquiring property, paying
32 construction expenses related to the development of the
33 authorized facility, and securing and paying debt service issued
34 to finance construction or improvement of the authorized
35 facility.

36 (c) Notwithstanding any provisions to the contrary

1 contained in a referendum authorizing the imposition of the tax,
2 projects that may be funded from revenues distributed under
3 paragraph (b) are limited to the following:

- 4 (1) the St. Cloud Regional Airport;
- 5 (2) regional transportation improvements;
- 6 (3) community and aquatics centers;
- 7 (4) regional public libraries; and
- 8 (5) acquisition and improvement of regional park land,
9 trails, and open space.

10 (d) The cities of Waite Park and Sartell may use revenues
11 from the tax imposed in subdivision 1 to fund the library under
12 paragraph (a) without additional approval by city voters;
13 however, each city must seek approval of its voters to fund any
14 other project not approved by the voters at the referendum held
15 on November 4, 2003, and November 2, 1999, respectively.

16 Subd. 3. [ALLOCATION OF SALES AND USE TAX REVENUES TO
17 CITIES.] Revenues collected from the taxes authorized by
18 subdivision 1, after paying the cost of collecting and
19 administering the tax, shall be allocated to cities imposing the
20 tax as follows:

21 (1) the first \$900,000 of revenues collected annually,
22 indexed annually to the Consumer Price Index, to the city of St.
23 Cloud for the construction and relocation of a regional library
24 located in the city; and

25 (2) the revenues collected from the taxes imposed under
26 subdivision 1 that exceed the amount needed to meet the
27 obligations under clause (1) in any year shall be returned to
28 the cities pursuant to a joint powers agreement allocating sales
29 tax revenues among the cities.

30 Subd. 4. [CITY BONDING AUTHORIZED.] The city imposing a
31 tax under subdivision 1 may issue general obligation bonds to
32 pay the costs of the projects specified in subdivision 2,
33 pursuant to the approval of the projects by the city voters at
34 the election authorizing the imposition of the tax. The bonds
35 issued for each project are limited to the amount authorized to
36 be spent on the project in the referendum. The debt represented

1 by the bonds must not be included in computing any debt
2 limitations applicable to the city, and the levy of taxes
3 required by Minnesota Statutes, section 475.61, to pay the
4 principal or any interest on the bonds must not be subject to
5 any levy limitations or be included in computing or applying any
6 levy limitation applicable to the city.

7 Subd. 5. [TERMINATION OF TAX.] The tax imposed in a city
8 under subdivision 1 expires when the city council determines
9 that sufficient funds have been collected from the tax to retire
10 or redeem the bonds and obligations authorized under subdivision
11 2, but no later than 17 years after the date the tax is first
12 imposed. Any funds remaining after completion of the projects
13 specified in subdivision 2 and retirement or redemption of the
14 bonds may be placed in the general fund of the city. The tax
15 imposed under subdivision 1 may expire at an earlier time if the
16 city so determines by ordinance.

17 [EFFECTIVE DATE.] This section is effective the day after
18 compliance by the governing body of the city with Minnesota
19 Statutes, section 645.021, subdivision 3, for sales and
20 purchases made on and after January 1, 2006.

21 Sec. 48. [SALES AND USE TAX COMPLIANCE GAP.]

22 The commissioner must reduce the amount of the compliance
23 gap in the payment of sales and use tax by 25 percent before
24 December 31, 2007; and must reduce the compliance gap in the
25 payment of sales and use tax by an additional 25 percent before
26 December 31, 2009. The commissioner must establish an effective
27 method to allow individuals who purchase taxable products or
28 services and have not paid the tax at the time of the purchase
29 to pay the tax. The commissioner must advise residents of this
30 state how to pay sales and use tax.

31 [EFFECTIVE DATE.] This section is effective the day
32 following final enactment.

33 Sec. 49. [CITY OF WASECA; SALES AND USE TAX.]

34 Subdivision 1. [SALES AND USE TAX
35 AUTHORIZED.] Notwithstanding Minnesota Statutes, section
36 477A.016, or any other provision of law, ordinance, or city

1 charter, the city of Waseca may, by ordinance, impose a sales
2 and use tax of one-half of one percent for the purposes
3 specified in subdivision 2. The provisions of Minnesota
4 Statutes, section 297A.99, govern the imposition,
5 administration, collection, and enforcement of the tax
6 authorized under this subdivision.

7 Subd. 2. [USE OF REVENUES.] The proceeds of the tax
8 imposed under this section must be used to pay for up to
9 \$1,820,000 in costs related to one or more of the following
10 capital projects as described in the referendum in subdivision 3:

11 (1) water quality and lake improvements;

12 (2) community center improvements;

13 (3) an industrial incubator; and

14 (4) downtown improvements, including a theatre and blighted
15 property acquisition.

16 Subd. 3. [REFERENDUM.] If the Waseca city council proposes
17 to impose the tax authorized by this section, the question of
18 imposing the tax must be submitted to the voters at the next
19 general election. The tax may not be imposed unless the
20 majority of votes cast on the question of imposing the tax are
21 in the affirmative. The specific projects to be funded by the
22 tax must be identified at least 90 days before the referendum is
23 held and included in the question presented at the election.
24 The question must state that the sales tax revenues would be
25 pledged to pay any bonds issued under subdivision 4 and that
26 these bonds are guaranteed by the city's property taxes.

27 Subd. 4. [BONDING AUTHORITY.] The city may issue bonds
28 under Minnesota Statutes, chapter 475, to finance the capital
29 expenditure and improvement projects authorized under
30 subdivision 2 and approved under subdivision 3. The total
31 amount of bonds issued for the projects approved in subdivision
32 3 may not exceed \$1,820,000 in aggregate. An election to
33 approve the bonds, as required under Minnesota Statutes, section
34 475.58, is not required.

35 Subd. 5. [TERMINATION OF TAXES.] The taxes imposed under
36 this section expire at the earlier of (1) ten years after the

1 taxes are first imposed, or (2) when the city council first
2 determines that the amount of revenues raised is sufficient to
3 finance the capital projects approved under subdivision 3 and to
4 prepay or retire at maturity the principal, interest, and
5 premium due on any bonds issued under subdivision 4. Any funds
6 remaining after completion of the projects may be placed in the
7 general funds of the city.

8 [EFFECTIVE DATE.] This section is effective the day after
9 compliance with the governing body of the city of Waseca with
10 Minnesota Statutes, section 645.021, subdivision 3.

11 Sec. 50. [CITY OF WILLMAR.]

12 Subdivision 1. [SALES AND USE TAX AUTHORIZED.]

13 Notwithstanding Minnesota Statutes, section 477A.016, or any
14 other provision of law, ordinance, or city charter, pursuant to
15 the approval of the city voters at the general election held on
16 November 2, 2004, the city of Willmar may impose by ordinance a
17 sales and use tax of one-half of one percent for the purposes
18 specified in subdivision 2. The provisions of Minnesota
19 Statutes, section 297A.99, govern the imposition,
20 administration, collection, and enforcement of the tax
21 authorized under this subdivision.

22 Subd. 2. [USE OF REVENUES.] Revenues received from the tax
23 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, and improvement of the following
27 projects:

28 (1) completion and expansion of the airport/industrial
29 park;

30 (2) hiking and biking trails;

31 (3) connection of the Blue Line and Civic Center buildings;

32 and

33 (4) purchase of that portion of the Willmar Regional
34 Treatment Center campus located west of Marked Trunk Highway 71.

35 Authorized expenses include, but are not limited to,
36 acquiring property, paying construction expenses related to the

1 development of these facilities and improvements, and securing
 2 and paying debt service on bonds or other obligations issued to
 3 finance acquisition, construction, improvement, or development
 4 of these projects.

5 Subd. 3. [BONDS.] The city of Willmar may issue without an
 6 additional election general obligation bonds of the city in an
 7 amount not to exceed \$8,000,000 to pay capital and
 8 administrative expenses for the acquisition, construction,
 9 improvement, and development of the projects listed in
 10 subdivision 2. The debt represented by the bonds must not be
 11 included in computing any debt limitations applicable to the
 12 city, and the levy of taxes required by Minnesota Statutes,
 13 section 475.61, to pay the principal or any interest on the
 14 bonds, and must not be subject to any levy limitations or be
 15 included in computing or applying any levy limitation applicable
 16 to the city.

17 Subd. 4. [TERMINATION OF TAX.] The tax imposed under
 18 subdivision 1 expires at the later of (1) seven years after the
 19 date the tax is first imposed, or (2) when the Willmar City
 20 Council determines that the amount described in subdivision 3
 21 has been received from the tax to finance the capital and
 22 administrative costs, and to repay or retire at maturity the
 23 principal, interest, and premium due on any bonds issued under
 24 subdivision 3. Any funds remaining after completion of the
 25 projects listed in subdivision 2 and retirement or redemption of
 26 the bonds may be placed in the general fund of the city. The
 27 tax imposed under subdivision 1 may expire at an earlier time if
 28 the city so determines by ordinance.

29 [EFFECTIVE DATE.] This section is effective the day after
 30 compliance by the governing body of the city of Willmar with
 31 Minnesota Statutes, section 645.021, subdivision 3.

32 Sec. 51. [CITY OF WINONA; TAXES AUTHORIZED.]

33 Subdivision 1. [SALES AND USE TAX
 34 AUTHORIZED.] Notwithstanding Minnesota Statutes, section
 35 477A.016, or any other provision of law, ordinance, or city
 36 charter, if approved by the voters pursuant to Minnesota

1 Statutes, section 297A.99, the city of Winona may impose by
2 ordinance a sales and use tax of one-half of one percent for the
3 purposes specified in subdivision 3. The provisions of
4 Minnesota Statutes, section 297A.99, govern the imposition,
5 administration, collection, and enforcement of the tax
6 authorized under this subdivision.

7 Subd. 2. [EXCISE TAX AUTHORIZED.] Notwithstanding
8 Minnesota Statutes, section 477A.016, or any other contrary
9 provision of law, ordinance, or city charter, the city of Winona
10 may impose by ordinance, for the purposes specified in
11 subdivision 3, an excise tax of up to \$20 per motor vehicle, as
12 defined by ordinance, purchased or acquired from any person
13 engaged within the city in the business of selling motor
14 vehicles at retail.

15 Subd. 3. [USE OF REVENUES.] Revenues received from the
16 taxes authorized by subdivisions 1 and 2 must be used to pay all
17 or part of the capital costs of transportation, cultural, or
18 library projects located within the city, including securing or
19 paying debt service on bonds issued under subdivision 4, for the
20 transportation, cultural, or library projects and to pay the
21 cost of collecting and administering the tax. Authorized costs
22 include, but are not limited to, acquiring property and paying
23 construction and engineering costs related to the projects.

24 Subd. 4. [BONDS.] The city of Winona, if approved by
25 voters pursuant to Minnesota Statutes, section 297A.99, may
26 issue general obligation bonds of the city, in one or more
27 series, in the aggregate principal amount not to exceed
28 \$20,000,000 to pay capital and administrative costs of the
29 transportation, cultural, or library projects. The debt
30 represented by the bonds is not included in computing any debt
31 limitations applicable to the city, and the levy of taxes
32 required by Minnesota Statutes, section 475.61, to pay the
33 principal of and interest on the bonds is not subject to any
34 levy limitation or included in computing or applying any levy
35 limitation applicable to the city.

36 Subd. 5. [TERMINATION OF TAXES.] The taxes imposed under

1 subdivisions 1 and 2 expire at the later of 15 years after the
2 imposition of the tax or when the Winona city council determines
3 that sufficient funds have been received from the taxes to
4 prepay or retire at maturity the principal, interest, and
5 premium due on any bonds issued for the projects under
6 subdivision 4. Any funds remaining after expiration of the
7 taxes and retirement of the bonds may be placed in a capital
8 project fund of the city. The taxes imposed under subdivisions
9 1 and 2 may expire at an earlier time if the city so determines
10 by ordinance.

11 [EFFECTIVE DATE.] This section is effective the day after
12 compliance by the governing body of the city of Winona with
13 Minnesota Statutes, section 645.021, subdivision 3.

14 Sec. 52. [LODGING TAX; HUBBARD COUNTY AUTHORITY.]
15 Notwithstanding Minnesota Statutes, section 469.190,
16 subdivisions 1 and 4, Hubbard County may impose the local
17 lodging tax authorized in that section in all towns and
18 unorganized territories within the county, and no town located
19 in the county may impose the local lodging tax. Any local
20 lodging tax imposed by a town in Hubbard County prior to the
21 effective date of this section expires the day that a county tax
22 is imposed under this section.

23 If the county board exercises the authority under this
24 section, it must determine by resolution that imposition of the
25 tax is in the county's interest. The resolution is subject to
26 the notice and reverse referendum requirements that would apply
27 under Minnesota Statutes, section 469.190, subdivision 5, if the
28 county was imposing the tax in an unorganized territory. The
29 provisions of Minnesota Statutes, section 469.190, subdivisions
30 2, 3, 6, and 7, apply to a tax imposed under this section.

31 [EFFECTIVE DATE.] This section is effective the day after
32 the governing body of Hubbard County and its chief clerical
33 officer comply with Minnesota Statutes, section 645.021,
34 subdivisions 2 and 3.

35 Sec. 53. [USE TAX ENFORCEMENT.]

36 The commissioner shall establish a use tax enforcement unit

1 within the Department of Revenue to conduct direct compliance
2 activities that will increase payment of use tax. The
3 commissioner shall inform and educate taxpayers about the
4 requirement to pay use tax. The commissioner shall also conduct
5 an information campaign targeted to higher income individuals,
6 attorneys, accountants, and tax preparers to advise individuals
7 and tax professionals of the obligation to report and pay use
8 tax.

9 [EFFECTIVE DATE.] This section is effective July 1, 2005.

10 Sec. 54. [REPEALER.]

11 Minnesota Statutes 2004, section 297A.99, subdivision 13,
12 is repealed effective July 1, 2005.

13 ARTICLE 8

14 PROPERTY TAXES - SF1683

15 Section 1. Minnesota Statutes 2004, section 103C.331,
16 subdivision 16, is amended to read:

17 Subd. 16. [BUDGET.] The district board shall annually
18 present a budget consisting of an itemized statement of district
19 expenses for the ensuing calendar year to the boards of county
20 commissioners of the counties in which the district is located.
21 The county boards may levy an annual tax on all taxable real
22 property in the district or annually authorize district levies,
23 as provided in section 103C.332, for the amount that the boards
24 determine is necessary to meet the requirements of the
25 district. The amount levied shall be collected and distributed
26 to the district as prescribed by chapter 276. The amount may be
27 spent by the district board for a district purpose authorized by
28 law.

29 Sec. 2. [103C.332] [DISTRICT FUNDS AND LEVIES.]

30 Subdivision 1. [GENERAL FUND.] (a) A district shall create
31 a general fund consisting of:

32 (1) an ad valorem tax levy, authorized by a county board
33 under section 103C.331, subdivision 16, that may not exceed
34 0.048 percent of taxable market value, or \$750,000, whichever is
35 less; and

36 (2) revenue received from the county for administration of

1 the district under section 103C.331, subdivision 16.

2 (b) The money in the fund shall be used for general
 3 administrative expenses. The supervisors may make an annual
 4 levy for the general fund as provided in subdivision 6.

5 Subd. 2. [IMPLEMENTATION AND PROJECT MATCH FUND.] A
 6 district shall create an implementation fund to supply funds for
 7 the implementation of the projects of the district or to match
 8 grants from outside sources consisting of:

9 (1) ad valorem tax levies or fees levied or to be levied
 10 for the implementation of projects of the district or to match
 11 grants, authorized by the county board under section 103C.331,
 12 subdivision 16; and

13 (2) revenue received from the county under section
 14 103C.331, subdivision 16, for the implementation of projects of
 15 the district or to match grants.

16 Subd. 3. [BUDGET HEARING.] (a) Before adopting a budget
 17 when levies are authorized by the county board under section
 18 103C.331, subdivision 16, the supervisors shall hold a public
 19 hearing on the proposed budget.

20 (b) The supervisors shall publish a notice of the hearing
 21 with a summary of the proposed budget in one or more newspapers
 22 of general circulation in each county consisting of part of the
 23 district. The notice and summary shall be published once each
 24 week for two successive weeks before the hearing. The last
 25 publication shall be at least two days before the hearing.

26 Subd. 4. [BUDGET ADOPTION.] On or before September 1 of
 27 each year, the supervisors shall adopt a budget for the next
 28 year and decide on the total amount necessary to be raised from
 29 ad valorem tax levies to meet the district's budget.

30 Subd. 5. [CERTIFICATION TO AUDITOR.] After adoption of the
 31 budget and no later than September 1, the district shall certify
 32 to the auditor of each county within the district, the county's
 33 share of an authorized tax, which shall be an amount bearing the
 34 same proportion to the total levy as the net tax capacity of the
 35 area of the county within the district bears to the net tax
 36 capacity of the entire district. The maximum amount of a levy

1 may not exceed the amount provided in subdivisions 1 and 2.

2 Subd. 6. [LEVY.] The auditor of each county in the
3 district shall add the amount of an authorized levy made by the
4 supervisors to the other tax levies on the property of the
5 county within the district for collection by the county
6 treasurer with other taxes. The county treasurer shall make
7 settlement of the taxes collected with the treasurer of the
8 district in the same manner as other taxes are distributed to
9 the other political subdivisions. The levy authorized by this
10 section is in addition to other county taxes authorized by law.

11 Sec. 3. Minnesota Statutes 2004, section 123B.53, is
12 amended by adding a subdivision to read:

13 Subd. 1a. [DEBT SERVICE LEVIES; CHOICE OF TAX BASE.] A
14 school board may by resolution elect to levy the debt service
15 for a bond issued after July 1, 2005, against the referendum
16 market value of the district, as defined under section 126C.01,
17 subdivision 3, rather than the net tax capacity of the district,
18 except that for purposes of this subdivision, noncommercial 4c(1)
19 property under section 273.13 is valued at its market value. A
20 resolution to levy against referendum market value must be
21 passed at an open meeting of the board, at least 60 days prior
22 to the referendum election.

23 [EFFECTIVE DATE.] This section is effective the day
24 following final enactment.

25 Sec. 4. Minnesota Statutes 2004, section 123B.53,
26 subdivision 4, is amended to read:

27 Subd. 4. [DEBT SERVICE EQUALIZATION REVENUE.] (a) The debt
28 service equalization revenue of a district equals the sum of the
29 first tier debt service equalization revenue and the second tier
30 debt service equalization revenue.

31 (b) The first tier debt service equalization revenue of a
32 district equals the greater of zero or the eligible debt service
33 revenue minus the amount raised by a levy of 15 percent times
34 the adjusted net tax capacity of the district minus the second
35 tier debt service equalization revenue of the district.

36 (c) The second tier debt service equalization revenue of a

1 district equals the greater of zero or the eligible debt service
2 revenue, excluding alternative facilities levies under section
3 123B.59, subdivision 5, minus the amount raised by a levy of 25
4 percent times the adjusted net tax capacity of the district.

5 (d) Debt service equalization revenue is determined as
6 provided under this subdivision regardless of whether the debt
7 service is being levied against net tax capacity or referendum
8 market value.

9 [EFFECTIVE DATE.] This section is effective July 1, 2005.

10 Sec. 5. Minnesota Statutes 2004, section 123B.55, is
11 amended to read:

12 123B.55 [DEBT SERVICE LEVY.]

13 Subdivision 1. [LEVY AMOUNT.] A district may levy the
14 amounts necessary to make payments for bonds issued and for
15 interest on them, including the bonds and interest on them,
16 issued as authorized by Minnesota Statutes 1974, section
17 275.125, subdivision 3, clause (7)(C); and the amounts necessary
18 for repayment of debt service loans and capital loans, minus the
19 amount of debt service equalization revenue of the district.

20 Subd. 2. [AID APPORTIONMENT.] A district's debt service
21 equalization aid shall be apportioned between the net tax
22 capacity debt service levy and the referendum market value debt
23 service levy in the same proportions as eligible debt service
24 revenues resulting from bonds issued against net tax capacity
25 are to eligible debt service revenues resulting from bonds
26 issued against referendum market value.

27 Subd. 3. [NET TAX CAPACITY DEBT SERVICE LEVY.] The levy
28 amount determined under subdivision 1, plus the eligible debt
29 service revenues resulting from bonds issued against net tax
30 capacity, minus the debt service equalization aid apportioned to
31 the net tax capacity debt service levy, must be levied against
32 the net tax capacity of the district as determined under section
33 273.13 and must be included with the other net tax capacity
34 levies certified to the county auditor under section 275.07.

35 Subd. 4. [REFERENDUM MARKET VALUE DEBT SERVICE LEVY.] The
36 eligible debt service revenues resulting from bonds issued

1 against referendum market value, minus the debt service
2 equalization aid apportioned to the referendum market value debt
3 service levy, must be levied against the referendum market value
4 of the district as defined in section 126C.01, subdivision 3,
5 and must be separately certified to the county auditor under
6 section 275.07.

7 [EFFECTIVE DATE.] This section is effective beginning with
8 taxes payable in 2006.

9 Sec. 6. Minnesota Statutes 2004, section 123B.71,
10 subdivision 9, is amended to read:

11 Subd. 9. [INFORMATION REQUIRED.] A school board proposing
12 to construct a facility described in subdivision 8 shall submit
13 to the commissioner a proposal containing information including
14 at least the following:

15 (1) the geographic area and population to be served,
16 preschool through grade 12 student enrollments for the past five
17 years, and student enrollment projections for the next five
18 years;

19 (2) a list of existing facilities by year constructed,
20 their uses, and an assessment of the extent to which alternate
21 facilities are available within the school district boundaries
22 and in adjacent school districts;

23 (3) a list of the specific deficiencies of the facility
24 that demonstrate the need for a new or renovated facility to be
25 provided, and a list of the specific benefits that the new or
26 renovated facility will provide to the students, teachers, and
27 community users served by the facility;

28 (4) the relationship of the project to any priorities
29 established by the school district, educational cooperatives
30 that provide support services, or other public bodies in the
31 service area;

32 (5) a specification of how the project will increase
33 community use of the facility and whether and how the project
34 will increase collaboration with other governmental or nonprofit
35 entities;

36 (6) a description of the project, including the

1 specification of site and outdoor space acreage and square
 2 footage allocations for classrooms, laboratories, and support
 3 spaces; estimated expenditures for the major portions of the
 4 project; and the dates the project will begin and be completed;

5 (7) a specification of the source of financing the project;
 6 the scheduled date for a bond issue or school board action; a
 7 schedule of payments, including debt service equalization aid;
 8 whether the debt service will be levied against net tax capacity
 9 or referendum market value; and the effect of a bond issue on
 10 local property taxes by the property class and valuation;

11 (8) an analysis of how the proposed new or remodeled
 12 facility will affect school district operational or
 13 administrative staffing costs, and how the district's operating
 14 budget will cover any increased operational or administrative
 15 staffing costs;

16 (9) a description of the consultation with local or state
 17 road and transportation officials on school site access and
 18 safety issues, and the ways that the project will address those
 19 issues;

20 (10) a description of how indoor air quality issues have
 21 been considered and a certification that the architects and
 22 engineers designing the facility will have professional
 23 liability insurance;

24 (11) as required under section 123B.72, for buildings
 25 coming into service after July 1, 2002, a certification that the
 26 plans and designs for the extensively renovated or new
 27 facility's heating, ventilation, and air conditioning systems
 28 will meet or exceed code standards; will provide for the
 29 monitoring of outdoor airflow and total airflow of ventilation
 30 systems; and will provide an indoor air quality filtration
 31 system that meets ASHRAE standard 52.1;

32 (12) a specification of any desegregation requirements that
 33 cannot be met by any other reasonable means; and

34 (13) a specification, if applicable, of how the facility
 35 will utilize environmentally sustainable school facility design
 36 concepts.

1 [EFFECTIVE DATE.] This section is effective July 1, 2005.

2 Sec. 7. Minnesota Statutes 2004, section 126C.17,
3 subdivision 6, is amended to read:

4 Subd. 6. [REFERENDUM EQUALIZATION LEVY.] (a) For fiscal
5 year 2003 ~~and later~~ through 2007, a district's referendum
6 equalization levy equals the sum of the first tier referendum
7 equalization levy and the second tier referendum equalization
8 levy.

9 (b) A district's first tier referendum equalization levy
10 equals the district's first tier referendum equalization revenue
11 times the lesser of one or the ratio of the district's
12 referendum market value per resident marginal cost pupil unit to
13 \$476,000.

14 (c) A district's second tier referendum equalization levy
15 equals the district's second tier referendum equalization
16 revenue times the lesser of one or the ratio of the district's
17 referendum market value per resident marginal cost pupil unit to
18 \$270,000.

19 Sec. 8. Minnesota Statutes 2004, section 126C.17, is
20 amended by adding a subdivision to read:

21 Subd. 6a. [LOCAL EFFORT LEVEL.] (a) For fiscal year 2008
22 and later, a district's local effort level equals the sum of the
23 first tier referendum equalization level and the second tier
24 referendum local effort level.

25 (b) A district's first tier referendum local effort level
26 equals the district's first tier referendum equalization revenue
27 times the lesser of one or the ratio of the district's
28 referendum market value per resident marginal cost pupil unit to
29 \$476,000.

30 (c) A district's second tier referendum local effort level
31 equals the district's second tier referendum equalization
32 revenue times the lesser of one or the ratio of the district's
33 referendum market value per resident marginal cost pupil unit to
34 \$270,000.

35 Sec. 9. Minnesota Statutes 2004, section 126C.17, is
36 amended by adding a subdivision to read:

1 Subd. 6b. [LOCAL EFFORT REVENUE.] (a) For fiscal years
2 2008 and later, a school district's local effort revenue is
3 equal to its local effort level for that year.

4 (b) For referenda authorized under subdivision 9 prior to
5 June 30, 2006, a school district's local effort revenue must be
6 levied against the district's referendum market value according
7 to subdivision 10.

8 (c) For referenda authorized or renewed under subdivision 9
9 after June 30, 2006, that have been approved to be levied
10 against referendum market value, the local effort revenue must
11 be levied against the district's referendum market value
12 according to subdivision 10.

13 (d) For referenda authorized or renewed under subdivision 9
14 after June 30, 2006, that have been approved to be imposed as a
15 school referendum tax according to section 290.0621, the local
16 effort revenue must be raised as a tax against income liability
17 according to section 290.0621.

18 Sec. 10. Minnesota Statutes 2004, section 126C.17,
19 subdivision 7, is amended to read:

20 Subd. 7. [REFERENDUM EQUALIZATION AID.] (a) For fiscal
21 years 2005 through 2007, a district's referendum equalization
22 aid equals the difference between its referendum equalization
23 revenue and levy. For fiscal years 2008 and later, a district's
24 referendum equalization aid equals the difference between its
25 referendum equalization revenue and its local effort revenue.

26 (b) If a district's actual levy for first or second tier
27 referendum equalization revenue in fiscal years 2005 through
28 2007 is less than its maximum levy limit for that tier, aid
29 shall be proportionately reduced. If a district's actual local
30 effort revenue for first or second tier referendum equalization
31 revenue in fiscal years 2008 and later is less than its maximum
32 local effort revenue limit for that tier, aid shall be
33 proportionately reduced.

34 (c) Notwithstanding paragraph (a), the referendum
35 equalization aid for a district, where the referendum
36 equalization aid under paragraph (a) exceeds 90 percent of the

1 referendum revenue, must not exceed 18.6 percent of the formula
2 allowance times the district's resident marginal cost pupil
3 units. For fiscal years 2005 through 2007, a district's
4 referendum levy is increased by the amount of any reduction in
5 referendum aid under this paragraph. For fiscal years 2008 and
6 later, a district's local effort level is increased by the
7 amount of any reduction in referendum aid under this paragraph.

8 Sec. 11. Minnesota Statutes 2004, section 126C.17,
9 subdivision 9, is amended to read:

10 Subd. 9. [REFERENDUM REVENUE.] (a) The revenue authorized
11 by section 126C.10, subdivision 1, may be increased in the
12 amount approved by the voters of the district at a referendum
13 called for the purpose. The referendum may be called by the
14 board or shall be called by the board upon written petition of
15 qualified voters of the district. The referendum must be
16 conducted one or two calendar years before the increased levy
17 authority, if approved, first becomes payable. Only one
18 election to approve an increase may be held in a calendar year.
19 Unless the referendum is conducted by mail under paragraph (g),
20 the referendum must be held on the first Tuesday after the first
21 Monday in November. The ballot must state the maximum amount of
22 the increased revenue per resident marginal cost pupil unit, ~~the~~
23 ~~estimated-referendum-tax-rate-as-a-percentage-of-referendum~~
24 ~~market-value-in-the-first-year-it-is-to-be-levied, and that the~~
25 ~~revenue-must-be-used-to-finance-school-operations.~~ The ballot
26 may state a schedule, determined by the board, of increased
27 revenue per resident marginal cost pupil unit that differs from
28 year to year over the number of years for which the increased
29 revenue is authorized. ~~If the ballot contains a schedule~~
30 ~~showing different amounts, it must also indicate the estimated~~
31 ~~referendum-tax-rate-as-a-percent-of-referendum-market-value-for~~
32 ~~the-amount-specified-for-the-first-year-and-for-the-maximum~~
33 ~~amount-specified-in-the-schedule.~~ The ballot, including a
34 ballot on the question to revoke or reduce the increased revenue
35 amount under paragraph (c), must abbreviate the term "per
36 resident marginal cost pupil unit" as "per pupil unit." The

1 ballot may state that existing referendum ~~levy~~ taxing authority
2 is expiring. In this case, if the referendum authority is based
3 on a property tax levy, the ballot may also compare the proposed
4 levy authority to the existing expiring levy authority, and
5 express the proposed increase as the amount, if any, over the
6 expiring referendum levy authority. The ballot must designate
7 the specific number of years, not to exceed ten, for which the
8 referendum authorization applies. The notice required under
9 section 275.60 may be modified to read, in cases of renewing
10 existing levies:

11 "BY VOTING "YES" ON THIS BALLOT QUESTION, YOU MAY BE VOTING
12 FOR A PROPERTY TAX INCREASE."

13 If the referendum is on a proposed income tax under section
14 290.0621, the notice must read:

15 "BY VOTING "YES" ON THIS BALLOT QUESTION, YOU MAY BE VOTING
16 FOR AN INCOME TAX INCREASE."

17 The ballot may contain a textual portion with the
18 information required in this subdivision and a question stating
19 substantially the following:

20 "Shall the increase in the revenue proposed by (petition
21 to) the board of, School District No. ..., be approved?"

22 If approved, an amount equal to the approved revenue per
23 resident marginal cost pupil unit times the resident marginal
24 cost pupil units for the school year beginning in the year after
25 the levy is certified or the income tax is imposed shall be
26 authorized for certification for the number of years approved,
27 if applicable, or until revoked or reduced by the voters of the
28 district at a subsequent referendum. A referendum may be
29 conducted on the question of converting an existing referendum
30 property tax levy to a school referendum income tax to be
31 imposed under section 290.0621.

32 (b) The board must prepare and deliver by first class mail
33 at least 15 days but no more than 30 days before the day of the
34 referendum to each taxpayer a notice of the referendum and the
35 proposed revenue increase. The board need not mail more than
36 one notice to any taxpayer. For the purpose of giving mailed

1 notice under this subdivision for a referendum based on a
2 property tax levy, owners must be those shown to be owners on
3 the records of the county auditor or, in any county where tax
4 statements are mailed by the county treasurer, on the records of
5 the county treasurer. Every property owner whose name does not
6 appear on the records of the county auditor or the county
7 treasurer is deemed to have waived this mailed notice unless the
8 owner has requested in writing that the county auditor or county
9 treasurer, as the case may be, include the name on the records
10 for this purpose. The notice for a referendum based on a
11 property tax levy must project the anticipated amount of tax
12 increase in annual dollars ~~and annual percentage~~ for typical
13 residential homesteads, agricultural homesteads, apartments, and
14 commercial-industrial property within the school district. For
15 the purpose of giving mailed notice under this subdivision, for
16 a referendum based on an income tax under section 290.0621,
17 taxpayers must be those shown to be domiciled in the school
18 district as indicated on the space which must be provided for
19 this information on the Minnesota individual income tax form for
20 the taxable year ending before the calendar year when the
21 referendum is conducted. Every individual whose domicile is in
22 the school district whose name does not appear on the income tax
23 return as having a domicile in the district is deemed to have
24 waived this mailed notice unless the individual has requested in
25 writing that the county auditor or county treasurer, as the case
26 may be, include the individual's name on the records for this
27 purpose. The notice must project the anticipated amount of tax
28 increase in annual dollars and annual percentage for typical
29 family incomes within the school district.

30 The notice for a referendum based on a property tax levy
31 may state that an existing referendum levy is expiring and
32 project the anticipated amount of increase over the existing
33 referendum levy in the first year, if any, in annual dollars and
34 ~~annual percentage~~ for typical residential homesteads,
35 agricultural homesteads, apartments, and commercial-industrial
36 property within the district.

1 The notice must include the following statement: "Passage
 2 of this referendum will result in an increase in your property
 3 taxes." However, in cases of renewing existing levies, the
 4 notice may include the following statement: "Passage of this
 5 referendum may result in an increase in your property taxes."

6 The notice for a referendum based on income tax may state
 7 that an existing income tax referendum authority is expiring and
 8 project the anticipated amount of increase over the existing
 9 referendum levy in the first year, if any, in annual dollars and
 10 annual percentage for typical family incomes within the district.

11 The notice must include the following statement: "Passage
 12 of this referendum will result in an increase in your personal
 13 income taxes." However, in cases of renewing existing income
 14 tax referendum authorities, the notice may include the following
 15 statement: "Passage of this referendum may result in an
 16 increase in your personal income taxes."

17 (c) A referendum on the question of revoking or reducing
 18 the increased revenue amount authorized pursuant to paragraph
 19 (a) may be called by the board and shall be called by the board
 20 upon the written petition of qualified voters of the district.
 21 A referendum to revoke or reduce the revenue amount must state
 22 the amount per resident marginal cost pupil unit by which the
 23 authority is to be reduced. Revenue authority approved by the
 24 voters of the district pursuant to paragraph (a) must be
 25 available to the school district at least once before it is
 26 subject to a referendum on its revocation or reduction for
 27 subsequent years. Only one revocation or reduction referendum
 28 may be held to revoke or reduce referendum revenue for any
 29 specific year and for years thereafter.

30 (d) A petition authorized by paragraph (a) or (c) is
 31 effective if signed by a number of qualified voters in excess of
 32 15 percent of the registered voters of the district on the day
 33 the petition is filed with the board. A referendum invoked by
 34 petition must be held on the date specified in paragraph (a).

35 (e) The approval of 50 percent plus one of those voting on
 36 the question is required to pass a referendum authorized by this

1 subdivision.

2 (f) At least 15 days before the day of the referendum, the
 3 district must submit a copy of the notice required under
 4 paragraph (b) to the commissioner and to the county auditor of
 5 each county in which the district is located. Within 15 days
 6 after the results of the referendum have been certified by the
 7 board, or in the case of a recount, the certification of the
 8 results of the recount by the canvassing board, the district
 9 must notify the commissioner of the results of the referendum.

10 [EFFECTIVE DATE.] This section is effective for referenda
 11 conducted on or after July 1, 2005.

12 Sec. 12. Minnesota Statutes 2004, section 168A.05,
 13 subdivision 1b, is amended to read:

14 Subd. 1b. [MANUFACTURED HOME; EXEMPTION.] The provisions
 15 of subdivision 1a shall not apply to (1) a manufactured home
 16 which is sold or otherwise disposed of pursuant to section
 17 504B.271 by the owner of a manufactured home park as defined in
 18 section 327.14, subdivision 3, or (2) a manufactured home which
 19 is sold pursuant to section 504B.265 by the owner of a
 20 manufactured home park. The department shall not require a
 21 manufactured home park owner to satisfy the delinquent or
 22 current year's personal property taxes owed as condition of the
 23 title transfer to the park owner.

24 [EFFECTIVE DATE.] This section is effective the day
 25 following final enactment.

26 Sec. 13. [174.11] [COMMISSIONER TO NOTIFY COUNTY AUDITOR
 27 OF PROPERTY ACQUISITIONS.]

28 Upon acquisition of any taxable real property, the
 29 commissioner must notify the county auditor of the county where
 30 the property is located that the property has been acquired.

31 Sec. 14. Minnesota Statutes 2004, section 272.02,
 32 subdivision 22, is amended to read:

33 Subd. 22. [WIND ENERGY CONVERSION SYSTEMS.] All real and
 34 personal property of a wind energy conversion system as defined
 35 in section 272.029, subdivision 2, is exempt from property tax
 36 except that the land on which the property is located remains

1 taxable. If approved by the county where the property is
2 located, the value of the land on which the wind energy
3 conversion system is located shall not be increased or
4 decreased, but shall be valued in the same manner as similar
5 land that has not been improved with a wind energy conversion
6 system. The land shall be classified based on the most probable
7 use of the property if it were not improved with a wind energy
8 conversion system.

9 [EFFECTIVE DATE.] This section is effective for assessment
10 year 2005 and thereafter, for taxes payable in 2006 and
11 thereafter.

12 Sec. 15. Minnesota Statutes 2004, section 272.02,
13 subdivision 47, is amended to read:

14 Subd. 47. [POULTRY LITTER BIOMASS GENERATION FACILITY;
15 PERSONAL PROPERTY.] Notwithstanding subdivision 9, clause (a),
16 attached machinery and other personal property which is part of
17 an electrical generating facility that meets the requirements of
18 this subdivision is exempt. At the time of construction, the
19 facility must:

20 (1) be designed to utilize poultry litter as a primary fuel
21 source; and

22 (2) be constructed for the purpose of generating power at
23 the facility that will be sold pursuant to a contract approved
24 by the Public Utilities Commission in accordance with the
25 biomass mandate imposed under section 216B.2424.

26 Construction of the facility must be commenced after
27 January 1, 2003, and before December 31, ~~2003~~ 2005. Property
28 eligible for this exemption does not include electric
29 transmission lines and interconnections or gas pipelines and
30 interconnections appurtenant to the property or the facility.

31 [EFFECTIVE DATE.] This section is effective for taxes
32 levied in 2005, payable in 2006, and thereafter.

33 Sec. 16. Minnesota Statutes 2004, section 272.02,
34 subdivision 56, is amended to read:

35 Subd. 56. [ELECTRIC GENERATION FACILITY; PERSONAL
36 PROPERTY.] (a) Notwithstanding subdivision 9, clause (a),

1 attached machinery and other personal property which is part of
2 a combined-cycle combustion-turbine electric generation facility
3 that exceeds 550 300 megawatts of installed capacity and that
4 meets the requirements of this subdivision is exempt. At the
5 time of construction, the facility must:

6 (1) be designed to utilize natural gas as a primary fuel;

7 (2) not be owned by a public utility as defined in section
8 216B.02, subdivision 4;

9 (3) be located within five miles of an existing natural gas
10 pipeline and within four miles of an existing electrical
11 transmission substation;

12 (4) be located outside the metropolitan area as defined
13 under section 473.121, subdivision 2; and

14 (5) be designed to provide energy and ancillary services
15 and have received a certificate of need under section 216B.243.

16 (b) Construction of the facility must be commenced after
17 January 1, 2004, and before January 1, 2007, except that
18 property eligible for this exemption includes any expansion of
19 the facility that also meets the requirements of paragraph (a),
20 clauses (1) to (5), without regard to the date that construction
21 of the expansion commences. Property eligible for this
22 exemption does not include electric transmission lines and
23 interconnections or gas pipelines and interconnections
24 appurtenant to the property or the facility.

25 [EFFECTIVE DATE.] This section is effective for taxes
26 levied in 2005, payable in 2006, and thereafter.

27 Sec. 17. Minnesota Statutes 2004, section 272.02, is
28 amended by adding a subdivision to read:

29 Subd. 68. [ELECTRIC GENERATION FACILITY; PERSONAL
30 PROPERTY.] (a) Notwithstanding subdivision 9, clause (a),
31 attached machinery and other personal property which is part of
32 a simple-cycle combustion-turbine electric generation facility
33 that exceeds 290 megawatts of installed capacity and that meets
34 the requirements of this subdivision is exempt. At the time of
35 construction, the facility must:

36 (1) be designed to utilize natural gas as a primary fuel;

1 (2) not be owned by a public utility as defined in section
2 216B.02, subdivision 4;

3 (3) be located within five miles of an existing natural gas
4 pipeline and within five miles of an existing electrical
5 transmission substation;

6 (4) be located outside the metropolitan area as defined
7 under section 473.121, subdivision 2;

8 (5) be designed to provide peaking capacity energy and
9 ancillary services and have satisfied all of the requirements
10 under section 216B.243; and

11 (6) have received, by resolution, the approval from the
12 governing body of the county, city, and school district in which
13 the proposed facility is to be located for the exemption of
14 personal property under this subdivision.

15 (b) Construction of the facility must be commenced after
16 January 1, 2005, and before January 1, 2009. Property eligible
17 for this exemption does not include electric transmission lines
18 and interconnections or gas pipelines and interconnections
19 appurtenant to the property or the facility.

20 [EFFECTIVE DATE.] This section is effective for assessment
21 year 2006, taxes payable in 2007, and thereafter.

22 Sec. 18. Minnesota Statutes 2004, section 272.02, is
23 amended by adding a subdivision to read:

24 Subd. 69. [ELECTRIC GENERATION FACILITY PERSONAL
25 PROPERTY.] (a) Notwithstanding subdivision 9, clause (a), and
26 section 453.54, subdivision 20, attached machinery and other
27 personal property which is part of an electric generation
28 facility that exceeds 150 megawatts of installed capacity and
29 meets the requirements of this subdivision is exempt. At the
30 time of construction, the facility must:

31 (1) be designed to utilize natural gas as a primary fuel;

32 (2) be owned and operated by a municipal power agency as
33 defined in section 453.52, subdivision 8;

34 (3) have received the certificate of need under section
35 216B.243;

36 (4) be located outside the metropolitan area as defined

1 under section 473.121, subdivision 2; and

2 (5) be designed to be a combined-cycle facility, although
3 initially the facility will be operated as a simple-cycle
4 combustion turbine.

5 (b) To qualify under this subdivision, an agreement must be
6 negotiated between the municipal power agency and the host city,
7 for a payment in lieu of property taxes to the host city.

8 (c) Construction of the facility must be commenced after
9 January 1, 2004, and before January 1, 2006. Property eligible
10 for this exemption does not include electric transmission lines
11 and interconnections or gas pipelines and interconnections
12 appurtenant to the property or the facility.

13 [EFFECTIVE DATE.] This section is effective for assessment
14 year 2005, taxes payable in 2006, and thereafter.

15 Sec. 19. Minnesota Statutes 2004, section 272.02, is
16 amended by adding a subdivision to read:

17 Subd. 70. [BIOMASS ELECTRIC GENERATION FACILITY; PERSONAL
18 PROPERTY.] (a) Notwithstanding subdivision 9, clause (a),
19 attached machinery and other personal property which is a part
20 of an electric generation facility, including remote boilers
21 that comprise part of the district heating system, generating up
22 to 30 megawatts of installed capacity and that meets the
23 requirements of this subdivision is exempt. At the time of
24 construction, the facility must:

25 (1) be designed to utilize a minimum 90 percent waste
26 biomass as a fuel;

27 (2) not be owned by a public utility as defined in section
28 216B.02, subdivision 4;

29 (3) be located within a city of the first class and have
30 its primary location at a former garbage transfer station; and

31 (4) be designed to have capability to provide baseload
32 energy and district heating.

33 (b) Construction of the facility must be commenced after
34 January 1, 2004, and before January 1, 2008. Property eligible
35 for this exemption does not include electric transmission lines
36 and interconnections or gas pipelines and interconnections

1 appurtenant to the property or the facility.

2 [EFFECTIVE DATE.] This section is effective for assessment
3 year 2005, taxes payable in 2006, and thereafter.

4 Sec. 20. Minnesota Statutes 2004, section 272.02, is
5 amended by adding a subdivision to read:

6 Subd. 71. [ELECTRIC GENERATION FACILITY; PERSONAL
7 PROPERTY.] (a) Notwithstanding subdivision 9, clause (a),
8 attached machinery and other personal property that is part of
9 either a simple-cycle, combustion-turbine electric generation
10 facility that equals or exceeds 150 megawatts of installed
11 capacity, or a combined-cycle, combustion-turbine electric
12 generation facility that equals or exceeds 225 megawatts of
13 installed capacity, and that in either case meets the
14 requirements of this subdivision, is exempt. At the time of
15 construction, the facility must:

16 (1) be designed to utilize natural gas as a primary fuel;

17 (2) not be owned by a public utility as defined in section
18 216B.02, subdivision 4;

19 (3) be located in a metropolitan county defined in section
20 473.121, subdivision 4, that has a population greater than
21 190,000 and less than 225,000 in the most recent federal
22 decennial census, within one mile of an existing natural gas
23 pipeline, and within one mile of an existing electrical
24 transmission substation; and

25 (4) be designed to provide energy and ancillary services
26 and have received a certificate of need under section 216B.243.

27 (b) Construction of the facility must be commenced after
28 January 1, 2005, and before January 1, 2008. Property eligible
29 for this exemption does not include electric transmission lines
30 and interconnections or gas pipelines and interconnections
31 appurtenant to the property or the facility.

32 [EFFECTIVE DATE.] This section is effective for taxes
33 levied in 2005, payable in 2006, and thereafter.

34 Sec. 21. Minnesota Statutes 2004, section 272.02, is
35 amended by adding a subdivision to read:

36 Subd. 72. [PERSONAL RAPID TRANSIT SYSTEM.] All property

1 used in the operation and support of a personal rapid transit
2 system as defined in section 297A.61, subdivision 37, that
3 provides service to the public on a regular and continuing
4 basis, is exempt, provided that it is operated independent of
5 any government subsidies.

6 [EFFECTIVE DATE.] This section is effective for taxes
7 levied in 2005, payable in 2006, and thereafter.

8 Sec. 22. Minnesota Statutes 2004, section 272.02, is
9 amended by adding a subdivision to read:

10 Subd. 73. [QUALIFIED ELDERLY LIVING FACILITY.] An elderly
11 living facility is exempt from taxation if it meets all of the
12 following requirements:

13 (1) the facility is located in a city of the first class
14 with a population of more than 350,000;

15 (2) the facility is owned and operated by a nonprofit
16 corporation organized under chapter 317A or by a limited
17 liability company formed under chapter 322B, the sole member of
18 which is a nonprofit corporation organized under chapter 317A;

19 (3) the facility consists of no more than 60 living units;

20 (4) the owner of the facility is an affiliate of entities
21 that own and operate assisted living and skilled nursing
22 facilities that:

23 (i) are located across a street from the facility;

24 (ii) are adjacent to a church that is exempt from taxation
25 under subdivision 6;

26 (iii) include a congregate dining program; and

27 (iv) provide assisted living or similar social and physical
28 support;

29 (5) the residents of the facility must be:

30 (i) at least 62 years of age; or

31 (ii) handicapped; and

32 (6) at least 20 percent of the units in the facility are
33 occupied by persons whose annual income does not exceed 50
34 percent of median family income for the area or, in the
35 alternative, 40 percent of the units in the facility are
36 occupied by persons whose annual income does not exceed 60

1 percent of median family income for the area.

2 For purposes of this subdivision, "affiliate" means any
3 entity directly or indirectly controlling or controlled by or
4 under direct or indirect common control with an entity. For
5 this purpose, "control" means the power to direct management and
6 policies through membership or ownership of voting securities.

7 The property is exempt under this subdivision for taxes
8 levied in each year or partial year of the term of the
9 facility's initial permanent financing or 25 years, whichever is
10 later.

11 [EFFECTIVE DATE.] This section is effective for taxes
12 levied in 2005, payable in 2006, and thereafter.

13 Sec. 23. Minnesota Statutes 2004, section 272.02, is
14 amended by adding a subdivision to read:

15 Subd. 74. [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. 24. Minnesota Statutes 2004, section 272.02, is
9 amended by adding a subdivision to read:

10 Subd. 75. [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 Sec. 25. Minnesota Statutes 2004, section 272.02, is
36 amended by adding a subdivision to read:

1 Subd. 76. [ELECTRIC GENERATION FACILITY; PERSONAL
2 PROPERTY.] (a) Notwithstanding subdivision 9, clause (a),
3 attached machinery and other personal property which is part of
4 a simple-cycle combustion-turbine electric generation facility
5 that exceeds 290 megawatts of installed capacity and that meets
6 the requirements of this subdivision is exempt. At the time of
7 construction, the facility must:

8 (1) be designed to utilize natural gas as a primary fuel;

9 (2) not be owned by a public utility as defined in section
10 216B.02, subdivision 4;

11 (3) be located within 15 miles of the mainline existing
12 interstate natural gas pipeline and within five miles of an
13 existing electrical transmission substation;

14 (4) be located outside the metropolitan area as defined
15 under section 473.121, subdivision 2; and

16 (5) be designed to provide peaking capacity energy and
17 ancillary services and have satisfied all of the requirements
18 under section 216B.243.

19 (b) Construction of the facility must be commenced after
20 January 1, 2005, and before January 1, 2009. 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 for taxes
25 levied in 2006, payable in 2007, and thereafter.

26 Sec. 26. Minnesota Statutes 2004, section 272.029,
27 subdivision 4, is amended to read:

28 Subd. 4. [REPORTS.] (a) An owner of a wind energy
29 conversion system subject to tax under subdivision 3 shall file
30 a report with the commissioner of revenue annually on or before
31 ~~March 1~~ February 1 detailing the amount of electricity in
32 kilowatt-hours that was produced by the wind energy conversion
33 system for the previous calendar year. The commissioner shall
34 prescribe the form of the report. The report must contain the
35 information required by the commissioner to determine the tax
36 due to each county under this section for the current year. If

1 an owner of a wind energy conversion system subject to taxation
2 under this section fails to file the report by the due date, the
3 commissioner of revenue shall determine the tax based upon the
4 nameplate capacity of the system multiplied by a capacity factor
5 of 40 percent.

6 (b) On or before ~~March 31~~ February 28, the commissioner of
7 revenue shall notify the owner of the wind energy conversion
8 systems of the tax due to each county for the current year and
9 shall certify to the county auditor of each county in which the
10 systems are located the tax due from each owner for the current
11 year.

12 [EFFECTIVE DATE.] This section is effective for taxes
13 payable in 2006 and thereafter.

14 Sec. 27. Minnesota Statutes 2004, section 272.029,
15 subdivision 6, is amended to read:

16 Subd. 6. [DISTRIBUTION OF REVENUES.] Revenues from the
17 taxes imposed under subdivision 5 must be part of the settlement
18 between the county treasurer and the county auditor under
19 section 276.09. The revenue must be distributed by the county
20 auditor or the county treasurer to all local taxing
21 jurisdictions in which the wind energy conversion system is
22 located, in the same proportion that each of the taxing
23 jurisdiction's current previous year's net tax capacity based
24 tax rate is to the current previous year's total local net tax
25 capacity based rate.

26 [EFFECTIVE DATE.] This section is effective for taxes
27 payable in 2005 and thereafter.

28 Sec. 28. Minnesota Statutes 2004, section 273.11,
29 subdivision 1a, is amended to read:

30 Subd. 1a. [LIMITED MARKET VALUE.] In the case of all
31 property classified as agricultural homestead or nonhomestead,
32 residential homestead or nonhomestead, timber, or noncommercial
33 seasonal residential recreational, or class 1c resort property,
34 the assessor shall compare the value with the taxable portion of
35 the value determined in the preceding assessment except that for
36 class 1c resort property for assessment year 2005, the assessor

1 shall determine the limited market value as provided in
2 subdivision 1b.

3 ~~For assessment year 2002, the amount of the increase shall~~
4 ~~not exceed the greater of (1) ten percent of the value in the~~
5 ~~preceding assessment, or (2) 15 percent of the difference~~
6 ~~between the current assessment and the preceding assessment.~~

7 ~~For assessment year 2003, the amount of the increase shall~~
8 ~~not exceed the greater of (1) 12 percent of the value in the~~
9 ~~preceding assessment, or (2) 20 percent of the difference~~
10 ~~between the current assessment and the preceding assessment.~~

11 For assessment year 2004 and thereafter, the amount of the
12 increase shall not exceed the greater of (1) 15 percent of the
13 value in the preceding assessment, or (2) 25 percent of the
14 difference between the current assessment and the preceding
15 assessment.

16 ~~For assessment year 2005, the amount of the increase shall~~
17 ~~not exceed the greater of (1) 15 percent of the value in the~~
18 ~~preceding assessment, or (2) 33 percent of the difference~~
19 ~~between the current assessment and the preceding assessment.~~

20 ~~For assessment year 2006, the amount of the increase shall~~
21 ~~not exceed the greater of (1) 15 percent of the value in the~~
22 ~~preceding assessment, or (2) 50 percent of the difference~~
23 ~~between the current assessment and the preceding assessment.~~

24 This limitation shall not apply to increases in value due
25 to improvements. For purposes of this subdivision, the term
26 "assessment" means the value prior to any exclusion under
27 subdivision 16.

28 ~~The provisions of this subdivision shall be in effect~~
29 ~~through assessment year 2006 as provided in this subdivision.~~

30 For purposes of this subdivision and subdivision 1b, "class
31 1c resort property" includes the portion of the property
32 classified class 1a or 1b homestead, the portion of the property
33 classified 1c, plus any remaining portion of the resort that is
34 classified 4c under section 273.13, subdivision 25, paragraph
35 (d), clause (1).

36 For purposes of the assessment/sales ratio study conducted

1 under section 127A.48, and the computation of state aids paid
2 under chapters 122A, 123A, 123B, 124D, 125A, 126C, 127A, and
3 477A, market values and net tax capacities determined under this
4 subdivision and subdivision 16, shall be used.

5 [EFFECTIVE DATE.] This section is effective the day
6 following final enactment for assessment year 2005, and
7 thereafter.

8 Sec. 29. Minnesota Statutes 2004, section 273.11, is
9 amended by adding a subdivision to read:

10 Subd. 1b. [CLASS 1C RESORTS; 2005 ASSESSMENT ONLY.] For
11 assessment year 2005, the valuation increase on class 1c resort
12 property shall not exceed the greater of (1) 15 percent of the
13 value of its 2003 assessment, or (2) 25 percent of the
14 difference in value between its 2005 assessment and its 2003
15 assessment. The valuation increase on class 1c resort property
16 for the 2006 and subsequent assessment years shall be determined
17 based upon the schedule contained in subdivision 1a.

18 [EFFECTIVE DATE.] This section is effective the day
19 following final enactment.

20 Sec. 30. Minnesota Statutes 2004, section 273.11, is
21 amended by adding a subdivision to read:

22 Subd. 21. [VALUATION EXCLUSION FOR SEWAGE TREATMENT SYSTEM
23 IMPROVEMENTS.] Owners of property classified as class 1a, 1b,
24 1c, 2a, 4b, 4bb, or noncommercial 4c under section 273.13 may
25 apply for a valuation exclusion under this subdivision, provided
26 that the property is located in a county which has authorized
27 valuation exclusions under this subdivision, and provided that
28 the following conditions are met:

29 (1) a notice of noncompliance has been issued by a licensed
30 compliance inspector with regard to the individual sewage
31 treatment system serving the property under section 115.55,
32 subdivision 5b;

33 (2) the owner of the property furnishes documentation to
34 the satisfaction of the assessor that the property's individual
35 sewage treatment system has been replaced or refurbished,
36 including replacement of the individual system with a community

1 or cluster system, between May 1, 2005, and December 31, 2007;
2 and

3 (3) a certificate of compliance has been issued for the new
4 or refurbished system under section 115.55, subdivision 5.

5 Application must be made to the assessor on a form
6 prescribed by the commissioner of revenue. Property meeting the
7 requirements of this subdivision is eligible for a valuation
8 exclusion equal to 50 percent of the actual costs incurred, to a
9 maximum exclusion of \$7,500, for a period of five years, after
10 which the amount of the exclusion will be added to the estimated
11 market value of the property. The valuation exclusion
12 terminates upon the sale of the property. If a property owner
13 applies for exclusion under this subdivision between January 1
14 and June 30 of any year, the exclusion first applies for taxes
15 payable in the following year. If a property owner applies for
16 exclusion under this subdivision between July 1 and December 31
17 of any year, the exclusion first applies for taxes payable in
18 the second following year.

19 [EFFECTIVE DATE.] This section is effective for taxes
20 payable in 2006 and subsequent years.

21 Sec. 31. Minnesota Statutes 2004, section 273.11, is
22 amended by adding a subdivision to read:

23 Subd. 22. [VALUATION EXCLUSION FOR LEAD HAZARD REDUCTION.]
24 Owners of property classified as class 1a, 1b, 1c, 2a, 4b, or
25 4bb under section 273.13 may apply for a valuation exclusion for
26 lead hazard reduction, provided that the property is located in
27 a city which has authorized valuation exclusions under this
28 subdivision. A city which authorizes valuation exclusions under
29 this subdivision must establish guidelines for qualifying lead
30 hazard reduction projects and must designate an agency within
31 the city to issue certificates of completion of qualifying
32 projects. For purposes of this subdivision, "lead hazard
33 reduction" has the same meaning as in section 144.9501,
34 subdivision 17.

35 The property owner must obtain a certificate from the city
36 stating that the project has been completed and stating the cost

1 incurred by the owner in completing the project. Only projects
2 originating after April 30, 2005, may qualify for exclusion
3 under this subdivision. The property owner shall apply for a
4 valuation exclusion to the assessor on a form prescribed by the
5 commissioner of revenue.

6 A qualifying property is eligible for a valuation exclusion
7 equal to 50 percent of the actual costs incurred, to a maximum
8 exclusion of \$15,000, for a period of five years, after which
9 the amount of the exclusion will be added to the estimated
10 market value of the property. The valuation exclusion shall
11 terminate upon the sale of the property. If a property owner
12 applies for exclusion under this subdivision between January 1
13 and June 30 of any year, the exclusion shall first apply for
14 taxes payable in the following year. If a property owner
15 applies for exclusion under this subdivision between July 1 and
16 December 31 of any year, the exclusion shall first apply for
17 taxes payable in the second following year.

18 [EFFECTIVE DATE.] This section is effective for taxes
19 payable in 2006 and subsequent years.

20 Sec. 32. Minnesota Statutes 2004, section 273.11, is
21 amended by adding a subdivision to read:

22 Subd. 23. [VALUATION OF ENERGY-EFFICIENT COMMERCIAL
23 PROPERTIES.] (a) The market value of certain energy-efficient
24 property classified under section 273.13, subdivision 24, that
25 is used for commercial purposes, is reduced as provided in this
26 subdivision.

27 (b) To be eligible for a valuation reduction under this
28 subdivision, property must be certified by a qualified inspector
29 as having been constructed in a manner that will achieve a level
30 of energy consumption that is at least 20 percent lower than the
31 standard set in the state energy code rules. The percentage
32 reduction in the market value of a qualifying property is
33 determined as follows:

34 <u>percentage of energy consumption</u>	<u>percentage of</u>
35 <u>below energy code requirement</u>	<u>market value reduction</u>
36 <u>20-30</u>	<u>5</u>

1 31-50 10

2 over 50 15

3 The reductions will remain in effect for the first ten
4 assessment years after the property has been certified as
5 qualifying under this subdivision.

6 (c) The Department of Commerce must establish a process for
7 determining eligibility for the valuation reduction under this
8 subdivision, including certification of persons who are
9 qualified to perform this function.

10 (d) To claim a valuation reduction under this subdivision,
11 the owner of the commercial property must obtain a certification
12 of the level of qualification determined under paragraph (b),
13 which must be prepared by a person certified as provided in
14 paragraph (c). The property owner must furnish this
15 certification to the assessor by May 1 of the assessment year in
16 order to qualify for the valuation reduction for taxes payable
17 in the following year.

18 [EFFECTIVE DATE.] This section is effective for assessments
19 in 2006, taxes payable in 2007, and thereafter.

20 Sec. 33. [273.1115] [AGGREGATE RESOURCE PRESERVATION
21 PROPERTY TAX LAW.]

22 Subdivision 1. [REQUIREMENTS.] Real estate is entitled to
23 valuation under this section only if all of the following
24 requirements are met:

25 (1) the property is classified 1a, 1b, 2a, or 2b property
26 under section 273.13, subdivisions 22 and 23;

27 (2) the property is at least ten contiguous acres, when the
28 application is filed under subdivision 2;

29 (3) the owner has filed a completed application for
30 deferment as specified in subdivision 2 with the county assessor
31 in the county in which the property is located;

32 (4) there are no delinquent taxes on the property; and

33 (5) a covenant on the land restricts its use as provided in
34 subdivision 2, clause (4).

35 Subd. 2. [APPLICATION.] Application for valuation
36 deferment under this section must be filed by May 1 of the

1 assessment year. Any application filed and granted continues in
2 effect for subsequent years until the property no longer
3 qualifies, provided that supplemental affidavits under
4 subdivision 6 are timely filed. The application must be filed
5 with the assessor of the county in which the real property is
6 located on such form as may be prescribed by the commissioner of
7 revenue. The application must be executed and acknowledged in
8 the manner required by law to execute and acknowledge a deed and
9 must contain at least the following information and any other
10 information the commissioner deems necessary:

11 (1) the legal description of the area;
12 (2) the name and address of owner;
13 (3) a copy of the affidavit filed under section 273.13,
14 subdivision 23, paragraph (h), in the case of property
15 classified class 2b, clause (5); or in the case of property
16 classified 1a, 1b, 2a, and 2b, clauses (1) to (3), the
17 application must include a similar document with the same
18 information as contained in the affidavit under section 273.13,
19 subdivision 23, paragraph (h); and

20 (4) a statement of proof from the owner that the land
21 contains a restrictive covenant limiting its use for the
22 property's surface to that which exists on the date of the
23 application and limiting its future use to the preparation and
24 removal of the aggregate commercial deposit under its surface.

25 To qualify under this clause, the covenant must be binding
26 on the owner or the owner's successor or assignee, and run with
27 the land, except as provided in subdivision 4 allowing for the
28 cancellation of the covenant under certain conditions.

29 Subd. 3. [DETERMINATION OF VALUE.] Upon timely application
30 by the owner as provided in subdivision 2, notwithstanding
31 sections 272.03, subdivision 8, and 273.11, the value of any
32 qualifying land described in subdivision 2 must be valued as if
33 it were agricultural property, using a per acre valuation equal
34 to the current year's per acre valuation of agricultural land in
35 the county. The assessor shall not consider any additional
36 value resulting from potential alternative and future uses of

1 the property. The buildings located on the land shall be valued
 2 by the assessor in the normal manner.

3 Subd. 4. [CANCELLATION OF COVENANT.] The covenant required
 4 under subdivision 2 may be canceled in two ways:

5 (1) by the owner beginning with the next subsequent
 6 assessment year provided that the additional taxes as determined
 7 under subdivision 5 are paid by the owner at the time of
 8 cancellation; and

9 (2) by the city or town in which the property is located
 10 beginning with the next subsequent assessment year, if the city
 11 council or town board:

12 (i) changes the conditional use of the property;

13 (ii) revokes the mining permit; or

14 (iii) changes the zoning to disallow mining.

15 No additional taxes are imposed on the property under this
 16 clause.

17 Subd. 4a. [COUNTY TERMINATION.] Within two years of the
 18 effective date of this section, a county may, following notice
 19 and public hearing, terminate application of this section in the
 20 county. The termination is effective upon adoption of a
 21 resolution of the county board. A termination applies
 22 prospectively and does not affect property enrolled under this
 23 section prior to the termination date. A county may reauthorize
 24 application of this section by a resolution of the county board
 25 revoking the termination.

26 Subd. 5. [ADDITIONAL TAXES.] When real property which has
 27 been valued and assessed under this section no longer qualifies,
 28 the portion of the land classified under subdivision 1, clause
 29 (1), is subject to additional taxes. The additional tax amount
 30 is determined by:

31 (1) computing the difference between (i) the current year's
 32 taxes determined in accordance with subdivision 5, and (ii) an
 33 amount as determined by the assessor based upon the property's
 34 current year's estimated market value of like real estate at its
 35 highest and best use and the appropriate local tax rate; and

36 (2) multiplying the amount determined in clause (1) by the

1 number of years the land was in the program under this section.

2 The current year's estimated market value as determined by
 3 the assessor must not exceed the market value that would result
 4 if the property was sold in an arms-length transaction and must
 5 not be greater than it would have been had the actual bona fide
 6 sale price of the property been used in lieu of that market
 7 value. The additional taxes must be extended against the
 8 property on the tax list for the current year, except that
 9 interest or penalties must not be levied on such additional
 10 taxes if timely paid.

11 The additional tax under this subdivision must not be
 12 imposed on that portion of the property which has actively been
 13 mined and has been removed from the program based upon the
 14 supplemental affidavits filed under subdivision 6.

15 Subd. 6. [SUPPLEMENTAL AFFIDAVITS; MINING ACTIVITY ON
 16 LAND.] When any portion of the property begins to be actively
 17 mined, the owner must file a supplemental affidavit within 60
 18 days from the day any aggregate is removed stating the number of
 19 acres of the property that is actively being mined. The acres
 20 actively being mined shall be (1) valued and classified under
 21 section 273.13, subdivision 24, in the next subsequent
 22 assessment year, and (2) removed from the aggregate resource
 23 preservation property tax program under this section. The
 24 additional taxes under subdivision 5 must not be imposed on the
 25 acres that are actively being mined and have been removed from
 26 the program under this section.

27 Copies of the original affidavit and all supplemental
 28 affidavits must be filed with the county assessor, the local
 29 zoning administrator, and the Department of Natural Resources,
 30 Division of Land and Minerals. A supplemental affidavit must be
 31 filed each time a subsequent portion of the property is actively
 32 mined, provided that the minimum acreage change is five acres,
 33 even if the actual mining activity constitutes less than five
 34 acres. Failure to file the affidavits timely shall result in
 35 the property losing its valuation deferment under this section,
 36 and additional taxes must be imposed as calculated under

1 subdivision 5.

2 Subd. 7. [LIEN.] The additional tax imposed by this
 3 section is a lien upon the property assessed to the same extent
 4 and for the same duration as other taxes imposed upon property
 5 within this state and, when collected, must be distributed in
 6 the manner provided by law for the collection and distribution
 7 of other property taxes.

8 Subd. 8. [CONTINUATION OF TAX TREATMENT UPON SALE.] When
 9 real property qualifying under subdivision 1 is sold, additional
 10 taxes must not be extended against the property if the property
 11 continues to qualify under subdivision 1, and the new owner
 12 files an application with the assessor for continued deferment
 13 within 30 days after the sale.

14 Subd. 9. [DEFINITIONS.] For purposes of this section,
 15 "commercial aggregate deposit" and "actively mined" have the
 16 meanings given them in section 273.13, subdivision 23, paragraph
 17 (h).

18 [EFFECTIVE DATE.] This section is effective for taxes
 19 levied in 2005, payable in 2006, and thereafter, except that for
 20 the 2005 assessment year, the application date under subdivision
 21 4 shall be September 1, 2005, and subdivision 4a is effective
 22 the day following final enactment.

23 Sec. 34. [273.1116] [HOMESTEAD RESORTS; VALUATION AND
 24 DEFERMENT.]

25 Subdivision 1. [REQUIREMENTS.] Real property qualifying
 26 for classification as class lc under section 273.13, subdivision
 27 22, paragraph (c), is entitled to valuation and tax deferment
 28 under this section, provided that if part of a resort is not
 29 classified as class lc, only that portion of the value of the
 30 property that is classified as class lc property qualifies under
 31 this section.

32 Subd. 2. [DETERMINATION OF VALUE.] Upon timely application
 33 by the owner, as provided in subdivision 4, the value of real
 34 property described in subdivision 1 must be determined by the
 35 assessor solely with reference to its classification value as
 36 class lc property, notwithstanding sections 272.03, subdivision

1 8, and 273.11. The owner must furnish information on the income
2 generated by the property and other information required by the
3 assessor to determine the value of the property. The assessor
4 shall not consider any added values resulting from other factors.

5 Subd. 3. [SEPARATE DETERMINATION OF MARKET VALUE AND TAX.]

6 The assessor shall, however, make a separate determination of
7 the market value of the real estate. The assessor shall record
8 on the property assessment records the tax based upon the
9 appropriate local tax rate applicable to the property in the
10 taxing district.

11 Subd. 4. [APPLICATION.] Application for deferment of taxes

12 and assessment under this section must be filed by May 1 of the
13 year prior to the year in which the taxes are payable. The
14 application must be filed with the assessor of the taxing
15 district in which the real property is located on a form
16 prescribed by the commissioner of revenue. The assessor may
17 require proof by affidavit or otherwise that the property
18 qualifies under subdivision 1. An application approved by the
19 assessor continues in effect for subsequent years until the
20 property no longer qualifies under subdivision 1.

21 Subd. 5. [ADDITIONAL TAXES.] When real property valued and

22 assessed under this section no longer qualifies under
23 subdivision 1, the portion no longer qualifying is subject to
24 additional taxes, in the amount equal to the difference between
25 the taxes determined in accordance with subdivision 2, and the
26 amount determined under subdivision 3, provided, however, that
27 the amount determined under subdivision 3 must not be greater
28 than it would have been had the actual bona fide sale price of
29 the real property at an arms-length transaction been used in
30 lieu of the market value determined under subdivision 3. The
31 additional taxes must be extended against the property on the
32 tax list for the current year, except that no interest or
33 penalties may be levied on the additional taxes if timely paid,
34 and except that the additional taxes must only be levied with
35 respect to the last seven years that the property has been
36 valued and assessed under this section.

1 Subd. 6. [LIEN.] The tax imposed by this section is a lien
2 on the property assessed to the same extent and for the same
3 duration as other taxes imposed on property within this state.
4 The tax must be annually extended by the county auditor and when
5 payable must be collected and distributed in the manner provided
6 by law for the collection and distribution of other property
7 taxes.

8 Subd. 7. [SPECIAL LOCAL ASSESSMENTS.] The payment of
9 special local assessments levied after June 30, 2005, for
10 improvements made to any real property described in subdivision
11 2, together with the interest thereon must, on timely
12 application under subdivision 4, be deferred as long as the
13 property qualifies under subdivision 1. If special assessments
14 against the property have been deferred under this subdivision,
15 the governmental unit shall file with the county recorder in the
16 county in which the property is located a certificate containing
17 the legal description of the affected property and of the amount
18 deferred. When the property no longer qualifies under
19 subdivision 1, all deferred special assessments plus interest
20 are payable in equal installments spread over the time remaining
21 until the last maturity date of the bonds issued to finance the
22 improvement for which the assessments were levied. If the bonds
23 have matured, the deferred special assessments plus interest are
24 payable within 90 days. The provisions of section 429.061,
25 subdivision 2, apply to the collection of these installments.
26 Penalty must not be levied on the special assessments if timely
27 paid.

28 Subd. 8. [CONTINUATION OF TAX TREATMENT UPON SALE.] When
29 real property qualifying under subdivision 1 is sold, no
30 additional taxes or deferred special assessments plus interest
31 may be extended against the property if:

32 (1) the property continues to qualify pursuant to
33 subdivision 1; and

34 (2) the new owner files an application for continued
35 deferral within 30 days after the sale.

36 Subd. 9. [APPLICABILITY OF SPECIAL ASSESSMENT PROVISIONS.]

1 This section applies to special local assessments levied after
2 June 30, 2005, and payable in the years thereafter, but shall
3 not apply to any special assessments levied at any time by a
4 county or district court under the provisions of chapter 116A.

5 [EFFECTIVE DATE.] This section is effective for taxes
6 levied in 2005, payable in 2006, and thereafter. For
7 applications for taxes payable in 2006 only, the application
8 deadline in subdivision 4 is extended to August 1, 2005.

9 Sec. 35. Minnesota Statutes 2004, section 273.112,
10 subdivision 3, is amended to read:

11 Subd. 3. [REQUIREMENTS.] Real estate shall be entitled to
12 valuation and tax deferral under this section only if it is:

13 (a) actively and exclusively devoted to golf, skiing, lawn
14 bowling, croquet, polo, or archery or firearms range
15 recreational use or other recreational uses carried on at the
16 establishment;

17 (b) five acres in size or more, except in the case of a
18 lawn bowling or croquet green or an archery or firearms range;

19 (c)(1) operated by private individuals or, in the case of a
20 lawn bowling or croquet green, by private individuals or
21 corporations, and open to the public; or

22 (2) operated by firms or corporations for the benefit of
23 employees or guests; or

24 (3) operated by private clubs having a membership of 50 or
25 more or open to the public, provided that the club does not
26 discriminate in membership requirements or selection on the
27 basis of sex or marital status; and

28 (d) made available for use in the case of real estate
29 devoted to golf without discrimination on the basis of sex
30 during the time when the facility is open to use by the public
31 or by members, except that use for golf may be restricted on the
32 basis of sex no more frequently than one, or part of one,
33 weekend each calendar month for each sex and no more than two,
34 or part of two, weekdays each week for each sex.

35 If a golf club membership allows use of golf course
36 facilities by more than one adult per membership, the use must

1 be equally available to all adults entitled to use of the golf
2 course under the membership, except that use may be restricted
3 on the basis of sex as permitted in this section. Memberships
4 that permit play during restricted times may be allowed only if
5 the restricted times apply to all adults using the membership.
6 A golf club may not offer a membership or golfing privileges to
7 a spouse of a member that provides greater or less access to the
8 golf course than is provided to that person's spouse under the
9 same or a separate membership in that club, except that the
10 terms of a membership may provide that one spouse may have no
11 right to use the golf course at any time while the other spouse
12 may have either limited or unlimited access to the golf course.

13 A golf club may have or create an individual membership
14 category which entitles a member for a reduced rate to play
15 during restricted hours as established by the club. The club
16 must have on record a written request by the member for such
17 membership.

18 A golf club that has food or beverage facilities or
19 services must allow equal access to those facilities and
20 services for both men and women members in all membership
21 categories at all times. Nothing in this paragraph shall be
22 construed to require service or access to facilities to persons
23 under the age of 21 years or require any act that would violate
24 law or ordinance regarding sale, consumption, or regulation of
25 alcoholic beverages.

26 For purposes of this subdivision and subdivision 7a,
27 discrimination means a pattern or course of conduct and not
28 linked to an isolated incident.

29 [EFFECTIVE DATE.] This section is effective for taxes
30 levied in 2005, payable in 2006, and thereafter.

31 Sec. 36. Minnesota Statutes 2004, section 273.123, is
32 amended by adding a subdivision to read:

33 Subd. 8. [HOMESTEAD PROPERTY DAMAGED BY MOLD.] (a) The
34 owner of homestead property not qualifying for an adjustment in
35 valuation under subdivisions 1 to 5 must receive a reduction in
36 the amount of taxes payable on the property if all of the

1 following conditions are met:

2 (1) the owner of the property makes written application to
3 the county assessor for tax treatment under this subdivision;

4 (2) the county assessor determines that the homestead
5 dwelling is uninhabitable because all or part of it has been
6 contaminated by mold; and

7 (3) the owner of the property makes written application to
8 the county board.

9 (b) If all of the conditions in paragraph (a) are met, the
10 county board must grant a reduction in the amount of property
11 tax payable on the homestead dwelling. The reduction must be
12 made for taxes payable in the year that the assessor determines
13 that the requirements in paragraph (a), clause (2), have been
14 met and in the following year.

15 (c) The reduction in the amount of tax payable must be
16 calculated based upon the number of months that the homestead is
17 uninhabitable. The amount of net tax due from the taxpayer
18 shall be multiplied by a fraction, the numerator of which is the
19 number of months the dwelling was occupied by that taxpayer, and
20 the denominator of which is 12. For purposes of this
21 subdivision, if a homestead dwelling is occupied or used for a
22 fraction of a month, it is considered a month. "Net tax" is
23 defined as the amount of tax after the subtraction of all of the
24 state paid property tax credits. If the reduction is granted
25 after all property taxes due for the year have been paid, the
26 amount of the reduction must be refunded to the taxpayer by the
27 county treasurer as soon as practical.

28 (d) Any reductions or refunds under this section are not
29 subject to approval by the commissioner of revenue.

30 (e) A denial of a reduction or refund under this section by
31 the county board may be appealed to the tax court. If the
32 county board takes no action on the application within 60 days
33 after its receipt, it is considered a denial.

34 [EFFECTIVE DATE.] This section is effective for property
35 taxes payable in 2005 and thereafter.

36 Sec. 37. Minnesota Statutes 2004, section 273.124,

1 subdivision 1, is amended to read:

2 Subdivision 1. [GENERAL RULE.] (a) Residential real estate
 3 that is occupied and used for the purposes of a homestead by its
 4 owner, who must be a Minnesota resident, is a residential
 5 homestead.

6 Agricultural land, as defined in section 273.13,
 7 subdivision 23, that is occupied and used as a homestead by its
 8 owner, who must be a Minnesota resident, is an agricultural
 9 homestead.

10 Dates for establishment of a homestead and homestead
 11 treatment provided to particular types of property are as
 12 provided in this section.

13 Property held by a trustee under a trust is eligible for
 14 homestead classification if the requirements under this chapter
 15 are satisfied.

16 The assessor shall require proof, as provided in
 17 subdivision 13, of the facts upon which classification as a
 18 homestead may be determined. Notwithstanding any other law, the
 19 assessor may at any time require a homestead application to be
 20 filed in order to verify that any property classified as a
 21 homestead continues to be eligible for homestead status.
 22 Notwithstanding any other law to the contrary, the Department of
 23 Revenue may, upon request from an assessor, verify whether an
 24 individual who is requesting or receiving homestead
 25 classification has filed a Minnesota income tax return as a
 26 resident for the most recent taxable year for which the
 27 information is available.

28 When there is a name change or a transfer of homestead
 29 property, the assessor may reclassify the property in the next
 30 assessment unless a homestead application is filed to verify
 31 that the property continues to qualify for homestead
 32 classification.

33 (b) For purposes of this section, homestead property shall
 34 include property which is used for purposes of the homestead but
 35 is separated from the homestead by a road, street, lot,
 36 waterway, or other similar intervening property. The term "used

1 for purposes of the homestead" shall include but not be limited
2 to uses for gardens, garages, or other outbuildings commonly
3 associated with a homestead, but shall not include vacant land
4 held primarily for future development. In order to receive
5 homestead treatment for the noncontiguous property, the owner
6 must use the property for the purposes of the homestead, and
7 must apply to the assessor, both by the deadlines given in
8 subdivision 9. After initial qualification for the homestead
9 treatment, additional applications for subsequent years are not
10 required.

11 (c) Residential real estate that is occupied and used for
12 purposes of a homestead by a relative of the owner is a
13 homestead but only to the extent of the homestead treatment that
14 would be provided if the related owner occupied the property.
15 For purposes of this paragraph and paragraph (g), "relative"
16 means a parent, stepparent, child, stepchild, grandparent,
17 grandchild, brother, sister, uncle, aunt, nephew, or niece.
18 This relationship may be by blood or marriage. Property that
19 has been classified as seasonal residential recreational
20 property at any time during which it has been owned by the
21 current owner or spouse of the current owner will not be
22 reclassified as a homestead unless it is occupied as a homestead
23 by the owner; this prohibition also applies to property that, in
24 the absence of this paragraph, would have been classified as
25 seasonal residential recreational property at the time when the
26 residence was constructed. Neither the related occupant nor the
27 owner of the property may claim a property tax refund under
28 chapter 290A for a homestead occupied by a relative. In the
29 case of a residence located on agricultural land, only the
30 house, garage, and immediately surrounding one acre of land
31 shall be classified as a homestead under this paragraph, except
32 as provided in paragraph (d).

33 (d) Agricultural property that is occupied and used for
34 purposes of a homestead by a relative of the owner, is a
35 homestead, only to the extent of the homestead treatment that
36 would be provided if the related owner occupied the property,

1 and only if all of the following criteria are met:

2 (1) the relative who is occupying the agricultural property
3 is a son, daughter, grandson, granddaughter, father, or mother
4 of the owner of the agricultural property or a son, daughter,
5 grandson, or granddaughter of the spouse of the owner of the
6 agricultural property;

7 (2) the owner of the agricultural property must be a
8 Minnesota resident;

9 (3) the owner of the agricultural property must not receive
10 homestead treatment on any other agricultural property in
11 Minnesota; and

12 (4) the owner of the agricultural property is limited to
13 only one agricultural homestead per family under this paragraph.

14 Neither the related occupant nor the owner of the property
15 may claim a property tax refund under chapter 290A for a
16 homestead occupied by a relative qualifying under this
17 paragraph. For purposes of this paragraph, "agricultural
18 property" means the house, garage, other farm buildings and
19 structures, and agricultural land.

20 Application must be made to the assessor by the owner of
21 the agricultural property to receive homestead benefits under
22 this paragraph. The assessor may require the necessary proof
23 that the requirements under this paragraph have been met.

24 (e) In the case of property owned by a property owner who
25 is married, the assessor must not deny homestead treatment in
26 whole or in part if only one of the spouses occupies the
27 property and the other spouse is absent due to: (1) marriage
28 dissolution proceedings, (2) legal separation, (3) employment or
29 self-employment in another location, or (4) other personal
30 circumstances causing the spouses to live separately, not
31 including an intent to obtain two homestead classifications for
32 property tax purposes. To qualify under clause (3), the
33 spouse's place of employment or self-employment must be at least
34 50 miles distant from the other spouse's place of employment,
35 and the homesteads must be at least 50 miles distant from each
36 other. Homestead treatment, in whole or in part, shall not be

1 denied to the owner's spouse who previously occupied the
2 residence with the owner if the absence of the owner is due to
3 one of the exceptions provided in this paragraph.

4 (f) The assessor must not deny homestead treatment in whole
5 or in part if:

6 (1) in the case of a property owner who is not married, the
7 owner is absent due to residence in a nursing home, boarding
8 care facility, or an elderly assisted living facility property
9 as defined in section 273.13, subdivision 25a, and the property
10 is not otherwise occupied; or

11 (2) in the case of a property owner who is married, the
12 owner or the owner's spouse or both are absent due to residence
13 in a nursing home, boarding care facility, or an elderly
14 assisted living facility property as defined in section 273.13,
15 subdivision 25a, and the property is not occupied or is occupied
16 only by the owner's spouse.

17 (g) If an individual is purchasing property with the intent
18 of claiming it as a homestead and is required by the terms of
19 the financing agreement to have a relative shown on the deed as
20 a co-owner, the assessor shall allow a full homestead
21 classification. This provision only applies to first-time
22 purchasers, whether married or single, or to a person who had
23 previously been married and is purchasing as a single individual
24 for the first time. The application for homestead benefits must
25 be on a form prescribed by the commissioner and must contain the
26 data necessary for the assessor to determine if full homestead
27 benefits are warranted.

28 (h) If residential or agricultural real estate is occupied
29 and used for purposes of a homestead by a child of a deceased
30 owner and the property is subject to jurisdiction of probate
31 court, the child shall receive relative homestead classification
32 under paragraph (c) or (d) to the same extent they would be
33 entitled to it if the owner was still living, until the probate
34 is completed. For purposes of this paragraph, "child" includes
35 a relationship by blood or by marriage.

36 (i) If a single family home, duplex, or triplex classified

1 as either residential homestead or agricultural homestead is
2 also used to provide licensed child care, the portion of the
3 property used for licensed child care must be classified as
4 homestead property.

5 [EFFECTIVE DATE.] This section is effective in assessment
6 year 2005 and thereafter, for taxes payable in 2006, and
7 thereafter.

8 Sec. 38. Minnesota Statutes 2004, section 273.124,
9 subdivision 14, is amended to read:

10 Subd. 14. [AGRICULTURAL HOMESTEADS; SPECIAL PROVISIONS.]

11 (a) Real estate of less than ten acres that is the homestead of
12 its owner must be classified as class 2a under section 273.13,
13 subdivision 23, paragraph (a), if:

14 (1) the parcel on which the house is located is contiguous
15 on at least two sides to (i) agricultural land, (ii) land owned
16 or administered by the United States Fish and Wildlife Service,
17 or (iii) land administered by the Department of Natural
18 Resources on which in lieu taxes are paid under sections 477A.11
19 to 477A.14;

20 (2) its owner also owns a noncontiguous parcel of
21 agricultural land that is at least 20 acres;

22 (3) the noncontiguous land is located not farther than four
23 townships or cities, or a combination of townships or cities
24 from the homestead; and

25 (4) the agricultural use value of the noncontiguous land
26 and farm buildings is equal to at least 50 percent of the market
27 value of the house, garage, and one acre of land.

28 Homesteads initially classified as class 2a under the
29 provisions of this paragraph shall remain classified as class
30 2a, irrespective of subsequent changes in the use of adjoining
31 properties, as long as the homestead remains under the same
32 ownership, the owner owns a noncontiguous parcel of agricultural
33 land that is at least 20 acres, and the agricultural use value
34 qualifies under clause (4). Homestead classification under this
35 paragraph is limited to property that qualified under this
36 paragraph for the 1998 assessment.

1 (b)(i) Agricultural property consisting of at least 40
2 acres shall be classified as the owner's homestead, to the same
3 extent as other agricultural homestead property, if all of the
4 following criteria are met:

5 (1) the owner, the owner's spouse, or the son or daughter
6 of the owner or owner's spouse, or the grandson or granddaughter
7 of the owner or the owner's spouse, is actively farming the
8 agricultural property, either on the person's own behalf as an
9 individual or on behalf of a partnership operating a family
10 farm, family farm corporation, joint family farm venture, or
11 limited liability company of which the person is a partner,
12 shareholder, or member;

13 (2) both the owner of the agricultural property and the
14 person who is actively farming the agricultural property under
15 clause (1), are Minnesota residents;

16 (3) neither the owner nor the spouse of the owner claims
17 another agricultural homestead in Minnesota; and

18 (4) neither the owner nor the person actively farming the
19 property lives farther than four townships or cities, or a
20 combination of four townships or cities, from the agricultural
21 property, except that if the owner or the owner's spouse is
22 required to live in employer-provided housing, the owner or
23 owner's spouse, whichever is actively farming the agricultural
24 property, may live more than four townships or cities, or
25 combination of four townships or cities from the agricultural
26 property.

27 The relationship under this paragraph may be either by
28 blood or marriage.

29 (ii) Real property held by a trustee under a trust is
30 eligible for agricultural homestead classification under this
31 paragraph if the qualifications in clause (i) are met, except
32 that "owner" means the grantor of the trust.

33 (iii) Property containing the residence of an owner who
34 owns qualified property under clause (i) shall be classified as
35 part of the owner's agricultural homestead, if that property is
36 also used for noncommercial storage or drying of agricultural

1 crops.

2 (c) Noncontiguous land shall be included as part of a
 3 homestead under section 273.13, subdivision 23, paragraph (a),
 4 only if the homestead is classified as class 2a and the detached
 5 land is located in the same township or city, or not farther
 6 than four townships or cities or combination thereof from the
 7 homestead. Any taxpayer of these noncontiguous lands must
 8 notify the county assessor that the noncontiguous land is part
 9 of the taxpayer's homestead, and, if the homestead is located in
 10 another county, the taxpayer must also notify the assessor of
 11 the other county.

12 (d) Agricultural land used for purposes of a homestead and
 13 actively farmed by a person holding a vested remainder interest
 14 in it must be classified as a homestead under section 273.13,
 15 subdivision 23, paragraph (a). If agricultural land is
 16 classified class 2a, any other dwellings on the land used for
 17 purposes of a homestead by persons holding vested remainder
 18 interests who are actively engaged in farming the property, and
 19 up to one acre of the land surrounding each homestead and
 20 reasonably necessary for the use of the dwelling as a home, must
 21 also be assessed class 2a.

22 (e) Agricultural land and buildings that were class 2a
 23 homestead property under section 273.13, subdivision 23,
 24 paragraph (a), for the 1997 assessment shall remain classified
 25 as agricultural homesteads for subsequent assessments if:

26 (1) the property owner abandoned the homestead dwelling
 27 located on the agricultural homestead as a result of the April
 28 1997 floods;

29 (2) the property is located in the county of Polk, Clay,
 30 Kittson, Marshall, Norman, or Wilkin;

31 (3) the agricultural land and buildings remain under the
 32 same ownership for the current assessment year as existed for
 33 the 1997 assessment year and continue to be used for
 34 agricultural purposes;

35 (4) the dwelling occupied by the owner is located in
 36 Minnesota and is within 30 miles of one of the parcels of

1 agricultural land that is owned by the taxpayer; and

2 (5) the owner notifies the county assessor that the
3 relocation was due to the 1997 floods, and the owner furnishes
4 the assessor any information deemed necessary by the assessor in
5 verifying the change in dwelling. Further notifications to the
6 assessor are not required if the property continues to meet all
7 the requirements in this paragraph and any dwellings on the
8 agricultural land remain uninhabited.

9 (f) Agricultural land and buildings that were class 2a
10 homestead property under section 273.13, subdivision 23,
11 paragraph (a), for the 1998 assessment shall remain classified
12 agricultural homesteads for subsequent assessments if:

13 (1) the property owner abandoned the homestead dwelling
14 located on the agricultural homestead as a result of damage
15 caused by a March 29, 1998, tornado;

16 (2) the property is located in the county of Blue Earth,
17 Brown, Cottonwood, LeSueur, Nicollet, Nobles, or Rice;

18 (3) the agricultural land and buildings remain under the
19 same ownership for the current assessment year as existed for
20 the 1998 assessment year;

21 (4) the dwelling occupied by the owner is located in this
22 state and is within 50 miles of one of the parcels of
23 agricultural land that is owned by the taxpayer; and

24 (5) the owner notifies the county assessor that the
25 relocation was due to a March 29, 1998, tornado, and the owner
26 furnishes the assessor any information deemed necessary by the
27 assessor in verifying the change in homestead dwelling. For
28 taxes payable in 1999, the owner must notify the assessor by
29 December 1, 1998. Further notifications to the assessor are not
30 required if the property continues to meet all the requirements
31 in this paragraph and any dwellings on the agricultural land
32 remain uninhabited.

33 (g) Agricultural property consisting of at least 40 acres
34 of a family farm corporation, joint family farm venture, family
35 farm limited liability company, or partnership operating a
36 family farm as described under subdivision 8 shall be classified

1 homestead, to the same extent as other agricultural homestead
2 property, if all of the following criteria are met:

3 (1) a shareholder, member, or partner of that entity is
4 actively farming the agricultural property;

5 (2) that shareholder, member, or partner who is actively
6 farming the agricultural property is a Minnesota resident;

7 (3) neither that shareholder, member, or partner, nor the
8 spouse of that shareholder, member, or partner claims another
9 agricultural homestead in Minnesota; and

10 (4) that shareholder, member, or partner does not live
11 farther than four townships or cities, or a combination of four
12 townships or cities, from the agricultural property.

13 Homestead treatment applies under this paragraph for
14 property leased to a family farm corporation, joint farm
15 venture, limited liability company, or partnership operating a
16 family farm if legal title to the property is in the name of an
17 individual who is a member, shareholder, or partner in the
18 entity.

19 (h) To be eligible for the special agricultural homestead
20 under this subdivision, an initial full application must be
21 submitted to the county assessor where the property is located.
22 Owners and the persons who are actively farming the property
23 shall be required to complete only a one-page abbreviated
24 version of the application in each subsequent year provided that
25 none of the following items have changed since the initial
26 application:

27 (1) the day-to-day operation, administration, and financial
28 risks remain the same;

29 (2) the owners and the persons actively farming the
30 property continue to live within the four townships or city
31 criteria and are Minnesota residents;

32 (3) the same operator of the agricultural property is
33 listed with the Farm Service Agency;

34 (4) a Schedule F or equivalent income tax form was filed
35 for the most recent year;

36 (5) the property's acreage is unchanged; and

1 (6) none of the property's acres have been enrolled in a
2 federal or state farm program since the initial application.

3 The owners and any persons who are actively farming the
4 property must include the appropriate Social Security numbers,
5 and sign and date the application. If any of the specified
6 information has changed since the full application was filed,
7 the owner must notify the assessor, and must complete a new
8 application to determine if the property continues to qualify
9 for the special agricultural homestead. The commissioner of
10 revenue shall prepare a standard reapplication form for use by
11 the assessors.

12 [EFFECTIVE DATE.] This section is effective for assessment
13 year 2004 and thereafter, for taxes payable in 2005 and
14 thereafter.

15 Sec. 39. Minnesota Statutes 2004, section 273.13,
16 subdivision 22, is amended to read:

17 Subd. 22. [CLASS 1.] (a) Except as provided in subdivision
18 23 and in paragraphs (b) and (c), real estate which is
19 residential and used for homestead purposes is class 1a. In the
20 case of a duplex or triplex in which one of the units is used
21 for homestead purposes, the entire property is deemed to be used
22 for homestead purposes. The market value of class 1a property
23 must be determined based upon the value of the house, garage,
24 and land.

25 The first \$500,000 of market value of class 1a property has
26 a net class rate of one percent of its market value; and the
27 market value of class 1a property that exceeds \$500,000 has a
28 class rate of 1.25 percent of its market value.

29 (b) Class 1b property includes homestead real estate or
30 homestead manufactured homes used for the purposes of a
31 homestead by

32 (1) any person who is blind as defined in section 256D.35,
33 or the blind person and the blind person's spouse; or

34 (2) any person, hereinafter referred to as "veteran," who:

35 (i) served in the active military or naval service of the
36 United States; and

1 (ii) is entitled to compensation under the laws and
2 regulations of the United States for permanent and total
3 service-connected disability due to the loss, or loss of use, by
4 reason of amputation, ankylosis, progressive muscular
5 dystrophies, or paralysis, of both lower extremities, such as to
6 preclude motion without the aid of braces, crutches, canes, or a
7 wheelchair; and

8 (iii) has acquired a special housing unit with special
9 fixtures or movable facilities made necessary by the nature of
10 the veteran's disability, or the surviving spouse of the
11 deceased veteran for as long as the surviving spouse retains the
12 special housing unit as a homestead; or

13 (3) any person who is permanently and totally disabled.

14 Property is classified and assessed under clause (3) only
15 if the government agency or income-providing source certifies,
16 upon the request of the homestead occupant, that the homestead
17 occupant satisfies the disability requirements of this paragraph.

18 Property is classified and assessed pursuant to clause (1)
19 only if the commissioner of revenue certifies to the assessor
20 that the homestead occupant satisfies the requirements of this
21 paragraph.

22 Permanently and totally disabled for the purpose of this
23 subdivision means a condition which is permanent in nature and
24 totally incapacitates the person from working at an occupation
25 which brings the person an income. The first \$32,000 market
26 value of class 1b property has a net class rate of .45 percent
27 of its market value. The remaining market value of class 1b
28 property has a class rate using the rates for class 1a or class
29 2a property, whichever is appropriate, of similar market value.

30 (c) Class 1c property is commercial use real property that
31 abuts a lakeshore line and is devoted to temporary and seasonal
32 residential occupancy for recreational purposes but not devoted
33 to commercial purposes for more than 250 days in the year
34 preceding the year of assessment, and that includes a portion
35 used as a homestead by the owner, which includes a dwelling
36 occupied as a homestead by a shareholder of a corporation that

1 owns the resort, a partner in a partnership that owns the
2 resort, or a member of a limited liability company that owns the
3 resort even if the title to the homestead is held by the
4 corporation, partnership, or limited liability company. For
5 purposes of this clause, property is devoted to a commercial
6 purpose on a specific day if any portion of the property,
7 excluding the portion used exclusively as a homestead, is used
8 for residential occupancy and a fee is charged for residential
9 occupancy. The first ~~\$500,000~~ \$600,000 of market value of class
10 1c property has a class rate of one 0.55 percent, the market
11 value that exceeds \$600,000 but does not exceed \$1,600,000 has a
12 class rate of one percent, and the remaining market value of
13 ~~class-1c~~ the property has a class rate of one percent, with the
14 ~~following limitation:--the area of the property must not exceed~~
15 ~~100 feet of lakeshore footage for each cabin or campsite located~~
16 ~~on the property up to a total of 800 feet and 500 feet in depth,~~
17 ~~measured away from the lakeshore~~ is classified as class 4c. If
18 any portion of the class 1c resort property is classified as
19 class 4c under subdivision 25, the entire property must meet the
20 requirements of subdivision 25, paragraph (d), clause (1), to
21 qualify for class 1c treatment under this paragraph.

22 (d) Class 1d property includes structures that meet all of
23 the following criteria:

24 (1) the structure is located on property that is classified
25 as agricultural property under section 273.13, subdivision 23;

26 (2) the structure is occupied exclusively by seasonal farm
27 workers during the time when they work on that farm, and the
28 occupants are not charged rent for the privilege of occupying
29 the property, provided that use of the structure for storage of
30 farm equipment and produce does not disqualify the property from
31 classification under this paragraph;

32 (3) the structure meets all applicable health and safety
33 requirements for the appropriate season; and

34 (4) the structure is not salable as residential property
35 because it does not comply with local ordinances relating to
36 location in relation to streets or roads.

1 The market value of class 1d property has the same class
2 rates as class 1a property under paragraph (a).

3 [EFFECTIVE DATE.] This section is effective for taxes
4 levied in 2005, payable in 2006, and thereafter.

5 Sec. 40. Minnesota Statutes 2004, section 273.13,
6 subdivision 23, is amended to read:

7 Subd. 23. [CLASS 2.] (a) Class 2a property is agricultural
8 land including any improvements that is homesteaded. The market
9 value of the house and garage and immediately surrounding one
10 acre of land has the same class rates as class 1a property under
11 subdivision 22. The value of the remaining land including
12 improvements up to and including \$600,000 market value has a net
13 class rate of 0.55 percent of market value. The remaining
14 property over \$600,000 market value has a class rate of one
15 percent of market value.

16 (b) Class 2b property is (1) real estate, rural in
17 character and used exclusively for growing trees for timber,
18 lumber, and wood and wood products; (2) real estate that is not
19 improved with a structure and is used exclusively for growing
20 trees for timber, lumber, and wood and wood products, if the
21 owner has participated or is participating in a cost-sharing
22 program for afforestation, reforestation, or timber stand
23 improvement on that particular property, administered or
24 coordinated by the commissioner of natural resources; (3) real
25 estate that is nonhomestead agricultural land; or (4) a landing
26 area or public access area of a privately owned public use
27 airport; or (5) land with a commercial aggregate deposit that is
28 not actively being mined and is not otherwise classified as
29 class 2a or 2b, clauses (1) to (3). Class 2b property has a net
30 class rate of one percent of market value.

31 (c) Agricultural land as used in this section means
32 contiguous acreage of ten acres or more, used during the
33 preceding year for agricultural purposes. "Agricultural
34 purposes" as used in this section means the raising or
35 cultivation of agricultural products. "Agricultural purposes"
36 also includes enrollment in the Reinvest in Minnesota program

1 under sections 103F.501 to 103F.535 or the federal Conservation
 2 Reserve Program as contained in Public Law 99-198 if the
 3 property was classified as agricultural (i) under this
 4 subdivision for the assessment year 2002 or (ii) in the year
 5 prior to its enrollment. Contiguous acreage on the same parcel,
 6 or contiguous acreage on an immediately adjacent parcel under
 7 the same ownership, may also qualify as agricultural land, but
 8 only if it is pasture, timber, waste, unusable wild land, or
 9 land included in state or federal farm programs. Agricultural
 10 classification for property shall be determined excluding the
 11 house, garage, and immediately surrounding one acre of land, and
 12 shall not be based upon the market value of any residential
 13 structures on the parcel or contiguous parcels under the same
 14 ownership.

15 (d) Real estate, excluding the house, garage, and
 16 immediately surrounding one acre of land, of less than ten acres
 17 which is exclusively and intensively used for raising or
 18 cultivating agricultural products, shall be considered as
 19 agricultural land.

20 Land shall be classified as agricultural even if all or a
 21 portion of the agricultural use of that property is the leasing
 22 to, or use by another person for agricultural purposes.

23 Classification under this subdivision is not determinative
 24 for qualifying under section 273.111.

25 The property classification under this section supersedes,
 26 for property tax purposes only, any locally administered
 27 agricultural policies or land use restrictions that define
 28 minimum or maximum farm acreage.

29 (e) The term "agricultural products" as used in this
 30 subdivision includes production for sale of:

31 (1) livestock, dairy animals, dairy products, poultry and
 32 poultry products, fur-bearing animals, horticultural and nursery
 33 stock, fruit of all kinds, vegetables, forage, grains, bees, and
 34 apiary products by the owner;

35 (2) fish bred for sale and consumption if the fish breeding
 36 occurs on land zoned for agricultural use;

1 (3) the commercial boarding of horses if the boarding is
2 done in conjunction with raising or cultivating agricultural
3 products as defined in clause (1);

4 (4) property which is owned and operated by nonprofit
5 organizations used for equestrian activities, excluding racing;

6 (5) game birds and waterfowl bred and raised for use on a
7 shooting preserve licensed under section 97A.115;

8 (6) insects primarily bred to be used as food for animals;

9 (7) trees, grown for sale as a crop, and not sold for
10 timber, lumber, wood, or wood products, except that short
11 rotation woody crops that are cultivated using agricultural
12 practices on land that had previously been assessed as
13 agricultural land to produce timber or forest products are
14 agricultural products; and

15 (8) maple syrup taken from trees grown by a person licensed
16 by the Minnesota Department of Agriculture under chapter 28A as
17 a food processor.

18 (f) If a parcel used for agricultural purposes is also used
19 for commercial or industrial purposes, including but not limited
20 to:

21 (1) wholesale and retail sales;

22 (2) processing of raw agricultural products or other goods;

23 (3) warehousing or storage of processed goods; and

24 (4) office facilities for the support of the activities
25 enumerated in clauses (1), (2), and (3),

26 the assessor shall classify the part of the parcel used for
27 agricultural purposes as class 1b, 2a, or 2b, whichever is

28 appropriate, and the remainder in the class appropriate to its
29 use. The grading, sorting, and packaging of raw agricultural
30 products for first sale is considered an agricultural purpose.

31 A greenhouse or other building where horticultural or nursery
32 products are grown that is also used for the conduct of retail
33 sales must be classified as agricultural if it is primarily used
34 for the growing of horticultural or nursery products from seed,
35 cuttings, or roots and occasionally as a showroom for the retail
36 sale of those products. Use of a greenhouse or building only

1 for the display of already grown horticultural or nursery
2 products does not qualify as an agricultural purpose.

3 The assessor shall determine and list separately on the
4 records the market value of the homestead dwelling and the one
5 acre of land on which that dwelling is located. If any farm
6 buildings or structures are located on this homesteaded acre of
7 land, their market value shall not be included in this separate
8 determination.

9 (g) To qualify for classification under paragraph (b),
10 clause (4), a privately owned public use airport must be
11 licensed as a public airport under section 360.018. For
12 purposes of paragraph (b), clause (4), "landing area" means that
13 part of a privately owned public use airport properly cleared,
14 regularly maintained, and made available to the public for use
15 by aircraft and includes runways, taxiways, aprons, and sites
16 upon which are situated landing or navigational aids. A landing
17 area also includes land underlying both the primary surface and
18 the approach surfaces that comply with all of the following:

19 (i) the land is properly cleared and regularly maintained
20 for the primary purposes of the landing, taking off, and taxiing
21 of aircraft; but that portion of the land that contains
22 facilities for servicing, repair, or maintenance of aircraft is
23 not included as a landing area;

24 (ii) the land is part of the airport property; and

25 (iii) the land is not used for commercial or residential
26 purposes.

27 The land contained in a landing area under paragraph (b), clause
28 (4), must be described and certified by the commissioner of
29 transportation. The certification is effective until it is
30 modified, or until the airport or landing area no longer meets
31 the requirements of paragraph (b), clause (4). For purposes of
32 paragraph (b), clause (4), "public access area" means property
33 used as an aircraft parking ramp, apron, or storage hangar, or
34 an arrival and departure building in connection with the airport.

35 (h) To qualify for classification under paragraph (b),
36 clause (5), the property must be at least ten contiguous acres

1 in size and the owner of the property must record with the
2 county recorder of the county in which the property is located
3 an affidavit containing:

4 (1) a legal description of the property;

5 (2) a disclosure that the property contains a commercial
6 aggregate deposit that is not actively being mined;

7 (3) documentation that the conditional use under the county
8 or local zoning ordinance of this property is for mining; and

9 (4) documentation that a permit has been issued by the
10 local unit of government or the mining activity is allowed under
11 local ordinance. The disclosure must include a statement from a
12 registered professional geologist, engineer, or soil scientist
13 delineating the deposit and certifying that it is a commercial
14 aggregate deposit.

15 For purposes of this section and section 273.1115,
16 "commercial aggregate deposit" means a deposit that will yield
17 crushed stone or sand and gravel that is suitable for use as a
18 construction aggregate; and "actively mined" means the removal
19 of top soil and overburden in preparation for excavation or
20 excavation of a commercial deposit.

21 (i) When any portion of the property under this subdivision
22 or section 273.13, subdivision 22, begins to be actively mined,
23 the owner must file a supplemental affidavit within 60 days from
24 the day any aggregate is removed stating the number of acres of
25 the property that is actively being mined. The acres actively
26 being mined must be (1) valued and classified under section
27 273.13, subdivision 24, in the next subsequent assessment year,
28 and (2) removed from the aggregate resource preservation
29 property tax program under section 273.1115, if the land was
30 enrolled in that program. Copies of the original affidavit and
31 all supplemental affidavits must be filed with the county
32 assessor, the local zoning administrator, and the Department of
33 Natural Resources, Division of Land and Minerals. A
34 supplemental affidavit must be filed each time a subsequent
35 portion of the property is actively mined, provided that the
36 minimum acreage change is five acres, even if the actual mining

1 activity constitutes less than five acres.

2 [EFFECTIVE DATE.] This section is effective for taxes
3 levied in 2005, payable in 2006, and thereafter.

4 Sec. 41. Minnesota Statutes 2004, section 273.13,
5 subdivision 25, is amended to read:

6 Subd. 25. [CLASS 4.] (a) Class 4a is residential real
7 estate containing four or more units and used or held for use by
8 the owner or by the tenants or lessees of the owner as a
9 residence for rental periods of 30 days or more. Class 4a also
10 includes hospitals licensed under sections 144.50 to 144.56,
11 other than hospitals exempt under section 272.02, and contiguous
12 property used for hospital purposes, without regard to whether
13 the property has been platted or subdivided. The market value
14 of class 4a property has a class rate of 1.8 percent for taxes
15 payable in 2002, 1.5 percent for taxes payable in 2003, and 1.25
16 percent for taxes payable in 2004 and thereafter, except that
17 class 4a property consisting of a structure for which
18 construction commenced after June 30, 2001, has a class rate of
19 1.25 percent of market value for taxes payable in 2003 and
20 subsequent years.

21 (b) Class 4b includes:

22 (1) residential real estate containing less than four units
23 that does not qualify as class 4bb, other than seasonal
24 residential recreational property;

25 (2) manufactured homes not classified under any other
26 provision;

27 (3) a dwelling, garage, and surrounding one acre of
28 property on a nonhomestead farm classified under subdivision 23,
29 paragraph (b) containing two or three units; and

30 (4) unimproved property that is classified residential as
31 determined under subdivision 33.

32 The market value of class 4b property has a class rate of
33 1.5 percent for taxes payable in 2002, and 1.25 percent for
34 taxes payable in 2003 and thereafter.

35 (c) Class 4bb includes:

36 (1) nonhomestead residential real estate containing one

1 unit, other than seasonal residential recreational property; and

2 (2) a single family dwelling, garage, and surrounding one
3 acre of property on a nonhomestead farm classified under
4 subdivision 23, paragraph (b).

5 Class 4bb property has the same class rates as class 1a
6 property under subdivision 22.

7 Property that has been classified as seasonal residential
8 recreational property at any time during which it has been owned
9 by the current owner or spouse of the current owner does not
10 qualify for class 4bb.

11 (d) Class 4c property includes:

12 (1) except as provided in subdivision 22, paragraph (c),
13 real property devoted to temporary and seasonal residential
14 occupancy for recreation purposes, including real property
15 devoted to temporary and seasonal residential occupancy for
16 recreation purposes and not devoted to commercial purposes for
17 more than 250 days in the year preceding the year of
18 assessment. For purposes of this clause, property is devoted to
19 a commercial purpose on a specific day if any portion of the
20 property is used for residential occupancy, and a fee is charged
21 for residential occupancy. In order for a property to be
22 classified as class 4c, seasonal residential recreational for
23 commercial purposes, at least 40 percent of the annual gross
24 lodging receipts related to the property must be from business
25 conducted during 90 consecutive days and either (i) at least 60
26 percent of all paid bookings by lodging guests during the year
27 must be for periods of at least two consecutive nights; or (ii)
28 at least 20 percent of the annual gross receipts must be from
29 charges for rental of fish houses, boats and motors,
30 snowmobiles, downhill or cross-country ski equipment, or charges
31 for marina services, launch services, and guide services, or the
32 sale of bait and fishing tackle. For purposes of this
33 determination, a paid booking of five or more nights shall be
34 counted as two bookings. Class 4c also includes commercial use
35 real property used exclusively for recreational purposes in
36 conjunction with class 4c property devoted to temporary and

1 seasonal residential occupancy for recreational purposes, up to
2 a total of two acres, provided the property is not devoted to
3 commercial recreational use for more than 250 days in the year
4 preceding the year of assessment and is located within two miles
5 of the class 4c property with which it is used. Class 4c
6 property classified in this clause also includes the remainder
7 of class 1c resorts provided that the entire property including
8 that portion of the property classified as class 1c also meets
9 the requirements for class 4c under this clause; otherwise the
10 entire property is classified as class 3. Owners of real
11 property devoted to temporary and seasonal residential occupancy
12 for recreation purposes and all or a portion of which was
13 devoted to commercial purposes for not more than 250 days in the
14 year preceding the year of assessment desiring classification as
15 class 1c or 4c, must submit a declaration to the assessor
16 designating the cabins or units occupied for 250 days or less in
17 the year preceding the year of assessment by January 15 of the
18 assessment year. Those cabins or units and a proportionate
19 share of the land on which they are located will be designated
20 class 1c or 4c as otherwise provided. The remainder of the
21 cabins or units and a proportionate share of the land on which
22 they are located will be designated as class 3a. The owner of
23 property desiring designation as class 1c or 4c property must
24 provide guest registers or other records demonstrating that the
25 units for which class 1c or 4c designation is sought were not
26 occupied for more than 250 days in the year preceding the
27 assessment if so requested. The portion of a property operated
28 as a (1) restaurant, (2) bar, (3) gift shop, and (4) other
29 nonresidential facility operated on a commercial basis not
30 directly related to temporary and seasonal residential occupancy
31 for recreation purposes shall not qualify for class 1c or 4c;
32 (2) qualified property used as a golf course if:
33 (i) it is open to the public on a daily fee basis. It may
34 charge membership fees or dues, but a membership fee may not be
35 required in order to use the property for golfing, and its green
36 fees for golfing must be comparable to green fees typically

1 charged by municipal courses; and

2 (ii) it meets the requirements of section 273.112,
3 subdivision 3, paragraph (d).

4 A structure used as a clubhouse, restaurant, or place of
5 refreshment in conjunction with the golf course is classified as
6 class 3a property;

7 (3) real property up to a maximum of one acre of land owned
8 by a nonprofit community service oriented organization; provided
9 that the property is not used for a revenue-producing activity
10 for more than six days in the calendar year preceding the year
11 of assessment and the property is not used for residential
12 purposes on either a temporary or permanent basis. For purposes
13 of this clause, a "nonprofit community service oriented
14 organization" means any corporation, society, association,
15 foundation, or institution organized and operated exclusively
16 for charitable, religious, fraternal, civic, or educational
17 purposes, and which is exempt from federal income taxation
18 pursuant to section 501(c)(3), (10), or (19) of the Internal
19 Revenue Code of 1986, as amended through December 31, 1990. For
20 purposes of this clause, "revenue-producing activities" shall
21 include but not be limited to property or that portion of the
22 property that is used as an on-sale intoxicating liquor or 3.2
23 percent malt liquor establishment licensed under chapter 340A, a
24 restaurant open to the public, bowling alley, a retail store,
25 gambling conducted by organizations licensed under chapter 349,
26 an insurance business, or office or other space leased or rented
27 to a lessee who conducts a for-profit enterprise on the
28 premises. Any portion of the property which is used for
29 revenue-producing activities for more than six days in the
30 calendar year preceding the year of assessment shall be assessed
31 as class 3a. The use of the property for social events open
32 exclusively to members and their guests for periods of less than
33 24 hours, when an admission is not charged nor any revenues are
34 received by the organization shall not be considered a
35 revenue-producing activity;

36 (4) postsecondary student housing of not more than one acre

1 of land that is owned by a nonprofit corporation organized under
 2 chapter 317A and is used exclusively by a student cooperative,
 3 sorority, or fraternity for on-campus housing or housing located
 4 within two miles of the border of a college campus;

5 (5) manufactured home parks as defined in section 327.14,
 6 subdivision 3;

7 (6) real property that is actively and exclusively devoted
 8 to indoor fitness, health, social, recreational, and related
 9 uses, is owned and operated by a not-for-profit corporation, and
 10 is located within the metropolitan area as defined in section
 11 473.121, subdivision 2;

12 (7) a leased or privately owned noncommercial aircraft
 13 storage hangar not exempt under section 272.01, subdivision 2,
 14 and the land on which it is located, provided that:

15 (i) the land is on an airport owned or operated by a city,
 16 town, county, Metropolitan Airports Commission, or group
 17 thereof; and

18 (ii) the land lease, or any ordinance or signed agreement
 19 restricting the use of the leased premise, prohibits commercial
 20 activity performed at the hangar.

21 If a hangar classified under this clause is sold after June
 22 30, 2000, a bill of sale must be filed by the new owner with the
 23 assessor of the county where the property is located within 60
 24 days of the sale; and

25 (8) a privately owned noncommercial aircraft storage hangar
 26 not exempt under section 272.01, subdivision 2, and the land on
 27 which it is located, provided that:

28 (i) the land abuts a public airport; and

29 (ii) the owner of the aircraft storage hangar provides the
 30 assessor with a signed agreement restricting the use of the
 31 premises, prohibiting commercial use or activity performed at
 32 the hangar; and

33 (9) residential real estate, a portion of which is used by
 34 the owner for homestead purposes, and that is also a place of
 35 lodging, if all of the following criteria are met:

36 (i) rooms are provided for rent to transient guests that

1 generally stay for periods of 14 or fewer days;

2 (ii) meals are provided to persons who rent rooms, the cost
3 of which is incorporated in the basic room rate;

4 (iii) meals are not provided to the general public except
5 for special events on fewer than seven days in the calendar year
6 preceding the year of the assessment; and

7 (iv) the owner is the operator of the property.

8 The market value subject to the 4c classification under this
9 clause is limited to five rental units. Any rental units on the
10 property in excess of five, must be valued and assessed as class
11 3a. The portion of the property used for purposes of a
12 homestead by the owner must be classified as class 1a property
13 under subdivision 22.

14 Class 4c property has a class rate of 1.5 percent of market
15 value, except that (i) each parcel of seasonal residential
16 recreational property not used for commercial purposes has the
17 same class rates as class 4bb property, (ii) manufactured home
18 parks assessed under clause (5) have the same class rate as
19 class 4b property, (iii) commercial-use seasonal residential
20 recreational property has a class rate of one percent for the
21 first \$500,000 of market value, which includes any market value
22 receiving the 0.55 or one percent rate under subdivision 22, and
23 1.25 percent for the remaining market value, (iv) the market
24 value of property described in clause (4) has a class rate of
25 one percent, (v) the market value of property described in
26 clauses (2) and (6) has a class rate of 1.25 percent, and (vi)
27 that portion of the market value of property in clause (8)
28 qualifying for class 4c property has a class rate of 1.25
29 percent.

30 (e) Class 4d property is qualifying low-income rental
31 housing certified to the assessor by the Housing Finance Agency
32 under section 273.1321. Class 4d includes land in proportion to
33 the total market value of the building that is qualifying
34 low-income rental housing.

35 Class 4d property has a class rate of 0.55 percent for
36 taxes payable in 2007 and thereafter.

1 Sec. 42. [273.1321] [VALUATION OF LOW-INCOME RENTAL
2 PROPERTY; CAPITALIZED VALUE OF NET OPERATING INCOME.]

3 Subdivision 1. [REQUIREMENT.] Low-income rental property
4 classified as class 4d under section 273.13, subdivision 25, is
5 entitled to valuation under this section if at least 75 percent
6 of the units in the rental housing property meet any of the
7 following qualifications:

8 (1) the units are subject to a housing assistance payments
9 contract under section 8 of the United States Housing Act of
10 1937, as amended;

11 (2) the units are rent-restricted and income-restricted
12 units of a qualified low-income housing project receiving tax
13 credits under section 42(g) of the Internal Revenue Code of
14 1986, as amended;

15 (3) the units are financed by the Rural Housing Service of
16 the United States Department of Agriculture and receive payments
17 under the rental assistance program pursuant to section 521(a)
18 of the Housing Act of 1949, as amended; or

19 (4) the units are subject to rent and income restrictions
20 under the terms of financial assistance provided to the rental
21 housing property by a federal, state, or local unit of
22 government as evidenced by a document recorded against the
23 property.

24 The restrictions must require assisted units to be occupied
25 by residents whose household income at the time of initial
26 occupancy does not exceed 60 percent of the greater of area or
27 state median income, adjusted for family size, as determined by
28 the United States Department of Housing and Urban Development.
29 The restriction must also require the rents for assisted units
30 to not exceed 30 percent of 60 percent of the greater of area or
31 state median income, adjusted for family size, as determined by
32 the United States Department of Housing and Urban Development.

33 Subd. 2. [DETERMINATION OF VALUE.] (a) The value of any
34 rental housing property meeting the qualifications of
35 subdivision 1 shall be determined, upon timely application by
36 the owner in the manner provided in subdivision 3, on the basis

1 of the restricted use of the property, notwithstanding sections
2 272.03, subdivision 8, and 273.11, by capitalizing the net
3 operating income prior to the payment of debt service.

4 (b) Net operating income prior to payment of debt service
5 must be the amounts shown in a financial statement prepared by
6 an independent certified public accountant or firm. The
7 financial statement must show the revenues, expenses, cash
8 flows, assets, liabilities, and net assets for the property for
9 which an application is made under this section.

10 (c) The capitalization rate applied to net operating income
11 shall be established jointly by the commissioner and the Housing
12 Finance Agency based on market data and industry standards. The
13 commissioner and the Housing Finance Agency shall jointly
14 establish separate rates based on types of rental housing
15 properties and their locations.

16 Subd. 3. [APPLICATION.] (a) Application for assessment
17 under this section must be filed by February 28 of the levy
18 year, or at a later date the Housing Finance Agency deems
19 practicable. The application must be filed with the Housing
20 Finance Agency, on a form prescribed by the agency, and must
21 contain the information required by the Housing Finance Agency.

22 (b) Each application must include:

23 (1) the property tax identification number;

24 (2) evidence that the property meets the requirements of
25 subdivision 1; and

26 (3) a true and correct copy of the financial statement
27 related to the property.

28 (c) The applicant must pay an application fee to be set by
29 the Housing Finance Agency. The application fee charged by the
30 agency must approximately equal the costs of processing and
31 reviewing the applications. The fee must be deposited in the
32 housing development fund.

33 Subd. 4. [CERTIFICATION.] By June 1 of each levy year, the
34 Housing Finance Agency must certify to local assessors the
35 valuation, as determined under this section, of rental
36 properties that apply and are qualified for valuation under this

1 section. In making the certification, the Housing Finance
2 Agency may rely on the application and supporting information
3 supplied by the property owner.

4 [EFFECTIVE DATE.] This section is effective for taxes
5 levied in 2006, payable in 2007, and thereafter.

6 Sec. 43. [273.1322] [VACANT COMMERCIAL-INDUSTRIAL
7 PROPERTIES.]

8 Subdivision 1. [AUTHORITY.] A city may establish, by
9 ordinance, a program to encourage redevelopment, provide for
10 better utilization of commercial-industrial property, and
11 eliminate blighting influences by revoking the eligibility of
12 individual commercial-industrial properties to receive the
13 credit authorized under section 273.1398, subdivision 4. The
14 program may revoke eligibility only if the property has been
15 vacant, as defined in subdivision 3, clauses (1) to (3), for
16 three or more consecutive years prior to the current assessment
17 year, or under subdivision 3, clause (4), for five or more
18 consecutive years prior to the current assessment year.

19 Subd. 2. [MINIMUM REQUIREMENTS.] The program must provide:

20 (1) standards for determining whether a property is vacant;

21 (2) written assessment notice by the city or county to the
22 property owner informing the owner that the property's
23 eligibility will be revoked;

24 (3) opportunity for the property owner to appeal the
25 revocation at the board of equalization;

26 (4) timely notice to the county assessor of the property's
27 eligibility revocation, if the city has a city assessor and the
28 city assessor has revoked the property's eligibility; and

29 (5) any other provisions the city determines are necessary
30 or appropriate to the operation of the program to achieve its
31 purposes.

32 Subd. 3. [DEFINITION OF VACANT.] A program established
33 under this section may provide that a property is vacant if the
34 property is:

35 (1) condemned, dangerous, or having multiple building code
36 violations;

1 (2) condemned and illegally occupied;
2 (3) either occupied or unoccupied, during which time the
3 enforcement officer for the municipality has issued multiple
4 orders to correct nuisance conditions; or
5 (4) unoccupied and not utilized for a commercial or
6 industrial purpose.

7 Subd. 4. [NOTICE TO PROPERTY OWNER.] The municipality
8 shall give notice to the property owner requiring that any
9 conditions in subdivision 3, clauses (1) to (3), be remedied,
10 and that the property be occupied and used for a commercial or
11 industrial purpose for at least 180 days during the next
12 12-month period, or else the property may cease to be eligible
13 for the credit under section 273.1398, subdivision 4.

14 [EFFECTIVE DATE.] This section is effective for taxes
15 payable in 2007 and thereafter.

16 Sec. 44. Minnesota Statutes 2004, section 273.1384,
17 subdivision 3, is amended to read:

18 Subd. 3. [CREDIT REIMBURSEMENTS.] (a) The county auditor
19 shall determine the tax reductions allowed under this section
20 within the county for each taxes payable year and shall certify
21 that amount to the commissioner of revenue as a part of the
22 abstracts of tax lists submitted by the county auditors under
23 section 275.29.

24 (b) In the case of class 1a, class 1c, or class 2a
25 homestead property which is located within a city, the county
26 auditor shall determine whether the net tax on each parcel is
27 less than the applicable percentage of its taxable market value
28 provided in this paragraph for the year. For taxes payable in
29 2007 and 2008, if the net tax on the property is less than 0.7
30 percent of its taxable market value, the county auditor shall
31 reduce the reimbursement to the county and the city for the
32 credit allowed under subdivision 1 by the amount of the
33 difference. For taxes payable in 2009 and 2010, if the net tax
34 on the property is less than 0.8 percent of its taxable market
35 value, the county auditor shall reduce the reimbursement to the
36 county and the city for the credit allowed under subdivision 1

1 by the amount of the difference. For taxes payable in 2011 and
2 2012, if the net tax on the property is less than 0.9 percent of
3 its taxable market value, the county auditor shall reduce the
4 reimbursement to the county and the city for the credit allowed
5 under subdivision 1 by the amount of the difference. For taxes
6 payable in 2013 and thereafter, if the net tax on the property
7 is less than one percent of its taxable market value, the county
8 auditor shall reduce the reimbursement to the county and the
9 city for the credit allowed under subdivision 1 by the amount of
10 the difference. The market value credit reimbursement cannot be
11 less than zero.

12 (c) Any prior year adjustments shall also be certified on
13 the abstracts of tax lists. The commissioner shall review the
14 certifications for accuracy, and may make such changes as are
15 deemed necessary, or return the certification to the county
16 auditor for correction. If there is no reduction of the
17 reimbursements under paragraph (b), the credits under this
18 section must be used to proportionately reduce the net tax
19 capacity-based property tax payable to each local taxing
20 jurisdiction as provided in section 273.1393. If there is a
21 reduction under paragraph (b), the reimbursements paid to the
22 city and county must be reduced in proportion to the amount of
23 their levies.

24 [EFFECTIVE DATE.] This section is effective for taxes
25 levied in 2006, payable in 2007, and thereafter.

26 Sec. 45. [273.323] [EFFECTIVE DATE FOR RULES FOR VALUATION
27 OF ELECTRIC AND TRANSMISSION PIPELINE UTILITY PROPERTY.]

28 Rules adopted by the commissioner that prescribe the method
29 of valuing property of electric and transmission pipeline
30 utilities may not take effect before the end of the regular
31 legislative session in the calendar year following adoption of
32 the rules.

33 [EFFECTIVE DATE.] This section is effective the day
34 following final enactment.

35 Sec. 46. Minnesota Statutes 2004, section 275.065,
36 subdivision 3, is amended to read:

1 Subd. 3. [NOTICE OF PROPOSED PROPERTY TAXES.] (a) The
 2 county auditor shall prepare and the county treasurer shall
 3 deliver after November 10 and on or before November 24 each
 4 year, by first class mail to each taxpayer at the address listed
 5 on the county's current year's assessment roll, a notice of
 6 proposed property taxes.

7 (b) The commissioner of revenue shall prescribe the form of
 8 the notice.

9 (c) The notice must inform taxpayers that it contains the
 10 amount of property taxes each taxing authority proposes to
 11 collect for taxes payable the following year. In the case of a
 12 town, or in the case of the state general tax, the final tax
 13 amount will be its proposed tax. In the case of taxing
 14 authorities required to hold a public meeting under subdivision
 15 6, the notice must clearly state that each taxing authority,
 16 including regional library districts established under section
 17 134.201, and including the metropolitan taxing districts as
 18 defined in paragraph (i), but excluding all other special taxing
 19 districts and towns, will hold a public meeting to receive
 20 public testimony on the proposed budget and proposed or final
 21 property tax levy, or, in case of a school district, on the
 22 current budget and proposed property tax levy. It must clearly
 23 state the time and place of each taxing authority's meeting, a
 24 telephone number for the taxing authority that taxpayers may
 25 call if they have questions related to the notice, and an
 26 address where comments will be received by mail.

27 (d) The notice must state for each parcel:

28 (1) the market value of the property as determined under
 29 section 273.11, and used for computing property taxes payable in
 30 the following year and for taxes payable in the current year as
 31 each appears in the records of the county assessor on November 1
 32 of the current year; and, in the case of residential property,
 33 whether the property is classified as homestead or
 34 nonhomestead. The notice must clearly inform taxpayers of the
 35 years to which the market values apply and that the values are
 36 final values;

1 (2) the items listed below, shown separately by county,
2 city or town, and state general tax, net of the residential and
3 agricultural homestead credit under section 273.1384, voter
4 approved school levy, other local school levy, and the sum of
5 the special taxing districts, and as a total of all taxing
6 authorities:

7 (i) the actual tax for taxes payable in the current year;
8 and

9 (ii) the proposed tax amount.

10 If the county levy under clause (2) includes an amount for
11 a lake improvement district as defined under sections 103B.501
12 to 103B.581, the amount attributable for that purpose must be
13 separately stated from the remaining county levy amount.

14 In the case of a town or the state general tax, the final
15 tax shall also be its proposed tax unless the town changes its
16 levy at a special town meeting under section 365.52. If a
17 school district has certified under section 126C.17, subdivision
18 9, that a referendum will be held in the school district at the
19 November general election, the county auditor must note next to
20 the school district's proposed amount that a referendum is
21 pending and that, if approved by the voters, the tax amount may
22 be higher than shown on the notice. In the case of the city of
23 Minneapolis, the levy for the Minneapolis Library Board and the
24 levy for Minneapolis Park and Recreation shall be listed
25 separately from the remaining amount of the city's levy. In the
26 case of the city of St. Paul, the levy for the St. Paul Library
27 Agency must be listed separately from the remaining amount of
28 the city's levy. In the case of Ramsey County, any amount
29 levied under section 134.07 may be listed separately from the
30 remaining amount of the county's levy. In the case of a parcel
31 where tax increment or the fiscal disparities areawide tax under
32 chapter 276A or 473F applies, the proposed tax levy on the
33 captured value or the proposed tax levy on the tax capacity
34 subject to the areawide tax must each be stated separately and
35 not included in the sum of the special taxing districts; and
36 (3) the increase or decrease between the total taxes

1 payable in the current year and the total proposed taxes,
2 expressed as a percentage.

3 For purposes of this section, the amount of the tax on
4 homesteads qualifying under the senior citizens' property tax
5 deferral program under chapter 290B is the total amount of
6 property tax before subtraction of the deferred property tax
7 amount.

8 (e) The notice must clearly state that the proposed or
9 final taxes do not include the following:

10 (1) special assessments;

11 (2) levies approved by the voters after the date the
12 proposed taxes are certified, including bond referenda and
13 school district levy referenda;

14 (3) a levy limit increase approved by the voters by the
15 first Tuesday after the first Monday in November of the levy
16 year as provided under section 275.73;

17 (4) amounts necessary to pay cleanup or other costs due to
18 a natural disaster occurring after the date the proposed taxes
19 are certified;

20 (5) amounts necessary to pay tort judgments against the
21 taxing authority that become final after the date the proposed
22 taxes are certified; and

23 (6) the contamination tax imposed on properties which
24 received market value reductions for contamination.

25 (f) Except as provided in subdivision 7, failure of the
26 county auditor to prepare or the county treasurer to deliver the
27 notice as required in this section does not invalidate the
28 proposed or final tax levy or the taxes payable pursuant to the
29 tax levy.

30 (g) If the notice the taxpayer receives under this section
31 lists the property as nonhomestead, and satisfactory
32 documentation is provided to the county assessor by the
33 applicable deadline, and the property qualifies for the
34 homestead classification in that assessment year, the assessor
35 shall reclassify the property to homestead for taxes payable in
36 the following year.

1 (h) In the case of class 4 residential property used as a
2 residence for lease or rental periods of 30 days or more, the
3 taxpayer must either:

4 (1) mail or deliver a copy of the notice of proposed
5 property taxes to each tenant, renter, or lessee; or

6 (2) post a copy of the notice in a conspicuous place on the
7 premises of the property.

8 The notice must be mailed or posted by the taxpayer by
9 November 27 or within three days of receipt of the notice,
10 whichever is later. A taxpayer may notify the county treasurer
11 of the address of the taxpayer, agent, caretaker, or manager of
12 the premises to which the notice must be mailed in order to
13 fulfill the requirements of this paragraph.

14 (i) For purposes of this subdivision, subdivisions 5a and
15 6, "metropolitan special taxing districts" means the following
16 taxing districts in the seven-county metropolitan area that levy
17 a property tax for any of the specified purposes listed below:

18 (1) Metropolitan Council under section 473.132, 473.167,
19 473.249, 473.325, 473.446, 473.521, 473.547, or 473.834;

20 (2) Metropolitan Airports Commission under section 473.667,
21 473.671, or 473.672; and

22 (3) Metropolitan Mosquito Control Commission under section
23 473.711.

24 For purposes of this section, any levies made by the
25 regional rail authorities in the county of Anoka, Carver,
26 Dakota, Hennepin, Ramsey, Scott, or Washington under chapter
27 398A shall be included with the appropriate county's levy and
28 shall be discussed at that county's public hearing.

29 [EFFECTIVE DATE.] This section is effective for notices for
30 property taxes levied in 2005, payable in 2006, and thereafter.

31 Sec. 47. Minnesota Statutes 2004, section 275.065, is
32 amended by adding a subdivision to read:

33 Subd. 9. [AITKIN COUNTY AND SCHOOL DISTRICT
34 HEARING.] Notwithstanding any other law, Aitkin County and
35 Independent School District No. 1, and the city of Aitkin, or
36 any two of them, may hold their initial public hearing jointly.

1 The hearing must be held on the second Tuesday of December each
2 year. The advertisement required in subdivision 5a may be a
3 joint advertisement. The hearing is otherwise subject to the
4 requirements of this section.

5 [EFFECTIVE DATE.] This section is effective for hearings
6 conducted in 2005 and subsequent years.

7 Sec. 48. Minnesota Statutes 2004, section 275.065, is
8 amended by adding a subdivision to read:

9 Subd. 10. [NOBLES COUNTY; JOINT INITIAL PUBLIC
10 HEARING.] Notwithstanding any other law, Nobles County, the city
11 of Worthington, and Independent School District No. 518,
12 Worthington, or any two of them, may hold their initial public
13 hearing jointly. The hearing must be held on the second Tuesday
14 of December each year. The advertisement required in
15 subdivision 5a may be a joint advertisement. The hearing is
16 otherwise subject to the requirements of this section.

17 [EFFECTIVE DATE.] This section is effective for hearings
18 conducted in 2005 and subsequent years.

19 Sec. 49. Minnesota Statutes 2004, section 275.066, is
20 amended to read:

21 275.066 [SPECIAL TAXING DISTRICTS; DEFINITION.]

22 For the purposes of property taxation and property tax
23 state aids, the term "special taxing districts" includes the
24 following entities:

- 25 (1) watershed districts under chapter 103D;
- 26 (2) sanitary districts under sections 115.18 to 115.37;
- 27 (3) regional sanitary sewer districts under sections 115.61
28 to 115.67;
- 29 (4) regional public library districts under section
30 134.201;
- 31 (5) park districts under chapter 398;
- 32 (6) regional railroad authorities under chapter 398A;
- 33 (7) hospital districts under sections 447.31 to 447.38;
- 34 (8) St. Cloud Metropolitan Transit Commission under
35 sections 458A.01 to 458A.15;
- 36 (9) Duluth Transit Authority under sections 458A.21 to

- 1 458A.37;
- 2 (10) regional development commissions under sections
- 3 462.381 to 462.398;
- 4 (11) housing and redevelopment authorities under sections
- 5 469.001 to 469.047;
- 6 (12) port authorities under sections 469.048 to 469.068;
- 7 (13) economic development authorities under sections
- 8 469.090 to 469.1081;
- 9 (14) Metropolitan Council under sections 473.123 to
- 10 473.549;
- 11 (15) Metropolitan Airports Commission under sections
- 12 473.601 to 473.680;
- 13 (16) Metropolitan Mosquito Control Commission under
- 14 sections 473.701 to 473.716;
- 15 (17) Morrison County Rural Development Financing Authority
- 16 under Laws 1982, chapter 437, section 1;
- 17 (18) Croft Historical Park District under Laws 1984,
- 18 chapter 502, article 13, section 6;
- 19 (19) East Lake County Medical Clinic District under Laws
- 20 1989, chapter 211, sections 1 to 6;
- 21 (20) Floodwood Area Ambulance District under Laws 1993,
- 22 chapter 375, article 5, section 39;
- 23 (21) Middle Mississippi River Watershed Management
- 24 Organization under sections 103B.211 and 103B.241;
- 25 (22) emergency medical services special taxing districts
- 26 under section 144F.01;
- 27 (23) a county levying under the authority of section
- 28 103B.241, 103B.245, or 103B.251;
- 29 (24) Southern St. Louis County Special Taxing District;
- 30 Chris Jensen Nursing Home under Laws 2003, First Special Session
- 31 chapter 21, article 4, section 12; and
- 32 (25) soil and water conservation districts under chapter
- 33 103C; and
- 34 (26) any other political subdivision of the state of
- 35 Minnesota, excluding counties, school districts, cities, and
- 36 towns, that has the power to adopt and certify a property tax

1 levy to the county auditor, as determined by the commissioner of
2 revenue.

3 Sec. 50. Minnesota Statutes 2004, section 275.70,
4 subdivision 5, is amended to read:

5 Subd. 5. [SPECIAL LEVIES.] "Special levies" means those
6 portions of ad valorem taxes levied by a local governmental unit
7 for the following purposes or in the following manner:

8 (1) to pay the costs of the principal and interest on
9 bonded indebtedness or to reimburse for the amount of liquor
10 store revenues used to pay the principal and interest due on
11 municipal liquor store bonds in the year preceding the year for
12 which the levy limit is calculated;

13 (2) to pay the costs of principal and interest on
14 certificates of indebtedness issued for any corporate purpose
15 except for the following:

16 (i) tax anticipation or aid anticipation certificates of
17 indebtedness;

18 (ii) certificates of indebtedness issued under sections
19 298.28 and 298.282;

20 (iii) certificates of indebtedness used to fund current
21 expenses or to pay the costs of extraordinary expenditures that
22 result from a public emergency; or

23 (iv) certificates of indebtedness used to fund an
24 insufficiency in tax receipts or an insufficiency in other
25 revenue sources;

26 (3) to provide for the bonded indebtedness portion of
27 payments made to another political subdivision of the state of
28 Minnesota;

29 (4) to fund payments made to the Minnesota State Armory
30 Building Commission under section 193.145, subdivision 2, to
31 retire the principal and interest on armory construction bonds;

32 (5) property taxes approved by voters which are levied
33 against the referendum market value as provided under section
34 275.61;

35 (6) to fund matching requirements needed to qualify for
36 federal or state grants or programs to the extent that either

1 (i) the matching requirement exceeds the matching requirement in
2 calendar year 2001, or (ii) it is a new matching requirement
3 that did not exist prior to 2002;

4 (7) to pay the expenses reasonably and necessarily incurred
5 in preparing for or repairing the effects of natural disaster
6 including the occurrence or threat of widespread or severe
7 damage, injury, or loss of life or property resulting from
8 natural causes, in accordance with standards formulated by the
9 Emergency Services Division of the state Department of Public
10 Safety, as allowed by the commissioner of revenue under section
11 275.74, subdivision 2;

12 (8) pay amounts required to correct an error in the levy
13 certified to the county auditor by a city or county in a levy
14 year, but only to the extent that when added to the preceding
15 year's levy it is not in excess of an applicable statutory,
16 special law or charter limitation, or the limitation imposed on
17 the governmental subdivision by sections 275.70 to 275.74 in the
18 preceding levy year;

19 (9) to pay an abatement under section 469.1815;

20 (10) to pay any costs attributable to increases in the
21 employer contribution rates under chapter 353 that are effective
22 after June 30, 2001;

23 (11) to pay the operating or maintenance costs of a county
24 jail as authorized in section 641.01 or 641.262, or of a
25 correctional facility as defined in section 241.021, subdivision
26 1, paragraph (f), to the extent that the county can demonstrate
27 to the commissioner of revenue that the amount has been included
28 in the county budget as a direct result of a rule, minimum
29 requirement, minimum standard, or directive of the Department of
30 Corrections, or to pay the operating or maintenance costs of a
31 regional jail as authorized in section 641.262. For purposes of
32 this clause, a district court order is not a rule, minimum
33 requirement, minimum standard, or directive of the Department of
34 Corrections. If the county utilizes this special levy, except
35 to pay operating or maintenance costs of a new regional jail
36 facility under sections 641.262 to 641.264 which will not

1 replace an existing jail facility, any amount levied by the
2 county in the previous levy year for the purposes specified
3 under this clause and included in the county's previous year's
4 levy limitation computed under section 275.71, shall be deducted
5 from the levy limit base under section 275.71, subdivision 2,
6 when determining the county's current year levy limitation. The
7 county shall provide the necessary information to the
8 commissioner of revenue for making this determination;

9 (12) to pay for operation of a lake improvement district,
10 as authorized under section 103B.555. If the county utilizes
11 this special levy, any amount levied by the county in the
12 previous levy year for the purposes specified under this clause
13 and included in the county's previous year's levy limitation
14 computed under section 275.71 shall be deducted from the levy
15 limit base under section 275.71, subdivision 2, when determining
16 the county's current year levy limitation. The county shall
17 provide the necessary information to the commissioner of revenue
18 for making this determination;

19 (13) to repay a state or federal loan used to fund the
20 direct or indirect required spending by the local government due
21 to a state or federal transportation project or other state or
22 federal capital project. This authority may only be used if the
23 project is not a local government initiative;

24 (14) to pay for court administration costs as required
25 under section 273.1398, subdivision 4b, less the (i) county's
26 share of transferred fines and fees collected by the district
27 courts in the county for calendar year 2001 and (ii) the aid
28 amount certified to be paid to the county in 2004 under section
29 273.1398, subdivision 4c; however, for taxes levied to pay for
30 these costs in the year in which the court financing is
31 transferred to the state, the amount under this clause is
32 limited to the amount of aid the county is certified to receive
33 under section 273.1398, subdivision 4a; and

34 (15) to fund a police or firefighters relief association as
35 required under section 69.77 to the extent that the required
36 amount exceeds the amount levied for this purpose in 2001; and

1 (16) to pay for the maintenance and support of a city or
 2 county society for the prevention of cruelty to animals under
 3 section 343.11. If the city or county uses this special levy,
 4 any amount levied by the city or county in the previous levy
 5 year for the purposes specified in this clause and included in
 6 the city's or county's previous year's levy limit computed under
 7 section 275.71, must be deducted from the levy limit base under
 8 section 275.71, subdivision 2, in determining the city's or
 9 county's current year levy limit.

10 [EFFECTIVE DATE.] This section is effective for taxes
 11 levied in 2005, payable in 2006, and thereafter.

12 Sec. 51. Minnesota Statutes 2004, section 276.04,
 13 subdivision 2, is amended to read:

14 Subd. 2. [CONTENTS OF TAX STATEMENTS.] (a) The treasurer
 15 shall provide for the printing of the tax statements. The
 16 commissioner of revenue shall prescribe the form of the property
 17 tax statement and its contents. The statement must contain a
 18 tabulated statement of the dollar amount due to each taxing
 19 authority and the amount of the state tax from the parcel of
 20 real property for which a particular tax statement is prepared.
 21 The dollar amounts attributable to the county, the state tax,
 22 the voter approved school tax, the other local school tax, the
 23 township or municipality, and the total of the metropolitan
 24 special taxing districts as defined in section 275.065,
 25 subdivision 3, paragraph (i), must be separately stated. The
 26 amounts due all other special taxing districts, if any, may be
 27 aggregated. If the county levy under this paragraph includes an
 28 amount for a lake improvement district as defined under sections
 29 103B.501 to 103B.581, the amount attributable for that purpose
 30 must be separately stated from the remaining county levy
 31 amount. In the case of Ramsey County, if the county levy under
 32 this paragraph includes an amount for public library service
 33 under section 134.07, the amount attributable for that purpose
 34 may be separately stated from the remaining county levy amount.
 35 The amount of the tax on homesteads qualifying under the senior
 36 citizens' property tax deferral program under chapter 290B is

1 the total amount of property tax before subtraction of the
2 deferred property tax amount. The amount of the tax on
3 contamination value imposed under sections 270.91 to 270.98, if
4 any, must also be separately stated. The dollar amounts,
5 including the dollar amount of any special assessments, may be
6 rounded to the nearest even whole dollar. For purposes of this
7 section whole odd-numbered dollars may be adjusted to the next
8 higher even-numbered dollar. The amount of market value
9 excluded under section 273.11, subdivision 16, if any, must also
10 be listed on the tax statement.

11 (b) The property tax statements for manufactured homes and
12 sectional structures taxed as personal property shall contain
13 the same information that is required on the tax statements for
14 real property.

15 (c) Real and personal property tax statements must contain
16 the following information in the order given in this paragraph.
17 The information must contain the current year tax information in
18 the right column with the corresponding information for the
19 previous year in a column on the left:

20 (1) the property's estimated market value under section
21 273.11, subdivision 1;

22 (2) the property's taxable market value after reductions
23 under section 273.11, subdivisions 1a and 16;

24 (3) the property's gross tax, calculated by adding the
25 property's total property tax to the sum of the aids enumerated
26 in clause (4);

27 (4) a total of the following aids:

28 (i) education aids payable under chapters 122A, 123A, 123B,
29 124D, 125A, 126C, and 127A;

30 (ii) local government aids for cities, towns, and counties
31 under chapter 477A; and

32 (iii) disparity reduction aid under section 273.1398;

33 (5) for homestead residential and agricultural properties,
34 the credits under section 273.1384;

35 (6) any credits received under sections 273.119; 273.123;
36 273.135; 273.1391; 273.1398, subdivision 4; 469.171; and

1 473H.10, except that the amount of credit received under section
2 273.135 must be separately stated and identified as "taconite
3 tax relief"; and

4 (7) the net tax payable in the manner required in paragraph
5 (a).

6 (d) If the county uses envelopes for mailing property tax
7 statements and if the county agrees, a taxing district may
8 include a notice with the property tax statement notifying
9 taxpayers when the taxing district will begin its budget
10 deliberations for the current year, and encouraging taxpayers to
11 attend the hearings. If the county allows notices to be
12 included in the envelope containing the property tax statement,
13 and if more than one taxing district relative to a given
14 property decides to include a notice with the tax statement, the
15 county treasurer or auditor must coordinate the process and may
16 combine the information on a single announcement.

17 The commissioner of revenue shall certify to the county
18 auditor the actual or estimated aids enumerated in clause (4)
19 that local governments will receive in the following year. The
20 commissioner must certify this amount by January 1 of each year.

21 [EFFECTIVE DATE.] This section is effective for property
22 tax statements for taxes payable in 2006 and thereafter.

23 Sec. 52. [278.021] [PETITIONS INVOLVING LOW-INCOME RENTAL
24 HOUSING PROPERTY.]

25 Notwithstanding section 278.02, in the case of real
26 property that meets the definition of qualifying low-income
27 housing rental property established in Minnesota Statutes 2000,
28 section 273.126, the petition may include any and all such
29 parcels of real property in which the petitioner has an estate,
30 right, title, interest, or lien, except that all such parcels
31 included in the petition must be located in the same county.
32 Contiguous qualifying low-income rental housing property
33 overlapping county boundaries may be included in the same
34 petition.

35 Sec. 53. Minnesota Statutes 2004, section 278.03,
36 subdivision 1, is amended to read:

1 Subdivision 1. [REAL PROPERTY.] ~~In-the-case-of-real~~
2 ~~property,~~ If the proceedings instituted by the filing of the
3 petition have not been completed before the 16th day of May next
4 following the filing or, in the case of class 1c property or
5 class 4c resort property before the 16th day of June for taxes
6 payable in 2006 and 2007 only, the petitioner shall pay to the
7 county treasurer 50 percent of the tax levied for such year
8 against the property involved, unless permission to continue
9 prosecution of the petition without such payment is obtained as
10 herein provided. If the proceedings instituted by the filing of
11 the petition have not been completed by the next October 16, or,
12 in the case of class 1b agricultural homestead, class 2a
13 agricultural homestead, and class 2b(2) agricultural
14 nonhomestead property, November 16, the petitioner shall pay to
15 the county treasurer 50 percent of the unpaid balance of the
16 taxes levied for the year against the property involved if the
17 unpaid balance is \$2,000 or less and 80 percent of the unpaid
18 balance if the unpaid balance is over \$2,000, unless permission
19 to continue prosecution of the petition without payment is
20 obtained as herein provided. The petitioner, upon ten days'
21 notice to the county attorney and to the county auditor, given
22 at least ten days prior to the 16th day of May or, in the case
23 of class 1c or class 4c resort property, the 16th day of June
24 for taxes payable in 2006 and 2007 only, or the 16th day of
25 October, or, in the case of class 1b agricultural homestead,
26 class 2a agricultural homestead, and class 2b(2) agricultural
27 nonhomestead property, the 16th day of November, may apply to
28 the court for permission to continue prosecution of the petition
29 without payment; and, if it is made to appear
30 (1) that the proposed review is to be taken in good faith;
31 (2) that there is probable cause to believe that the
32 property may be held exempt from the tax levied or that the tax
33 may be determined to be less than 50 percent of the amount
34 levied; and
35 (3) that it would work a hardship upon petitioner to pay
36 the taxes due,

1 the court may permit the petitioner to continue prosecution
2 of the petition without payment, or may fix a lesser amount to
3 be paid as a condition of continuing the prosecution of the
4 petition.

5 Failure to make payment of the amount required when due
6 shall operate automatically to dismiss the petition and all
7 proceedings thereunder unless the payment is waived by an order
8 of the court permitting the petitioner to continue prosecution
9 of the petition without payment. The petition shall be
10 automatically reinstated upon payment of the entire tax plus
11 interest and penalty if the payment is made within one year of
12 the dismissal. The county treasurer shall, upon request of the
13 petitioner, issue duplicate receipts for the tax payment, one of
14 which shall be filed by the petitioner in the proceeding.

15 Sec. 54. Minnesota Statutes 2004, section 279.01,
16 subdivision 1, is amended to read:

17 Subdivision 1. [DUE DATES; PENALTIES.] Except as provided
18 in ~~subdivision 3 or 4~~ this section, on May 16 or 21 days after
19 the postmark date on the envelope containing the property tax
20 statement, whichever is later, a penalty shall accrue and
21 thereafter be charged upon all unpaid taxes on real estate on
22 the current lists in the hands of the county treasurer. The
23 penalty shall be at a rate of two percent on homestead property
24 until May 31 and four percent on June 1. The penalty on
25 nonhomestead property shall be at a rate of four percent until
26 May 31 and eight percent on June 1. This penalty shall not
27 accrue until June 1 of each year, or 21 days after the postmark
28 date on the envelope containing the property tax statements,
29 whichever is later, on commercial use real property used for
30 seasonal residential recreational purposes and classified as
31 class 1c or 4c, and on other commercial use real property
32 classified as class 3a, provided that over 60 percent of the
33 gross income earned by the enterprise on the class 3a property
34 is earned during the months of May, June, July, and August. Any
35 property owner of such class 3a property who pays the first half
36 of the tax due on the property after May 15 and before June 1,

1 or 21 days after the postmark date on the envelope containing
2 the property tax statement, whichever is later, shall attach an
3 affidavit to the payment attesting to compliance with the income
4 provision of this subdivision. Thereafter, for both homestead
5 and nonhomestead property, on the first day of each month
6 beginning July 1, up to and including October 1 following, an
7 additional penalty of one percent for each month shall accrue
8 and be charged on all such unpaid taxes provided that if the due
9 date was extended beyond May 15 as the result of any delay in
10 mailing property tax statements no additional penalty shall
11 accrue if the tax is paid by the extended due date. If the tax
12 is not paid by the extended due date, then all penalties that
13 would have accrued if the due date had been May 15 shall be
14 charged. When the taxes against any tract or lot exceed \$50,
15 one-half thereof may be paid prior to May 16 or 21 days after
16 the postmark date on the envelope containing the property tax
17 statement, whichever is later; and, if so paid, no penalty shall
18 attach; the remaining one-half shall be paid at any time prior
19 to October 16 following, without penalty; but, if not so paid,
20 then a penalty of two percent shall accrue thereon for homestead
21 property and a penalty of four percent on nonhomestead
22 property. Thereafter, for homestead property, on the first day
23 of November an additional penalty of four percent shall accrue
24 and on the first day of December following, an additional
25 penalty of two percent shall accrue and be charged on all such
26 unpaid taxes. Thereafter, for nonhomestead property, on the
27 first day of November and December following, an additional
28 penalty of four percent for each month shall accrue and be
29 charged on all such unpaid taxes. If one-half of such taxes
30 shall not be paid prior to May 16 or 21 days after the postmark
31 date on the envelope containing the property tax statement,
32 whichever is later, the same may be paid at any time prior to
33 October 16, with accrued penalties to the date of payment added,
34 and thereupon no penalty shall attach to the remaining one-half
35 until October 16 following.

36 This section applies to payment of personal property taxes

1 assessed against improvements to leased property, except as
2 provided by section 277.01, subdivision 3.

3 A county may provide by resolution that in the case of a
4 property owner that has multiple tracts or parcels with
5 aggregate taxes exceeding \$50, payments may be made in
6 installments as provided in this subdivision.

7 The county treasurer may accept payments of more or less
8 than the exact amount of a tax installment due. If the accepted
9 payment is less than the amount due, payments must be applied
10 first to the penalty accrued for the year the payment is made.
11 Acceptance of partial payment of tax does not constitute a
12 waiver of the minimum payment required as a condition for filing
13 an appeal under section 278.03 or any other law, nor does it
14 affect the order of payment of delinquent taxes under section
15 280.39.

16 Sec. 55. Minnesota Statutes 2004, section 279.01, is
17 amended by adding a subdivision to read:

18 Subd. 5. [SEASONAL RESIDENTIAL RECREATIONAL PROPERTY USED
19 FOR COMMERCIAL PURPOSES.] For taxes payable in 2006 and 2007
20 only, in the case of class 1c property and class 4c seasonal
21 residential recreational property used for commercial purposes,
22 no penalties shall accrue to the first one-half property tax
23 payment as provided in this section if paid by June 15. On June
24 16, a penalty shall accrue and thereafter be charged upon all
25 unpaid taxes. On class 1c property the penalty is at a rate of
26 two percent until June 31, and four percent on July 1. On class
27 4c seasonal residential recreational property used for
28 commercial purposes, the penalty is four percent until June 31
29 and eight percent on July 1. Thereafter, for both class 1c and
30 class 4c seasonal residential recreational property used for
31 commercial purposes, on the first day of September and on the
32 first day of October, an additional penalty of one percent shall
33 accrue and be charged on unpaid taxes. The remaining one-half
34 property taxes must be paid and penalties accrue as provided in
35 subdivision 1.

36 Sec. 56. [290.0621] [SCHOOL REFERENDUM TAX.]

1 Subdivision 1. [IMPOSITION.] In addition to all other
2 taxes imposed by this chapter, a tax is imposed on individuals
3 who are domiciled on the last day of the taxable year within the
4 territory of a school district in which the voters approved an
5 income tax increase at a referendum conducted under section
6 126C.17, subdivision 9, for that purpose in 2006 or a subsequent
7 year. This tax does not apply to referendums on bond issues.
8 Individuals domiciled in the district on the last day of the
9 taxable year are subject to the tax.

10 Subd. 2. [RATE.] The commissioner of revenue shall
11 annually determine the rate of the tax imposed under this
12 section as a percentage of the state income tax liability of
13 individuals subject to the tax by each district. The school
14 referendum tax rate is equal to the ratio of (i) the district's
15 local effort revenue under section 126C.17, subdivision 6b, to
16 (ii) the state income tax liability of all individuals domiciled
17 in the district on the last day of the previous taxable year.

18 Subd. 3. [REVENUE DISTRIBUTION.] Revenue raised in
19 subdivision 1 must be placed in a special account in the general
20 fund. The amount necessary to make payments to school districts
21 under this section is annually appropriated from the general
22 fund to the commissioner of education and must be paid to school
23 districts according to section 127A.45.

24 Sec. 57. Minnesota Statutes 2004, section 343.11, is
25 amended to read:

26 343.11 [ACQUISITION OF PROPERTY, APPROPRIATIONS.]

27 Every county and district society for the prevention of
28 cruelty to animals may acquire, by purchase, gift, grant, or
29 devise, and hold, use, or convey, real estate and personal
30 property, and lease, mortgage, sell, or use the same in any
31 manner conducive to its interest, to the same extent as natural
32 persons. The county board of any county, or the council of any
33 city, in which such societies exist, may, in its discretion,
34 appropriate for the maintenance and support of such societies in
35 the transaction of the work for which they are organized, any
36 sums of money not otherwise appropriated, not to exceed in any

1 one year the sum of \$4,800 or the sum of 50-cents \$1 per capita
2 based upon the county's or city's population as of the most
3 recent federal census, whichever is greater; provided, that no
4 part of the appropriation shall be expended for the payment of
5 the salary of any officer of the society.

6 [EFFECTIVE DATE.] This section is effective January 1, 2006.

7 Sec. 58. [462A.0715] [SECTION 8, TAX CREDIT, AND RURAL
8 HOUSING SERVICE UNITS.]

9 (a) The agency may deem units as meeting the requirements
10 of section 273.126 and this section, if the units meet the
11 requirements provided in section 273.1321, subdivision 1.

12 (b) The agency may certify these deemed units under
13 subdivision 1 based on a simplified application procedure that
14 verifies the unit's qualifications under paragraph (a).

15 Sec. 59. Minnesota Statutes 2004, section 473F.08, is
16 amended by adding a subdivision to read:

17 Subd. 3c. [UNCOMPENSATED CARE REIMBURSEMENT.] (a) As used
18 in this subdivision, the following terms have the meanings given
19 in this paragraph.

20 (1) "Uncompensated care" means the sum of (i) the amount
21 that would have been charged by a facility for rendering free or
22 discounted care to persons who cannot afford to pay and for
23 which the facility did not expect payment and (ii) the amount
24 that had been charged by a facility for rendering care to
25 persons and billed to that person or a third-party payer for
26 which the facility expected but did not receive payment.

27 Uncompensated care does not include contractual write-offs.

28 (2) A "qualifying hospital" means a hospital in the area
29 that is:

30 (i) owned or operated by a local unit of government, or
31 formerly owned by a university or is a private nonprofit
32 hospital that leases its building from the county in which it is
33 located; and

34 (ii) has a licensed bed capacity greater than 400.

35 (b) A county that contains a qualifying hospital is
36 eligible for reimbursement of that portion of gross charges for

1 uncompensated care determined by multiplying the hospital's
2 gross charges during the base year by the percentage of
3 uncompensated care provided by the hospital during the base year
4 minus one-half of one percent of those gross charges, dividing
5 the result by two, and adjusting to cost by multiplying that
6 result by the hospital's cost-to-charge ratio during the base
7 year. By July 15, 2006, and each subsequent year, the county
8 shall notify its county auditor, as well as the administrative
9 auditor, of the amount of qualifying uncompensated care
10 provided, adjusted to cost using the hospital's cost-to-charge
11 ratio, during the 12-month period ending on June 30 of the
12 current year.

13 (c) The amount certified under paragraph (b) shall be
14 certified annually by the county auditor to the administrative
15 auditor as an addition to the county's areawide levy under
16 subdivision 5.

17 (d) The administrative auditor shall pay one-half of the
18 reimbursement to the county auditor of the county that contains
19 the qualifying hospital on or before June 15 and the remaining
20 one-half of the reimbursement on or before November 15. The
21 county auditor receiving the payment shall disburse the
22 reimbursement to the qualifying hospital within 15 days of
23 receipt of the reimbursement.

24 (e) Prior to the reporting specified in paragraph (b)
25 above, all qualifying hospitals that participate in this program
26 shall agree upon and implement a common standard for reporting
27 uncompensated care, and a common standard for determining
28 eligibility for uncompensated care for all participating
29 hospitals.

30 [EFFECTIVE DATE.] This section is effective for fiscal
31 disparities contribution and distribution tax capacities for
32 taxes payable in 2007 and 2008 only.

33 Sec. 60. Minnesota Statutes 2004, section 473F.08, is
34 amended by adding a subdivision to read:

35 Subd. 3d. [HENNEPIN COUNTY PUBLIC DEFENDER COST
36 REIMBURSEMENT.] (a) Hennepin County is eligible for

1 reimbursement of costs incurred by the county under section
2 611.26, subdivision 3a, paragraph (c). By July 15, 2006, and
3 each subsequent year, the county shall notify the county auditor
4 and the administrative auditor, of the amount of that cost
5 incurred by the county during the 12-month period ending on June
6 30 of the current year.

7 (b) The reimbursement under this subdivision for costs
8 incurred during the 12-month period ending June 30, 2006, is
9 equal to 25 percent of those costs. The reimbursement under
10 this subdivision for costs incurred during the 12-month period
11 ending June 30, 2007, is equal to 50 percent of those costs.

12 (c) The amount certified under paragraph (b) shall be
13 certified annually by the Hennepin County auditor to the
14 administrative auditor as an addition to the county's areawide
15 levy under subdivision 5.

16 (d) The administrative auditor shall pay one-half of the
17 reimbursement to the Hennepin County auditor on or before June
18 15 and the remaining one-half of the reimbursement on or before
19 November 15.

20 [EFFECTIVE DATE.] This section is effective for fiscal
21 disparities contribution and distribution tax capacities for
22 taxes payable in 2007 and 2008 only.

23 Sec. 61. Minnesota Statutes 2004, section 477A.011,
24 subdivision 36, is amended to read:

25 Subd. 36. [CITY AID BASE.] (a) Except as otherwise
26 provided in this subdivision, "city aid base" is zero.

27 (b) The city aid base for any city with a population less
28 than 500 is increased by \$40,000 for aids payable in calendar
29 year 1995 and thereafter, and the maximum amount of total aid it
30 may receive under section 477A.013, subdivision 9, paragraph
31 (c), is also increased by \$40,000 for aids payable in calendar
32 year 1995 only, provided that:

33 (i) the average total tax capacity rate for taxes payable
34 in 1995 exceeds 200 percent;

35 (ii) the city portion of the tax capacity rate exceeds 100
36 percent; and

1 (iii) its city aid base is less than \$60 per capita.

2 (c) The city aid base for a city is increased by \$20,000 in
3 1998 and thereafter and the maximum amount of total aid it may
4 receive under section 477A.013, subdivision 9, paragraph (c), is
5 also increased by \$20,000 in calendar year 1998 only, provided
6 that:

7 (i) the city has a population in 1994 of 2,500 or more;

8 (ii) the city is located in a county, outside of the
9 metropolitan area, which contains a city of the first class;

10 (iii) the city's net tax capacity used in calculating its
11 1996 aid under section 477A.013 is less than \$400 per capita;
12 and

13 (iv) at least four percent of the total net tax capacity,
14 for taxes payable in 1996, of property located in the city is
15 classified as railroad property.

16 (d) The city aid base for a city is increased by \$200,000
17 in 1999 and thereafter and the maximum amount of total aid it
18 may receive under section 477A.013, subdivision 9, paragraph
19 (c), is also increased by \$200,000 in calendar year 1999 only,
20 provided that:

21 (i) the city was incorporated as a statutory city after
22 December 1, 1993;

23 (ii) its city aid base does not exceed \$5,600; and

24 (iii) the city had a population in 1996 of 5,000 or more.

25 (e) The city aid base for a city is increased by \$450,000
26 in 1999 to 2008 and the maximum amount of total aid it may
27 receive under section 477A.013, subdivision 9, paragraph (c), is
28 also increased by \$450,000 in calendar year 1999 only, provided
29 that:

30 (i) the city had a population in 1996 of at least 50,000;

31 (ii) its population had increased by at least 40 percent in
32 the ten-year period ending in 1996; and

33 (iii) its city's net tax capacity for aids payable in 1998
34 is less than \$700 per capita.

35 (f) Beginning in 2004, the city aid base for a city is
36 equal to the sum of its city aid base in 2003 and the amount of

1 additional aid it was certified to receive under section 477A.06
2 in 2003. For 2004 only, the maximum amount of total aid a city
3 may receive under section 477A.013, subdivision 9, paragraph
4 (c), is also increased by the amount it was certified to receive
5 under section 477A.06 in 2003.

6 (g) The city aid base for a city is increased by \$150,000
7 for aids payable in 2000 and thereafter, and the maximum amount
8 of total aid it may receive under section 477A.013, subdivision
9 9, paragraph (c), is also increased by \$150,000 in calendar year
10 2000 only, provided that:

11 (1) the city has a population that is greater than 1,000
12 and less than 2,500;

13 (2) its commercial and industrial percentage for aids
14 payable in 1999 is greater than 45 percent; and

15 (3) the total market value of all commercial and industrial
16 property in the city for assessment year 1999 is at least 15
17 percent less than the total market value of all commercial and
18 industrial property in the city for assessment year 1998.

19 (h) The city aid base for a city is increased by \$200,000
20 in 2000 and thereafter, and the maximum amount of total aid it
21 may receive under section 477A.013, subdivision 9, paragraph
22 (c), is also increased by \$200,000 in calendar year 2000 only,
23 provided that:

24 (1) the city had a population in 1997 of 2,500 or more;

25 (2) the net tax capacity of the city used in calculating
26 its 1999 aid under section 477A.013 is less than \$650 per
27 capita;

28 (3) the pre-1940 housing percentage of the city used in
29 calculating 1999 aid under section 477A.013 is greater than 12
30 percent;

31 (4) the 1999 local government aid of the city under section
32 477A.013 is less than 20 percent of the amount that the formula
33 aid of the city would have been if the need increase percentage
34 was 100 percent; and

35 (5) the city aid base of the city used in calculating aid
36 under section 477A.013 is less than \$7 per capita.

1 (i) The city aid base for a city is increased by \$102,000
2 in 2000 and thereafter, and the maximum amount of total aid it
3 may receive under section 477A.013, subdivision 9, paragraph
4 (c), is also increased by \$102,000 in calendar year 2000 only,
5 provided that:

6 (1) the city has a population in 1997 of 2,000 or more;

7 (2) the net tax capacity of the city used in calculating
8 its 1999 aid under section 477A.013 is less than \$455 per
9 capita;

10 (3) the net levy of the city used in calculating 1999 aid
11 under section 477A.013 is greater than \$195 per capita; and

12 (4) the 1999 local government aid of the city under section
13 477A.013 is less than 38 percent of the amount that the formula
14 aid of the city would have been if the need increase percentage
15 was 100 percent.

16 (j) The city aid base for a city is increased by \$32,000 in
17 2001 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 \$32,000 in calendar year 2001 only, provided
20 that:

21 (1) the city has a population in 1998 that is greater than
22 200 but less than 500;

23 (2) the city's revenue need used in calculating aids
24 payable in 2000 was greater than \$200 per capita;

25 (3) the city net tax capacity for the city used in
26 calculating aids available in 2000 was equal to or less than
27 \$200 per capita;

28 (4) the city aid base of the city used in calculating aid
29 under section 477A.013 is less than \$65 per capita; and

30 (5) the city's formula aid for aids payable in 2000 was
31 greater than zero.

32 (k) The city aid base for a city is increased by \$7,200 in
33 2001 and thereafter, and the maximum amount of total aid it may
34 receive under section 477A.013, subdivision 9, paragraph (c), is
35 also increased by \$7,200 in calendar year 2001 only, provided
36 that:

1 (1) the city had a population in 1998 that is greater than
2 200 but less than 500;

3 (2) the city's commercial industrial percentage used in
4 calculating aids payable in 2000 was less than ten percent;

5 (3) more than 25 percent of the city's population was 60
6 years old or older according to the 1990 census;

7 (4) the city aid base of the city used in calculating aid
8 under section 477A.013 is less than \$15 per capita; and

9 (5) the city's formula aid for aids payable in 2000 was
10 greater than zero.

11 (1) The city aid base for a city is increased by \$45,000 in
12 2001 and thereafter and by an additional \$50,000 in calendar
13 years 2002 to 2011, and the maximum amount of total aid it may
14 receive under section 477A.013, subdivision 9, paragraph (c), is
15 also increased by \$45,000 in calendar year 2001 only, and by
16 \$50,000 in calendar year 2002 only, provided that:

17 (1) the net tax capacity of the city used in calculating
18 its 2000 aid under section 477A.013 is less than \$810 per
19 capita;

20 (2) the population of the city declined more than two
21 percent between 1988 and 1998;

22 (3) the net levy of the city used in calculating 2000 aid
23 under section 477A.013 is greater than \$240 per capita; and

24 (4) the city received less than \$36 per capita in aid under
25 section 477A.013, subdivision 9, for aids payable in 2000.

26 The city aid base for a city described in this paragraph is
27 also increased by \$250,000 in calendar years 2006 to 2015, and
28 the maximum amount of total aid it may receive under section
29 477A.013, subdivision 9, paragraph (c), is also increased by
30 \$250,000 in calendar year 2006 only.

31 (m) The city aid base for a city with a population of
32 10,000 or more which is located outside of the seven-county
33 metropolitan area is increased in 2002 and thereafter, and the
34 maximum amount of total aid it may receive under section
35 477A.013, subdivision 9, paragraph (b) or (c), is also increased
36 in calendar year 2002 only, by an amount equal to the lesser of:

1 (1)(i) the total population of the city, as determined by
2 the United States Bureau of the Census, in the 2000 census, (ii)
3 minus 5,000, (iii) times 60; or

4 (2) \$2,500,000.

5 (n) The city aid base is increased by \$50,000 in 2002 and
6 thereafter, and the maximum amount of total aid it may receive
7 under section 477A.013, subdivision 9, paragraph (c), is also
8 increased by \$50,000 in calendar year 2002 only, provided that:

9 (1) the city is located in the seven-county metropolitan
10 area;

11 (2) its population in 2000 is between 10,000 and 20,000;

12 and

13 (3) its commercial industrial percentage, as calculated for
14 city aid payable in 2001, was greater than 25 percent.

15 (o) The city aid base for a city is increased by \$150,000
16 in calendar years 2002 to 2011 and the maximum amount of total
17 aid it may receive under section 477A.013, subdivision 9,
18 paragraph (c), is also increased by \$150,000 in calendar year
19 2002 only, provided that:

20 (1) the city had a population of at least 3,000 but no more
21 than 4,000 in 1999;

22 (2) its home county is located within the seven-county
23 metropolitan area;

24 (3) its pre-1940 housing percentage is less than 15
25 percent; and

26 (4) its city net tax capacity per capita for taxes payable
27 in 2000 is less than \$900 per capita.

28 (p) The city aid base for a city is increased by \$200,000
29 beginning in calendar year 2003 and the maximum amount of total
30 aid it may receive under section 477A.013, subdivision 9,
31 paragraph (c), is also increased by \$200,000 in calendar year
32 2003 only, provided that the city qualified for an increase in
33 homestead and agricultural credit aid under Laws 1995, chapter
34 264, article 8, section 18.

35 (q) The city aid base for a city is increased by \$200,000
36 in 2004 only and the maximum amount of total aid it may receive

1 under section 477A.013, subdivision 9, is also increased by
2 \$200,000 in calendar year 2004 only, if the city is the site of
3 a nuclear dry cask storage facility.

4 (r) The city aid base for a city is increased by \$10,000 in
5 2004 and thereafter and the maximum total aid it may receive
6 under section 477A.013, subdivision 9, is also increased by
7 \$10,000 in calendar year 2004 only, if the city was included in
8 a federal major disaster designation issued on April 1, 1998,
9 and its pre-1940 housing stock was decreased by more than 40
10 percent between 1990 and 2000.

11 Sec. 62. Minnesota Statutes 2004, section 477A.11,
12 subdivision 4, is amended to read:

13 Subd. 4. [OTHER NATURAL RESOURCES LAND.] "Other natural
14 resources land" means:

15 ~~{1}~~ any other land presently owned in fee title by the
16 state and administered by the commissioner, or any tax-forfeited
17 land, other than platted lots within a city or those lands
18 described under subdivision 3, clause (2), which is owned by the
19 state and administered by the commissioner or by the county in
20 which it is located; and

21 ~~{2}~~ land leased by the state from the United States of
22 America through the United States Secretary of Agriculture
23 pursuant to Title III of the Bankhead Jones Farm Tenant Act,
24 which land is commonly referred to as land utilization project
25 land that is administered by the commissioner.

26 [EFFECTIVE DATE.] This section is effective for aids
27 payable in 2006 and thereafter.

28 Sec. 63. Minnesota Statutes 2004, section 477A.11, is
29 amended by adding a subdivision to read:

30 Subd. 5. [LAND UTILIZATION PROJECT LAND.] "Land
31 utilization project land" means land that is leased by the state
32 from the United States through the United States Secretary of
33 Agriculture according to Title III of the Bankhead Jones Farm
34 Tenant Act and that is administered by the commissioner.

35 Sec. 64. Minnesota Statutes 2004, section 477A.12,
36 subdivision 1, is amended to read:

1 Subdivision 1. [TYPES OF LAND; PAYMENTS.] (a) As an offset
2 for expenses incurred by counties and towns in support of
3 natural resources lands, the following amounts are annually
4 appropriated to the commissioner of natural resources from the
5 general fund for transfer to the commissioner of revenue. The
6 commissioner of revenue shall pay the transferred funds to
7 counties as required by sections 477A.11 to 477A.145. The
8 amounts are:

9 (1) for acquired natural resources land, \$3, as adjusted
10 for inflation under section 477A.145, multiplied by the total
11 number of acres of acquired natural resources land or, at the
12 county's option three-fourths of one percent of the appraised
13 value of all acquired natural resources land in the county,
14 whichever is greater;

15 (2) \$3, as adjusted for inflation under section 477A.145,
16 multiplied by the total number of acres of land utilization
17 project land;

18 (3) 75 cents, as adjusted for inflation under section
19 477A.145, multiplied by the number of acres of
20 county-administered other natural resources land; and

21 ~~(3)~~ (4) 37.5 cents, as adjusted for inflation under section
22 477A.145, multiplied by the number of acres of
23 commissioner-administered other natural resources land located
24 in each county as of July 1 of each year prior to the payment
25 year.

26 (b) The amount determined under paragraph (a), clause (1),
27 is payable for land that is acquired from a private owner and
28 owned by the Department of Transportation for the purpose of
29 replacing wetland losses caused by transportation projects, but
30 only if the county contains more than 500 acres of such land at
31 the time the certification is made under subdivision 2.

32 [EFFECTIVE DATE.] This section is effective for aids
33 payable in 2006 and thereafter.

34 Sec. 65. Minnesota Statutes 2004, section 477A.12,
35 subdivision 2, is amended to read:

36 Subd. 2. [PROCEDURE.] Lands for which payments in lieu are

1 made pursuant to section 97A.061, subdivision 3, and Laws 1973,
 2 chapter 567, shall not be eligible for payments under this
 3 section. Each county auditor shall certify to the Department of
 4 Natural Resources during July of each year prior to the payment
 5 year the number of acres of county-administered other natural
 6 resources land within the county. The Department of Natural
 7 resources may, in addition to the certification of acreage,
 8 require descriptive lists of land so certified. The
 9 commissioner of natural resources shall determine and certify to
 10 the commissioner of revenue by March 1 of the payment year:

11 (1) the number of acres and most recent appraised value of
 12 acquired natural resources land within each county;

13 (2) the number of acres of commissioner-administered
 14 natural resources land within each county; and

15 (3) the number of acres of county-administered other
 16 natural resources land within each county, based on the reports
 17 filed by each county auditor with the commissioner of natural
 18 resources; and

19 (4) the number of acres of land utilization project land
 20 within each county and the net proceeds from timber sales on
 21 land utilization project lands in each county.

22 The commissioner of transportation shall determine and
 23 certify to the commissioner of revenue by March 1 of the payment
 24 year the number of acres of land and the appraised value of the
 25 land described in subdivision 1, paragraph (b), but only if it
 26 exceeds 500 acres.

27 The commissioner of revenue shall determine the
 28 distributions provided for in this section using the number of
 29 acres and appraised values certified by the commissioner of
 30 natural resources and the commissioner of transportation by
 31 March 1 of the payment year.

32 [EFFECTIVE DATE.] This section is effective for aids
 33 payable in 2006 and thereafter.

34 Sec. 66. Minnesota Statutes 2004, section 477A.14,
 35 subdivision 1, is amended to read:

36 Subdivision 1. [GENERAL DISTRIBUTION.] Except as provided

1 in subdivision 2 or in section 97A.061, subdivision 5, 40
2 percent of the total payment to the county shall be deposited in
3 the county general revenue fund to be used to provide property
4 tax levy reduction. The remainder shall be distributed by the
5 county in the following priority:

6 (a) 37.5 cents, as adjusted for inflation under section
7 477A.145, for each acre of county-administered other natural
8 resources land shall be deposited in a resource development fund
9 to be created within the county treasury for use in resource
10 development, forest management, game and fish habitat
11 improvement, and recreational development and maintenance of
12 county-administered other natural resources land. Any county
13 receiving less than \$5,000 annually for the resource development
14 fund may elect to deposit that amount in the county general
15 revenue fund;

16 (b) From the funds remaining, within 30 days of receipt of
17 the payment to the county, the county treasurer shall pay each
18 organized township 30 cents, as adjusted for inflation under
19 section 477A.145, for each acre of acquired natural resources
20 land, each acre of land utilization project land, and each acre
21 of land described in section 477A.12, subdivision 1, paragraph
22 (b), and 7.5 cents, as adjusted for inflation under section
23 477A.145, for each acre of other natural resources land located
24 within its boundaries. Payments for natural resources lands not
25 located in an organized township shall be deposited in the
26 county general revenue fund. Payments to counties and townships
27 pursuant to this paragraph shall be used to provide property tax
28 levy reduction, except that of the payments for natural
29 resources lands not located in an organized township, the county
30 may allocate the amount determined to be necessary for
31 maintenance of roads in unorganized townships. Provided that,
32 if the total payment to the county pursuant to section 477A.12
33 is not sufficient to fully fund the distribution provided for in
34 this clause, the amount available shall be distributed to each
35 township and the county general revenue fund on a pro rata
36 basis; and

1 (c) Any remaining funds shall be deposited in the county
2 general revenue fund. Provided that, if the distribution to the
3 county general revenue fund exceeds \$35,000, the excess shall be
4 used to provide property tax levy reduction.

5 [EFFECTIVE DATE.] This section is effective for aids
6 payable in 2006 and thereafter.

7 Sec. 67. Laws 1998, chapter 389, article 3, section 41, is
8 amended to read:

9 Sec. 41. [SPECIAL ASSESSMENT DEFERRAL AUTHORIZED.]

10 Notwithstanding Minnesota Statutes, chapter 429, a city may
11 defer the payment of any special assessment levied against a
12 property qualifying under section 38 as determined by the city.
13 Any special assessment, the payment of which has been deferred
14 by the city, must be paid in full or a payment agreement may be
15 approved by the city if the ownership of property is transferred
16 to anyone or any entity. Payment or a payment agreement must be
17 made within 60 days of the transfer of ownership.

18 [EFFECTIVE DATE.] This section is effective the day
19 following final enactment.

20 Sec. 68. Laws 1998, chapter 389, article 3, section 42,
21 subdivision 2, as amended by Laws 2002, chapter 377, article 4,
22 section 24, is amended to read:

23 Subd. 2. [RECAPTURE.] (a) Property or any portion thereof
24 qualifying under section 38 is subject to additional taxes if:

25 (1) ownership of the property is transferred to anyone
26 other than the spouse or child of the current owner;

27 (2) the current owner or the spouse or child of the current
28 owner has not conveyed or entered into a contract before July 1,
29 2007, to convey for ownership or public easement rights, (i) a
30 portion of the property to a one or more nonprofit foundation
31 foundations or corporation-operating corporations; and (ii) a
32 portion of the property to one or more local governments; and
33 those entities shall separately or jointly operate the property
34 as an art park providing the services included in section 38,
35 clauses (2) to (5), and may also use some of the property for
36 other public purposes as determined by the local governments; or

1 (3) the nonprofit foundation or corporation to which a
 2 portion of the property was transferred ceases to provide the
 3 services included in section 38, clauses (2) to (5), earlier
 4 than ten years following the effective date of the conveyance
 5 conveyances or of the execution of the ~~contract~~ contracts to
 6 convey.

7 (b) The additional taxes are imposed at the earlier of (1)
 8 the year following transfer of ownership to anyone other than
 9 the spouse or child of the current owner or a nonprofit
 10 foundation or corporation or local government operating the
 11 property as an art park and used for other public purposes, or
 12 (2) for taxes payable in 2008, or (3) in the event the nonprofit
 13 foundation or corporation to which a portion of the property was
 14 conveyed ceases to provide the required services within ten
 15 years after the conveyance, for taxes payable in the year
 16 following the year when it ceased to do so.

17 The county board, with the approval of the city council,
 18 shall determine the amount of the additional taxes due on the
 19 portion of property which is no longer utilized as an art park;
 20 provided, however, that the additional taxes are equal to must
 21 not be greater than the difference between the taxes determined
 22 on that portion of the property utilized as an art park under
 23 sections 39 and 40 and the amount determined under subdivision 1
 24 for all years that the property qualified under section 38. The
 25 ~~additional taxes must be extended against the property on the~~
 26 ~~tax list for the current year, provided, however, that~~ No
 27 interest or penalties may be levied on the additional taxes ~~if~~
 28 timely-paid amount provided that it is paid within 30 days of
 29 the county's notice.

30 [EFFECTIVE DATE.] This section is effective the day
 31 following final enactment.

32 Sec. 69. Laws 2001, First Special Session chapter 5,
 33 article 3, section 8, the effective date, is amended to read:

34 [EFFECTIVE DATE.] This section is effective for taxes
 35 levied in 2002, payable in 2003, through taxes levied in ~~2007~~
 36 2009, payable in ~~2008~~ 2010.

1 Sec. 70. Laws 2003, chapter 127, article 12, section 38,
2 is amended to read:

3 Sec. 38. [MEMBERS-MUST AUTHORITY TO LEVY TAXES FOR
4 AUTHORITY.]

5 ~~{a}-A member shall, at the request of the authority, levy a~~
6 ~~tax in any year for the benefit of the authority.~~ The authority
7 is a special taxing district as defined in Minnesota Statutes,
8 section 275.066, clause (13), with the power to adopt and
9 certify a property tax levy to the county auditor. The
10 authority may levy a tax in any year for the benefit of the
11 authority. The tax is, for each member, is a pro rata portion
12 of the total amount of tax requested by the authority based on
13 the taxable market value within a the member's jurisdiction, but
14 in no event may the tax in any year exceed 0.01813 percent of
15 taxable market value. For purposes of this section, "taxable
16 market value" has the meaning as given in Minnesota Statutes,
17 section 273.032.

18 ~~{b)-The treasurer of each member city or town shall, within~~
19 ~~15 days after receiving the property tax settlements from the~~
20 ~~county treasurer, pay to the treasurer of the authority the~~
21 ~~amount collected for this purpose. The money must be used by~~
22 ~~the authority for the purposes provided by sections 35 to 41.~~

23 [EFFECTIVE DATE.] This section is effective for taxes
24 levied in 2005, payable in 2006, and thereafter.

25 Sec. 71. Laws 2003, First Special Session chapter 21,
26 article 4, section 12, subdivision 11, is amended to read:

27 Subd. 11. [EFFECTIVE DATE; LOCAL APPROVAL.] This section
28 is effective the day after the governing body of St. Louis
29 county and its chief clerical officer timely complete their
30 compliance with Minnesota Statutes, section 645.021,
31 subdivisions 2 and 3, provided that the certificate of approval
32 is filed with the secretary of state before January 1, 2006.

33 ~~If effective before September 1, 2003, the first levy is~~
34 ~~the payable 2004 levy; if effective between September 1, 2003,~~
35 ~~and September 1, 2004, the first levy is the payable 2005 levy;~~
36 If effective after August 31, 2004, before September 1, 2005,

1 the first levy is the payable 2006 levy; and if effective after
2 August 31, 2005, the first levy is the payable 2007 levy.

3 Sec. 72. [PROPERTY USED FOR EDUCATIONAL INSTRUCTION.]

4 Notwithstanding Minnesota Statutes, section 272.02,
5 subdivision 38, paragraph (b), the following property is exempt
6 from taxation for assessment year 2004, for taxes payable in
7 2005, if it meets all the following criteria:

8 (1) is used to provide direct educational instruction for
9 grades 7 through 10;

10 (2) is located in a city of the first class that has a
11 population greater than 250,000 and less than 350,000;

12 (3) was purchased after July 1, 2004, by a nonprofit that
13 is exempt from federal income tax under section 501(c)(3) of the
14 Internal Revenue Code; and

15 (4) is leased and operated by two nonprofit corporations
16 organized under Minnesota Statutes, chapter 317A.

17 [EFFECTIVE DATE.] This section is effective the day
18 following final enactment.

19 Sec. 73. [EDUCATION RESERVE ACCOUNT; APPROPRIATION.]

20 (a) There is created in the state treasury an education
21 reserve account as a special revenue fund for deposit of
22 appropriations and other receipts as provided by law.

23 (b) \$24,961,000 is appropriated from the general fund to
24 the education reserve account in fiscal year 2006. Beginning
25 with taxes payable in 2008, the commissioner of finance shall
26 deposit in the education reserve account the increased amount of
27 the state general levy for that year over the state general levy
28 base amount for taxes payable in 2002, under Minnesota Statutes,
29 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 E-12

1 education or higher education funding.

2 Sec. 74. [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. 75. [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. 76. [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. 77. [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. 78. [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 9

34 LOCAL DEVELOPMENT - SF1683

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 insurance;

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 116L.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 (d) "Preexisting district" means a tax increment financing
16 district for which the request for certification was made before
17 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 ~~15-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 18-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 BEMIDJI; DURATION EXTENSION FOR TAX
35 ABATEMENT.]

36 Notwithstanding the limitation in Minnesota Statutes,

1 section 469.1813, subdivision 6, the city of Bemidji may extend
2 the duration of the tax abatement given to support development
3 within the fairgrounds district of the city for an additional
4 four years beyond the duration permitted under that section.

5 Sec. 28. [CITY OF BROOKLYN CENTER; EXTENSION OF TIME TO
6 EXPEND TAX INCREMENT.]

7 For tax increment financing district number 3, established
8 on December 19, 1994, by Brooklyn Center Resolution No. 94-273,
9 Minnesota Statutes, section 469.1763, subdivision 3, applies to
10 the district by permitting a period of 13 years for commencement
11 of activities within the district.

12 [EFFECTIVE DATE.] This section is effective upon approval
13 by the governing body of the city of Brooklyn Center and
14 compliance with Minnesota Statutes, section 645.021, subdivision
15 3.

16 Sec. 29. [CITY OF BROOKLYN PARK TAX INCREMENT FINANCING
17 DISTRICT EXTENSION.]

18 Notwithstanding Minnesota Statutes, section 469.176,
19 subdivision 1b, or any other law to the contrary, the duration
20 limit that applies to the economic development tax increment
21 financing district established under Laws 1994, chapter 587,
22 article 9, section 20, is extended to December 31, 2020.

23 Sec. 30. [CITY OF DETROIT LAKES; REDEVELOPMENT TAX
24 INCREMENT FINANCING DISTRICT.]

25 Subdivision 1. [AUTHORIZATION.] At the election of the
26 governing body of the city of Detroit Lakes, upon adoption of
27 the tax increment financing plan for the district described in
28 this section, the rules provided under this section apply to
29 each such district.

30 Subd. 2. [DEFINITION.] In this section, "district" means a
31 redevelopment district established by the city of Detroit Lakes
32 or the Detroit Lakes Development Authority within the following
33 area:

34 Beginning at the intersection of Washington Avenue and the
35 Burlington Northern Santa Fe Railroad then east to the
36 intersection of Roosevelt Avenue then south to the intersection

1 of Highway 10/Fraze Street then west to the intersection of
2 Fraze Street and the alley that parallels Washington Avenue
3 then north to the point of beginning.

4 More than one district may be created under this act.

5 Subd. 3. [QUALIFICATION AS REDEVELOPMENT DISTRICT; SPECIAL
6 RULES.] The district shall be a redevelopment district under
7 Minnesota Statutes, section 469.174, subdivision 10. All
8 buildings that are removed to facilitate the Highway 10
9 Realignment Project are deemed to be "structurally
10 substandard." The three-year limit after demolition of the
11 buildings to request tax increment financing certification
12 provided in Minnesota Statutes, section 469.174, subdivision 10,
13 paragraph (d), clause (1), does not apply.

14 Subd. 4. [EXPIRATION.] The authority to approve tax
15 increment financing plans to establish a tax increment financing
16 redevelopment district subject to this section expires on
17 December 31, 2014.

18 Subd. 5. [EFFECTIVE DATE.] This section is effective upon
19 approval of the governing body of the city of Detroit Lakes and
20 compliance with Minnesota Statutes, section 645.021, subdivision
21 3.

22 Sec. 31. [CITIES OF ELGIN, EYOTA, BYRON, AND ORONOCO; TAX
23 INCREMENT FINANCING DISTRICTS.]

24 Subdivision 1. [AUTHORIZATION.] Notwithstanding the
25 mileage limitation in Minnesota Statutes, section 469.174,
26 subdivision 27, the cities of Elgin, Eyota, Byron, and Oronoco
27 are deemed to be small cities for purposes of Minnesota
28 Statutes, sections 469.174 to 469.1799, as long as they do not
29 exceed the population limit in that section.

30 Subd. 2. [LOCAL APPROVAL.] This section is effective for
31 each of the cities of Elgin, Eyota, Byron, and Oronoco upon
32 approval of that city's governing body and compliance with
33 Minnesota Statutes, section 645.021, subdivisions 2 and 3.

34 Sec. 32. [CITY OF FAIRMONT; TAX INCREMENT FINANCING
35 DISTRICT.]

36 Subdivision 1. [AUTHORITY TO REDUCE ORIGINAL VALUE.] The

1 city of Fairmont may elect to reduce the original tax capacity
2 of a previously tax-exempt parcel, consisting of property
3 formerly owned by the United States Post Office, in tax
4 increment financing district No. 20, to the value of the land.

5 Subd. 2. [EFFECTIVE DATE.] This section is effective upon
6 compliance by the city of Fairmont with the requirements of
7 Minnesota Statutes, section 645.021.

8 Sec. 33. [CITY OF FERGUS FALLS; ECONOMIC DEVELOPMENT
9 PROPERTY.]

10 The provisions of Minnesota Statutes, section 272.02,
11 subdivision 39, apply to property located in the city of Fergus
12 Falls as if the city had a population of 5,000 or less.

13 [EFFECTIVE DATE.] This section is effective for taxes
14 levied in 2005, payable in 2006, and thereafter.

15 Sec. 34. [CITY OF RAMSEY; HOUSING TAX INCREMENT DISTRICT.]

16 Subdivision 1. [AUTHORIZATION.] The governing body of the
17 city of Ramsey may create a housing tax increment financing
18 district as provided in this section. The city or its economic
19 development authority may be the "authority" for the purposes of
20 Minnesota Statutes, sections 469.174 to 469.179.

21 Subd. 2. [DEFINITIONS.] (a) For the purposes of this
22 section, the terms defined in this subdivision have the meanings
23 given them.

24 (b) "Development parcel" means the property in the city of
25 Ramsey generally described as the easterly 4.1 acres of Outlot
26 AA, Ramsey Town Center Addition.

27 (c) "Low and moderate income persons" means:

28 (1) persons or families of low and moderate income, as
29 defined in Minnesota Statutes, chapter 462A, Title II of the
30 National Housing Act of 1934, the National Housing Act of 1959,
31 the United States Housing Act of 1937, as amended, Title V of
32 the Housing Act of 1949, as amended, any other similar present
33 or future federal, state, or municipal legislation, or the
34 regulations promulgated under any of those acts;

35 (2) disabled persons; and

36 (3) persons over the age of 55 years.

1 Subd. 3. [SPECIAL RULES.] (a) The district established
2 under this section is subject to the provisions of Minnesota
3 Statutes, sections 469.174 to 469.179, except as provided in
4 this subdivision.

5 (b) The district may consist of all or a portion of the
6 development parcel.

7 (c) The housing district shall be as described in Minnesota
8 Statutes, section 469.174, subdivision 11, provided that the
9 definition in subdivision 2, paragraph (c), applies to all
10 references to "low and moderate income persons" in that
11 provision. All improvements constructed within the district
12 will be considered to be made for the benefit of low and
13 moderate income persons.

14 (d) Minnesota Statutes, section 469.176, subdivision 7,
15 does not apply to the housing district authorized in this
16 section.

17 (e) The income limitations in Minnesota Statutes, section
18 469.1761, shall not apply to persons meeting the requirements of
19 clauses (2) and (3) of subdivision 2, paragraph (c).

20 [EFFECTIVE DATE.] This section is effective the day
21 following final enactment, upon compliance with Minnesota
22 Statutes, section 645.021.

23 Sec. 35. [CITY OF RICHFIELD; TAX INCREMENT FINANCING
24 DISTRICT.]

25 Subdivision 1. [AUTHORIZATION.] The city of Richfield may
26 create a tax increment financing district consisting of an area
27 lying west of Trunk Highway 77 extending: to 16th Avenue
28 between Crosstown Highway 62 and 66th Street; to 17th Avenue
29 between 66th and 69th Streets; and to 18th Avenue between 69th
30 and 72nd Streets. The city or its housing and redevelopment
31 authority may be the authority for the purposes of Minnesota
32 Statutes, sections 469.174 to 469.179.

33 Subd. 2. [DISTRICT IS REDEVELOPMENT DISTRICT.] The
34 redevelopment tax increment district created pursuant to
35 subdivision 1, within which housing is not a compatible use due
36 to the presence of extraordinary low frequency noise and

1 vibration impacts, is deemed to be a redevelopment district and
2 is subject to Minnesota Statutes, sections 469.174 to 469.179,
3 except that:

4 (1) expenditures for activities as defined in Minnesota
5 Statutes, section 469.1763, subdivision 1, paragraph (b),
6 anywhere in the district are deemed to be the costs of
7 correcting conditions that allow the designation of
8 redevelopment districts pursuant to Minnesota Statutes, section
9 469.174, subdivision 10; and

10 (2) the five-year rule under Minnesota Statutes, section
11 469.1763, subdivision 3, does not apply.

12 [EFFECTIVE DATE.] This section is effective upon local
13 approval by the city of Richfield in compliance with Minnesota
14 Statutes, section 645.021.

15 Sec. 36. [CITY OF ST. MICHAEL; TAX INCREMENT FINANCING
16 DISTRICT.]

17 Subdivision 1. [ESTABLISHMENT OF DISTRICT.] The city of St.
18 Michael may establish a redevelopment tax increment financing
19 district subject to Minnesota Statutes, sections 469.174 to
20 469.179, except as provided in this section. The district must
21 be established within an area that includes the downtown and
22 town center areas as designated by the city as well as all
23 parcels adjacent to marked Trunk Highway 241 within the city.

24 Subd. 2. [SPECIAL RULES.] (a) Notwithstanding the
25 requirements of Minnesota Statutes, section 469.174, subdivision
26 10, the district may be established and operated as a
27 redevelopment district.

28 (b) Notwithstanding the restrictions of Minnesota Statutes,
29 sections 469.176, subdivisions 4 and 4j, and 469.1763,
30 subdivision 2, revenues derived from tax increments from the
31 district created under this section may be used to meet the cost
32 of land acquisition, removal of buildings in the right-of-way
33 acquisition area, and other costs incurred by the city of St.
34 Michael in the expansion and improvement of marked Trunk Highway
35 241 within the city.

36 (c) Minnesota Statutes, section 469.176, subdivision 5,

1 does not apply to the district.

2 [EFFECTIVE DATE.] This section is effective the day after
3 the governing body of the city of St. Michael complies with
4 Minnesota Statutes, section 645.021, subdivision 3.

5 Sec. 37. [ST. PAUL; HOUSING AND REDEVELOPMENT AUTHORITY.]

6 Subdivision 1. [HOUSING AND REDEVELOPMENT
7 SUBDISTRICTS.] For its tax increment financing districts
8 identified in subdivision 2, the Housing and Redevelopment
9 Authority of the city of St. Paul may establish subdistricts up
10 to the number set forth for each tax increment financing
11 district in subdivision 2. The subdistricts shall be treated as
12 set forth in subdivision 3, notwithstanding the provisions of
13 any other law to the contrary.

14 Subd. 2. [DIVISION INTO SUBDISTRICTS; AUTHORITY.] The tax
15 increment financing districts with the following Ramsey County
16 identification numbers may be divided into a number of
17 subdistricts not to exceed the number set forth as follows: No.
18 224/233, six subdistricts; No. 225, six subdistricts; No. 228,
19 three subdistricts; and No. 234, two subdistricts.

20 Subd. 3. [DESIGNATION OF PARCELS.] All parcels in a tax
21 increment financing district listed in subdivision 2 must be
22 assigned to a subdistrict. Each subdistrict established
23 pursuant to this section shall consist of those parcels in the
24 tax increment financing district which are designated by the
25 commissioners of the Housing and Redevelopment Authority of the
26 city of St. Paul by resolution, which parcels need not be
27 contiguous. For purposes of determining tax increments and the
28 parcels treated as paying tax increments, each subdistrict shall
29 be treated as a separate tax increment district.

30 [EFFECTIVE DATE.] This section is effective the day after
31 the governing body of St. Paul and its chief clerical officer
32 comply with Minnesota Statutes, section 645.021, subdivisions 2
33 and 3.

34 Sec. 38. [WABASHA TAX INCREMENT FINANCING DISTRICT.]

35 Subdivision 1. [DISTRICT EXTENSION.] The governing body of
36 the city of Wabasha may elect to extend the duration of its

1 redevelopment tax increment financing district number 3 by up to
2 five additional years.

3 Subd. 2. [FIVE-YEAR RULE.] The requirements of Minnesota
4 Statutes, section 469.1763, subdivision 3, that activities must
5 be undertaken within a five-year period from the date of
6 certification of a tax increment financing district must be
7 considered to be met for the city of Wabasha redevelopment tax
8 increment district number 3, if the activities are undertaken
9 within ten years from the date of certification of the district.

10 Subd. 3. [NATIONAL EAGLE CENTER.] Notwithstanding the
11 provisions of Minnesota Statutes, section 469.176, subdivision
12 41, or any other law, the city of Wabasha may spend the proceeds
13 of tax increment bonds issued prior to January 1, 2000, to pay
14 the costs of acquiring and constructing a National Eagle Center
15 in the city. The city of Wabasha may also use tax increment
16 from its tax increment districts to pay the debt service on such
17 bonds, or any bonds issued to refund such bonds, subject to
18 legal restrictions on the pooling of tax increment.

19 [EFFECTIVE DATE.] Subdivision 1 is effective upon
20 compliance with the provisions of Minnesota Statutes, sections
21 469.1782, subdivision 2, and 645.021. Subdivisions 2 and 3 are
22 effective upon compliance by the governing body of the city of
23 Wabasha with the provisions of Minnesota Statutes, section
24 645.021.

25 Sec. 39. [WINONA; EXTENSION OF DURATION OF TAX INCREMENT
26 DISTRICT.]

27 Subdivision 1. [DURATION.] Notwithstanding the provisions
28 of Minnesota Statutes, section 469.176, subdivision 1b, the
29 duration of riverfront tax increment financing district number
30 2, approved by the port authority of Winona on July 15, 1980, is
31 extended to December 31, 2020. Any tax increment received after
32 December 31, 2005, must be used solely to pay capital and
33 administrative costs of transportation improvements related to
34 the Pelzer Street project.

35 Subd. 2. [EXCEPTION.] The provisions of Minnesota
36 Statutes, section 469.1782, subdivision 2, do not apply to this

1 section.

2 [EFFECTIVE DATE.] This section is effective upon approval
3 by the governing body of the port authority of Winona and
4 compliance with Minnesota Statutes, section 645.021.

5 Sec. 40. [JOBZ EXPENDITURE LIMITATIONS; AUDITS.]

6 Subdivision 1. [DETERMINATION OF TAX EXPENDITURES.] By
7 September 1, 2005, the commissioner of revenue, with the
8 assistance of the commissioner of employment and economic
9 development, must estimate the total amount of tax expenditures
10 projected to have been obligated for all job opportunity
11 building zone projects that have been approved before June 1,
12 2005. If the commissioner of revenue determines that the
13 estimated amount of tax expenditures for fiscal years 2005-2007
14 exceeds \$13,780,000, the commissioner of revenue must inform the
15 chairs of the house of representatives and senate tax committees.

16 Subd. 2. [AUDITS.] The Tax Increment Financing, Investment
17 and Finance Division of the Office of the State Auditor must
18 annually audit the creation and operation of all job opportunity
19 building zones and business subsidy agreements entered into
20 under Minnesota Statutes, sections 469.310 to 469.320.

21 Sec. 41. [REPEALER.]

22 Laws 1994, chapter 587, article 9, section 20, subdivision
23 4, is repealed.

24 ARTICLE 10

25 PUBLIC FINANCE - SF1683

26 Section 1. Minnesota Statutes 2004, section 118A.05,
27 subdivision 5, is amended to read:

28 Subd. 5. [GUARANTEED INVESTMENT CONTRACTS.] Agreements or
29 contracts for guaranteed investment contracts may be entered
30 into if they are issued or guaranteed by United States
31 commercial banks, domestic branches of foreign banks, United
32 States insurance companies, or their Canadian subsidiaries, or
33 the domestic affiliates of any of the foregoing. The credit
34 quality of the issuer's or guarantor's short- and long-term
35 unsecured debt must be rated in one of the two highest
36 categories by a nationally recognized rating agency. Should the

1 issuer's or guarantor's credit quality be downgraded below "A",
2 the government entity must have withdrawal rights.

3 Sec. 2. Minnesota Statutes 2004, section 275.70,
4 subdivision 5, is amended to read:

5 Subd. 5. [SPECIAL LEVIES.] "Special levies" means those
6 portions of ad valorem taxes levied by a local governmental unit
7 for the following purposes or in the following manner:

8 (1) to pay the costs of the principal and interest on
9 bonded indebtedness or to reimburse for the amount of liquor
10 store revenues used to pay the principal and interest due on
11 municipal liquor store bonds in the year preceding the year for
12 which the levy limit is calculated;

13 (2) to pay the costs of principal and interest on
14 certificates of indebtedness issued for any corporate purpose
15 except for the following:

16 (i) tax anticipation or aid anticipation certificates of
17 indebtedness;

18 (ii) certificates of indebtedness issued under sections
19 298.28 and 298.282;

20 (iii) certificates of indebtedness used to fund current
21 expenses or to pay the costs of extraordinary expenditures that
22 result from a public emergency; or

23 (iv) certificates of indebtedness used to fund an
24 insufficiency in tax receipts or an insufficiency in other
25 revenue sources;

26 (3) to provide for the bonded indebtedness portion of
27 payments made to another political subdivision of the state of
28 Minnesota;

29 (4) to fund payments made to the Minnesota State Armory
30 Building Commission under section 193.145, subdivision 2, to
31 retire the principal and interest on armory construction bonds;

32 (5) property taxes approved by voters which are levied
33 against the referendum market value as provided under section
34 275.61;

35 (6) to fund matching requirements needed to qualify for
36 federal or state grants or programs to the extent that either

1 (i) the matching requirement exceeds the matching requirement in
 2 calendar year 2001, or (ii) it is a new matching requirement
 3 that did not exist prior to 2002;

4 (7) to pay the expenses reasonably and necessarily incurred
 5 in preparing for or repairing the effects of natural disaster
 6 including the occurrence or threat of widespread or severe
 7 damage, injury, or loss of life or property resulting from
 8 natural causes, in accordance with standards formulated by the
 9 Emergency Services Division of the state Department of Public
 10 Safety, as allowed by the commissioner of revenue under section
 11 275.74, subdivision 2;

12 (8) pay amounts required to correct an error in the levy
 13 certified to the county auditor by a city or county in a levy
 14 year, but only to the extent that when added to the preceding
 15 year's levy it is not in excess of an applicable statutory,
 16 special law or charter limitation, or the limitation imposed on
 17 the governmental subdivision by sections 275.70 to 275.74 in the
 18 preceding levy year;

19 (9) to pay an abatement under section 469.1815;

20 (10) to pay any costs attributable to increases in the
 21 employer contribution rates under chapter 353 that are effective
 22 after June 30, 2001;

23 (11) to pay the operating or maintenance costs of a county
 24 jail as authorized in section 641.01 or 641.262, or of a
 25 correctional facility as defined in section 241.021, subdivision
 26 1, paragraph (f), to the extent that the county can demonstrate
 27 to the commissioner of revenue that the amount has been included
 28 in the county budget as a direct result of a rule, minimum
 29 requirement, minimum standard, or directive of the Department of
 30 Corrections, or to pay the operating or maintenance costs of a
 31 regional jail as authorized in section 641.262. For purposes of
 32 this clause, a district court order is not a rule, minimum
 33 requirement, minimum standard, or directive of the Department of
 34 Corrections. If the county utilizes this special levy, except
 35 to pay operating or maintenance costs of a new regional jail
 36 facility under sections 641.262 to 641.264 which will not

1 replace an existing jail facility, any amount levied by the
2 county in the previous levy year for the purposes specified
3 under this clause and included in the county's previous year's
4 levy limitation computed under section 275.71, shall be deducted
5 from the levy limit base under section 275.71, subdivision 2,
6 when determining the county's current year levy limitation. The
7 county shall provide the necessary information to the
8 commissioner of revenue for making this determination;

9 (12) to pay for operation of a lake improvement district,
10 as authorized under section 103B.555. If the county utilizes
11 this special levy, any amount levied by the county in the
12 previous levy year for the purposes specified under this clause
13 and included in the county's previous year's levy limitation
14 computed under section 275.71 shall be deducted from the levy
15 limit base under section 275.71, subdivision 2, when determining
16 the county's current year levy limitation. The county shall
17 provide the necessary information to the commissioner of revenue
18 for making this determination;

19 (13) to repay a state or federal loan used to fund the
20 direct or indirect required spending by the local government due
21 to a state or federal transportation project or other state or
22 federal capital project. This authority may only be used if the
23 project is not a local government initiative;

24 (14) to pay for court administration costs as required
25 under section 273.1398, subdivision 4b, less the (i) county's
26 share of transferred fines and fees collected by the district
27 courts in the county for calendar year 2001 and (ii) the aid
28 amount certified to be paid to the county in 2004 under section
29 273.1398, subdivision 4c; however, for taxes levied to pay for
30 these costs in the year in which the court financing is
31 transferred to the state, the amount under this clause is
32 limited to the amount of aid the county is certified to receive
33 under section 273.1398, subdivision 4a; and

34 (15) to fund a police or firefighters relief association as
35 required under section 69.77 to the extent that the required
36 amount exceeds the amount levied for this purpose in 2001; and

1 (16) for purposes of a storm sewer improvement district,
2 pursuant to section 444.20.

3 Sec. 3. Minnesota Statutes 2004, section 373.01,
4 subdivision 3, is amended to read:

5 Subd. 3. [CAPITAL NOTES.] (a) A county board may, by
6 resolution and without referendum, issue capital notes subject
7 to the county debt limit to purchase capital equipment useful
8 for county purposes that has an expected useful life at least
9 equal to the term of the notes. The notes shall be payable in
10 not more than ~~five~~ ten years and shall be issued on terms and in
11 a manner the board determines. A tax levy shall be made for
12 payment of the principal and interest on the notes, in
13 accordance with section 475.61, as in the case of bonds.

14 (b) For purposes of this subdivision, "capital equipment"
15 means:

16 (1) public safety, ambulance, road construction or
17 maintenance, and medical equipment~~;~~ and

18 (2) computer hardware and ~~original-operating-system~~
19 software, whether bundled with machinery or equipment or
20 unbundled, together with application development services and
21 training related to the use of the computer or software. The
22 authority to issue capital notes for ~~original-operating-systems~~
23 computer software and related services expires on July 1, 2005
24 2007.

25 Sec. 4. Minnesota Statutes 2004, section 373.40,
26 subdivision 1, is amended to read:

27 Subdivision 1. [DEFINITIONS.] For purposes of this
28 section, the following terms have the meanings given.

29 (a) "Bonds" means an obligation as defined under section
30 475.51.

31 (b) "Capital improvement" means acquisition or betterment
32 of public lands, ~~development-rights-in-the-form-of-conservation~~
33 ~~easements-under-chapter-84C,~~ buildings, or other improvements
34 within the county for the purpose of a county courthouse,
35 administrative building, health or social service facility,
36 correctional facility, jail, law enforcement center, hospital,

1 morgue, library, park, qualified indoor ice arena, and roads and
 2 bridges, and the acquisition of development rights in the form
 3 of conservation easements under chapter 84C. An improvement
 4 must have an expected useful life of five years or more to
 5 qualify. "Capital improvement" does not include light rail
 6 transit or any activity related to it or a recreation or sports
 7 facility building (such as, but not limited to, a gymnasium, ice
 8 arena, racquet sports facility, swimming pool, exercise room or
 9 health spa), unless the building is part of an outdoor park
 10 facility and is incidental to the primary purpose of outdoor
 11 recreation.

12 (c) "Commissioner" means the commissioner of employment and
 13 economic development.

14 (d) "Metropolitan county" means a county located in the
 15 seven-county metropolitan area as defined in section 473.121 or
 16 a county with a population of 90,000 or more.

17 (e) "Population" means the population established by the
 18 most recent of the following (determined as of the date the
 19 resolution authorizing the bonds was adopted):

- 20 (1) the federal decennial census,
- 21 (2) a special census conducted under contract by the United
 22 States Bureau of the Census, or
- 23 (3) a population estimate made either by the Metropolitan
 24 Council or by the state demographer under section 4A.02.

25 (f) "Qualified indoor ice arena" means a facility that
 26 meets the requirements of section 373.43.

27 (g) "Tax capacity" means total taxable market value, but
 28 does not include captured market value.

29 Sec. 5. Minnesota Statutes 2004, section 400.04, is
 30 amended by adding a subdivision to read:

31 Subd. 4a. [PERFORMANCE BOND WAIVER OR
 32 ALTERNATIVE.] Notwithstanding the requirements of section 574.26
 33 or any other public works bond requirements for a solid waste
 34 facilities project established under an agreement authorized
 35 under chapter 115A or chapter 400, the county may waive the
 36 requirement for performance bonds or accept another form of

1 financial guarantee in any amount acceptable to the county, if
2 the project is partially or fully funded by a county, and the
3 county is not liable for financial acceptance until performance
4 guarantees or other standards established under the agreement
5 have been satisfied.

6 Sec. 6. Minnesota Statutes 2004, section 410.32, is
7 amended to read:

8 410.32 [CITIES MAY ISSUE CAPITAL NOTES FOR CAPITAL
9 EQUIPMENT.]

10 (a) Notwithstanding any contrary provision of other law or
11 charter, a home rule charter city may, by resolution and without
12 public referendum, issue capital notes subject to the city debt
13 limit to purchase capital equipment.

14 (b) For purposes of this section, "capital equipment" means:

15 (1) public safety equipment, ambulance and other medical
16 equipment, road construction and maintenance equipment, and
17 other capital equipment; and

18 (2) computer hardware and original-operating-system
19 software, provided whether bundled with machinery or equipment
20 or unbundled, together with application development services and
21 training related to the use of the computer or software.

22 (c) The equipment or software has must have an expected
23 useful life at least as long as the term of the notes. The
24 authority to issue capital notes for original-operating-system
25 computer software and related services expires on July 1, 2005
26 2007.

27 (d) The notes shall be payable in not more than five ten
28 years and be issued on terms and in the manner the city
29 determines. The total principal amount of the capital notes
30 issued in a fiscal year shall not exceed 0.03 percent of the
31 market value of taxable property in the city for that year.

32 (e) A tax levy shall be made for the payment of the
33 principal and interest on the notes, in accordance with section
34 475.61, as in the case of bonds.

35 (f) Notes issued under this section shall require an
36 affirmative vote of two-thirds of the governing body of the city.

1 (g) Notwithstanding a contrary provision of other law or
2 charter, a home rule charter city may also issue capital notes
3 subject to its debt limit in the manner and subject to the
4 limitations applicable to statutory cities pursuant to section
5 412.301.

6 Sec. 7. Minnesota Statutes 2004, section 412.301, is
7 amended to read:

8 412.301 [FINANCING PURCHASE OF CERTAIN EQUIPMENT.]

9 (a) The council may issue certificates of indebtedness or
10 capital notes subject to the city debt limits to
11 purchase capital equipment.

12 (b) For purposes of this section, "capital equipment" means:

13 (1) public safety equipment, ambulance and other medical
14 equipment, road construction or and maintenance equipment, and
15 other capital equipment; and

16 (2) computer hardware and ~~original-operating-system~~
17 software, provided whether bundled with machinery or equipment
18 or unbundled, together with application development services and
19 training related to the use of the computer or software.

20 (c) The equipment or software has must have an expected
21 useful life at least as long as the terms of the certificates or
22 notes. The authority to issue capital notes for original
23 operating system software expires on July 1, ~~2005~~ 2007.

24 (d) Such certificates or notes shall be payable in not more
25 than ~~five~~ ten years and shall be issued on such terms and in
26 such manner as the council may determine.

27 (e) If the amount of the certificates or notes to be issued
28 to finance any such purchase exceeds 0.25 percent of the market
29 value of taxable property in the city, they shall not be issued
30 for at least ten days after publication in the official
31 newspaper of a council resolution determining to issue them; and
32 if before the end of that time, a petition asking for an
33 election on the proposition signed by voters equal to ten
34 percent of the number of voters at the last regular municipal
35 election is filed with the clerk, such certificates or notes
36 shall not be issued until the proposition of their issuance has

1 been approved by a majority of the votes cast on the question at
2 a regular or special election.

3 (f) A tax levy shall be made for the payment of the
4 principal and interest on such certificates or notes, in
5 accordance with section 475.61, as in the case of bonds.

6 Sec. 8. Minnesota Statutes 2004, section 428A.101, is
7 amended to read:

8 428A.101 [~~DEADLINE FOR SPECIAL SERVICE DISTRICT~~ DISTRICTS
9 UNDER GENERAL LAW.]

10 The establishment of a new special service district after
11 June 30, ~~2005~~ 2009, requires enactment of a special law
12 authorizing the establishment of the area.

13 Sec. 9. Minnesota Statutes 2004, section 428A.21, is
14 amended to read:

15 428A.21 [~~SUNSET~~ DEADLINE FOR HOUSING IMPROVEMENT DISTRICTS
16 UNDER GENERAL LAW.]

17 ~~No~~ The establishment of a new housing improvement areas may
18 ~~be established under sections 428A.11 to 428A.20~~ area after June
19 30, ~~2005.~~ ~~After June 30, 2005,~~ ~~a city may establish a housing~~
20 ~~improvement area, provided that it receives enabling legislation~~
21 2009, requires enactment of a special law authorizing the
22 establishment of the area.

23 Sec. 10. Minnesota Statutes 2004, section 429.031, is
24 amended by adding a subdivision to read:

25 Subd. 4. [IMPROVEMENTS; ORDERLY ANNEXATION.] An
26 improvement may be made by a municipality in an area that is the
27 subject of an orderly annexation agreement under section
28 414.0325 to which the municipality is a party. The municipality
29 may subsequently reimburse itself for all or any part of the
30 cost of such an improvement by levying assessments on the
31 property subject to the orderly annexation agreement, when
32 annexed, in the manner provided in section 429.051, but only if
33 the orderly annexation agreement includes a statement that the
34 municipality intends to do so and notice has been provided to
35 the property owner as provided in subdivision 1.

36 Sec. 11. Minnesota Statutes 2004, section 429.051, is

1 amended to read:

2 429.051 [APPORTIONMENT OF COST.]

3 The cost of any improvement, or any part thereof, may be
4 assessed upon property benefited by the improvement, based upon
5 the benefits received, whether or not the property abuts on the
6 improvement and whether or not any part of the cost of the
7 improvement is paid from the county state-aid highway fund, the
8 municipal state-aid street fund, or the trunk highway fund. The
9 area assessed may be less than but may not exceed the area
10 proposed to be assessed as stated in the notice of hearing on
11 the improvement, except as provided below. The municipality may
12 pay such portion of the cost of the improvement as the council
13 may determine from general ad valorem tax levies or from other
14 revenues or funds of the municipality available for the
15 purpose. The municipality may subsequently reimburse itself for
16 all or any of the portion of the cost of ~~a-water, storm-sewer,~~
17 ~~or-sanitary-sewer~~ an improvement so paid by levying additional
18 assessments upon any properties abutting on but not previously
19 assessed for the improvement, on notice and hearing as provided
20 for the assessments initially made. To the extent that such an
21 improvement benefits nonabutting properties which may be served
22 by the improvement when one or more later extensions or
23 improvements are made but which are not initially assessed
24 therefor, the municipality may also reimburse itself by adding
25 all or any of the portion of the cost so paid to the assessments
26 levied for any of such later extensions or improvements,
27 provided that notice that such additional amount will be
28 assessed is included in the notice of hearing on the making of
29 such extensions or improvements. The additional assessments
30 herein authorized may be made whether or not the properties
31 assessed were included in the area described in the notice of
32 hearing on the making of the original improvement.

33 In any city of the fourth class electing to proceed under a
34 home rule charter as provided in this chapter, which charter
35 provides for a board of water commissioners and authorizes such
36 board to assess a water frontage tax to defray the cost of

1 construction of water mains, such board may assess the tax based
 2 upon the benefits received and without regard to any charter
 3 limitation on the amount that may be assessed for each lineal
 4 foot of property abutting on the water main. The water frontage
 5 tax shall be imposed according to the procedure and, except as
 6 herein provided, subject to the limitations of the charter of
 7 the city.

8 Sec. 12. Minnesota Statutes 2004, section 469.034,
 9 subdivision 2, is amended to read:

10 Subd. 2. [GENERAL OBLIGATION REVENUE BONDS.] (a) An
 11 authority may pledge the general obligation of the general
 12 jurisdiction governmental unit as additional security for bonds
 13 payable from income or revenues of the project or the
 14 authority. The authority must find that the pledged revenues
 15 will equal or exceed 110 percent of the principal and interest
 16 due on the bonds for each year. The proceeds of the bonds must
 17 be used for a qualified housing development project or
 18 projects. The obligations must be issued and sold in the manner
 19 and following the procedures provided by chapter 475, except the
 20 obligations are not subject to approval by the electors, and the
 21 maturities may extend to not more than ~~30~~ 35 years ~~from the~~
 22 estimated-date-of-completion-of-the-project for obligations sold
 23 to finance housing for the elderly and 40 years for other
 24 obligations issued under this subdivision. The authority is the
 25 municipality for purposes of chapter 475.

26 (b) The principal amount of the issue must be approved by
 27 the governing body of the general jurisdiction governmental unit
 28 whose general obligation is pledged. Public hearings must be
 29 held on issuance of the obligations by both the authority and
 30 the general jurisdiction governmental unit. The hearings must
 31 be held at least 15 days, but not more than 120 days, before the
 32 sale of the obligations.

33 (c) The maximum amount of general obligation bonds that may
 34 be issued and outstanding under this section equals the greater
 35 of (1) one-half of one percent of the taxable market value of
 36 the general jurisdiction governmental unit whose general

1 obligation ~~which includes a tax on property~~ is pledged, or (2)
2 \$3,000,000. In the case of county or multicounty general
3 obligation bonds, the outstanding general obligation bonds of
4 all cities in the county or counties issued under this
5 subdivision must be added in calculating the limit under clause
6 (1).

7 (d) "General jurisdiction governmental unit" means the city
8 in which the housing development project is located. In the
9 case of a county or multicounty authority, the county or
10 counties may act as the general jurisdiction governmental unit.
11 In the case of a multicounty authority, the pledge of the
12 general obligation is a pledge of a tax on the taxable property
13 in each of the counties.

14 (e) "Qualified housing development project" means a housing
15 development project providing housing either for the elderly or
16 for individuals and families with incomes not greater than 80
17 percent of the median family income as estimated by the United
18 States Department of Housing and Urban Development for the
19 standard metropolitan statistical area or the nonmetropolitan
20 county in which the project is located, and will be owned by the
21 authority for the term of the bonds. A qualified housing
22 development project may admit nonelderly individuals and
23 families with higher incomes if:

24 (1) three years have passed since initial occupancy;

25 (2) the authority finds the project is experiencing
26 unanticipated vacancies resulting in insufficient revenues,
27 because of changes in population or other unforeseen
28 circumstances that occurred after the initial finding of
29 adequate revenues; and

30 (3) the authority finds a tax levy or payment from general
31 assets of the general jurisdiction governmental unit will be
32 necessary to pay debt service on the bonds if higher income
33 individuals or families are not admitted.

34 Sec. 13. Minnesota Statutes 2004, section 469.158, is
35 amended to read:

36 469.158 [MANNER OF ISSUANCE OF BONDS; INTEREST RATE.]

1 Bonds authorized under sections 469.152 to 469.165 must be
 2 issued in accordance with the provisions of chapter 475 relating
 3 to bonds payable from income of revenue producing conveniences,
 4 except that public sale is not required, the provisions of
 5 sections 475.62 and 475.63 do not apply, and the bonds may
 6 mature at the time or times, in the amount or amounts, within 30
 7 years, or in the case of bonds issued to finance dormitories or
 8 other types of student housing, 40 years from date of issue, and
 9 may be sold at a price equal to the percentage of the par value
 10 thereof, plus accrued interest, and bearing interest at the rate
 11 or rates agreed by the contracting party, the purchaser, and the
 12 municipality or redevelopment agency, notwithstanding any
 13 limitation of interest rate or cost or of the amounts of annual
 14 maturities contained in any other law. Bonds issued to refund
 15 bonds previously issued pursuant to sections 469.152 to 469.165
 16 may be issued in amounts determined by the municipality or
 17 redevelopment agency notwithstanding the provisions of section
 18 475.67, subdivision 3.

19 Sec. 14. Minnesota Statutes 2004, section 473.39, is
 20 amended by adding a subdivision to read:

21 Subd. 1k. [OBLIGATIONS.] After July 1, 2005, in addition
 22 to the authority in subdivisions 1a, 1b, 1c, 1d, 1e, 1g, 1h, 1i,
 23 and 1j, the council may issue certificates of indebtedness,
 24 bonds, or other obligations under this section in an amount not
 25 exceeding \$64,000,000 for capital expenditures as prescribed in
 26 the council's regional transit master plan and transit capital
 27 improvement program and for related costs, including the costs
 28 of issuance and sale of the obligations.

29 Sec. 15. Minnesota Statutes 2004, section 474A.061,
 30 subdivision 2c, is amended to read:

31 Subd. 2c. [PUBLIC FACILITIES POOL ALLOCATION.] From the
 32 beginning of the calendar year and continuing for a period of
 33 120 days, the commissioner shall reserve ~~\$3,000,000~~ \$5,000,000
 34 of the available bonding authority from the public facilities
 35 pool for applications for public facilities projects to be
 36 financed by the Western Lake Superior Sanitary District.

1 Commencing on the second Tuesday in January and continuing on
2 each Monday through the last Monday in July, the commissioner
3 shall allocate available bonding authority from the public
4 facilities pool to applications for eligible public facilities
5 projects received on or before the Monday of the preceding
6 week. If there are two or more applications for public
7 facilities projects from the pool and there is insufficient
8 available bonding authority to provide allocations for all
9 projects in any one week, the available bonding authority shall
10 be awarded by lot unless otherwise agreed to by the respective
11 issuers.

12 Sec. 16. Minnesota Statutes 2004, section 474A.131,
13 subdivision 1, is amended to read:

14 Subdivision 1. [NOTICE OF ISSUE.] Each issuer that issues
15 bonds with an allocation received under this chapter shall
16 provide a notice of issue to the department on forms provided by
17 the department stating:

- 18 (1) the date of issuance of the bonds;
19 (2) the title of the issue;
20 (3) the principal amount of the bonds;
21 (4) the type of qualified bonds under federal tax law;
22 (5) the dollar amount of the bonds issued that were subject
23 to the annual volume cap; and
24 (6) for entitlement issuers, whether the allocation is from
25 current year entitlement authority or is from carryforward
26 authority.

27 For obligations that are issued as a part of a series of
28 obligations, a notice must be provided for each series. A
29 penalty of one-half of the amount of the application deposit not
30 to exceed \$5,000 shall apply to any issue of obligations for
31 which a notice of issue is not provided to the department within
32 five business days after issuance or before ~~the last Monday~~ 4:30
33 p.m. on the last business day in December, whichever occurs
34 first. Within 30 days after receipt of a notice of issue the
35 department shall refund a portion of the application deposit
36 equal to one percent of the amount of the bonding authority

1 actually issued if a one percent application deposit was made,
2 or equal to two percent of the amount of the bonding authority
3 actually issued if a two percent application deposit was made,
4 less any penalty amount.

5 Sec. 17. Minnesota Statutes 2004, section 475.51,
6 subdivision 4, is amended to read:

7 Subd. 4. [NET DEBT.] "Net debt" means the amount remaining
8 after deducting from its gross debt the amount of current
9 revenues which are applicable within the current fiscal year to
10 the payment of any debt and the aggregate of the principal of
11 the following:

12 (1) Obligations issued for improvements which are payable
13 wholly or partly from the proceeds of special assessments levied
14 upon property specially benefited thereby, including those which
15 are general obligations of the municipality issuing them, if the
16 municipality is entitled to reimbursement in whole or in part
17 from the proceeds of the special assessments.

18 (2) Warrants or orders having no definite or fixed maturity.

19 (3) Obligations payable wholly from the income from revenue
20 producing conveniences.

21 (4) Obligations issued to create or maintain a permanent
22 improvement revolving fund.

23 (5) Obligations issued for the acquisition, and betterment
24 of public waterworks systems, and public lighting, heating or
25 power systems, and of any combination thereof or for any other
26 public convenience from which a revenue is or may be derived.

27 (6) Debt service loans and capital loans made to a school
28 district under the provisions of sections 126C.68 and 126C.69.

29 (7) Amount of all money and the face value of all
30 securities held as a debt service fund for the extinguishment of
31 obligations other than those deductible under this subdivision.

32 (8) Obligations to repay loans made under section 216C.37.

33 (9) Obligations to repay loans made from money received
34 from litigation or settlement of alleged violations of federal
35 petroleum pricing regulations.

36 (10) Obligations issued to pay pension fund liabilities

1 under section 475.52, subdivision 6, or any charter authority.

2 (11) Obligations issued to pay judgments against the
3 municipality under section 475.52, subdivision 6, or any charter
4 authority.

5 (12) All other obligations which under the provisions of
6 law authorizing their issuance are not to be included in
7 computing the net debt of the municipality.

8 Sec. 18. Minnesota Statutes 2004, section 475.52,
9 subdivision 1, is amended to read:

10 Subdivision 1. [STATUTORY CITIES.] Any statutory city may
11 issue bonds or other obligations for the acquisition or
12 betterment of public buildings, means of garbage disposal,
13 hospitals, nursing homes, homes for the aged, schools,
14 libraries, museums, art galleries, parks, playgrounds, stadia,
15 sewers, sewage disposal plants, subways, streets, sidewalks,
16 warning systems; for any utility or other public convenience
17 from which a revenue is or may be derived; for a permanent
18 improvement revolving fund; for changing, controlling or
19 bridging streams and other waterways; for the acquisition and
20 betterment of bridges and roads within two miles of the
21 corporate limits; for the acquisition of development rights in
22 the form of conservation easements under chapter 84C; and for
23 acquisition of equipment for snow removal, street construction
24 and maintenance, or fire fighting. Without limitation by the
25 foregoing the city may issue bonds to provide money for any
26 authorized corporate purpose except current expenses.

27 Sec. 19. Minnesota Statutes 2004, section 475.52,
28 subdivision 3, is amended to read:

29 Subd. 3. [COUNTIES.] Any county may issue bonds for the
30 acquisition or betterment of courthouses, county administrative
31 buildings, health or social service facilities, correctional
32 facilities, law enforcement centers, jails, morgues, libraries,
33 parks, and hospitals, for roads and bridges within the county or
34 bordering thereon and for road equipment and machinery and for
35 ambulances and related equipment; for the acquisition of
36 development rights in the form of conservation easements under

1 chapter 84C, and for capital equipment for the administration
 2 and conduct of elections providing the equipment is uniform
 3 countywide, except that the power of counties to issue bonds in
 4 connection with a library shall not exist in Hennepin County.

5 Sec. 20. Minnesota Statutes 2004, section 475.52,
 6 subdivision 4, is amended to read:

7 Subd. 4. [TOWNS.] Any town may issue bonds for the
 8 acquisition and betterment of town halls, town roads and
 9 bridges, nursing homes and homes for the aged, and for
 10 acquisition of equipment for snow removal, road construction or
 11 maintenance, and fire fighting; for the acquisition of
 12 development rights in the form of conservation easements under
 13 chapter 84C; and for the acquisition and betterment of any
 14 buildings to house and maintain town equipment.

15 Sec. 21. Minnesota Statutes 2004, section 475.521,
 16 subdivision 1, is amended to read:

17 Subdivision 1. [DEFINITIONS.] For purposes of this
 18 section, the following terms have the meanings given.

19 (a) "Bonds" mean an obligation defined under section 475.51.

20 (b) "Capital improvement" means acquisition or betterment
 21 of public lands, buildings or other improvements for the purpose
 22 of a city hall, town hall, library, public safety facility, and
 23 public works facility. An improvement must have an expected
 24 useful life of five years or more to qualify. Capital
 25 improvement does not include light rail transit or any activity
 26 related to it, or a park, ~~library,~~ road, bridge, administrative
 27 building other than a city or town hall, or land for any of
 28 those facilities.

29 (c) "~~City~~" "Municipality" means a home rule charter or
 30 statutory city or a town.

31 Sec. 22. Minnesota Statutes 2004, section 475.521,
 32 subdivision 2, is amended to read:

33 Subd. 2. [ELECTION REQUIREMENT.] (a) Bonds issued by a
 34 city municipality to finance capital improvements under an
 35 approved capital improvements plan are not subject to the
 36 election requirements of section 475.58. ~~The bonds are subject~~

1 ~~to-the-net-debt-limits-under-section-475.53.~~ The bonds must be
2 approved by an affirmative vote of three-fifths of the members
3 of a five-member ~~city-council~~ governing body. In the case of
4 a ~~city-council~~ governing body having more or less than five
5 members, the bonds must be approved by a vote of at least
6 two-thirds of the ~~city-council~~ members of the governing body.

7 (b) Before the issuance of bonds qualifying under this
8 section, the ~~city~~ municipality must publish a notice of its
9 intention to issue the bonds and the date and time of the
10 hearing to obtain public comment on the matter. The notice must
11 be published in the official newspaper of the ~~city~~ municipality
12 or in a newspaper of general circulation in the ~~city~~
13 municipality. Additionally, the notice may be posted on the
14 official Web site, if any, of the ~~city~~ municipality. The notice
15 must be published at least 14 but not more than 28 days before
16 the date of the hearing.

17 (c) A ~~city~~ municipality may issue the bonds only after
18 obtaining the approval of a majority of the voters voting on the
19 question of issuing the obligations, if a petition requesting a
20 vote on the issuance is signed by voters equal to five percent
21 of the votes cast in the ~~city~~ municipality in the last general
22 election and is filed with the ~~city~~ clerk within 30 days after
23 the public hearing. The commissioner of revenue shall prepare a
24 suggested form of the question to be presented at the election.

25 Sec. 23. Minnesota Statutes 2004, section 475.521,
26 subdivision 3, is amended to read:

27 Subd. 3. [CAPITAL IMPROVEMENT PLAN.] (a) A ~~city~~
28 municipality may adopt a capital improvement plan. The plan
29 must cover at least a five-year period beginning with the date
30 of its adoption. The plan must set forth the estimated
31 schedule, timing, and details of specific capital improvements
32 by year, together with the estimated cost, the need for the
33 improvement, and sources of revenue to pay for the improvement.
34 In preparing the capital improvement plan, the ~~city-council~~
35 governing body must consider for each project and for the
36 overall plan:

1 (1) the condition of the ~~city's~~ municipality's existing
2 infrastructure, including the projected need for repair or
3 replacement;

4 (2) the likely demand for the improvement;

5 (3) the estimated cost of the improvement;

6 (4) the available public resources;

7 (5) the level of overlapping debt in the ~~city~~ municipality;

8 (6) the relative benefits and costs of alternative uses of
9 the funds;

10 (7) operating costs of the proposed improvements; and

11 (8) alternatives for providing services most efficiently
12 through shared facilities with other ~~cities~~ municipalities or
13 local government units.

14 (b) The capital improvement plan and annual amendments to
15 it must be approved by the ~~city-council~~ governing body after
16 public hearing.

17 Sec. 24. Minnesota Statutes 2004, section 475.521,
18 subdivision 4, is amended to read:

19 Subd. 4. [LIMITATIONS ON AMOUNT.] A ~~city~~ municipality may
20 not issue bonds under this section if the maximum amount of
21 principal and interest to become due in any year on all the
22 outstanding bonds issued under this section, including the bonds
23 to be issued, will equal or exceed ~~0.16~~ 0.16 percent of the
24 taxable market value of property in the county municipality.
25 Calculation of the limit must be made using the taxable market
26 value for the taxes payable year in which the obligations are
27 issued and sold. In the case of a municipality with a
28 population of 2,500 or more, the bonds are subject to the net
29 debt limits under section 475.53. In the case of a shared
30 facility in which more than one municipality participates, upon
31 compliance by each participating municipality with the
32 requirements of subdivision 2, the limitations in this
33 subdivision and the net debt represented by the bonds shall be
34 allocated to each participating municipality in proportion to
35 its required financial contribution to the financing of the
36 shared facility, as set forth in the joint powers agreement

1 relating to the shared facility. This section does not limit
2 the authority to issue bonds under any other special or general
3 law.

4 Sec. 25. Minnesota Statutes 2004, section 475.58,
5 subdivision 3b, is amended to read:

6 Subd. 3b. [STREET RECONSTRUCTION.] (a) A municipality may,
7 without regard to the election requirement under subdivision 1,
8 issue and sell obligations for street reconstruction, if the
9 following conditions are met:

10 (1) the streets are reconstructed under a street
11 reconstruction plan that describes the streets to be
12 reconstructed, the estimated costs, and any planned
13 reconstruction of other streets in the municipality over the
14 next five years, and the plan and issuance of the obligations
15 has been approved by a vote of all of the members of the
16 governing body following a public hearing for which notice has
17 been published in the official newspaper at least ten days but
18 not more than 28 days prior to the hearing; and

19 (2) if a petition requesting a vote on the issuance is
20 signed by voters equal to five percent of the votes cast in the
21 last municipal general election and is filed with the municipal
22 clerk within 30 days of the public hearing, the municipality may
23 issue the bonds only after obtaining the approval of a majority
24 of the voters voting on the question of the issuance of the
25 obligations.

26 (b) Obligations issued under this subdivision are subject
27 to the debt limit of the municipality and are not excluded from
28 net debt under section 475.51, subdivision 4.

29 (c) For purposes of this subdivision, street reconstruction
30 includes utility replacement and relocation and other activities
31 incidental to the street reconstruction, but turn lanes and
32 other improvements having a substantial public safety function,
33 realignments, other modifications to intersect with state and
34 county roads, and the local share of state and county road
35 projects.

36 (d) Except in the case of turn lanes, safety improvements,

1 realignments, intersection modifications, and the local share of
 2 state and county road projects, street reconstruction does not
 3 include the portion of project cost allocable to widening a
 4 street or adding curbs and gutters where none previously existed.

5 Sec. 26. [CITY OF ST. PAUL; RIVERCENTRE COMPLEX
 6 OPERATION.]

7 Subdivision 1. [DEFINITIONS.] (a) For the purposes of this
 8 section, the terms defined in this subdivision have the meanings
 9 given them.

10 (b) "City" means the city of St. Paul, its mayor, city
 11 council, and any other board, authority, commission, or officer
 12 authorized by law, charter, or ordinance to exercise city powers
 13 of the nature referred to in this section.

14 (c) "RiverCentre complex" means collectively the
 15 auditorium, convention, conference and education center, arena,
 16 and parking ramp facilities presently and commonly known as the
 17 Roy Wilkins Auditorium, St. Paul RiverCentre, Xcel Energy
 18 Center, and RiverCentre Parking Ramp, including all property,
 19 real or personal, tangible or intangible, located in the city,
 20 intended to be used as part of the RiverCentre complex or
 21 additions to or extensions of it.

22 Subd. 2. [CREATION OF NONPROFIT ORGANIZATION.] As required
 23 under Minnesota Statutes, section 465.717, and notwithstanding
 24 any other law, city charter provision, or ordinance to the
 25 contrary, the city of St. Paul may participate in the creation
 26 of a nonprofit organization for the purposes provided in this
 27 section.

28 Subd. 3. [GOVERNING BOARD.] (a) The mayor of the city,
 29 subject to approval by the city council, shall appoint a
 30 majority of the members of the governing board of the nonprofit
 31 organization performing all or a part of the activities
 32 necessary to carry out the purposes specified in this section.
 33 The mayor may designate any officer or employee of the city to
 34 serve as a member of the governing board of any nonprofit
 35 organization.

36 (b) In addition to the appointments made by the mayor under

1 paragraph (a), the mayor shall designate three members of the
 2 city council to serve on the governing board of the nonprofit
 3 organization.

4 (c) Notwithstanding any provision contained in the articles
 5 of incorporation and bylaws of the nonprofit organization, any
 6 member of the governing board appointed by the mayor may be
 7 removed only by the mayor for cause.

8 (d) The governing board of the nonprofit organization shall
 9 select, subject to the approval of the mayor, a president to
 10 serve as chief executive officer and general manager of the
 11 nonprofit organization.

12 (e) The procedures in Minnesota Statutes, section 317A.255,
 13 subdivision 1, paragraph (b), relating to director conflicts of
 14 interest, are not required if the contract or other transaction
 15 is between the city and the nonprofit organization.

16 Subd. 4. [RIVERCENTRE MANAGEMENT; AUTHORITY TO CONTRACT
 17 WITH NONPROFIT ORGANIZATION.] The city may enter into an
 18 agreement with the nonprofit organization created in subdivision
 19 2 to equip, maintain, manage, and operate all or a portion of
 20 the RiverCentre complex and to manage and operate a convention
 21 bureau to market and promote the city as a tourist or convention
 22 center. Except as otherwise provided in this section, the
 23 nonprofit organization may only contract and utilize and expend
 24 funds for these purposes under the direction of its governing
 25 board, subject to the accounting, financial reporting, and other
 26 conditions that the city may prescribe in a contract made under
 27 this section between the city and the nonprofit organization.
 28 The nonprofit organization may use the services of the office of
 29 the city attorney and the city's purchasing department. All
 30 activities performed to carry out these purposes are deemed to
 31 be for a public purpose.

32 Subd. 5. [BONDHOLDERS' RIGHTS AND RIVERCENTRE COMPLEX TAX
 33 EXEMPTIONS PRESERVED.] (a) The city must protect the rights of
 34 holders of bonds issued for the RiverCentre complex, including
 35 preserving the tax-exempt status of the bonds.

36 (b) The use and operation of the RiverCentre complex by the

1 nonprofit organization with which the city contracts under this
2 act is a use, lease, or occupancy for public, governmental, and
3 municipal purposes, and the complex is exempt from taxation by
4 the state or any political subdivision of the state during such
5 use, to the extent it would be exempt if the complex was
6 equipped, maintained, managed, and operated by the city.

7 (c) Gross receipts of tickets and admissions to events at
8 the RiverCentre complex sponsored by the nonprofit organization
9 created in this section do not qualify for the sales tax
10 exemption under Minnesota Statutes, section 297A.70, subdivision
11 10.

12 Subd. 6. [APPLICABLE GENERAL LAWS.] The following statutes
13 apply to the nonprofit organization with which the city
14 contracts under this section the same as they apply to the city,
15 to the extent practicable:

16 (1) Minnesota Statutes, chapter 13D, the Minnesota Open
17 Meeting Law; and

18 (2) Minnesota Statutes, chapter 13, the Government Data
19 Practices Act.

20 Subd. 7. [SUCCESSION.] The nonprofit organization with
21 which the city contracts under this section is the successor to
22 all powers, rights, assets, privileges, and interests held and
23 enjoyed by the RiverCentre authority on the effective date of
24 this section, and established by the provisions of Laws 1967,
25 chapter 459, sections 1, 2, 4, and 8, subdivisions 2 and 3,
26 clause (3), as amended; Laws 1982, chapter 523, article 25,
27 sections 4 and 5, as amended; Laws 1998, chapter 404, sections
28 81 and 82; and Minnesota Statutes, section 297A.98. On the
29 effective date of the contract between the city and the
30 nonprofit organization authorized by this section, the
31 RiverCentre authority ceases to exist for only so long as the
32 contract is in effect, and all other laws or provisions
33 specifically relating to the RiverCentre authority and the
34 RiverCentre complex that are not otherwise referenced in this
35 section, do not apply to the nonprofit organization.

36 Subd. 8. [LIABILITY.] The nonprofit organization with

1 which the city contracts under this section is a "municipality,"
2 and the officers, directors, employees, and agents of the
3 nonprofit organization are "employees, officers, or agents,"
4 under Minnesota Statutes, chapter 466, relating to tort
5 liability. The city must defend, save harmless, and indemnify
6 the nonprofit organization, including the nonprofit's officers,
7 directors, employees, and agents, against any claim or demand
8 arising out of the nonprofit organization's performance under
9 the contract.

10 [EFFECTIVE DATE.] This section is effective the day after
11 the city council and the chief clerical officer of the city of
12 St. Paul have timely completed their compliance with Minnesota
13 Statutes, section 645.023, subdivisions 2 and 3.

14 Sec. 27. [TRANSFER OF MHFA BONDING AUTHORITY TO HESO.]
15 Notwithstanding Minnesota Statutes, section 474A.03,
16 subdivision 2a, clause (b), the Minnesota Housing Finance Agency
17 may enter into an agreement with the Higher Education Services
18 Office under which the Higher Education Services Office issues
19 qualified student loan bonds, up to \$50,000,000 of which are
20 issued pursuant to bonding authority allocated to the Minnesota
21 Housing Finance Agency in 2004 under Minnesota Statutes, section
22 474A.03, subdivision 2a, clause (a). This amount is in addition
23 to the bonding authority otherwise allocated to the Higher
24 Education Services Office under Minnesota Statutes, chapter
25 474A. Notwithstanding Minnesota Statutes, section 474A.04,
26 subdivision 1a, 474A.061, or 474A.091, subdivision 2, bonding
27 authority carried forward by the Minnesota Housing Financing
28 Agency from its allocation for 2004 under Minnesota Statutes,
29 section 474A.03, subdivision 2a, clause (b), are exempt from the
30 requirement that the bonding authority be permanently issued by
31 December 31 of the next succeeding calendar year.

32 Sec. 28. [APPLICATION.]

33 Section 14 applies in the counties of Anoka, Carver,
34 Dakota, Hennepin, Ramsey, Scott, and Washington.

35 Sec. 29. [REPEALER.]

36 Minnesota Statutes 2004, section 473.39, subdivision 1f, is

1 repealed.

2 Sec. 30. [EFFECTIVE DATE.]

3 This article is effective the day following final enactment.

4 ARTICLE 11

5 MINERALS; AGGREGATE - SF1683

6 Section 1. Minnesota Statutes 2004, section 272.02, is
7 amended by adding a subdivision to read:

8 Subd. 68. [PROPERTY USED IN THE BUSINESS OF MINING SUBJECT
9 TO THE NET PROCEEDS TAX.] The following property used in the
10 business of mining subject to the net proceeds tax under section
11 298.015 is exempt:

12 (1) deposits of ores, metals, and minerals and the lands in
13 which they are contained;

14 (2) all real and personal property used in mining,
15 quarrying, producing, or refining ores, minerals, or metals,
16 including lands occupied by or used in connection with the
17 mining, quarrying, production, or refining facilities; and

18 (3) concentrate or direct reduced ore.

19 This exemption applies for each year that a person subject to
20 tax under section 298.015 uses the property for mining,
21 quarrying, producing, or refining ores, metals, or minerals.

22 [EFFECTIVE DATE.] This section is effective for taxes
23 payable in 2006 and thereafter.

24 Sec. 2. Minnesota Statutes 2004, section 290.05,
25 subdivision 1, is amended to read:

26 Subdivision 1. [EXEMPT ENTITIES.] The following
27 corporations, individuals, estates, trusts, and organizations
28 shall be exempted from taxation under this chapter, provided
29 that every such person or corporation claiming exemption under
30 this chapter, in whole or in part, must establish to the
31 satisfaction of the commissioner the taxable status of any
32 income or activity:

33 (a) corporations, individuals, estates, and trusts engaged
34 in the business of mining or producing iron ore and mining,
35 producing, or refining other ores, metals, and minerals, the
36 mining or, production, or refining of which is subject to the

1 occupation tax imposed by section 298.01; but if any such
2 corporation, individual, estate, or trust engages in any other
3 business or activity or has income from any property not used in
4 such business it shall be subject to this tax computed on the
5 net income from such property or such other business or
6 activity. Royalty shall not be considered as income from the
7 business of mining or producing iron ore within the meaning of
8 this section;

9 (b) the United States of America, the state of Minnesota or
10 any political subdivision of either agencies or
11 instrumentalities, whether engaged in the discharge of
12 governmental or proprietary functions; and

13 (c) any insurance company.

14 [EFFECTIVE DATE.] This section is effective for taxable
15 years beginning after December 31, 2004.

16 Sec. 3. Minnesota Statutes 2004, section 290.17,
17 subdivision 4, is amended to read:

18 Subd. 4. [UNITARY BUSINESS PRINCIPLE.] (a) If a trade or
19 business conducted wholly within this state or partly within and
20 partly without this state is part of a unitary business, the
21 entire income of the unitary business is subject to
22 apportionment pursuant to section 290.191. Notwithstanding
23 subdivision 2, paragraph (c), none of the income of a unitary
24 business is considered to be derived from any particular source
25 and none may be allocated to a particular place except as
26 provided by the applicable apportionment formula. The
27 provisions of this subdivision do not apply to business income
28 subject to subdivision 5, income of an insurance company, or
29 income of an investment company determined under section 290.36,
30 or income of a mine or mineral processing facility subject to
31 tax under section 298.01.

32 (b) The term "unitary business" means business activities
33 or operations which result in a flow of value between them. The
34 term may be applied within a single legal entity or between
35 multiple entities and without regard to whether each entity is a
36 sole proprietorship, a corporation, a partnership or a trust.

1 (c) Unity is presumed whenever there is unity of ownership,
2 operation, and use, evidenced by centralized management or
3 executive force, centralized purchasing, advertising,
4 accounting, or other controlled interaction, but the absence of
5 these centralized activities will not necessarily evidence a
6 nonunitary business. Unity is also presumed when business
7 activities or operations are of mutual benefit, dependent upon
8 or contributory to one another, either individually or as a
9 group.

10 (d) Where a business operation conducted in Minnesota is
11 owned by a business entity that carries on business activity
12 outside the state different in kind from that conducted within
13 this state, and the other business is conducted entirely outside
14 the state, it is presumed that the two business operations are
15 unitary in nature, interrelated, connected, and interdependent
16 unless it can be shown to the contrary.

17 (e) Unity of ownership is not deemed to exist when a
18 corporation is involved unless that corporation is a member of a
19 group of two or more business entities and more than 50 percent
20 of the voting stock of each member of the group is directly or
21 indirectly owned by a common owner or by common owners, either
22 corporate or noncorporate, or by one or more of the member
23 corporations of the group. For this purpose, the term "voting
24 stock" shall include membership interests of mutual insurance
25 holding companies formed under section 60A.077.

26 (f) The net income and apportionment factors under section
27 290.191 or 290.20 of foreign corporations and other foreign
28 entities which are part of a unitary business shall not be
29 included in the net income or the apportionment factors of the
30 unitary business. A foreign corporation or other foreign entity
31 which is required to file a return under this chapter shall file
32 on a separate return basis. The net income and apportionment
33 factors under section 290.191 or 290.20 of foreign operating
34 corporations shall not be included in the net income or the
35 apportionment factors of the unitary business except as provided
36 in paragraph (g).

1 (g) The adjusted net income of a foreign operating
2 corporation shall be deemed to be paid as a dividend on the last
3 day of its taxable year to each shareholder thereof, in
4 proportion to each shareholder's ownership, with which such
5 corporation is engaged in a unitary business. Such deemed
6 dividend shall be treated as a dividend under section 290.21,
7 subdivision 4.

8 Dividends actually paid by a foreign operating corporation
9 to a corporate shareholder which is a member of the same unitary
10 business as the foreign operating corporation shall be
11 eliminated from the net income of the unitary business in
12 preparing a combined report for the unitary business. The
13 adjusted net income of a foreign operating corporation shall be
14 its net income adjusted as follows:

15 (1) any taxes paid or accrued to a foreign country, the
16 commonwealth of Puerto Rico, or a United States possession or
17 political subdivision of any of the foregoing shall be a
18 deduction; and

19 (2) the subtraction from federal taxable income for
20 payments received from foreign corporations or foreign operating
21 corporations under section 290.01, subdivision 19d, clause (10),
22 shall not be allowed.

23 If a foreign operating corporation incurs a net loss,
24 neither income nor deduction from that corporation shall be
25 included in determining the net income of the unitary business.

26 (h) For purposes of determining the net income of a unitary
27 business and the factors to be used in the apportionment of net
28 income pursuant to section 290.191 or 290.20, there must be
29 included only the income and apportionment factors of domestic
30 corporations or other domestic entities other than foreign
31 operating corporations that are determined to be part of the
32 unitary business pursuant to this subdivision, notwithstanding
33 that foreign corporations or other foreign entities might be
34 included in the unitary business.

35 (i) Deductions for expenses, interest, or taxes otherwise
36 allowable under this chapter that are connected with or

1 allocable against dividends, deemed dividends described in
2 paragraph (g), or royalties, fees, or other like income
3 described in section 290.01, subdivision 19d, clause (10), shall
4 not be disallowed.

5 (j) Each corporation or other entity, except a sole
6 proprietorship, that is part of a unitary business must file
7 combined reports as the commissioner determines. On the
8 reports, all intercompany transactions between entities included
9 pursuant to paragraph (h) must be eliminated and the entire net
10 income of the unitary business determined in accordance with
11 this subdivision is apportioned among the entities by using each
12 entity's Minnesota factors for apportionment purposes in the
13 numerators of the apportionment formula and the total factors
14 for apportionment purposes of all entities included pursuant to
15 paragraph (h) in the denominators of the apportionment formula.

16 (k) If a corporation has been divested from a unitary
17 business and is included in a combined report for a fractional
18 part of the common accounting period of the combined report:

19 (1) its income includable in the combined report is its
20 income incurred for that part of the year determined by
21 proration or separate accounting; and

22 (2) its sales, property, and payroll included in the
23 apportionment formula must be prorated or accounted for
24 separately.

25 [EFFECTIVE DATE.] This section is effective for taxable
26 years beginning after December 31, 2004.

27 Sec. 4. Minnesota Statutes 2004, section 290.191,
28 subdivision 1, is amended to read:

29 Subdivision 1. [GENERAL RULE.] (a) Except as otherwise
30 provided in section 290.17, subdivision 5, the net income from a
31 trade or business carried on partly within and partly without
32 this state must be apportioned to this state as provided in this
33 section. To the extent that an entity is exempt from taxation
34 under this chapter as provided in section 290.05, the
35 apportionment factors associated with the entity's exempt
36 activities are excluded from the apportionment formula under

1 this section.

2 (b) For purposes of this section, "state" means a state of
3 the United States, the District of Columbia, the commonwealth of
4 Puerto Rico, or any territory or possession of the United States
5 or any foreign country.

6 [EFFECTIVE DATE.] This section is effective for taxable
7 years beginning after December 31, 2004.

8 Sec. 5. Minnesota Statutes 2004, section 297A.68,
9 subdivision 4, is amended to read:

10 Subd. 4. [TACONITE, OTHER ORES, METALS, OR MINERALS;
11 PRODUCTION MATERIALS.] Mill liners, grinding rods, and grinding
12 balls that are substantially consumed in the production of
13 taconite or other ores, metals, or minerals are exempt when sold
14 to or stored, used, or consumed by persons taxed under the
15 in-lieu provisions of chapter 298.

16 [EFFECTIVE DATE.] This section is effective for sales and
17 purchases made after June 30, 2005.

18 Sec. 6. Minnesota Statutes 2004, section 298.001, is
19 amended by adding a subdivision to read:

20 Subd. 9. [REFINING.] "Refining" means and is limited to
21 refining:

22 (1) of ores, metals, or mineral products, the mining,
23 extraction, or quarrying of which were subject to tax under
24 section 298.015; and

25 (2) carried on by the entity, or an affiliated entity, that
26 mined, extracted, or quarried the metal or mineral products.

27 [EFFECTIVE DATE.] This section is effective for taxable
28 years beginning after December 31, 2004.

29 Sec. 7. Minnesota Statutes 2004, section 298.001, is
30 amended by adding a subdivision to read:

31 Subd. 10. [PRECIOUS MINERALS TAX RELIEF AREA.] The
32 "precious minerals tax relief area" means the area of the
33 following Independent School Districts:

34 (1) No. 166, Cook County;

35 (2) No. 316, Coleraine;

36 (3) No. 318, Grand Rapids;

- 1 (4) No. 319, Nashwauk-Keewatin;
- 2 (5) No. 381, Lake Superior;
- 3 (6) No. 695, Chisholm;
- 4 (7) No. 696, Ely;
- 5 (8) No. 701, Hibbing;
- 6 (9) No. 706, Virginia;
- 7 (10) No. 712, Mountain Iron-Buhl;
- 8 (11) No. 2711, Mesabi East;
- 9 (12) No. 2142, St. Louis County; and
- 10 (13) No. 2154, Eveleth-Gilbert.

11 [EFFECTIVE DATE.] This section is effective for taxable
 12 years beginning after December 31, 2004.

13 Sec. 8. Minnesota Statutes 2004, section 298.01,
 14 subdivision 3, is amended to read:

15 Subd. 3. [OCCUPATION TAX; OTHER ORES.] Every person
 16 engaged in the business of mining, refining, or producing ores,
 17 metals, or minerals in this state, except iron ore or taconite
 18 concentrates, shall pay an occupation tax to the state of
 19 Minnesota as provided in this subdivision. For purposes of this
 20 subdivision, mining includes the application of
 21 hydrometallurgical processes. The tax is determined in the same
 22 manner as the tax imposed by section 290.02, except that
 23 sections 290.05, subdivision 1, clause (a), 290.0921, and
 24 290.17, subdivision 4, do not apply. Except as provided in
 25 section 290.05, subdivision 1, paragraph (a), the tax is in
 26 addition to all other taxes.

27 [EFFECTIVE DATE.] This section is effective for taxable
 28 years beginning after December 31, 2004.

29 Sec. 9. Minnesota Statutes 2004, section 298.01,
 30 subdivision 3a, is amended to read:

31 Subd. 3a. [GROSS INCOME.] (a) For purposes of determining
 32 a person's taxable income under subdivision 3, gross income is
 33 determined by the amount of gross proceeds from mining in this
 34 state under section 298.016 and includes any gain or loss
 35 recognized from the sale or disposition of assets used in the
 36 business in this state.

1 (b) In applying section 290.191, subdivision 5, transfers
2 of ores, metals, or minerals that are subject to tax under this
3 chapter are deemed to be sales outside this state if the ores,
4 metals, or minerals are transported out of this state for
5 further processing or refining by the person engaged in mining
6 after the ores, metals, or minerals have been converted to a
7 marketable quality.

8 (c) In applying section 290.191, subdivision 5, transfers
9 of ores, metals, or minerals that are subject to tax under this
10 chapter are deemed to be sales within this state if the ores,
11 metals, or minerals are received by a purchaser at a point
12 within this state, and the taxpayer is taxable in this state,
13 regardless of the f.o.b. point, or other conditions of the sale,
14 or the ultimate destination of the property.

15 [EFFECTIVE DATE.] This section is effective for taxable
16 years beginning after December 31, 2004.

17 Sec. 10. Minnesota Statutes 2004, section 298.01,
18 subdivision 4, is amended to read:

19 Subd. 4. [OCCUPATION TAX; IRON ORE; TACONITE
20 CONCENTRATES.] A person engaged in the business of mining or
21 producing of iron ore, taconite concentrates or direct reduced
22 ore in this state shall pay an occupation tax to the state of
23 Minnesota. The tax is determined in the same manner as the tax
24 imposed by section 290.02, except that sections 290.05,
25 subdivision 1, clause (a), 290.0921, and 290.17, subdivision 4,
26 do not apply. The tax is in addition to all other taxes.

27 [EFFECTIVE DATE.] This section is effective for taxable
28 years beginning after December 31, 2004.

29 Sec. 11. Minnesota Statutes 2004, section 298.015,
30 subdivision 1, is amended to read:

31 Subdivision 1. [TAX IMPOSED.] A person engaged in the
32 business of mining shall pay to the state of Minnesota for
33 distribution as provided in section 298.018 a net proceeds tax
34 equal to ~~two~~ four percent of the net proceeds from mining in
35 Minnesota. The tax applies to all ~~mineral-and-energy-resources~~
36 ores, metals, and minerals mined ~~or,~~ extracted, produced, or

1 refined within the state of Minnesota except for sand, silica
2 sand, gravel, building stone, crushed rock, limestone, granite,
3 dimension granite, dimension stone, horticultural peat, clay,
4 soil, iron ore, and taconite concentrates. Except as provided
5 in section 272.02, subdivision 68, the tax is in addition to all
6 other taxes provided for by law.

7 [EFFECTIVE DATE.] This section is effective for taxes
8 payable in 2006 and thereafter.

9 Sec. 12. Minnesota Statutes 2004, section 298.015,
10 subdivision 2, is amended to read:

11 Subd. 2. [NET PROCEEDS.] For purposes of this section, the
12 term "net proceeds" means the gross proceeds from mining, as
13 defined in section 298.016, less the same deductions allowed in
14 section-298-017 for purposes of determining taxable income under
15 section 298.01, subdivision 3b. No other credits or deductions
16 shall apply to this tax ~~except-for-those-provided-in-section~~
17 ~~298-017.~~

18 [EFFECTIVE DATE.] This section is effective for taxes
19 payable in 2006 and thereafter.

20 Sec. 13. Minnesota Statutes 2004, section 298.016,
21 subdivision 4, is amended to read:

22 Subd. 4. [DEFINITIONS.] For the purposes of sections
23 298.015 and 298.017, the terms defined in this subdivision have
24 the meaning given them unless the context clearly indicates
25 otherwise.

26 (a) "Metal or mineral products" means all those ~~mineral-and~~
27 ~~energy-resources~~ ores, metals, and minerals subject to the tax
28 provided in section 298.015.

29 (b) "Exploration" means activities designed and engaged in
30 to ascertain the existence, location, extent, or quality of any
31 deposit of metal or mineral products prior to the development of
32 a mining site.

33 (c) "Development" means activities designed and engaged in
34 to prepare or develop a potential mining site for mining after
35 the existence of metal or mineral products in commercially
36 marketable quantities has been disclosed including, but not

1 limited to, the clearing of forestation, the building of roads,
2 removal of overburden, or the sinking of shafts.

3 (d) "Research" means activities designed and engaged in to
4 create new or improved methods of mining, producing, processing,
5 beneficiating, smelting, or refining metal or mineral products.

6 [EFFECTIVE DATE.] This section is effective for taxable
7 years beginning after December 31, 2005.

8 Sec. 14. Minnesota Statutes 2004, section 298.018, is
9 amended to read:

10 298.018 [DISTRIBUTION OF PROCEEDS.]

11 Subdivision 1. [WITHIN THE TACONITE PRECIOUS MINERALS
12 ASSISTANCE AREA.] The proceeds of the tax paid under sections
13 298.015 to 298.017 on ores, metals, and minerals and-energy
14 resources mined or extracted within the taconite precious
15 minerals assistance area defined-in-section-273-1341, shall be
16 allocated as follows:

17 (1) five percent to the city or town within which the ores,
18 metals, or minerals or-energy-resources are mined or extracted;

19 (2) ten percent to the taconite municipal aid account to be
20 distributed as-provided-in-section-298-282 to qualifying
21 municipalities, as defined in section 298.282 and located in the
22 precious minerals assistance area;

23 (3) ten percent to the school district within which the
24 ores, metals, or minerals or-energy-resources are mined or
25 extracted;

26 (4) ~~20~~ 30 percent to ~~a-group-of-school-districts-comprised~~
27 ~~of-those-school-districts-wherein-the-mineral-or-energy-resource~~
28 ~~was-mined-or-extracted-or-in-which-there-is-a-qualifying~~
29 ~~municipality-as-defined-by-section-273-1347-paragraph-(b)-7-in~~
30 ~~direct-proportion-to-school-district-indexes-as-follows:--for~~
31 ~~each-school-district,7-its-pupil-units-determined-under-section~~
32 ~~126C.05-for-the-prior-school-year-shall-be-multiplied-by-the~~
33 ~~ratio-of-the-average-adjusted-net-tax-capacity-per-pupil-unit~~
34 ~~for-school-districts-receiving-aid-under-this-clause-as~~
35 ~~calculated-pursuant-to-chapters-122A,126C,7-and-127A-for-the~~
36 ~~school-year-ending-prior-to-distribution-to-the-adjusted-net-tax~~

1 ~~capacity-per-pupil-unit-of-the-district.--Each-district-shall~~
 2 ~~receive-that-portion-of-the-distribution-which-its-index-bears~~
 3 ~~to-the-sum-of-the-indices-for-all-school-districts-that-receive~~
 4 ~~the-distributions~~ the state general fund to represent the
 5 portion of the tax that is in lieu of the state general tax
 6 under section 275.025;

7 (5) 20 percent to the county within which the ores, metals,
 8 or minerals or energy resources are mined or extracted;

9 (6) ~~20-percent-to-St.-Louis-County-acting-as-the-counties-~~
 10 ~~fiscal-agent-to-be-distributed-as-provided-in-sections-273-134~~
 11 ~~to-273-136;~~

12 (7) five percent to the Iron Range Resources and
 13 Rehabilitation Board for the purposes of section 298.22;

14 (8) ~~five~~ (7) ten percent to the Douglas J. Johnson economic
 15 protection trust fund; and

16 (9) ~~five~~ (8) ten percent to the taconite environmental
 17 protection fund.

18 The proceeds of the tax shall be distributed on July 15
 19 each year.

20 Subd. 2. [OUTSIDE THE ~~TACONITE~~ PRECIOUS MINERALS
 21 ASSISTANCE AREA.] The proceeds of the tax paid under sections
 22 298.015 to 298.017 on ores, metals, or minerals and energy
 23 resources mined or extracted outside of the taconite precious
 24 minerals assistance area ~~defined-in-section-273-1341~~, shall be
 25 deposited in the general fund.

26 Subd. 3. [SEGREGATION OF FUNDS.] The proceeds of the tax
 27 allocated under subdivision 1, clauses (2), (6), (7), and (8),
 28 including any investment earnings on them, must be segregated
 29 and separately accounted for in the respective funds or account
 30 to which they are allocated. These amounts must only be
 31 distributed to municipalities within the precious minerals
 32 assistance area or used for projects located in the precious
 33 minerals assistance area.

34 [EFFECTIVE DATE.] This section is effective for
 35 distribution of net proceeds tax revenues made after July 1,
 36 2005.

1 Sec. 15. [298.021] [ROYALTY TAX.]

2 In addition to any other taxes imposed by law, a tax is
3 imposed on a royalty, as defined in section 290.923, subdivision
4 1, paid on ore, other than iron ore, taconite, iron sulphides,
5 or semitaconite. The tax equals 12 percent of the amount of the
6 royalty paid. The person paying the royalty shall withhold the
7 tax from the payment and remit the payment to the commissioner
8 at the times and under the procedures provided under section
9 290.923. The commissioner shall deposit proceeds in the general
10 fund and allocate the proceeds as provided under section
11 298.018, subdivision 1.

12 [EFFECTIVE DATE.] This section is effective for royalties
13 paid after June 30, 2005.

14 Sec. 16. Minnesota Statutes 2004, section 298.223,
15 subdivision 1, is amended to read:

16 Subdivision 1. [CREATION; PURPOSES.] A fund called the
17 taconite environmental protection fund is created for the
18 purpose of reclaiming, restoring and enhancing those areas of
19 northeast Minnesota located within the taconite assistance area
20 defined in section 273.1341, that are adversely affected by the
21 environmentally damaging operations involved in mining taconite
22 and iron ore and producing iron ore concentrate and for the
23 purpose of promoting the economic development of northeast
24 Minnesota. The taconite environmental protection fund shall be
25 used for the following purposes:

26 (a) to initiate investigations into matters the Iron Range
27 Resources and Rehabilitation Board determines are in need of
28 study and which will determine the environmental problems
29 requiring remedial action;

30 (b) reclamation, restoration, or reforestation of minelands
31 not otherwise provided for by state law;

32 (c) local economic development projects including
33 construction-of-sewer-and-water-systems,-and-other but only if
34 those projects are approved by the board, and public works,
35 including construction of sewer and water systems located within
36 the taconite assistance area defined in section 273.1341;

1 (d) monitoring of mineral industry related health problems
2 among mining employees.

3 [EFFECTIVE DATE.] This section is effective the day
4 following final enactment.

5 Sec. 17. Minnesota Statutes 2004, section 298.24,
6 subdivision 1, is amended to read:

7 Subdivision 1. (a) For concentrate produced in 2001, 2002,
8 and 2003, there is imposed upon taconite and iron sulphides, and
9 upon the mining and quarrying thereof, and upon the production
10 of iron ore concentrate therefrom, and upon the concentrate so
11 produced, a tax of \$2.103 per gross ton of merchantable iron ore
12 concentrate produced therefrom. For concentrates produced in
13 2005 and 2006, the tax rate is the same rate imposed for
14 concentrates produced in 2004.

15 (b) For concentrates produced in 2004, 2007, and subsequent
16 years, the tax rate shall be equal to the preceding year's tax
17 rate plus an amount equal to the preceding year's tax rate
18 multiplied by the percentage increase in the implicit price
19 deflator from the fourth quarter of the second preceding year to
20 the fourth quarter of the preceding year. "Implicit price
21 deflator" means the implicit price deflator for the gross
22 domestic product prepared by the Bureau of Economic Analysis of
23 the United States Department of Commerce.

24 (c) On concentrates produced in 1997 and thereafter, an
25 additional tax is imposed equal to three cents per gross ton of
26 merchantable iron ore concentrate for each one percent that the
27 iron content of the product exceeds 72 percent, when dried at
28 212 degrees Fahrenheit.

29 (d) Except for taxes payable in 2006 through 2008, the tax
30 shall be imposed on the average of the production for the
31 current year and the previous two years. The rate of the tax
32 imposed will be the current year's tax rate. This clause shall
33 not apply in the case of the closing of a taconite facility if
34 the property taxes on the facility would be higher if this
35 clause and section 298.25 were not applicable.

36 (e) If the tax or any part of the tax imposed by this

1 subdivision is held to be unconstitutional, a tax of \$2.103 per
2 gross ton of merchantable iron ore concentrate produced shall be
3 imposed.

4 (f) Consistent with the intent of this subdivision to
5 impose a tax based upon the weight of merchantable iron ore
6 concentrate, the commissioner of revenue may indirectly
7 determine the weight of merchantable iron ore concentrate
8 included in fluxed pellets by subtracting the weight of the
9 limestone, dolomite, or olivine derivatives or other basic flux
10 additives included in the pellets from the weight of the
11 pellets. For purposes of this paragraph, "fluxed pellets" are
12 pellets produced in a process in which limestone, dolomite,
13 olivine, or other basic flux additives are combined with
14 merchantable iron ore concentrate. No subtraction from the
15 weight of the pellets shall be allowed for binders, mineral and
16 chemical additives other than basic flux additives, or moisture.

17 (g)(1) Notwithstanding any other provision of this
18 subdivision, for the first two years of a plant's commercial
19 production of direct reduced ore, no tax is imposed under this
20 section. As used in this paragraph, "commercial production" is
21 production of more than 50,000 tons of direct reduced ore in the
22 current year or in any prior year, noncommercial production is
23 production of 50,000 tons or less of direct reduced ore in any
24 year, and "direct reduced ore" is ore that results in a product
25 that has an iron content of at least 75 percent. For the third
26 year of a plant's commercial production of direct reduced ore,
27 the rate to be applied to direct reduced ore is 25 percent of
28 the rate otherwise determined under this subdivision. For the
29 fourth such commercial production year, the rate is 50 percent
30 of the rate otherwise determined under this subdivision; for the
31 fifth such commercial production year, the rate is 75 percent of
32 the rate otherwise determined under this subdivision; and for
33 all subsequent commercial production years, the full rate is
34 imposed.

35 (2) Subject to clause (1), production of direct reduced ore
36 in this state is subject to the tax imposed by this section, but

1 if that production is not produced by a producer of taconite or
 2 iron sulfides, the production of taconite or iron sulfides
 3 consumed in the production of direct reduced iron in this state
 4 is not subject to the tax imposed by this section on taconite or
 5 iron sulfides.

6 (3) Notwithstanding any other provision of this
 7 subdivision, no tax is imposed on direct reduced ore under this
 8 section during the facility's noncommercial production of direct
 9 reduced ore. The taconite or iron sulphides consumed in the
 10 noncommercial production of direct reduced ore is subject to the
 11 tax imposed by this section on taconite and iron sulphides.
 12 Three-year average production of direct reduced ore does not
 13 include production of direct reduced ore in any noncommercial
 14 year. Three-year average production for a direct reduced ore
 15 facility that has noncommercial production is the average of the
 16 commercial production of direct reduced ore for the current year
 17 and the previous two commercial years.

18 [EFFECTIVE DATE.] This section is effective for direct
 19 reduced ore produced after the date of final enactment.

20 Sec. 18. Minnesota Statutes 2004, section 298.28,
 21 subdivision 9b, is amended to read:

22 Subd. 9b. [TACONITE ENVIRONMENTAL FUND.] Five cents per
 23 ~~ton for distributions in 1999, 2000, 2001, 2002, and 2003~~ must
 24 be paid to the taconite environmental fund for use under section
 25 298.2961, subdivision 4.

26 [EFFECTIVE DATE.] This section is effective for
 27 distributions in 2005 and later years.

28 Sec. 19. Minnesota Statutes 2004, section 298.28,
 29 subdivision 10, is amended to read:

30 Subd. 10. [INCREASE.] (a) Except as provided in paragraph
 31 (b), beginning with distributions in 2000, the amount determined
 32 under subdivision 9 shall be increased in the same proportion as
 33 the increase in the implicit price deflator as provided in
 34 section 298.24, subdivision 1. Beginning with distributions in
 35 2003, the amount determined under subdivision 6, paragraph (a),
 36 shall be increased in the same proportion as the increase in the

1 implicit price deflator as provided in section 298.24,
2 subdivision 1.

3 (b) For distributions in 2005 and subsequent years, an
4 amount equal to the increased tax proceeds attributable to the
5 increase in the implicit price deflator as provided in section
6 298.24, subdivision 1, for taxes paid in 2005, except for the
7 amount of revenue increases provided in subdivision 4, paragraph
8 (d), is distributed to the grant and loan fund established in
9 section 298.2961, subdivision 4.

10 Sec. 20. Minnesota Statutes 2004, section 298.2961, is
11 amended by adding a subdivision to read:

12 Subd. 4. [GRANT AND LOAN FUND.] (a) A fund is established
13 to receive distributions under section 298.28, subdivision 9b,
14 and to make grants or loans as provided in this subdivision.
15 Any grant or loan made under this subdivision must be approved
16 by a majority of the members of the Iron Range Resources and
17 Rehabilitation Board, established under section 298.22.

18 (b) Distributions received in calendar year 2005 are
19 allocated to the city of Virginia for improvements and repairs
20 to the city's steam heating system.

21 (c) Distributions received in calendar year 2006 are
22 allocated to a project of the public utilities commissions of
23 the cities of Hibbing and Virginia to convert their electrical
24 generating plants to the use of biomass products, such as wood.

25 (d) Distributions received in calendar year 2007 must be
26 paid to the city of Tower to be used for the East Two Rivers
27 project in or near the city of Tower, including replacement of
28 the Marked Trunk Highway 169 bridge over East Two Rivers,
29 demolition of the present Marked Trunk Highway 135 bridge over
30 East Two Rivers, and rerouting of Marked Trunk Highway 135,
31 associated trunk highway construction and reconstruction, and
32 associated marina development.

33 (e) For distributions received in 2008 and later, amounts
34 may be allocated to joint ventures with mining companies for
35 reclamation of lands containing abandoned or worked out mines to
36 convert these lands to marketable properties for residential,

1 recreational, commercial, or other valuable uses.

2 [EFFECTIVE DATE.] This section is effective the day
3 following final enactment.

4 Sec. 21. Minnesota Statutes 2004, section 298.75,
5 subdivision 1, is amended to read:

6 Subdivision 1. [DEFINITIONS.] Except as may otherwise be
7 provided, the following words, when used in this section, shall
8 have the meanings herein ascribed to them.

9 (1) "Aggregate material" shall mean nonmetallic natural
10 mineral aggregate including, but not limited to sand, silica
11 sand, gravel, crushed rock, limestone, granite, and borrow, but
12 only if the borrow is transported on a public road, street, or
13 highway. Aggregate material shall not include dimension stone
14 and dimension granite. Aggregate material must be measured or
15 weighed after it has been extracted from the pit, quarry, or
16 deposit.

17 (2) "Person" shall mean any individual, firm, partnership,
18 corporation, organization, trustee, association, or other entity.

19 (3) "Operator" shall mean any person engaged in the
20 business of removing aggregate material from the surface or
21 subsurface of the soil, for the purpose of sale, either directly
22 or indirectly, through the use of the aggregate material in a
23 marketable product or service; except that operator does not
24 include persons engaged in a transaction in which the aggregate
25 is moved within a project's construction limits to other
26 locations within that same project's construction limits.

27 (4) "Extraction site" shall mean a pit, quarry, or deposit
28 containing aggregate material and any contiguous property to the
29 pit, quarry, or deposit which is used by the operator for
30 stockpiling the aggregate material.

31 (5) "Importer" shall mean any person who buys aggregate
32 material produced from a county not listed in paragraph (6) or
33 another state and causes the aggregate material to be imported
34 into a county in this state which imposes a tax on aggregate
35 material.

36 (6) "County" shall mean the counties of Pope, Stearns,

1 Benton, Sherburne, Carver, Scott, Dakota, Le Sueur, Kittson,
 2 Marshall, Pennington, Red Lake, Polk, Norman, Mahnommen, Clay,
 3 Becker, Carlton, St. Louis, Rock, Murray, Wilkin, Big Stone,
 4 Sibley, Hennepin, Washington, Chisago, and Ramsey. County also
 5 means any other county whose board has voted after a public
 6 hearing to impose the tax under this section and has notified
 7 the commissioner of revenue of the imposition of the tax.

8 (7) "Borrow" shall mean granular borrow, consisting of
 9 durable particles of gravel and sand, crushed quarry or mine
 10 rock, crushed gravel or stone, or any combination thereof, the
 11 ratio of the portion passing the (#200) sieve divided by the
 12 portion passing the (1 inch) sieve may not exceed 20 percent by
 13 mass.

14 [EFFECTIVE DATE.] This section is effective for aggregate
 15 sold, imported, transported, or used from a stockpile after June
 16 30, 2005.

17 Sec. 22. Minnesota Statutes 2004, section 298.75,
 18 subdivision 2, is amended to read:

19 Subd. 2. [TAX IMPOSED.] A county shall impose upon every
 20 importer and operator a production tax up to ten cents per cubic
 21 yard or up to seven cents per ton of aggregate material removed
 22 except that the county board may decide not to impose this tax
 23 if it determines that in the previous year operators removed
 24 less than 20,000 tons or 14,000 cubic yards of aggregate
 25 material from that county. A county or town may exempt an
 26 operator from the tax if the operator has removed less than
 27 2,500 tons or 1,750 yards from the county in the year that the
 28 tax is due and no other aggregate operator has removed material
 29 from the same site in the same year. The tax shall be imposed
 30 on aggregate material produced in the county when the aggregate
 31 material is transported from the extraction site or sold. When
 32 aggregate material is stored in a stockpile within the state of
 33 Minnesota and a public highway, road or street is not used for
 34 transporting the aggregate material, the tax shall be imposed
 35 either when the aggregate material is sold, or when it is
 36 transported from the stockpile site, or when it is used from the

1 stockpile, whichever occurs first. The tax shall be imposed on
 2 an importer when the aggregate material is imported into the
 3 county that imposes the tax.

4 If the aggregate material is transported directly from the
 5 extraction site to a waterway, railway, or another mode of
 6 transportation other than a highway, road or street, the tax
 7 imposed by this section shall be apportioned equally between the
 8 county where the aggregate material is extracted and the county
 9 to which the aggregate material is originally transported. If
 10 that destination is not located in Minnesota, then the county
 11 where the aggregate material was extracted shall receive all of
 12 the proceeds of the tax.

13 [EFFECTIVE DATE.] This section is effective the day
 14 following final enactment.

15 Sec. 23. [IRON RANGE RESOURCES AND REHABILITATION
 16 COMMISSIONER; BONDS AUTHORIZED.]

17 Subdivision 1. [ISSUANCE; PURPOSE.] Notwithstanding any
 18 provision of Minnesota Statutes, chapter 298, to the contrary,
 19 the commissioner of Iron Range resources and rehabilitation may
 20 issue revenue bonds in a principal amount of \$15,000,000 in one
 21 or more series, and bonds to refund those bonds. The proceeds
 22 of the bonds must be used to make grants to school districts
 23 located in the taconite tax relief area defined in Minnesota
 24 Statutes, section 273.134, or the taconite assistance area
 25 defined in Minnesota Statutes, section 273.1341, to be used by
 26 the school districts to pay for health, safety, and maintenance
 27 improvements but only if the school district has levied the
 28 maximum amount allowable under law for those purposes.

29 Subd. 2. [APPROPRIATION.] There is annually appropriated
 30 from the distribution of taconite production tax revenues to the
 31 taconite environmental protection fund pursuant to Minnesota
 32 Statutes, section 298.28, subdivision 11, and to the Douglas J.
 33 Johnson economic protection trust pursuant to Minnesota
 34 Statutes, section 298.28, subdivisions 9 and 11, in equal
 35 shares, an amount sufficient to pay when due the principal and
 36 interest on the bonds issued pursuant to subdivision 1. If the

1 annual distribution to the Douglas J. Johnson economic
2 protection trust is insufficient to pay its share after
3 fulfilling any obligations of the trust under Minnesota
4 Statutes, section 298.225 or 298.293, the deficiency shall be
5 appropriated from the taconite environmental protection fund.
6 The appropriation under this subdivision terminates upon payment
7 or maturity of the last of the bonds issued under this section.

8 Subd. 3. [CREDIT ENHANCEMENT.] The bonds issued under this
9 section shall be "debt obligations" and the commissioner of Iron
10 Range resources and rehabilitation shall be a "district" for
11 purposes of Minnesota Statutes, section 126C.55, provided that
12 advances made under subdivision 2 of Minnesota Statutes, section
13 126C.55, shall not be subject to subdivisions 4 to 7 of
14 Minnesota Statutes, section 126C.55.

15 Sec. 24. [TRANSITION PROVISION.]

16 Each person with an alternative minimum tax credit on
17 December 31, 2004, pursuant to Minnesota Statutes 2004, section
18 298.01, may take that credit against occupation tax under the
19 provisions of Minnesota Statutes 2004, section 298.01,
20 subdivision 3d or 4e.

21 [EFFECTIVE DATE.] This section is effective the day
22 following final enactment.

23 Sec. 25. [REPEALER.]

24 (a) Minnesota Statutes 2004, section 298.01, subdivisions
25 3c, 3d, 4d, and 4e, are repealed effective for taxable years
26 beginning after December 31, 2004.

27 (b) Minnesota Statutes 2004, section 298.017, is repealed
28 effective for taxes payable in 2006 and thereafter.

29 ARTICLE 12

30 MISCELLANEOUS - SF1683

31 Section 1. Minnesota Statutes 2004, section 270.30,
32 subdivision 1, is amended to read:

33 Subdivision 1. [SCOPE.] ~~(a)~~ This section applies to a
34 person who ~~offers, provides, or facilitates the provision of~~
35 ~~refund-anticipation-loans, as part of or in connection with the~~
36 ~~provision of~~ tax preparation services.

- 1 ~~(b)-This-section-does-not-apply-to-~~
- 2 ~~(1)-a-tax-preparer-who-provides-tax-preparation-services~~
- 3 ~~for-fewer-than-six-clients-in-a-calendar-year,~~
- 4 ~~(2)-the-provision-by-a-person-of-tax-preparation-services~~
- 5 ~~to-a-spouse,-parent,-grandparent,-child,-or-sibling,-and~~
- 6 ~~(3)-the-provision-of-services-by-an-employee-for-an~~
- 7 ~~employer.~~

8 Sec. 2. Minnesota Statutes 2004, section 270.30,
9 subdivision 5, is amended to read:

10 Subd. 5. [ITEMIZED BILL REQUIRED.] A tax preparer who
11 provides services for a fee or other consideration must provide
12 an itemized statement of the charges for services, at least
13 separately stating the charges for:

- 14 (1) return preparation; and
- 15 (2) ~~electronic-filing,-and~~
- 16 ~~(3) providing or facilitating a refund anticipation loan.~~

17 Sec. 3. Minnesota Statutes 2004, section 270.30,
18 subdivision 6, is amended to read:

19 Subd. 6. [ENFORCEMENT; PENALTIES.] The commissioner may
20 impose an administrative penalty of not more than \$1,000 per
21 violation of subdivision 3, 4, or 5. The commissioner may
22 terminate a tax preparer's authority to transmit returns
23 electronically to the state, if the commissioner determines the
24 tax preparer engaged in a pattern and practice of violating this
25 section. Imposition of a penalty under this subdivision is
26 subject to the contested case procedure under chapter 14. The
27 commissioner shall collect the penalty in the same manner as the
28 income tax. Penalties imposed under this subdivision are public
29 data.

30 Sec. 4. Minnesota Statutes 2004, section 270.30, is
31 amended by adding a subdivision to read:

32 Subd. 6a. [EXCHANGE OF DATA; STATE BOARD OF
33 ACCOUNTANCY.] The State Board of Accountancy shall refer to the
34 commissioner complaints it receives about tax preparers who are
35 not subject to the jurisdiction of the State Board of
36 Accountancy and who are alleged to have violated the provisions

1 of subdivisions 3 to 5.

2 Sec. 5. Minnesota Statutes 2004, section 270.30, is
3 amended by adding a subdivision to read:

4 Subd. 6b. [EXCHANGE OF DATA; LAWYERS BOARD OF PROFESSIONAL
5 RESPONSIBILITY.] The Lawyers Board of Professional
6 Responsibility may refer to the commissioner complaints it
7 receives about tax preparers who are not subject to its
8 jurisdiction and who are alleged to have violated the provisions
9 of subdivisions 3 to 5.

10 Sec. 6. Minnesota Statutes 2004, section 270.30, is
11 amended by adding a subdivision to read:

12 Subd. 6c. [EXCHANGE OF DATA; COMMISSIONER.] The
13 commissioner shall refer complaints about tax preparers who are
14 alleged to have violated the provisions of subdivisions 3 to 5
15 to:

16 (1) the State Board of Accountancy, if the tax preparer is
17 under its jurisdiction; and

18 (2) the Lawyers Board of Professional Responsibility, if
19 the tax preparer is under its jurisdiction.

20 Sec. 7. Minnesota Statutes 2004, section 270.30, is
21 amended by adding a subdivision to read:

22 Subd. 6d. [DATA PRIVATE.] Information exchanged on
23 individuals under subdivisions 6a to 6c are private data under
24 section 13.02, subdivision 12, until such time as a penalty is
25 imposed as provided in section 326A.08 or by the Lawyers Board
26 of Professional Responsibility.

27 Sec. 8. Minnesota Statutes 2004, section 270.30,
28 subdivision 8, is amended to read:

29 Subd. 8. [EXEMPTIONS; ENFORCEMENT PROVISIONS.] (a) The
30 provisions of ~~subdivisions 6 and 7~~ this section, except for
31 subdivision 4, do not apply to:

32 (1) an attorney admitted to practice under section 481.01;

33 (2) a certified public accountant ~~holding a certificate~~
34 ~~under section 326A.04 or a person issued a permit to practice~~
35 ~~under section 326A.05~~ or other person who is subject to the
36 jurisdiction of the State Board of Accountancy; and

1 (3) ~~a person designated as a registered accounting~~
2 ~~practitioner under Minnesota Rules, part 1105.6600, or a~~
3 ~~registered accounting practitioner firm issued a permit under~~
4 ~~Minnesota Rules, part 1105.7100,~~

5 (4) an enrolled agent who has passed the special enrollment
6 examination administered by the Internal Revenue Service, and.

7 (b) The provisions of this section do not apply to:

8 (5) (1) any fiduciary, or the regular employees of a
9 fiduciary, while acting on behalf of the fiduciary estate, the
10 testator, trustor, grantor, or beneficiaries of them;

11 (2) a tax preparer who provides tax preparation services
12 for fewer than six clients in a calendar year;

13 (3) tax preparation services to a spouse, parent,
14 grandparent, child, or sibling of the tax preparer; and

15 (4) the preparation by an employee of the tax return of the
16 employee's employer.

17 Sec. 9. [270.301] [PUBLICATION OF NAMES OF TAX PREPARERS
18 SUBJECT TO PENALTIES.]

19 Subdivision 1. [PUBLICATION OF LIST.] Notwithstanding any
20 other law, the commissioner must publish as provided in this
21 section a list or lists of tax preparers subject to penalties.

22 Subd. 2. [REQUIRED AND EXCLUDED TAX PREPARERS.] (a)
23 Subject to the limitations of paragraphs (b) and (c), the
24 commissioner must publish lists of the tax preparers described
25 in subdivision 1. The list must include:

26 (1) the tax preparers who have been assessed penalties
27 under section 289A.60, subdivision 13, or who have been
28 convicted under section 289A.63;

29 (2) tax preparers against whom cumulative penalties of
30 \$1,000 or more have been assessed under section 270.30,
31 subdivision 6; and

32 (3) tax preparers whose authority to transmit returns
33 electronically has been terminated under section 270.30,
34 subdivision 6, or under section 289A.60, subdivision 13.

35 The list may include tax preparers against whom cumulative
36 penalties of less than \$1,000 have been assessed.

1 (b) For the purposes of this section, a penalty was not
2 assessed if:

3 (1) an administrative or court action contesting the
4 penalty has been filed or served and is unresolved at the time
5 when notice would be given under subdivision 3; or

6 (2) an appeal period to contest the penalty has not expired.

7 (c) Penalties are not subject to publication if:

8 (1) the commissioner is in the process of reviewing or
9 adjusting the penalty; or

10 (2) the commissioner has been notified that the tax
11 preparer is deceased.

12 Subd. 3. [NOTICE TO TAX PREPARER.] (a) At least 30 days
13 before publishing the name of a tax preparer subject to penalty,
14 the commissioner shall mail a written notice to the tax
15 preparer, detailing the amount and nature of each penalty and
16 the intended publication of the information listed in
17 subdivision 4 related to the penalty. The notice must be mailed
18 by first class and certified mail addressed to the last known
19 address of the tax preparer. The notice must include
20 information regarding the exceptions listed in subdivision 2 and
21 must state that the tax preparer's information will not be
22 published if the tax preparer provides information establishing
23 that subdivision 2 prohibits publication of the tax preparer's
24 name.

25 (b) After at least 30 days has elapsed since the notice was
26 mailed and the tax preparer has not proved to the commissioner
27 that subdivision 2 prohibits publication, the commissioner may
28 publish in a list of tax preparers subject to penalty the
29 information about the tax preparer that is listed in subdivision
30 4.

31 Subd. 4. [FORM OF LIST.] The list may be published by any
32 medium or method. The list must contain the name, associated
33 business name or names, address or addresses, and violation or
34 violations for which a penalty was imposed of each tax preparer
35 subject to administrative penalty.

36 Subd. 5. [REMOVAL FROM LIST.] The commissioner shall

1 remove the name of a tax preparer from the list of tax preparers
2 published under this section when:

3 (1) the commissioner determines that the name was included
4 on the list in error;

5 (2) 90 days have elapsed since the preparer has fully paid
6 all fines imposed, served any suspension, and demonstrated to
7 the satisfaction of the commissioner that the preparer has
8 successfully completed any remedial actions required by the
9 commissioner, the State Board of Accountancy, or the Lawyers
10 Board of Professional Responsibility; or

11 (3) the commissioner has been notified that the tax
12 preparer is deceased.

13 Subd. 6. [NAMES PUBLISHED IN ERROR.] If the commissioner
14 publishes a name under subdivision 1 in error, the tax preparer
15 whose name was erroneously published has a right to request a
16 retraction and apology. If the tax preparer so requests, the
17 commissioner shall publish a retraction and apology
18 acknowledging that the tax preparer's name was published in
19 error. The retraction and apology must appear in the same
20 medium and the same format as the original list that contained
21 the name listed in error.

22 Subd. 7. [PAYMENT OF DAMAGES.] Actions against the
23 commissioner of revenue or the state of Minnesota arising out of
24 the implementation of this program must be brought under section
25 270.276.

26 [EFFECTIVE DATE.] The requirement of subdivision 2,
27 paragraph (a), clause (2), is effective for crimes committed on
28 or after August 1, 2005. The remainder of subdivision 2 is
29 effective for tax preparers engaging in conduct described in
30 subdivision 2, paragraph (a), clause (1) or (3), on or after
31 August 1, 2005.

32 Sec. 10. Minnesota Statutes 2004, section 270A.03,
33 subdivision 5, is amended to read:

34 Subd. 5. [DEBT.] "Debt" means a legal obligation of a
35 natural person to pay a fixed and certain amount of money, which
36 equals or exceeds \$25 and which is due and payable to a claimant

1 agency. The term includes criminal fines imposed under section
2 609.10 or 609.125, fines imposed for petty misdemeanors as
3 defined in section 609.02, subdivision 4a, and restitution. The
4 term also includes the co-payment for the appointment of a
5 district public defender imposed under section 611.17, paragraph
6 (c). A debt may arise under a contractual or statutory
7 obligation, a court order, or other legal obligation, but need
8 not have been reduced to judgment.

9 A debt includes any legal obligation of a current recipient
10 of assistance which is based on overpayment of an assistance
11 grant where that payment is based on a client waiver or an
12 administrative or judicial finding of an intentional program
13 violation; or where the debt is owed to a program wherein the
14 debtor is not a client at the time notification is provided to
15 initiate recovery under this chapter and the debtor is not a
16 current recipient of food support, transitional child care, or
17 transitional medical assistance.

18 A debt does not include any legal obligation to pay a
19 claimant agency for medical care, including hospitalization if
20 the income of the debtor at the time when the medical care was
21 rendered does not exceed the following amount:

22 (1) for an unmarried debtor, an income of \$8,800 or less;

23 (2) for a debtor with one dependent, an income of \$11,270
24 or less;

25 (3) for a debtor with two dependents, an income of \$13,330
26 or less;

27 (4) for a debtor with three dependents, an income of
28 \$15,120 or less;

29 (5) for a debtor with four dependents, an income of \$15,950
30 or less; and

31 (6) for a debtor with five or more dependents, an income of
32 \$16,630 or less.

33 The income amounts in this subdivision shall be adjusted
34 for inflation for debts incurred in calendar years 2001 and
35 thereafter. The dollar amount of each income level that applied
36 to debts incurred in the prior year shall be increased in the

1 same manner as provided in section 1(f) of the Internal Revenue
 2 Code of 1986, as amended through December 31, 2000, except that
 3 for the purposes of this subdivision the percentage increase
 4 shall be determined from the year starting September 1, 1999,
 5 and ending August 31, 2000, as the base year for adjusting for
 6 inflation for debts incurred after December 31, 2000.

7 Debt also includes an agreement to pay a MinnesotaCare
 8 premium, regardless of the dollar amount of the premium
 9 authorized under section 256L.15, subdivision 1a.

10 Sec. 11. Minnesota Statutes 2004, section 289A.08,
 11 subdivision 16, is amended to read:

12 Subd. 16. [TAX REFUND OR RETURN PREPARERS; ELECTRONIC
 13 FILING; PAPER FILING FEE IMPOSED.] (a) A "tax refund or return
 14 preparer," as defined in section 289A.60, subdivision 13,
 15 paragraph ~~(g)~~ (h), who prepared more than 500 100 Minnesota
 16 individual income tax returns for the prior calendar year must
 17 file all Minnesota individual income tax returns prepared for
 18 the current calendar year by electronic means.

19 ~~(b) For tax returns prepared for the tax year beginning in~~
 20 ~~2001, the "500" in paragraph (a) is reduced to 250.~~

21 ~~(c) For tax returns prepared for tax years beginning after~~
 22 ~~December 31, 2001, the "500" in paragraph (a) is reduced to 100.~~

23 ~~(d)~~ Paragraph (a) does not apply to a return if the
 24 taxpayer has indicated on the return that the taxpayer did not
 25 want the return filed by electronic means.

26 ~~(e)~~ (c) For each return that is not filed electronically by
 27 a tax refund or return preparer under this subdivision,
 28 including returns filed under paragraph (d), a paper filing fee
 29 of \$5 is imposed upon the preparer. The fee is collected from
 30 the preparer in the same manner as income tax. The fee does not
 31 apply to returns that the commissioner requires to be filed in
 32 paper form.

33 Sec. 12. Minnesota Statutes 2004, section 289A.60,
 34 subdivision 13, is amended to read:

35 Subd. 13. [PENALTIES FOR TAX RETURN PREPARERS.] (a) If an
 36 understatement of liability with respect to a return or claim

1 for refund is due to a willful attempt in any manner to
2 understate the liability for a tax by a person who is a tax
3 return preparer with respect to the return or claim, the person
4 shall pay to the commissioner a penalty of \$500. If a part of a
5 property tax refund claim is excessive due to a willful attempt
6 in any manner to overstate the claim for relief allowed under
7 chapter 290A by a person who is a tax refund or return preparer,
8 the person shall pay to the commissioner a penalty of \$500 with
9 respect to the claim. These penalties may not be assessed
10 against the employer of a tax return preparer unless the
11 employer was actively involved in the willful attempt to
12 understate the liability for a tax or to overstate the claim for
13 refund. These penalties are income tax liabilities and may be
14 assessed at any time as provided in section 289A.38, subdivision
15 5.

16 (b) A civil action in the name of the state of Minnesota
17 may be commenced to enjoin any person who is a tax return
18 preparer doing business in this state from further engaging in
19 any conduct described in paragraph (c). An action under this
20 paragraph must be brought by the attorney general in the
21 district court for the judicial district of the tax return
22 preparer's residence or principal place of business, or in which
23 the taxpayer with respect to whose tax return the action is
24 brought resides. The court may exercise its jurisdiction over
25 the action separate and apart from any other action brought by
26 the state of Minnesota against the tax return preparer or any
27 taxpayer.

28 (c) In an action under paragraph (b), if the court finds
29 that a tax return preparer has:

30 (1) engaged in any conduct subject to a civil penalty under
31 section 289A.60 or a criminal penalty under section 289A.63;

32 (2) misrepresented the preparer's eligibility to practice
33 before the Department of Revenue, or otherwise misrepresented
34 the preparer's experience or education as a tax return preparer;

35 (3) guaranteed the payment of any tax refund or the
36 allowance of any tax credit; or

1 (4) engaged in any other fraudulent or deceptive conduct
2 that substantially interferes with the proper administration of
3 state tax law, and injunctive relief is appropriate to prevent
4 the recurrence of that conduct,
5 the court may enjoin the person from further engaging in that
6 conduct.

7 (d) If the court finds that a tax return preparer has
8 continually or repeatedly engaged in conduct described in
9 paragraph (c), and that an injunction prohibiting that conduct
10 would not be sufficient to prevent the person's interference
11 with the proper administration of state tax laws, the court may
12 enjoin the person from acting as a tax return preparer. The
13 court may not enjoin the employer of a tax return preparer for
14 conduct described in paragraph (c) engaged in by one or more of
15 the employer's employees unless the employer was also actively
16 involved in that conduct.

17 (e) The commissioner may terminate or suspend a tax
18 preparer's authority to transmit returns electronically to the
19 state, if the commissioner determines that the tax preparer has
20 engaged in a pattern and practice of conduct in violation of
21 this subdivision or of section 289A.63.

22 (f) For purposes of this subdivision, the term
23 "understatement of liability" means an understatement of the net
24 amount payable with respect to a tax imposed by state tax law,
25 or an overstatement of the net amount creditable or refundable
26 with respect to a tax. The determination of whether or not
27 there is an understatement of liability must be made without
28 regard to any administrative or judicial action involving the
29 taxpayer. For purposes of this subdivision, the amount
30 determined for underpayment of estimated tax under either
31 section 289A.25 or 289A.26 is not considered an understatement
32 of liability.

33 (g) For purposes of this subdivision, the term
34 "overstatement of claim" means an overstatement of the net
35 amount refundable with respect to a claim for property tax
36 relief provided by chapter 290A. The determination of whether

1 or not there is an overstatement of a claim must be made without
2 regard to administrative or judicial action involving the
3 claimant.

4 ~~(g)~~ (h) For purposes of this section, the term "tax refund
5 or return preparer" means an individual who prepares for
6 compensation, or who employs one or more individuals to prepare
7 for compensation, a return of tax, or a claim for refund of
8 tax. The preparation of a substantial part of a return or claim
9 for refund is treated as if it were the preparation of the
10 entire return or claim for refund. An individual is not
11 considered a tax return preparer merely because the individual:

12 (1) gives typing, reproducing, or other mechanical
13 assistance;

14 (2) prepares a return or claim for refund of the employer,
15 or an officer or employee of the employer, by whom the
16 individual is regularly and continuously employed;

17 (3) prepares a return or claim for refund of any person as
18 a fiduciary for that person; or

19 (4) prepares a claim for refund for a taxpayer in response
20 to a tax order issued to the taxpayer.

21 Sec. 13. Minnesota Statutes 2004, section 290A.07, is
22 amended by adding a subdivision to read:

23 Subd. 5. [EARLY PAYMENT; E-FILE CLAIMS.] The commissioner
24 may pay a claim up to 30 days earlier than the first permitted
25 date under subdivision 2a or 3 if the claim is submitted by
26 electronic means.

27 [EFFECTIVE DATE.] This section is effective the day
28 following final enactment.

29 Sec. 14. Minnesota Statutes 2004, section 297A.61,
30 subdivision 4, is amended to read:

31 Subd. 4. [RETAIL SALE.] (a) A "retail sale" means any
32 sale, lease, or rental for any purpose other than resale,
33 sublease, or subrent.

34 (b) A sale of property used by the owner only by leasing it
35 to others or by holding it in an effort to lease it, and put to
36 no use by the owner other than resale after the lease or effort

1 to lease, is a sale of property for resale.

2 (c) A sale of master computer software that is purchased
 3 and used to make copies for sale or lease is a sale of property
 4 for resale.

5 (d) A sale of building materials, supplies, and equipment
 6 to owners, contractors, subcontractors, or builders for the
 7 erection of buildings or the alteration, repair, or improvement
 8 of real property is a retail sale in whatever quantity sold,
 9 whether the sale is for purposes of resale in the form of real
 10 property or otherwise.

11 (e) A sale of carpeting, linoleum, or similar floor
 12 covering to a person who provides for installation of the floor
 13 covering is a retail sale and not a sale for resale since a sale
 14 of floor covering which includes installation is a contract for
 15 the improvement of real property.

16 (f) A sale of shrubbery, plants, sod, trees, and similar
 17 items to a person who provides for installation of the items is
 18 a retail sale and not a sale for resale since a sale of
 19 shrubbery, plants, sod, trees, and similar items that includes
 20 installation is a contract for the improvement of real property.

21 (g) A sale of tangible personal property that is awarded as
 22 prizes is a retail sale and is not considered a sale of property
 23 for resale.

24 (h) A sale of tangible personal property utilized or
 25 employed in the furnishing or providing of services under
 26 subdivision 3, paragraph (g), clause (1), including, but not
 27 limited to, property given as promotional items, is a retail
 28 sale and is not considered a sale of property for resale.

29 (i) A sale of tangible personal property used in conducting
 30 lawful gambling under chapter 349 or the state lottery under
 31 chapter 349A, including, but not limited to, property given as
 32 promotional items, is a retail sale and is not considered a sale
 33 of property for resale.

34 (j) A sale of machines, equipment, or devices that are used
 35 to furnish, provide, or dispense goods or services, including,
 36 but not limited to, coin-operated devices, is a retail sale and

1 is not considered a sale of property for resale.

2 (k) In the case of a lease, a retail sale occurs (1) when
3 an obligation to make a lease payment becomes due under the
4 terms of the agreement or the trade practices of the lessor or
5 (2) in the case of a lease of a motor vehicle, as defined in
6 section 297B.01, subdivision 5, but excluding vehicles with a
7 manufacturer's gross vehicle weight rating greater than 10,000
8 pounds and rentals of vehicles for not more than 28 days, at the
9 time the lease is executed.

10 (1) In the case of a conditional sales contract, a retail
11 sale occurs upon the transfer of title or possession of the
12 tangible personal property.

13 [EFFECTIVE DATE.] This section is effective for leases
14 entered into after September 30, 2005.

15 Sec. 15. Minnesota Statutes 2004, section 297A.67, is
16 amended by adding a subdivision to read:

17 Subd. 32. [CIGARETTES.] Cigarettes upon which a tax has
18 been imposed under section 297F.25 are exempt.

19 [EFFECTIVE DATE.] This section is effective for sales and
20 purchases made after July 31, 2005.

21 Sec. 16. [297A.825] [MOTOR VEHICLE LEASES.]

22 Subdivision 1. [MOTOR VEHICLE LEASE PRICE; PAYMENT.] (a)
23 In the case of a lease of a motor vehicle as provided in section
24 297A.61, subdivision 4, paragraph (k), clause (2), the tax is
25 imposed on the total amount to be paid by the lessee under the
26 lease agreement. The lessor shall collect the tax in full at
27 the time the lease is executed or, if the tax is included in the
28 lease and the lease is assigned, the tax is due from the
29 original lessor at the time the lease is assigned. The total
30 amount to be paid by the lessee under the lease agreement equals
31 the agreed-upon value of the vehicle less manufacturer's
32 rebates, the stated residual value of the leased vehicle, and
33 the total value allowed for a vehicle owned by the lessee taken
34 in trade by the lessor, plus the price of any taxable goods and
35 services included in the lease and the rent charge as provided
36 by Code of Federal Regulations, title 12, section 213.4,

1 excluding any rent charge related to the capitalization of the
 2 tax.

3 (b) If the total amount paid by the lessee for use of the
 4 leased vehicle includes amounts that are not calculated at the
 5 time the lease is executed, the tax is imposed and must be
 6 collected by the lessor at the time the amounts are paid by the
 7 lessee. In the case of a lease which by its terms may be
 8 renewed, the sales tax is due and payable on the total amount to
 9 be paid during the initial term of the lease, and then for each
 10 subsequent renewal period on the total amount to be paid during
 11 the renewal period.

12 (c) If a lease is canceled or rescinded on or before 90
 13 days of its execution or if a vehicle is returned to the
 14 manufacturer under section 325F.665, the lessor may file a claim
 15 for a refund of the total tax paid minus the amount of tax due
 16 for the period the vehicle is used by the lessee.

17 (d) If a lessee's obligation to make payments on a lease is
 18 canceled more than 90 days after its execution, a credit is
 19 allowed against sales tax or motor vehicle sales tax due on a
 20 subsequent lease or purchase of a motor vehicle if that lease or
 21 purchase is consummated within 30 days of the date the prior
 22 lease was canceled. The amount of the credit shall be equal to
 23 (1) the sales tax paid at the inception of the lease, multiplied
 24 by (2) the ratio of the number of full months remaining in the
 25 lease at the time of termination compared to the term of the
 26 lease used in calculating sales tax paid at the inception of the
 27 lease.

28 Subd. 2. [LEASE OF MOTOR VEHICLES.] When the lease of a
 29 motor vehicle as defined in section 297A.61, subdivision 4,
 30 paragraph (k), clause (2), originates in another state, the
 31 sales tax under subdivision 1 shall be calculated by the lessor
 32 on the total amount that is due under the lease agreement after
 33 the vehicle is required to be registered in Minnesota. If the
 34 total amount to be paid by the lessee under the lease agreement
 35 has already been subjected to tax by another state, a credit for
 36 taxes paid in the other state is allowed as provided in section

1 297A.80.

2 [EFFECTIVE DATE.] Subdivision 1 of this section is
3 effective for leases entered into after September 30, 2005.
4 Subdivision 2 of this section is effective for vehicles
5 registering in Minnesota after September 30, 2005.

6 Sec. 17. Minnesota Statutes 2004, section 297F.01, is
7 amended by adding a subdivision to read:

8 Subd. 10a. [OUT-OF-STATE RETAILER.] "Out-of-state retailer"
9 means a person engaged outside of this state in the business of
10 selling, or offering to sell, cigarettes or tobacco products to
11 consumers located in this state.

12 [EFFECTIVE DATE.] This section is effective the day
13 following final enactment.

14 Sec. 18. [297F.031] [REGISTRATION REQUIREMENT.]

15 Prior to making delivery sales or shipping cigarettes or
16 tobacco products in connection with any sales, an out-of-state
17 retailer shall file with the Department of Revenue a statement
18 setting forth the out-of-state retailer's name, trade name, and
19 the address of the out-of-state retailer's principal place of
20 business and any other place of business.

21 Sec. 19. Minnesota Statutes 2004, section 297F.09, is
22 amended by adding a subdivision to read:

23 Subd. 4a. [REPORTING REQUIREMENTS.] No later than the 18th
24 day of each calendar month, an out-of-state retailer that has
25 made a delivery of cigarettes or tobacco products or shipped or
26 delivered cigarettes or tobacco products into the state in a
27 delivery sale in the previous calendar month shall file with the
28 Department of Revenue reports in the form and in the manner
29 prescribed by the commissioner of revenue that provides for each
30 delivery sale, the name and address of the purchaser and the
31 brand or brands and quantity of cigarettes or tobacco products
32 sold. A tobacco retailer that meets the requirements of United
33 States Code, title 15, section 375 et seq. satisfies the
34 requirements of this subdivision.

35 Sec. 20. Minnesota Statutes 2004, section 297F.14,
36 subdivision 4, is amended to read:

1 Subd. 4. [~~BAD DEBT.~~] ~~The commissioner may adopt rules~~
 2 ~~providing a refund of the tax paid under this chapter if the tax~~
 3 ~~paid qualifies as a bad debt under section 166(a) of the~~
 4 ~~Internal Revenue Code.~~ For any reporting period, a taxpayer may
 5 offset against taxes payable under this chapter the amount of
 6 taxes previously paid under this chapter that is attributable to
 7 a bad debt. The taxes must have been included in a transaction
 8 the consideration for which was a debt owed to the taxpayer and
 9 which became uncollectible, but only in proportion to the
 10 portion of debt that became uncollectible. To qualify for
 11 offset under this subdivision, the debt must have qualified as a
 12 bad debt under section 166(a) of the Internal Revenue Code. The
 13 taxpayer may claim the offset within the time period prescribed
 14 in section 297F.17, subdivision 6. If the taxpayer is no longer
 15 liable for taxes imposed under this chapter, the commissioner
 16 shall refund to the taxpayer the amount of the taxes
 17 attributable to the bad debt. Any recovery of the tax claimed
 18 as a refund or credit must be reported to the commissioner on
 19 the tax return for the month in which the recovery is made. If
 20 the taxpayer is no longer required to file returns under this
 21 chapter, the taxpayer must reimburse the commissioner for tax
 22 recovered in the month following the recovery.

23 [EFFECTIVE DATE.] This section is effective for claims
 24 filed on or after July 1, 2005.

25 Sec. 21. [297F.25] [CIGARETTE SALES TAX.]

26 Subdivision 1. [IMPOSITION.] A tax is imposed on
 27 distributors on the sale of cigarettes by a cigarette
 28 distributor to a retailer or cigarette subjobber for resale in
 29 this state. The tax is equal to 6.5 percent of the weighted
 30 average retail price. The weighted average retail price must be
 31 expressed in cents per pack when rounded to the nearest
 32 one-tenth of a cent. The weighted average retail price must be
 33 determined annually, with new rates published by May 1, and
 34 effective for sales on or after July 1. The weighted average
 35 retail price must be established by surveying cigarette
 36 retailers statewide in a manner and time determined by the

1 commissioner. The determination of the commissioner pursuant to
2 this subdivision is not a "rule" and is not subject to the
3 Administrative Procedure Act contained in chapter 14. As of
4 August 1, 2005, the tax is 21 cents per pack of 20 cigarettes.
5 For packs of cigarettes with other than 20 cigarettes, the tax
6 must be adjusted proportionally.

7 Subd. 2. [PAYMENT.] Each taxpayer must remit payments of
8 the taxes to the commissioner on the same dates prescribed under
9 section 297F.09, subdivision 1, for cigarette tax returns,
10 including the accelerated remittance of the June liability.

11 Subd. 3. [RETURN.] A taxpayer must file a return with the
12 commissioner on the same dates prescribed under section 297F.09,
13 subdivision 1, for cigarette tax returns. Notwithstanding any
14 other provisions of this chapter, the tax due on the return is
15 based upon actual stamps purchased during the reporting period.

16 Subd. 4. [FORM OF RETURN.] The return must contain the
17 information and be in the form prescribed by the commissioner.

18 Subd. 5. [TAX AS DEBT.] The tax that is required to be
19 paid by the distributor is a debt from the retailer or cigarette
20 subjobber to the distributor recoverable at law in the same
21 manner as other debts. A cigarette retailer or subjobber must
22 pay the tax imposed under subdivision 1 to the distributor
23 before the 12th day of the month following the month in which
24 the cigarettes were purchased from the distributor.

25 Subd. 6. [SALES TAX STAMP.] Payment of the tax imposed
26 under section 297F.05 and by this section must be evidenced by a
27 dual-purpose single stamp affixed to each package.

28 Subd. 7. [ADMINISTRATION.] The stamping, audit,
29 assessment, interest, penalty, appeal, refund, and collection
30 provisions applicable to the taxes imposed under this chapter
31 apply to taxes imposed under this section.

32 Subd. 8. [DEPOSIT OF REVENUES.] Notwithstanding the
33 provisions of section 297F.10, the commissioner shall deposit
34 all revenues, including penalties and interest, derived from the
35 tax imposed by this section, in the general fund.

36 [EFFECTIVE DATE.] This section is effective for all sales

1 made on or after August 1, 2005.

2 Sec. 22. Minnesota Statutes 2004, section 297I.05,
3 subdivision 4, is amended to read:

4 Subd. 4. [MUTUAL PROPERTY AND CASUALTY COMPANIES WITH
5 TOTAL ASSETS LESS THAN \$1,600,000,000 ON DECEMBER 31, 1989.] A
6 tax is imposed on mutual insurance companies that sell both
7 property and casualty companies insurance that had total assets
8 greater than \$5,000,000 at the end of the calendar year but that
9 had total assets less than \$1,600,000,000 on December 31, 1989.
10 The rate of tax is equal to:

11 ~~{1} two percent of gross premiums less return premiums on~~
12 ~~all direct business received by the insurer or agents of the~~
13 ~~insurer in Minnesota for life insurance, in cash or otherwise,~~
14 ~~during the year, and~~

15 {2} 1.26 percent of gross premiums less return premiums on
16 all other direct business received by the insurer or agents of
17 the insurer in Minnesota, in cash or otherwise, during the year,
18 except for life insurance as provided in subdivision 14.

19 [EFFECTIVE DATE.] This section is effective for premiums
20 received after December 31, 2005.

21 Sec. 23. Minnesota Statutes 2004, section 297I.05, is
22 amended by adding a subdivision to read:

23 Subd. 14. [LIFE INSURANCE.] A tax is imposed on life
24 insurance. The rate of tax equals 1.50 percent of gross
25 premiums less return premiums on all direct business received by
26 the insurer or agents of the insurer in Minnesota for life
27 insurance, in cash or otherwise, during the year.

28 [EFFECTIVE DATE.] This section is effective for premiums
29 received after December 31, 2005.

30 Sec. 24. [325D.125] [EMPLOYERS NOT TO MISREPRESENT STATUS
31 OF EMPLOYEES.]

32 Subdivision 1. [MISREPRESENTATION PROHIBITED.] No employer
33 shall misrepresent the nature of its employment relationship
34 with its employees to any federal, state, or local government
35 unit, to other employers or to its employees. An employer
36 misrepresents the nature of its employment relationship with its

1 employees if it makes any statement regarding the nature of the
2 relationship that the employer does not in good faith believe to
3 be true or if it fails to report individuals as employees when
4 legally required to do so.

5 Subd. 2. [EMPLOYEE COERCION PROHIBITED.] No employer shall
6 require or request any employee to enter into any agreement, or
7 sign any document, that results in misclassification of the
8 employee as an independent contractor or otherwise does not
9 accurately reflect the employment relationship with the employer.

10 Subd. 3. [VIOLATIONS.] Any court finding any person guilty
11 of violating this section shall transmit a copy of the
12 documentation of the finding of guilt to the commissioner of
13 labor and industry. The commissioner of labor and industry
14 shall report the finding of guilt to relevant state and federal
15 agencies, including at least the commissioner of commerce, the
16 commissioner of economic security, the commissioner of revenue,
17 the federal Internal Revenue Service, and the United States
18 Department of Labor.

19 [EFFECTIVE DATE.] This section is effective the day
20 following final enactment.

21 Sec. 25. [325F.781] [REQUIREMENTS; TOBACCO PRODUCT
22 DELIVERY SALES.]

23 Subdivision 1. [DEFINITIONS.] (a) For purposes of this
24 section, the following terms have the meanings given, unless the
25 language or context clearly provides otherwise.

26 (b) "Consumer" means an individual who purchases, receives,
27 or possesses tobacco products for personal consumption and not
28 for resale.

29 (c) "Delivery sale" means:

30 (1) a sale of tobacco products to a consumer in this state
31 when:

32 (i) the purchaser submits the order for the sale by means
33 of a telephonic or other method of voice transmission, the mail
34 or any other delivery service, or the Internet or other on-line
35 service; or

36 (ii) the tobacco products are delivered by use of the mail

1 or other delivery service; or

2 (2) a sale of tobacco products that satisfies the criteria
3 in clause (1), item (i), regardless of whether the seller is
4 located inside or outside of the state.

5 A sale of tobacco products to an individual in this state
6 must be treated as a sale to a consumer, unless the individual
7 is licensed as a distributor or retailer of tobacco products.

8 (d) "Delivery service" means a person, including the United
9 States Postal Service, that is engaged in the commercial
10 delivery of letters, packages, or other containers.

11 (e) "Distributor" means a person, whether located inside or
12 outside of this state, other than a retailer, who sells or
13 distributes tobacco products in the state. Distributor does not
14 include a tobacco products manufacturer, export warehouse
15 proprietor, or importer with a valid permit under United States
16 Code, title 26, section 5712 (1997), if the person sells or
17 distributes tobacco products in this state only to distributors
18 who hold valid and current licenses under the laws of a state,
19 or to an export warehouse proprietor or another manufacturer.
20 Distributor does not include a common or contract carrier that
21 is transporting tobacco products under a proper bill of lading
22 or freight bill that states the quantity, source, and
23 destination of tobacco products, or a person who ships tobacco
24 products through this state by common or contract carrier under
25 a bill of lading or freight bill.

26 (f) "Retailer" means a person, whether located inside or
27 outside this state, who sells or distributes tobacco products to
28 a consumer in this state.

29 (g) "Tobacco products" means:

30 (1) cigarettes, as defined in section 297F.01, subdivision
31 3; and

32 (2) smokeless tobacco as defined in section 325F.76.

33 Subd. 2. [REQUIREMENTS FOR ACCEPTING ORDER FOR DELIVERY
34 SALE.] (a) This subdivision applies to acceptance of an order
35 for a delivery sale of tobacco products.

36 (b) When accepting the first order for a delivery sale from

1 a consumer, the tobacco retailer shall obtain the following
2 information from the person placing the order:

3 (1) a copy of a valid government-issued document that
4 provides the person's name, current address, photograph, and
5 date of birth; and

6 (2) an original written statement signed by the person
7 documenting that the person:

8 (i) is of legal age to purchase tobacco products in the
9 state;

10 (ii) has made a choice whether to receive mailings from a
11 tobacco retailer;

12 (iii) understands that providing false information may be a
13 violation of law; and

14 (iv) understands that it is a violation of law to purchase
15 tobacco products for subsequent resale or for delivery to
16 persons who are under the legal age to purchase tobacco products.

17 (c) If an order is made as a result of advertisement over
18 the Internet, the tobacco retailer shall request the e-mail
19 address of the purchaser and shall receive payment by credit
20 card or check prior to shipping.

21 (d) Prior to shipping the tobacco products, the tobacco
22 retailer shall verify the information provided under paragraph
23 (b) against a commercially available database. Any such
24 database or databases may also include age and identity
25 information from other government or validated commercial
26 sources, if that additional information is regularly used by
27 government and businesses for the purpose of identity
28 verification and authentication, and if the additional
29 information is used only to supplement and not to replace the
30 government-issued identification data in the age and identity
31 verification process.

32 Subd. 3. [REQUIREMENTS FOR SHIPPING A DELIVERY SALE.] (a)
33 This subdivision applies to a tobacco retailer shipping tobacco
34 products pursuant to a delivery sale.

35 (b) The tobacco retailer shall clearly mark the outside of
36 the package of tobacco products to be shipped "tobacco products -

1 adult signature required" and to show the name of the tobacco
 2 retailer.

3 (c) The tobacco retailer shall utilize a delivery service
 4 that imposes the following requirements:

5 (1) an adult must sign for the delivery; and

6 (2) the person signing for the delivery must show valid
 7 government-issued identification that contains a photograph of
 8 the person signing for the delivery and indicates that the
 9 person signing for the delivery is of legal age to purchase
 10 tobacco products and resides at the delivery address.

11 (d) The retailer must provide delivery instructions that
 12 clearly indicate the requirements of this subdivision and must
 13 declare that state law requires compliance with the requirements.

14 (e) No criminal penalty may be imposed on a person for a
 15 violation of this section other than a violation described in
 16 paragraph (f) or (g). Whenever it appears to the commissioner
 17 that any person has engaged in any act or practice constituting
 18 a violation of this section, and the violation is not within two
 19 years of any previous violation of this section, the
 20 commissioner shall issue and cause to be served upon the person
 21 an order requiring the person to cease and desist from violating
 22 this section. The order must give reasonable notice of the
 23 rights of the person to request a hearing and must state the
 24 reason for the entry of the order. Unless otherwise agreed
 25 between the parties, a hearing shall be held not later than
 26 seven days after the request for the hearing is received by the
 27 commissioner after which and within 20 days after the receipt of
 28 the administrative law judge's report and subsequent exceptions
 29 and argument, the commissioner shall issue an order vacating the
 30 cease and desist order, modifying it, or making it permanent as
 31 the facts require. If no hearing is requested within 30 days of
 32 the service of the order, the order becomes final and remains in
 33 effect until modified or vacated by the commissioner. All
 34 hearings shall be conducted in accordance with the provisions of
 35 chapter 14. If the person to whom a cease and desist order is
 36 issued fails to appear at the hearing after being duly notified,

1 the person shall be deemed in default, and the proceeding may be
2 determined against the person upon consideration of the cease
3 and desist order, the allegations of which may be deemed to be
4 true.

5 (f) Any person who violates this section within two years
6 of a violation for which a cease and desist order was issued
7 under paragraph (e), is guilty of a misdemeanor.

8 (g) Any person who commits a third or subsequent violation
9 of this section, including a violation for which a cease and
10 desist order was issued under paragraph (c), within any
11 subsequent two-year period is guilty of a gross misdemeanor.

12 Subd. 4. [COMMON CARRIERS.] This section may not be
13 construed as imposing liability upon any common carrier, or
14 officers or employees of the common carrier, when acting within
15 the scope of business of the common carrier.

16 Subd. 5. [REGISTRATION REQUIREMENT.] Prior to making
17 delivery sales or shipping tobacco products in connection with
18 any sales, an out-of-state retailer must meet the requirements
19 of section 297F.031.

20 Subd. 6. [COLLECTION OF TAXES.] (a) Prior to shipping any
21 tobacco products to a purchaser in this state, the out-of-state
22 retailer shall comply with all requirements of chapter 297F and
23 shall ensure that all state excise taxes and fees that apply to
24 such tobacco products have been collected and paid to the state
25 and that all related state excise tax stamps or other indicators
26 of state excise tax payment have been properly affixed to those
27 tobacco products.

28 (b) In addition to any penalties under chapter 297F, a
29 distributor who fails to pay any tax due according to paragraph
30 (a) shall pay, in addition to any other penalty, a penalty of 50
31 percent of the tax due but unpaid.

32 Subd. 7. [APPLICATION OF STATE LAWS.] All state laws that
33 apply to in-state tobacco product retailers shall apply to
34 Internet and mail-order sellers that sell into this state.

35 Subd. 8. [FORFEITURE.] Any tobacco product sold or
36 attempted to be sold in a delivery sale that does not meet the

1 requirements of this section is deemed to be contraband and is
2 subject to forfeiture in the same manner as and in accordance
3 with the provisions of section 297F.21.

4 Subd. 9. [CIVIL PENALTIES.] A tobacco retailer or
5 distributor who violates this section or rules adopted under
6 this section is subject to the following fines:

7 (1) for the first violation, a fine of not more than
8 \$1,000; and

9 (2) for the second and any subsequent violation, a fine of
10 not more than \$5,000.

11 Subd. 10. [ENFORCEMENT.] The attorney general may bring an
12 action to enforce this section and may seek injunctive relief,
13 including a preliminary or final injunction, and fines,
14 penalties, and equitable relief and may seek to prevent or
15 restrain actions in violation of this section by any person or
16 any person controlling such person. In addition, a violation of
17 this section is a violation of the Unlawful Trade Practices Act,
18 sections 325D.09 to 325D.16.

19 [EFFECTIVE DATE.] This section is effective the day
20 following final enactment.

21 Sec. 26. Minnesota Statutes 2004, section 366.011, is
22 amended to read:

23 366.011 [CHARGES FOR EMERGENCY SERVICES; COLLECTION.]

24 A town may impose a reasonable service charge for emergency
25 services, including fire, rescue, medical, and related services
26 provided by the town or contracted for by the town. If the
27 service charge remains unpaid 30 days after a notice of
28 delinquency is sent to the recipient of the service or the
29 recipient's representative or estate, the town or its contractor
30 on behalf of the town may use any lawful means allowed to a
31 private party for the collection of an unsecured delinquent
32 debt. The town may also use the authority of section 366.012 to
33 collect unpaid service charges of this kind from delinquent
34 recipients of services who are owners of taxable real property
35 in the town state.

36 The powers conferred by this section are in addition and

1 supplemental to the powers conferred by any other law for a town
2 to impose a service charge or assessment for a service provided
3 by the town or contracted for by the town.

4 Sec. 27. Minnesota Statutes 2004, section 366.012, is
5 amended to read:

6 366.012 [COLLECTION OF UNPAID SERVICE CHARGES.]

7 If a town is authorized to impose a service charge ~~on the~~
8 ~~owner, lessee, or occupant of property, or any of them,~~ for a
9 governmental service provided by the town, the town board may
10 certify to the county auditor of the county in which the
11 recipient of the services owns real property, on or before
12 October 15 for each year, any unpaid service charges which shall
13 then be collected together with property taxes levied against
14 the property. The county auditor shall remit to the town all
15 service charges collected by the auditor on behalf of the town.

16 A charge may be certified to the auditor only if, on or before
17 September 15, the town has given written notice to the property
18 owner of its intention to certify the charge to the auditor.
19 The service charges shall be subject to the same penalties,
20 interest, and other conditions provided for the collection of
21 property taxes. This section is in addition to other law
22 authorizing the collection of unpaid costs and service charges.

23 Sec. 28. [COMPACTS; RETALIATORY TAXES.]

24 The commissioner of revenue may enter into compact
25 agreements with other states for the purpose of eliminating
26 retaliatory insurance premiums tax provisions between this state
27 and other states. The commissioner shall report to the
28 chairpersons of the house and senate tax committees, on or
29 before February 1, 2006, on the actions the commissioner has
30 taken to enter into compact agreements with other states.

31 Sec. 29. [FLOOR STOCKS TAX.]

32 Subdivision 1. [CIGARETTES.] A floor stocks cigarette
33 sales tax is imposed on every person engaged in the business in
34 this state as a distributor, retailer, subjobber, vendor,
35 manufacturer, or manufacturer's representative of cigarettes, on
36 the stamped cigarettes and unaffixed stamps in the person's

1 possession or under the person's control at 12:01 a.m. on August
 2 1, 2005. The tax is imposed at the rate of 21 cents per pack of
 3 20 cigarettes. For packs of cigarettes with other than 20
 4 cigarettes, the tax shall be adjusted proportionally.

5 Each distributor, by August 10, 2005, shall file a return
 6 with the commissioner, in the form the commissioner prescribes,
 7 showing the stamped cigarettes and unaffixed stamps on hand at
 8 12:01 a.m. on August 1, 2005, and the amount of tax due on the
 9 cigarettes and unaffixed stamps. The tax imposed by this
 10 section is due and payable by September 7, 2005, and after that
 11 date bears interest at the rate of one percent a month.

12 Each retailer, subjobber, vendor, manufacturer, or
 13 manufacturer's representative, by August 10, 2005, shall file a
 14 return with the commissioner, in the form the commissioner
 15 prescribes, showing the cigarettes on hand at 12:01 a.m. on
 16 August 1, 2005, and the amount of tax due on the cigarettes.
 17 The tax imposed by this section is due and payable by September
 18 7, 2005, and after that date bears interest at the rate of one
 19 percent a month.

20 Subd. 2. [AUDIT AND ENFORCEMENT.] The tax imposed by this
 21 section is subject to the audit, assessment, penalty, and
 22 collection provisions applicable to the taxes imposed under
 23 Minnesota Statutes, chapter 297F. The commissioner may require
 24 a distributor to receive and maintain copies of floor stocks tax
 25 returns filed by all persons requesting a credit for returned
 26 cigarettes.

27 Subd. 3. [DEPOSIT OF PROCEEDS.] The revenue from the tax
 28 imposed under this section shall be deposited by the
 29 commissioner in the state treasury and credited to the general
 30 fund.

31 [EFFECTIVE DATE.] This section is effective August 1, 2005.

32 ARTICLE 13

33 DEPARTMENT OF REVENUE

34 INCOME, CORPORATE FRANCHISE, AND ESTATE TAXES - SF1683

35 Section 1. Minnesota Statutes 2004, section 289A.08,
 36 subdivision 3, is amended to read:

1 Subd. 3. [CORPORATIONS.] A corporation that is subject to
2 the state's jurisdiction to tax under section 290.014,
3 subdivision 5, must file a return, except that a foreign
4 operating corporation as defined in section 290.01, subdivision
5 6b, is not required to file a return. The commissioner shall
6 adopt rules for the filing of one return on behalf of the
7 members of an affiliated group of corporations that are required
8 to file a combined report. All members of an affiliated group
9 that are required to file a combined report must file one return
10 on behalf of the members of the group under rules adopted by the
11 commissioner. If a corporation claims on a return that it has
12 paid tax in excess of the amount of taxes lawfully due, that
13 corporation may include on that return information necessary for
14 payment of the tax in excess of the amount lawfully due by
15 electronic means.

16 [EFFECTIVE DATE.] This section is effective for returns
17 filed after December 31, 2005.

18 Sec. 2. Minnesota Statutes 2004, section 289A.08,
19 subdivision 7, is amended to read:

20 Subd. 7. [COMPOSITE INCOME TAX RETURNS FOR NONRESIDENT
21 PARTNERS, SHAREHOLDERS, AND BENEFICIARIES.] (a) The commissioner
22 may allow a partnership with nonresident partners to file a
23 composite return and to pay the tax on behalf of nonresident
24 partners who have no other Minnesota source income. This
25 composite return must include the names, addresses, Social
26 Security numbers, income allocation, and tax liability for the
27 nonresident partners electing to be covered by the composite
28 return.

29 (b) The computation of a partner's tax liability must be
30 determined by multiplying the income allocated to that partner
31 by the highest rate used to determine the tax liability for
32 individuals under section 290.06, subdivision 2c. Nonbusiness
33 deductions, standard deductions, or personal exemptions are not
34 allowed.

35 (c) The partnership must submit a request to use this
36 composite return filing method for nonresident partners. The

1 requesting partnership must file a composite return in the form
 2 prescribed by the commissioner of revenue. The filing of a
 3 composite return is considered a request to use the composite
 4 return filing method.

5 (d) The electing partner must not have any Minnesota source
 6 income other than the income from the partnership and other
 7 electing partnerships. If it is determined that the electing
 8 partner has other Minnesota source income, the inclusion of the
 9 income and tax liability for that partner under this provision
 10 will not constitute a return to satisfy the requirements of
 11 subdivision 1. The tax paid for the individual as part of the
 12 composite return is allowed as a payment of the tax by the
 13 individual on the date on which the composite return payment was
 14 made. If the electing nonresident partner has no other
 15 Minnesota source income, filing of the composite return is a
 16 return for purposes of subdivision 1.

17 (e) This subdivision does not negate the requirement that
 18 an individual pay estimated tax if the individual's liability
 19 would exceed the requirements set forth in section 289A.25. A
 20 composite estimate may, however, be filed in a manner similar to
 21 and containing the information required under paragraph (a).

22 (f) If an electing partner's share of the partnership's
 23 gross income from Minnesota sources is less than the filing
 24 requirements for a nonresident under this subdivision, the tax
 25 liability is zero. However, a statement showing the partner's
 26 share of gross income must be included as part of the composite
 27 return.

28 (g) The election provided in this subdivision is not only
 29 available to any a partner other-than who has no other Minnesota
 30 source income and who is either (1) a full-year nonresident
 31 individual who-has-no-other-Minnesota-source-income or (2) a
 32 trust or estate that does not claim a deduction under either
 33 section 651 or 661 of the Internal Revenue Code.

34 (h) A corporation defined in section 290.9725 and its
 35 nonresident shareholders may make an election under this
 36 paragraph. The provisions covering the partnership apply to the

1 corporation and the provisions applying to the partner apply to
2 the shareholder.

3 (i) Estates and trusts distributing current income only and
4 the nonresident individual beneficiaries of the estates or
5 trusts may make an election under this paragraph. The
6 provisions covering the partnership apply to the estate or
7 trust. The provisions applying to the partner apply to the
8 beneficiary.

9 (j) For the purposes of this subdivision, "income" means
10 the partner's share of federal adjusted gross income from the
11 partnership modified by the additions provided in section
12 290.01, subdivision 19a, clauses (6) and (7), and the
13 subtractions provided in section 290.01, subdivision 19b, clause
14 (11), to the extent the amount is assignable or allocable to
15 Minnesota under section 290.17. The subtraction allowed under
16 section 290.01, subdivision 19b, clause (11), is only allowed on
17 the composite tax computation to the extent the electing partner
18 would have been allowed the subtraction.

19 [EFFECTIVE DATE.] This section is effective for tax years
20 beginning after December 31, 2004.

21 Sec. 3. Minnesota Statutes 2004, section 289A.18,
22 subdivision 1, is amended to read:

23 Subdivision 1. [INDIVIDUAL INCOME, FIDUCIARY INCOME,
24 CORPORATE FRANCHISE, AND ENTERTAINMENT TAXES; PARTNERSHIP AND S
25 CORPORATION RETURNS; INFORMATION RETURNS; MINING COMPANY
26 RETURNS.] The returns required to be made under sections 289A.08
27 and 289A.12 must be filed at the following times:

28 (1) returns made on the basis of the calendar year must be
29 filed on April 15 following the close of the calendar year,
30 except that returns of corporations must be filed on March 15
31 following the close of the calendar year;

32 (2) returns made on the basis of the fiscal year must be
33 filed on the 15th day of the fourth month following the close of
34 the fiscal year, except that returns of corporations must be
35 filed on the 15th day of the third month following the close of
36 the fiscal year;

1 (3) returns for a fractional part of a year must be filed
2 on the 15th day of the fourth month following the end of the
3 month in which falls the last day of the period for which the
4 return is made, except that the returns of corporations must be
5 filed on the 15th day of the third month following the end of
6 the month tax year of the unitary group in which falls the last
7 day of the period for which the return is made;

8 (4) in the case of a final return of a decedent for a
9 fractional part of a year, the return must be filed on the 15th
10 day of the fourth month following the close of the 12-month
11 period that began with the first day of that fractional part of
12 a year;

13 (5) in the case of the return of a cooperative association,
14 returns must be filed on or before the 15th day of the ninth
15 month following the close of the taxable year;

16 (6) if a corporation has been divested from a unitary group
17 and files a return for a fractional part of a year in which it
18 was a member of a unitary business that files a combined report
19 under section 290.34, subdivision 2, the divested corporation's
20 return must be filed on the 15th day of the third month
21 following the close of the common accounting period that
22 includes the fractional year;

23 (7) returns of entertainment entities must be filed on
24 April 15 following the close of the calendar year;

25 (8) returns required to be filed under section 289A.08,
26 subdivision 4, must be filed on the 15th day of the fifth month
27 following the close of the taxable year;

28 (9) returns of mining companies must be filed on May 1
29 following the close of the calendar year; and

30 (10) returns required to be filed with the commissioner
31 under section 289A.12, subdivision 2, 4 to 10, or 14, must be
32 filed within 30 days after being demanded by the commissioner.

33 [EFFECTIVE DATE.] This section is effective for fractional
34 years closing after December 31, 2004.

35 Sec. 4. Minnesota Statutes 2004, section 289A.38,
36 subdivision 7, is amended to read:

1 Subd. 7. [FEDERAL TAX CHANGES.] If the amount of income,
2 items of tax preference, deductions, or credits for any year of
3 a taxpayer as reported to the Internal Revenue Service is
4 changed or corrected by the commissioner of Internal Revenue or
5 other officer of the United States or other competent authority,
6 or where a renegotiation of a contract or subcontract with the
7 United States results in a change in income, items of tax
8 preference, deductions, credits, or withholding tax, or, in the
9 case of estate tax, where there are adjustments to the taxable
10 estate resulting in a change to the credit for state death
11 taxes, the taxpayer shall report the change or correction or
12 renegotiation results in writing to the commissioner. The
13 report must be submitted within 180 days after the final
14 determination and must be in the form of either an amended
15 Minnesota estate, withholding tax, corporate franchise tax, or
16 income tax return conceding the accuracy of the federal
17 determination or a letter detailing how the federal
18 determination is incorrect or does not change the Minnesota
19 tax. An amended Minnesota income tax return must be accompanied
20 by an amended property tax refund return, if necessary. A
21 taxpayer filing an amended federal tax return must also file a
22 copy of the amended return with the commissioner of revenue
23 within 180 days after filing the amended return.

24 [EFFECTIVE DATE.] This section is effective the day
25 following final enactment.

26 Sec. 5. Minnesota Statutes 2004, section 289A.50,
27 subdivision 1a, is amended to read:

28 Subd. 1a. [REFUND FORM.] On or before January 1, 2000, the
29 commissioner of revenue shall prepare and make available to
30 taxpayers a form for filing claims for refund of taxes paid in
31 excess of the amount due. ~~If the commissioner fails to prepare~~
32 ~~a form under this subdivision by January 17, 2000, any claims for~~
33 ~~refund made after January 17, 2000, and up to ten days after the~~
34 ~~form is made available to taxpayers are deemed to be made in~~
35 ~~compliance with the requirement of the form.~~ The commissioner
36 may request corporate franchise taxpayers claiming a refund of

1 corporate franchise taxes paid in excess of the amount lawfully
2 due to include on the claim for refund or amended return
3 information necessary for payment of the taxes paid in excess of
4 taxes lawfully due by electronic means.

5 [EFFECTIVE DATE.] This section is effective for claims for
6 refund filed after December 31, 2005.

7 Sec. 6. Minnesota Statutes 2004, section 289A.60,
8 subdivision 6, is amended to read:

9 Subd. 6. [PENALTY FOR FALSE OR FRAUDULENT RETURN,
10 EVASION.] If a person files a false or fraudulent return, or
11 claim for refund or attempts in any manner to evade or defeat a
12 tax or payment of tax, there is imposed on the person a penalty
13 equal to the sum of (1) 50 percent of the tax, less amounts paid
14 by the person on the basis of the false or fraudulent return,
15 due for the period to which the return related and (2) 50
16 percent of the portion of any refund claimed that is
17 attributable to fraud.

18 [EFFECTIVE DATE.] This section is effective for returns
19 filed after December 31, 2005.

20 Sec. 7. Minnesota Statutes 2004, section 289A.60,
21 subdivision 12, is amended to read:

22 Subd. 12. [PENALTIES RELATING TO PROPERTY TAX REFUNDS.]

23 ~~(a) If the commissioner determines that a property tax refund~~
24 ~~claim is or was excessive and was filed with fraudulent intent,~~
25 ~~the claim must be disallowed in full. If the claim has been~~
26 ~~paid, the amount disallowed may be recovered by assessment and~~
27 ~~collection.~~

28 (b) If it is determined that a property tax refund claim is
29 excessive and was negligently prepared, ten percent of the
30 corrected claim must be disallowed. If the claim has been paid,
31 the amount disallowed must be recovered by assessment and
32 collection.

33 (c) (b) An owner who without reasonable cause fails to give
34 a certificate of rent constituting property tax to a renter, as
35 required by section 290A.19, paragraph (a), is liable to the
36 commissioner for a penalty of \$100 for each failure.

1 ~~(d)~~ (c) If the owner or managing agent knowingly gives rent
2 certificates that report total rent constituting property taxes
3 in excess of the amount of actual rent constituting property
4 taxes paid on the rented part of a property, the owner or
5 managing agent is liable for a penalty equal to the greater of
6 (1) \$100 or (2) 50 percent of the excess that is reported. An
7 overstatement of rent constituting property taxes is presumed to
8 be knowingly made if it exceeds by ten percent or more the
9 actual rent constituting property taxes.

10 [EFFECTIVE DATE.] This section is effective for returns
11 filed after December 31, 2005.

12 Sec. 8. Minnesota Statutes 2004, section 290.01,
13 subdivision 19a, is amended to read:

14 Subd. 19a. [ADDITIONS TO FEDERAL TAXABLE INCOME.] For
15 individuals, estates, and trusts, there shall be added to
16 federal taxable income:

17 (1)(i) interest income on obligations of any state other
18 than Minnesota or a political or governmental subdivision,
19 municipality, or governmental agency or instrumentality of any
20 state other than Minnesota exempt from federal income taxes
21 under the Internal Revenue Code or any other federal statute;
22 and

23 (ii) exempt-interest dividends as defined in section
24 852(b)(5) of the Internal Revenue Code, except the portion of
25 the exempt-interest dividends derived from interest income on
26 obligations of the state of Minnesota or its political or
27 governmental subdivisions, municipalities, governmental agencies
28 or instrumentalities, but only if the portion of the
29 exempt-interest dividends from such Minnesota sources paid to
30 all shareholders represents 95 percent or more of the
31 exempt-interest dividends that are paid by the regulated
32 investment company as defined in section 851(a) of the Internal
33 Revenue Code, or the fund of the regulated investment company as
34 defined in section 851(g) of the Internal Revenue Code, making
35 the payment; and

36 (iii) for the purposes of items (i) and (ii), interest on

1 obligations of an Indian tribal government described in section
2 7871(c) of the Internal Revenue Code shall be treated as
3 interest income on obligations of the state in which the tribe
4 is located;

5 (2) the amount of income taxes paid or accrued within the
6 taxable year under this chapter and ~~income~~ the amount of taxes
7 based on net income paid to any other state or to any province
8 or territory of Canada, to the extent allowed as a deduction
9 under section 63(d) of the Internal Revenue Code, but the
10 addition may not be more than the amount by which the itemized
11 deductions as allowed under section 63(d) of the Internal
12 Revenue Code exceeds the amount of the standard deduction as
13 defined in section 63(c) of the Internal Revenue Code. For the
14 purpose of this paragraph, the disallowance of itemized
15 deductions under section 68 of the Internal Revenue Code of
16 1986, income tax is the last itemized deduction disallowed;

17 (3) the capital gain amount of a lump sum distribution to
18 which the special tax under section 1122(h)(3)(B)(ii) of the Tax
19 Reform Act of 1986, Public Law 99-514, applies;

20 (4) the amount of income taxes paid or accrued within the
21 taxable year under this chapter and ~~income taxes~~ based on net
22 income paid to any other state or any province or territory of
23 Canada, to the extent allowed as a deduction in determining
24 federal adjusted gross income. For the purpose of this
25 paragraph, income taxes do not include the taxes imposed by
26 sections 290.0922, subdivision 1, paragraph (b), 290.9727,
27 290.9728, and 290.9729;

28 (5) the amount of expense, interest, or taxes disallowed
29 pursuant to section 290.10 other than expenses or interest used
30 in computing net interest income for the subtraction allowed
31 under subdivision 19b, clause (1);

32 (6) the amount of a partner's pro rata share of net income
33 which does not flow through to the partner because the
34 partnership elected to pay the tax on the income under section
35 6242(a)(2) of the Internal Revenue Code; and

36 (7) 80 percent of the depreciation deduction allowed under

1 section 168(k) of the Internal Revenue Code. For purposes of
2 this clause, if the taxpayer has an activity that in the taxable
3 year generates a deduction for depreciation under section 168(k)
4 and the activity generates a loss for the taxable year that the
5 taxpayer is not allowed to claim for the taxable year, "the
6 depreciation allowed under section 168(k)" for the taxable year
7 is limited to excess of the depreciation claimed by the activity
8 under section 168(k) over the amount of the loss from the
9 activity that is not allowed in the taxable year. In succeeding
10 taxable years when the losses not allowed in the taxable year
11 are allowed, the depreciation under section 168(k) is allowed.

12 [EFFECTIVE DATE.] This section is effective for tax years
13 beginning after December 31, 2004.

14 Sec. 9. Minnesota Statutes 2004, section 290.01,
15 subdivision 19b, is amended to read:

16 Subd. 19b. [SUBTRACTIONS FROM FEDERAL TAXABLE INCOME.] For
17 individuals, estates, and trusts, there shall be subtracted from
18 federal taxable income:

19 (1) net interest income on obligations of any authority,
20 commission, or instrumentality of the United States to the
21 extent includable in taxable income for federal income tax
22 purposes but exempt from state income tax under the laws of the
23 United States;

24 (2) if included in federal taxable income, the amount of
25 any overpayment of income tax to Minnesota or to any other
26 state, for any previous taxable year, whether the amount is
27 received as a refund or as a credit to another taxable year's
28 income tax liability;

29 (3) the amount paid to others, less the amount used to
30 claim the credit allowed under section 290.0674, not to exceed
31 \$1,625 for each qualifying child in grades kindergarten to 6 and
32 \$2,500 for each qualifying child in grades 7 to 12, for tuition,
33 textbooks, and transportation of each qualifying child in
34 attending an elementary or secondary school situated in
35 Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin,
36 wherein a resident of this state may legally fulfill the state's

1 compulsory attendance laws, which is not operated for profit,
 2 and which adheres to the provisions of the Civil Rights Act of
 3 1964 and chapter 363A. For the purposes of this clause,
 4 "tuition" includes fees or tuition as defined in section
 5 290.0674, subdivision 1, clause (1). As used in this clause,
 6 "textbooks" includes books and other instructional materials and
 7 equipment purchased or leased for use in elementary and
 8 secondary schools in teaching only those subjects legally and
 9 commonly taught in public elementary and secondary schools in
 10 this state. Equipment expenses qualifying for deduction
 11 includes expenses as defined and limited in section 290.0674,
 12 subdivision 1, clause (3). "Textbooks" does not include
 13 instructional books and materials used in the teaching of
 14 religious tenets, doctrines, or worship, the purpose of which is
 15 to instill such tenets, doctrines, or worship, nor does it
 16 include books or materials for, or transportation to,
 17 extracurricular activities including sporting events, musical or
 18 dramatic events, speech activities, driver's education, or
 19 similar programs. For purposes of the subtraction provided by
 20 this clause, "qualifying child" has the meaning given in section
 21 32(c)(3) of the Internal Revenue Code;

22 (4) income as provided under section 290.0802;

23 (5) to the extent included in federal adjusted gross
 24 income, income realized on disposition of property exempt from
 25 tax under section 290.491;

26 ~~(6) to the extent included in federal taxable income,~~
 27 ~~postservice benefits for youth community service under section~~
 28 ~~124D-42 for volunteer service under United States Code, title~~
 29 ~~42, sections 12601 to 12604;~~

30 ~~(7)~~ to the extent not deducted in determining federal
 31 taxable income by an individual who does not itemize deductions
 32 for federal income tax purposes for the taxable year, an amount
 33 equal to 50 percent of the excess of charitable contributions
 34 allowable as a deduction for the taxable year under section
 35 170(a) of the Internal Revenue Code over \$500;

36 ~~(8)~~ (7) for taxable years beginning before January 1, 2008,

1 the amount of the federal small ethanol producer credit allowed
2 under section 40(a)(3) of the Internal Revenue Code which is
3 included in gross income under section 87 of the Internal
4 Revenue Code;

5 ~~(9)~~ (8) for individuals who are allowed a federal foreign
6 tax credit for taxes that do not qualify for a credit under
7 section 290.06, subdivision 22, an amount equal to the carryover
8 of subnational foreign taxes for the taxable year, but not to
9 exceed the total subnational foreign taxes reported in claiming
10 the foreign tax credit. For purposes of this clause, "federal
11 foreign tax credit" means the credit allowed under section 27 of
12 the Internal Revenue Code, and "carryover of subnational foreign
13 taxes" equals the carryover allowed under section 904(c) of the
14 Internal Revenue Code minus national level foreign taxes to the
15 extent they exceed the federal foreign tax credit;

16 ~~(10)~~ (9) in each of the five tax years immediately
17 following the tax year in which an addition is required under
18 subdivision 19a, clause (7), or 19c, clause (15), in the case of
19 a shareholder of a corporation that is an S corporation, an
20 amount equal to one-fifth of the delayed depreciation. For
21 purposes of this clause, "delayed depreciation" means the amount
22 of the addition made by the taxpayer under subdivision 19a,
23 clause (7), or subdivision 19c, clause (15), in the case of a
24 shareholder of an S corporation, minus the positive value of any
25 net operating loss under section 172 of the Internal Revenue
26 Code generated for the tax year of the addition. The resulting
27 delayed depreciation cannot be less than zero; and

28 ~~(11)~~ (10) job opportunity building zone income as provided
29 under section 469.316.

30 [EFFECTIVE DATE.] The amendment to clause (9) is effective
31 retroactively for tax years beginning after December 31, 2001.
32 The rest of this section is effective for the tax years
33 beginning after December 31, 2004.

34 Sec. 10. Minnesota Statutes 2004, section 290.01,
35 subdivision 19c, is amended to read:

36 Subd. 19c. [CORPORATIONS; ADDITIONS TO FEDERAL TAXABLE

1 INCOME.] For corporations, there shall be added to federal
 2 taxable income:

3 (1) the amount of any deduction taken for federal income
 4 tax purposes for income, excise, or franchise taxes based on net
 5 income or related minimum taxes, including but not limited to
 6 the tax imposed under section 290.0922, paid by the corporation
 7 to Minnesota, another state, a political subdivision of another
 8 state, the District of Columbia, or any foreign country or
 9 possession of the United States;

10 (2) interest not subject to federal tax upon obligations
 11 of: the United States, its possessions, its agencies, or its
 12 instrumentalities; the state of Minnesota or any other state,
 13 any of its political or governmental subdivisions, any of its
 14 municipalities, or any of its governmental agencies or
 15 instrumentalities; the District of Columbia; or Indian tribal
 16 governments;

17 (3) exempt-interest dividends received as defined in
 18 section 852(b)(5) of the Internal Revenue Code;

19 (4) the amount of any net operating loss deduction taken
 20 for federal income tax purposes under section 172 or 832(c)(10)
 21 of the Internal Revenue Code or operations loss deduction under
 22 section 810 of the Internal Revenue Code;

23 (5) the amount of any special deductions taken for federal
 24 income tax purposes under sections 241 to 247 of the Internal
 25 Revenue Code;

26 (6) losses from the business of mining, as defined in
 27 section 290.05, subdivision 1, clause (a), that are not subject
 28 to Minnesota income tax;

29 (7) the amount of any capital losses deducted for federal
 30 income tax purposes under sections 1211 and 1212 of the Internal
 31 Revenue Code;

32 (8) the exempt foreign trade income of a foreign sales
 33 corporation under sections 921(a) and 291 of the Internal
 34 Revenue Code;

35 (9) the amount of percentage depletion deducted under
 36 sections 611 through 614 and 291 of the Internal Revenue Code;

1 (10) for certified pollution control facilities placed in
2 service in a taxable year beginning before December 31, 1986,
3 and for which amortization deductions were elected under section
4 169 of the Internal Revenue Code of 1954, as amended through
5 December 31, 1985, the amount of the amortization deduction
6 allowed in computing federal taxable income for those
7 facilities;

8 (11) the amount of any deemed dividend from a foreign
9 operating corporation determined pursuant to section 290.17,
10 subdivision 4, paragraph (g);

11 ~~(12) the amount of any environmental tax paid under section~~
12 ~~59(a) of the Internal Revenue Code;~~

13 ~~(13)~~ the amount of a partner's pro rata share of net income
14 which does not flow through to the partner because the
15 partnership elected to pay the tax on the income under section
16 6242(a)(2) of the Internal Revenue Code;

17 ~~(14)~~ (13) the amount of net income excluded under section
18 114 of the Internal Revenue Code;

19 ~~(15)~~ (14) any increase in subpart F income, as defined in
20 section 952(a) of the Internal Revenue Code, for the taxable
21 year when subpart F income is calculated without regard to the
22 provisions of section 614 of Public Law 107-147; and

23 ~~(16)~~ (15) 80 percent of the depreciation deduction allowed
24 under section 168(k)(1)(A) and (k)(4)(A) of the Internal Revenue
25 Code. For purposes of this clause, if the taxpayer has an
26 activity that in the taxable year generates a deduction for
27 depreciation under section 168(k)(1)(A) and (k)(4)(A) and the
28 activity generates a loss for the taxable year that the taxpayer
29 is not allowed to claim for the taxable year, "the depreciation
30 allowed under section 168(k)(1)(A) and (k)(4)(A)" for the
31 taxable year is limited to excess of the depreciation claimed by
32 the activity under section 168(k)(1)(A) and (k)(4)(A) over the
33 amount of the loss from the activity that is not allowed in the
34 taxable year. In succeeding taxable years when the losses not
35 allowed in the taxable year are allowed, the depreciation under
36 section 168(k)(1)(A) and (k)(4)(A) is allowed.

1 [EFFECTIVE DATE.] This section is effective the day
2 following final enactment.

3 Sec. 11. Minnesota Statutes 2004, section 290.06,
4 subdivision 22, is amended to read:

5 Subd. 22. [CREDIT FOR TAXES PAID TO ANOTHER STATE.] (a) A
6 taxpayer who is liable for taxes based on ~~or-measured-by~~ net
7 income to another state, as provided in paragraphs (b) through
8 (f), upon income allocated or apportioned to Minnesota, is
9 entitled to a credit for the tax paid to another state if the
10 tax is actually paid in the taxable year or a subsequent taxable
11 year. A taxpayer who is a resident of this state pursuant to
12 section 290.01, subdivision 7, ~~clause-(2)~~ paragraph (b), and who
13 is subject to income tax as a resident in the state of the
14 individual's domicile is not allowed this credit unless the
15 state of domicile does not allow a similar credit.

16 (b) For an individual, estate, or trust, the credit is
17 determined by multiplying the tax payable under this chapter by
18 the ratio derived by dividing the income subject to tax in the
19 other state that is also subject to tax in Minnesota while a
20 resident of Minnesota by the taxpayer's federal adjusted gross
21 income, as defined in section 62 of the Internal Revenue Code,
22 modified by the addition required by section 290.01, subdivision
23 19a, clause (1), and the subtraction allowed by section 290.01,
24 subdivision 19b, clause (1), to the extent the income is
25 allocated or assigned to Minnesota under sections 290.081 and
26 290.17.

27 (c) If the taxpayer is an athletic team that apportions all
28 of its income under section 290.17, subdivision 5, the credit is
29 determined by multiplying the tax payable under this chapter by
30 the ratio derived from dividing the total net income subject to
31 tax in the other state by the taxpayer's Minnesota taxable
32 income.

33 (d) The credit determined under paragraph (b) or (c) shall
34 not exceed the amount of tax so paid to the other state on the
35 gross income earned within the other state subject to tax under
36 this chapter, nor shall the allowance of the credit reduce the

1 taxes paid under this chapter to an amount less than what would
2 be assessed if such income amount was excluded from taxable net
3 income.

4 (e) In the case of the tax assessed on a lump sum
5 distribution under section 290.032, the credit allowed under
6 paragraph (a) is the tax assessed by the other state on the lump
7 sum distribution that is also subject to tax under section
8 290.032, and shall not exceed the tax assessed under section
9 290.032. To the extent the total lump sum distribution defined
10 in section 290.032, subdivision 1, includes lump sum
11 distributions received in prior years or is all or in part an
12 annuity contract, the reduction to the tax on the lump sum
13 distribution allowed under section 290.032, subdivision 2,
14 includes tax paid to another state that is properly apportioned
15 to that distribution.

16 (f) If a Minnesota resident reported an item of income to
17 Minnesota and is assessed tax in such other state on that same
18 income after the Minnesota statute of limitations has expired,
19 the taxpayer shall receive a credit for that year under
20 paragraph (a), notwithstanding any statute of limitations to the
21 contrary. The claim for the credit must be submitted within one
22 year from the date the taxes were paid to the other state. The
23 taxpayer must submit sufficient proof to show entitlement to a
24 credit.

25 (g) For the purposes of this subdivision, a resident
26 shareholder of a corporation treated as an "S" corporation under
27 section 290.9725, must be considered to have paid a tax imposed
28 on the shareholder in an amount equal to the shareholder's pro
29 rata share of any net income tax paid by the S corporation to
30 another state. For the purposes of the preceding sentence, the
31 term "net income tax" means any tax imposed on or measured by a
32 corporation's net income.

33 (h) For the purposes of this subdivision, a resident
34 partner of an entity taxed as a partnership under the Internal
35 Revenue Code must be considered to have paid a tax imposed on
36 the partner in an amount equal to the partner's pro rata share

1 of any net income tax paid by the partnership to another state.
 2 For purposes of the preceding sentence, the term "net income"
 3 tax means any tax imposed on or measured by a partnership's net
 4 income.

5 (i) For the purposes of this subdivision, "another state":

6 (1) includes:

7 (i) the District of Columbia; and

8 (ii) a province or territory of Canada; but

9 (2) excludes Puerto Rico and the several territories
 10 organized by Congress.

11 (j) The limitations on the credit in paragraphs (b), (c),
 12 and (d), are imposed on a state by state basis.

13 (k) For a tax imposed by a province or territory of Canada,
 14 the tax for purposes of this subdivision is the excess of the
 15 tax over the amount of the foreign tax credit allowed under
 16 section 27 of the Internal Revenue Code. In determining the
 17 amount of the foreign tax credit allowed, the net income taxes
 18 imposed by Canada on the income are deducted first. Any
 19 remaining amount of the allowable foreign tax credit reduces the
 20 provincial or territorial tax that qualifies for the credit
 21 under this subdivision.

22 [EFFECTIVE DATE.] This section is effective for tax years
 23 beginning after December 31, 2004.

24 Sec. 12. Minnesota Statutes 2004, section 290.0674,
 25 subdivision 1, is amended to read:

26 Subdivision 1. [CREDIT ALLOWED.] An individual is allowed
 27 a credit against the tax imposed by this chapter in an amount
 28 equal to 75 percent of the amount paid for education-related
 29 expenses for a qualifying child in kindergarten through grade
 30 12. For purposes of this section, "education-related expenses"
 31 means:

32 (1) fees or tuition for instruction by an instructor under
 33 section 120A.22, subdivision 10, clause (1), (2), (3), (4), or
 34 (5), or a member of the Minnesota Music Teachers Association,
 35 and who is not a lineal ancestor or sibling of the dependent for
 36 instruction outside the regular school day or school year,

1 including tutoring, driver's education offered as part of school
 2 curriculum, regardless of whether it is taken from a public or
 3 private entity or summer camps, in grade or age appropriate
 4 curricula that supplement curricula and instruction available
 5 during the regular school year, that assists a dependent to
 6 improve knowledge of core curriculum areas or to expand
 7 knowledge and skills under the ~~graduation-rule-under-section~~
 8 ~~120B.02, paragraph-(e), clauses-(1)-to-(7),-(9),-and-(10)~~
 9 required academic standards under section 120B.021, subdivision
 10 1, and the elective standard under section 120B.022, subdivision
 11 1, clause (2), and that do not include the teaching of religious
 12 tenets, doctrines, or worship, the purpose of which is to
 13 instill such tenets, doctrines, or worship;

14 (2) expenses for textbooks, including books and other
 15 instructional materials and equipment purchased or leased for
 16 use in elementary and secondary schools in teaching only those
 17 subjects legally and commonly taught in public elementary and
 18 secondary schools in this state. "Textbooks" does not include
 19 instructional books and materials used in the teaching of
 20 religious tenets, doctrines, or worship, the purpose of which is
 21 to instill such tenets, doctrines, or worship, nor does it
 22 include books or materials for extracurricular activities
 23 including sporting events, musical or dramatic events, speech
 24 activities, driver's education, or similar programs;

25 (3) a maximum expense of \$200 per family for personal
 26 computer hardware, excluding single purpose processors, and
 27 educational software that assists a dependent to improve
 28 knowledge of core curriculum areas or to expand knowledge and
 29 skills under the ~~graduation-rule-under-section-120B.02~~ required
 30 academic standards under section 120B.021, subdivision 1, and
 31 the elective standard under section 120B.022, subdivision 1,
 32 clause (2), purchased for use in the taxpayer's home and not
 33 used in a trade or business regardless of whether the computer
 34 is required by the dependent's school; and

35 (4) the amount paid to others for transportation of a
 36 qualifying child attending an elementary or secondary school

1 situated in Minnesota, North Dakota, South Dakota, Iowa, or
2 Wisconsin, wherein a resident of this state may legally fulfill
3 the state's compulsory attendance laws, which is not operated
4 for profit, and which adheres to the provisions of the Civil
5 Rights Act of 1964 and chapter 363A.

6 For purposes of this section, "qualifying child" has the
7 meaning given in section 32(c)(3) of the Internal Revenue Code.

8 [EFFECTIVE DATE.] This section is effective for tax years
9 beginning after December 31, 2004.

10 Sec. 13. Minnesota Statutes 2004, section 290.0922,
11 subdivision 2, is amended to read:

12 Subd. 2. [EXEMPTIONS.] The following entities are exempt
13 from the tax imposed by this section:

14 (1) corporations exempt from tax under section 290.05;

15 (2) real estate investment trusts;

16 (3) regulated investment companies or a fund thereof; and

17 (4) entities having a valid election in effect under

18 section 860D(b) of the Internal Revenue Code;

19 (5) town and farmers' mutual insurance companies;

20 (6) cooperatives organized under chapter 308A or 308B that
21 provide housing exclusively to persons age 55 and over and are
22 classified as homesteads under section 273.124, subdivision 3;
23 and

24 (7) an entity, if for the taxable year all of its property
25 is located in a job opportunity building zone designated under
26 section 469.314 and all of its payroll is a job opportunity
27 building zone payroll under section 469.310.

28 Entities not specifically exempted by this subdivision are
29 subject to tax under this section, notwithstanding section
30 290.05.

31 [EFFECTIVE DATE.] This section is effective for tax years
32 beginning after December 31, 2004.

33 Sec. 14. Minnesota Statutes 2004, section 291.005,
34 subdivision 1, is amended to read:

35 Subdivision 1. [SCOPE.] Unless the context otherwise
36 clearly requires, the following terms used in this chapter shall

1 have the following meanings:

2 (1) "Federal gross estate" means the gross estate of a
3 decedent as valued and otherwise determined for federal estate
4 tax purposes by federal taxing authorities pursuant to the
5 provisions of the Internal Revenue Code.

6 (2) "Minnesota gross estate" means the federal gross estate
7 of a decedent after (a) excluding therefrom any property
8 included therein which has its situs outside Minnesota, and (b)
9 including therein any property omitted from the federal gross
10 estate which is includable therein, has its situs in Minnesota,
11 and was not disclosed to federal taxing authorities.

12 (3) "Personal representative" means the executor,
13 administrator or other person appointed by the court to
14 administer and dispose of the property of the decedent. If
15 there is no executor, administrator or other person appointed,
16 qualified, and acting within this state, then any person in
17 actual or constructive possession of any property having a situs
18 in this state which is included in the federal gross estate of
19 the decedent shall be deemed to be a personal representative to
20 the extent of the property and the Minnesota estate tax due with
21 respect to the property.

22 (4) "Resident decedent" means an individual whose domicile
23 at the time of death was in Minnesota.

24 (5) "Nonresident decedent" means an individual whose
25 domicile at the time of death was not in Minnesota.

26 (6) "Situs of property" means, with respect to real
27 property, the state or country in which it is located; with
28 respect to tangible personal property, the state or country in
29 which it was normally kept or located at the time of the
30 decedent's death; and with respect to intangible personal
31 property, the state or country in which the decedent was
32 domiciled at death.

33 (7) "Commissioner" means the commissioner of revenue or any
34 person to whom the commissioner has delegated functions under
35 this chapter.

36 (8) "Internal Revenue Code" means the United States

1 Internal Revenue Code of 1986, as amended through December 31,
2 ~~2002~~ 2004.

3 (9) "Minnesota adjusted taxable estate" means federal
4 adjusted taxable estate as defined by section 2011(b)(3) of the
5 Internal Revenue Code, increased by the amount of deduction for
6 state death taxes allowed under section 2058 of the Internal
7 Revenue Code.

8 [EFFECTIVE DATE.] This section is effective for estates of
9 decedents dying after December 31, 2004.

10 Sec. 15. Minnesota Statutes 2004, section 291.03,
11 subdivision 1, is amended to read:

12 Subdivision 1. [TAX AMOUNT.] The tax imposed shall be an
13 amount equal to the proportion of the maximum credit for state
14 death taxes computed under section 2011 of the Internal Revenue
15 Code, as amended through December 31, 2000, for-state-death
16 taxes but using Minnesota adjusted taxable estate instead of
17 federal adjusted taxable estate, as the Minnesota gross estate
18 bears to the value of the federal gross estate. The tax
19 determined under this paragraph shall not be greater than the
20 federal-estate-tax amount computed by applying the rates and
21 brackets under section 2001(c) of the Internal Revenue Code
22 after-the-allowance-of to the Minnesota adjusted gross estate
23 and subtracting the federal credits credit allowed under section
24 2010 of the Internal Revenue Code of 1986, as amended through
25 December 31, 2000. For the purposes of this section, expenses
26 which are deducted for federal income tax purposes under section
27 642(g) of the Internal Revenue Code as amended through December
28 31, 2002, are not allowable in computing the tax under this
29 chapter.

30 [EFFECTIVE DATE.] This section is effective for estates of
31 decedents dying after December 31, 2004.

32 Sec. 16. [REPEALER.]

33 Minnesota Rules, parts 8093.2000 and 8093.3000, are
34 repealed effective the day following final enactment.

35 ARTICLE 14

36 DEPARTMENT OF REVENUE

1 PROPERTY TAXES - SF1683

2 Section 1. Minnesota Statutes 2004, section 4A.02, is
3 amended to read:

4 4A.02 [STATE DEMOGRAPHER.]

5 (a) The director shall appoint a state demographer. The
6 demographer must be professionally competent in demography and
7 must possess demonstrated ability based upon past performance.

8 (b) The demographer shall:

9 (1) continuously gather and develop demographic data
10 relevant to the state;

11 (2) design and test methods of research and data
12 collection;

13 (3) periodically prepare population projections for the
14 state and designated regions and periodically prepare
15 projections for each county or other political subdivision of
16 the state as necessary to carry out the purposes of this
17 section;

18 (4) review, comment on, and prepare analysis of population
19 estimates and projections made by state agencies, political
20 subdivisions, other states, federal agencies, or nongovernmental
21 persons, institutions, or commissions;

22 (5) serve as the state liaison with the United States
23 Bureau of the Census, coordinate state and federal demographic
24 activities to the fullest extent possible, and aid the
25 legislature in preparing a census data plan and form for each
26 decennial census;

27 (6) compile an annual study of population estimates on the
28 basis of county, regional, or other political or geographical
29 subdivisions as necessary to carry out the purposes of this
30 section and section 4A.03;

31 (7) by January 1 of each year, issue a report to the
32 legislature containing an analysis of the demographic
33 implications of the annual population study and population
34 projections;

35 (8) prepare maps for all counties in the state, all
36 municipalities with a population of 10,000 or more, and other

1 municipalities as needed for census purposes, according to scale
 2 and detail recommended by the United States Bureau of the
 3 Census, with the maps of cities showing precinct boundaries;

4 (9) prepare an estimate of population and of the number of
 5 households for each governmental subdivision for which the
 6 Metropolitan Council does not prepare an annual estimate, and an
 7 estimate of population over age 65 for each county for which the
 8 Metropolitan Council does not prepare an annual estimate, and
 9 convey the estimates to the governing body of each political
 10 subdivision by ~~May~~ June 1 of each year;

11 (10) direct, under section 414.01, subdivision 14, and
 12 certify population and household estimates of annexed or
 13 detached areas of municipalities or towns after being notified
 14 of the order or letter of approval by the director;

15 (11) prepare, for any purpose for which a population
 16 estimate is required by law or needed to implement a law, a
 17 population estimate of a municipality or town whose population
 18 is affected by action under section 379.02 or 414.01,
 19 subdivision 14; and

20 (12) prepare an estimate of average household size for each
 21 statutory or home rule charter city with a population of 2,500
 22 or more for which the Metropolitan Council does not prepare an
 23 annual estimate, and convey the estimate to the governing body
 24 of each affected city by May June 1 of each year.

25 (c) A governing body may challenge an estimate made under
 26 paragraph (b) by filing their specific objections in writing
 27 with the state demographer by June ~~10~~ 24. If the challenge does
 28 not result in an acceptable estimate ~~by June-24~~, the governing
 29 body may have a special census conducted by the United States
 30 Bureau of the Census. The political subdivision must notify the
 31 state demographer by July 1 of its intent to have the special
 32 census conducted. The political subdivision must bear all costs
 33 of the special census. Results of the special census must be
 34 received by the state demographer by the next April 15 to be
 35 used in that year's ~~May~~ June 1 estimate to the political
 36 subdivision under paragraph (b).

1 (d) The state demographer shall certify the estimates of
2 population and household size to the commissioner of revenue by
3 July 15 each year, including any estimates still under objection.

4 [EFFECTIVE DATE.] This section is effective the day
5 following final enactment.

6 Sec. 2. Minnesota Statutes 2004, section 168A.05,
7 subdivision 1a, is amended to read:

8 Subd. 1a. [MANUFACTURED HOME; STATEMENT OF PROPERTY TAX
9 PAYMENT.] In the case of a manufactured home as defined in
10 section 327.31, subdivision 6, the department shall not issue a
11 certificate of title unless the application under section
12 168A.04 is accompanied with a statement from the county auditor
13 or county treasurer where the manufactured home is presently
14 located, stating that all manufactured home personal property
15 taxes levied on the unit in the name of the current owner at the
16 time of transfer have been paid. For this purpose, manufactured
17 home personal property taxes are treated as levied on January 1
18 of the payable year.

19 [EFFECTIVE DATE.] This section is effective the day
20 following final enactment.

21 Sec. 3. Minnesota Statutes 2004, section 270.11,
22 subdivision 2, is amended to read:

23 Subd. 2. [COUNTY ASSESSOR'S REPORTS OF ASSESSMENT FILED
24 WITH COMMISSIONER.] Each county assessor shall file by April 1
25 with the commissioner of revenue a copy of the abstract that
26 will be acted upon by the local and county boards of review.
27 The abstract must list the real and personal property in the
28 county itemized by assessment districts. The assessor of each
29 county in the state shall file with the commissioner, within ten
30 working days following final action of the local board of review
31 or equalization and within five days following final action of
32 the county board of equalization, any changes made by the local
33 or county board. The information must be filed in the manner
34 prescribed by the commissioner. It must be accompanied by a
35 printed or typewritten copy of the proceedings of the
36 appropriate board.

1 The final abstract of assessments after adjustments by the
 2 State Board of Equalization and inclusion of any omitted
 3 property shall be submitted to the commissioner of revenue on or
 4 before September 1 of each calendar year. The final abstract
 5 must separately report the captured tax capacity of tax
 6 increment financing districts under section 469.177, subdivision
 7 2, the metropolitan-revenue areawide net tax capacity
 8 contribution value values determined under section sections
 9 276A.05, subdivision 1, and 473F.07, subdivision 1, and the
 10 value subject to the power line credit under section 273.42.

11 [EFFECTIVE DATE.] This section is effective the day
 12 following final enactment.

13 Sec. 4. Minnesota Statutes 2004, section 270.16,
 14 subdivision 2, is amended to read:

15 Subd. 2. [FAILURE TO APPRAISE.] When an assessor has
 16 failed to properly appraise at least one-quarter one-fifth of
 17 the parcels of property in a district or county as provided in
 18 section 273.01, the commissioner of revenue shall appoint a
 19 special assessor and deputy assessor as necessary and cause a
 20 reappraisal to be made of the property due for reassessment in
 21 accordance with law.

22 [EFFECTIVE DATE.] This section is effective the day
 23 following final enactment.

24 Sec. 5. Minnesota Statutes 2004, section 272.01,
 25 subdivision 2, is amended to read:

26 Subd. 2. [EXEMPT PROPERTY USED BY PRIVATE ENTITY FOR
 27 PROFIT.] (a) When any real or personal property which is exempt
 28 from ad valorem taxes, and taxes in lieu thereof, is leased,
 29 loaned, or otherwise made available and used by a private
 30 individual, association, or corporation in connection with a
 31 business conducted for profit, there shall be imposed a tax, for
 32 the privilege of so using or possessing such real or personal
 33 property, in the same amount and to the same extent as though
 34 the lessee or user was the owner of such property.

35 (b) The tax imposed by this subdivision shall not apply to:

36 (1) property leased or used as a concession in or relative

1 to the use in whole or part of a public park, market,
2 fairgrounds, port authority, economic development authority
3 established under chapter 469, municipal auditorium, municipal
4 parking facility, municipal museum, or municipal stadium;

5 (2) property of an airport owned by a city, town, county,
6 or group thereof which is:

7 (i) leased to or used by any person or entity including a
8 fixed base operator; and

9 (ii) used as a hangar for the storage or repair of aircraft
10 or to provide aviation goods, services, or facilities to the
11 airport or general public;

12 the exception from taxation provided in this clause does not
13 apply to:

14 (i) property located at an airport owned or operated by the
15 Metropolitan Airports Commission or by a city of over 50,000
16 population according to the most recent federal census or such a
17 city's airport authority;

18 (ii) hangars leased by a private individual, association,
19 or corporation in connection with a business conducted for
20 profit other than an aviation-related business; or

21 (iii) facilities leased by a private individual,
22 association, or corporation in connection with a business for
23 profit, that consists of a major jet engine repair facility
24 financed, in whole or part, with the proceeds of state bonds and
25 located in a tax increment financing district;

26 (3) property constituting or used as a public pedestrian
27 ramp or concourse in connection with a public airport; or

28 (4) property constituting or used as a passenger check-in
29 area or ticket sale counter, boarding area, or luggage claim
30 area in connection with a public airport but not the airports
31 owned or operated by the Metropolitan Airports Commission or
32 cities of over 50,000 population or an airport authority
33 therein. Real estate owned by a municipality in connection with
34 the operation of a public airport and leased or used for
35 agricultural purposes is not exempt;

36 (5) property leased, loaned, or otherwise made available to

1 a private individual, corporation, or association under a
 2 cooperative farming agreement made pursuant to section 97A.135;
 3 or
 4 (6) property leased, loaned, or otherwise made available to
 5 a private individual, corporation, or association under section
 6 272.68, subdivision 4.

7 (c) Taxes imposed by this subdivision are payable as in the
 8 case of personal property taxes and shall be assessed to the
 9 lessees or users of real or personal property in the same manner
 10 as taxes assessed to owners of real or personal property, except
 11 that such taxes shall not become a lien against the property.
 12 When due, the taxes shall constitute a debt due from the lessee
 13 or user to the state, township, city, county, and school
 14 district for which the taxes were assessed and shall be
 15 collected in the same manner as personal property taxes. If
 16 property subject to the tax imposed by this subdivision is
 17 leased or used jointly by two or more persons, each lessee or
 18 user shall be jointly and severally liable for payment of the
 19 tax.

20 (d) The tax on real property of the state or any of its
 21 political subdivisions that is leased by a private individual,
 22 association, or corporation and becomes taxable under this
 23 subdivision or other provision of law must be assessed and
 24 collected as a personal property assessment. The taxes do not
 25 become a lien against the real property.

26 [EFFECTIVE DATE.] This section is effective the day
 27 following final enactment.

28 Sec. 6. Minnesota Statutes 2004, section 272.02,
 29 subdivision 1a, is amended to read:

30 Subd. 1a. [LIMITATIONS ON EXEMPTIONS.] The exemptions
 31 granted by subdivision 1 are subject to the limits contained in
 32 the other subdivisions of this section, section 272.025, or
 33 ~~273.137-subdivision-257-paragraph-(c), clause-(1)-or-(2), or~~
 34 paragraph-(d), clause-(2) and all other provisions of applicable
 35 law.

36 [EFFECTIVE DATE.] This section is effective the day

1 following final enactment.

2 Sec. 7. Minnesota Statutes 2004, section 272.02,
3 subdivision 7, is amended to read:

4 Subd. 7. [INSTITUTIONS OF PUBLIC CHARITY.] Institutions of
5 purely public charity are exempt ~~except-parcels-of-property~~
6 ~~containing-structures-and-the-structures-described-in-section~~
7 ~~273-137-subdivision-257-paragraph-(e)7-other-than-those-that~~
8 ~~qualify-for-exemption-under-subdivision-26.~~ In determining
9 whether rental housing property qualifies for exemption under
10 this subdivision, the following are not gifts or donations to
11 the owner of the rental housing:

12 (1) rent assistance provided by the government to or on
13 behalf of tenants, and

14 (2) financing assistance or tax credits provided by the
15 government to the owner on condition that specific units or a
16 specific quantity of units be set aside for persons or families
17 with certain income characteristics.

18 The items described in clauses (1) and (2) may, however, be
19 considered when making other determinations related to an
20 exemption under this subdivision, including, without limitation,
21 for the purpose of determining whether the recipient of housing
22 or housing services is required to pay in whole or in part for
23 the housing.

24 [EFFECTIVE DATE.] This section is effective for taxes
25 payable in 2004 and thereafter.

26 Sec. 8. Minnesota Statutes 2004, section 272.02, is
27 amended by adding a subdivision to read:

28 Subd. 68. [PROPERTY SUBJECT TO TACONITE PRODUCTION TAX OR
29 NET PROCEEDS TAX.] (a) Real and personal property described in
30 section 298.25 is exempt to the extent the tax on taconite and
31 iron sulphides under section 298.24 is described in section
32 298.25 as being in lieu of other taxes on such property. This
33 exemption applies for taxes payable in each year that the tax
34 under section 298.24 is payable with respect to such property.

35 (b) Deposits of mineral, metal, or energy resources the
36 mining of which is subject to taxation under section 298.015 are

1 exempt. This exemption applies for taxes payable in each year
2 that the tax under section 298.015 is payable with respect to
3 such property.

4 [EFFECTIVE DATE.] This section is effective the day
5 following final enactment.

6 Sec. 9. Minnesota Statutes 2004, section 272.02, is
7 amended by adding a subdivision to read:

8 Subd. 69. [RELIGIOUS CORPORATIONS.] Personal and real
9 property that a religious corporation, formed under section
10 317A.909, necessarily uses for a religious purpose is exempt to
11 the extent provided in section 317A.909, subdivision 3.

12 [EFFECTIVE DATE.] This section is effective the day
13 following final enactment.

14 Sec. 10. Minnesota Statutes 2004, section 272.02, is
15 amended by adding a subdivision to read:

16 Subd. 70. [CHILDREN'S HOMES.] Personal and real property
17 owned by a corporation formed under section 317A.907 is exempt
18 to the extent provided in section 317A.907, subdivision 7.

19 [EFFECTIVE DATE.] This section is effective the day
20 following final enactment.

21 Sec. 11. Minnesota Statutes 2004, section 272.02, is
22 amended by adding a subdivision to read:

23 Subd. 71. [HOUSING AND REDEVELOPMENT AUTHORITY AND TRIBAL
24 HOUSING AUTHORITY PROPERTY.] Property owned by a housing and
25 redevelopment authority described in chapter 469, or by a
26 designated housing authority described in section 469.040,
27 subdivision 5, is exempt to the extent provided in chapter 469.

28 [EFFECTIVE DATE.] This section is effective the day
29 following final enactment.

30 Sec. 12. Minnesota Statutes 2004, section 272.02, is
31 amended by adding a subdivision to read:

32 Subd. 72. [PROPERTY OF HOUSING AND REDEVELOPMENT
33 AUTHORITIES.] Property of projects of housing and redevelopment
34 authorities are exempt to the extent permitted by sections
35 469.042, subdivision 1, and 469.043, subdivisions 2 and 5.

36 [EFFECTIVE DATE.] This section is effective the day

1 following final enactment.

2 Sec. 13. Minnesota Statutes 2004, section 272.02, is
3 amended by adding a subdivision to read:

4 Subd. 73. [PROPERTY OF REGIONAL RAIL AUTHORITY.] Property
5 of a regional rail authority as defined in chapter 398A is
6 exempt to the extent permitted by section 398A.05.

7 [EFFECTIVE DATE.] This section is effective the day
8 following final enactment.

9 Sec. 14. Minnesota Statutes 2004, section 272.02, is
10 amended by adding a subdivision to read:

11 Subd. 74. [SPIRIT MOUNTAIN RECREATION AREA
12 AUTHORITY.] Property owned by the Spirit Mountain Recreation
13 Area Authority is exempt from taxation to the extent provided in
14 Laws 1973, chapter 327, section 6.

15 Sec. 15. Minnesota Statutes 2004, section 272.02, is
16 amended by adding a subdivision to read:

17 Subd. 75. [INSTALLED CAPACITY DEFINED.] For purposes of
18 this section, the term "installed capacity" means generator
19 nameplate capacity.

20 [EFFECTIVE DATE.] This section is effective the day
21 following final enactment.

22 Sec. 16. Minnesota Statutes 2004, section 272.029,
23 subdivision 4, is amended to read:

24 Subd. 4. [REPORTS.] (a) An owner of a wind energy
25 conversion system subject to tax under subdivision 3 shall file
26 a report with the commissioner of revenue annually on or before
27 ~~March~~ February 1 detailing the amount of electricity in
28 kilowatt-hours that was produced by the wind energy conversion
29 system for the previous calendar year. The commissioner shall
30 prescribe the form of the report. The report must contain the
31 information required by the commissioner to determine the tax
32 due to each county under this section for the current year. If
33 an owner of a wind energy conversion system subject to taxation
34 under this section fails to file the report by the due date, the
35 commissioner of revenue shall determine the tax based upon the
36 nameplate capacity of the system multiplied by a capacity factor

1 of 40 percent.

2 (b) On or before ~~March-31~~ February 28, the commissioner of
3 revenue shall notify the owner of the wind energy conversion
4 systems of the tax due to each county for the current year and
5 shall certify to the county auditor of each county in which the
6 systems are located the tax due from each owner for the current
7 year.

8 [EFFECTIVE DATE.] This section is effective for reports and
9 certifications due in 2006 and thereafter.

10 Sec. 17. Minnesota Statutes 2004, section 272.029,
11 subdivision 6, is amended to read:

12 Subd. 6. [DISTRIBUTION OF REVENUES.] Revenues from the
13 taxes imposed under subdivision 5 must be part of the settlement
14 between the county treasurer and the county auditor under
15 section 276.09. The revenue must be distributed by the county
16 auditor or the county treasurer to ~~all~~ local taxing
17 jurisdictions in which the wind energy conversion system is
18 located, as follows: beginning with distributions in 2006, 80
19 percent to counties; 14 percent to cities and townships; and six
20 percent to school districts; and for distributions occurring in
21 2004 and 2005 in the same proportion that each of the local
22 taxing jurisdiction's current year's net tax capacity based tax
23 rate is to the current year's total local net tax capacity based
24 rate.

25 [EFFECTIVE DATE.] This section is effective the day
26 following final enactment.

27 Sec. 18. Minnesota Statutes 2004, section 273.11,
28 subdivision 8, is amended to read:

29 Subd. 8. [LIMITED EQUITY COOPERATIVE APARTMENTS.] For the
30 purposes of this subdivision, the terms defined in this
31 subdivision have the meanings given them.

32 A "limited equity cooperative" is a corporation organized
33 under chapter 308A or 308B, which has as its primary purpose the
34 provision of housing and related services to its members which
35 meets one of the following criteria with respect to the income
36 of its members: (1) a minimum of 75 percent of members must

1 have incomes at or less than 90 percent of area median income,
2 (2) a minimum of 40 percent of members must have incomes at or
3 less than 60 percent of area median income, or (3) a minimum of
4 20 percent of members must have incomes at or less than 50
5 percent of area median income. For purposes of this clause,
6 "member income" shall mean the income of a member existing at
7 the time the member acquires cooperative membership, and median
8 income shall mean the St. Paul-Minneapolis metropolitan area
9 median income as determined by the United States Department of
10 Housing and Urban Development. It must also meet the following
11 requirements:

12 (a) The articles of incorporation set the sale price of
13 occupancy entitling cooperative shares or memberships at no more
14 than a transfer value determined as provided in the articles.
15 That value may not exceed the sum of the following:

16 (1) the consideration paid for the membership or shares by
17 the first occupant of the unit, as shown in the records of the
18 corporation;

19 (2) the fair market value, as shown in the records of the
20 corporation, of any improvements to the real property that were
21 installed at the sole expense of the member with the prior
22 approval of the board of directors;

23 (3) accumulated interest, or an inflation allowance not to
24 exceed the greater of a ten percent annual noncompounded
25 increase on the consideration paid for the membership or share
26 by the first occupant of the unit, or the amount that would have
27 been paid on that consideration if interest had been paid on it
28 at the rate of the percentage increase in the revised Consumer
29 Price Index for All Urban Consumers for the Minneapolis-St. Paul
30 metropolitan area prepared by the United States Department of
31 Labor, provided that the amount determined pursuant to this
32 clause may not exceed \$500 for each year or fraction of a year
33 the membership or share was owned; plus

34 (4) real property capital contributions shown in the
35 records of the corporation to have been paid by the transferor
36 member and previous holders of the same membership, or of

1 separate memberships that had entitled occupancy to the unit of
2 the member involved. These contributions include contributions
3 to a corporate reserve account the use of which is restricted to
4 real property improvements or acquisitions, contributions to the
5 corporation which are used for real property improvements or
6 acquisitions, and the amount of principal amortized by the
7 corporation on its indebtedness due to the financing of real
8 property acquisition or improvement or the averaging of
9 principal paid by the corporation over the term of its real
10 property-related indebtedness.

11 (b) The articles of incorporation require that the board of
12 directors limit the purchase price of stock or membership
13 interests for new member-occupants or resident shareholders to
14 an amount which does not exceed the transfer value for the
15 membership or stock as defined in clause (a).

16 (c) The articles of incorporation require that the total
17 distribution out of capital to a member shall not exceed that
18 transfer value.

19 (d) The articles of incorporation require that upon
20 liquidation of the corporation any assets remaining after
21 retirement of corporate debts and distribution to members will
22 be conveyed to a charitable organization described in section
23 501(c)(3) of the Internal Revenue Code of 1986, as amended
24 through December 31, 1992, or a public agency.

25 A "limited equity cooperative apartment" is a dwelling unit
26 owned by a limited equity cooperative.

27 "Occupancy entitling cooperative share or membership" is
28 the ownership interest in a cooperative organization which
29 entitles the holder to an exclusive right to occupy a dwelling
30 unit owned or leased by the cooperative.

31 For purposes of taxation, the assessor shall value a unit
32 owned by a limited equity cooperative at the lesser of its
33 market value or the value determined by capitalizing the net
34 operating income of a comparable apartment operated on a rental
35 basis at the capitalization rate used in valuing comparable
36 buildings that are not limited equity cooperatives. If a

1 cooperative fails to operate in accordance with the provisions
 2 of clauses (a) to (d), the property shall be subject to
 3 additional property taxes in the amount of the difference
 4 between the taxes determined in accordance with this subdivision
 5 for the last ten years that the property had been assessed
 6 pursuant to this subdivision and the amount that would have been
 7 paid if the provisions of this subdivision had not applied to
 8 it. The additional taxes, plus interest at the rate specified
 9 in section 549.09, shall be extended against the property on the
 10 tax list for the current year.

11 [EFFECTIVE DATE.] This section is effective for taxes
 12 payable in 2004 and thereafter.

13 Sec. 19. Minnesota Statutes 2004, section 273.124,
 14 subdivision 3, is amended to read:

15 Subd. 3. [COOPERATIVES AND CHARITABLE CORPORATIONS;
 16 HOMESTEAD AND OTHER PROPERTY.] (a) When property is owned by a
 17 corporation or association organized under chapter 308A or 308B,
 18 and each person who owns a share or shares in the corporation or
 19 association is entitled to occupy a building on the property, or
 20 a unit within a building on the property, the corporation or
 21 association may claim homestead treatment for each dwelling, or
 22 for each unit in the case of a building containing several
 23 dwelling units, or for the part of the value of the building
 24 occupied by a shareholder. Each building or unit must be
 25 designated by legal description or number. The net tax capacity
 26 of each building or unit that qualifies for assessment as a
 27 homestead under this subdivision must include not more than
 28 one-half acre of land, if platted, nor more than 80 acres if
 29 unplatted. The net tax capacity of the property is the sum of
 30 the net tax capacities of each of the respective buildings or
 31 units comprising the property, including the net tax capacity of
 32 each unit's or building's proportionate share of the land and
 33 any common buildings. To qualify for the treatment provided by
 34 this subdivision, the corporation or association must be wholly
 35 owned by persons having a right to occupy a building or unit
 36 owned by the corporation or association. A charitable

1 corporation organized under the laws of Minnesota and not
2 otherwise exempt thereunder with no outstanding stock qualifies
3 for homestead treatment with respect to member residents of the
4 dwelling units who have purchased and hold residential
5 participation warrants entitling them to occupy the units.

6 (b) To the extent provided in paragraph (a), a cooperative
7 or corporation organized under chapter 308A may obtain separate
8 assessment and valuation, and separate property tax statements
9 for each residential homestead, residential nonhomestead, or for
10 each seasonal residential recreational building or unit not used
11 for commercial purposes. The appropriate class rates under
12 section 273.13 shall be applicable as if each building or unit
13 were a separate tax parcel; provided, however, that the tax
14 parcel which exists at the time the cooperative or corporation
15 makes application under this subdivision shall be a single
16 parcel for purposes of property taxes or the enforcement and
17 collection thereof, other than as provided in paragraph (a) or
18 this paragraph.

19 (c) A member of a corporation or association may initially
20 obtain the separate assessment and valuation and separate
21 property tax statements, as provided in paragraph (b), by
22 applying to the assessor by June 30 of the assessment year.

23 (d) When a building, or dwelling units within a building,
24 no longer qualify under paragraph (a) or (b), the current owner
25 must notify the assessor within 30 days. Failure to notify the
26 assessor within 30 days shall result in the loss of benefits
27 under paragraph (a) or (b) for taxes payable in the year that
28 the failure is discovered. For these purposes, "benefits under
29 paragraph (a) or (b)" means the difference in the net tax
30 capacity of the building or units which no longer qualify as
31 computed under paragraph (a) or (b) and as computed under the
32 otherwise applicable law, times the local tax rate applicable to
33 the building for that taxes payable year. Upon discovery of a
34 failure to notify, the assessor shall inform the auditor of the
35 difference in net tax capacity for the building or buildings in
36 which units no longer qualify, and the auditor shall calculate

1 the benefits under paragraph (a) or (b). Such amount, plus a
 2 penalty equal to 100 percent of that amount, shall then be
 3 demanded of the building's owner. The property owner may appeal
 4 the county's determination by serving copies of a petition for
 5 review with county officials as provided in section 278.01 and
 6 filing a proof of service as provided in section 278.01 with the
 7 Minnesota Tax Court within 60 days of the date of the notice
 8 from the county. The appeal shall be governed by the Tax Court
 9 procedures provided in chapter 271, for cases relating to the
 10 tax laws as defined in section 271.01, subdivision 5;
 11 disregarding sections 273.125, subdivision 5, and 278.03, but
 12 including section 278.05, subdivision 2. If the amount of the
 13 benefits under paragraph (a) or (b) and penalty are not paid
 14 within 60 days, and if no appeal has been filed, the county
 15 auditor shall certify the amount of the benefit and penalty to
 16 the succeeding year's tax list to be collected as part of the
 17 property taxes on the affected property.

18 [EFFECTIVE DATE.] This section is effective for taxes
 19 payable in 2004 and thereafter.

20 Sec. 20. Minnesota Statutes 2004, section 273.124,
 21 subdivision 6, is amended to read:

22 Subd. 6. [LEASEHOLD COOPERATIVES.] When one or more
 23 dwellings or one or more buildings which each contain several
 24 dwelling units is owned by a nonprofit corporation subject to
 25 the provisions of chapter 317A and qualifying under section
 26 501(c)(3) or 501(c)(4) of the Internal Revenue Code of 1986, as
 27 amended through December 31, 1990, or a limited partnership
 28 which corporation or partnership operates the property in
 29 conjunction with a cooperative association, and has received
 30 public financing, homestead treatment may be claimed by the
 31 cooperative association on behalf of the members of the
 32 cooperative for each dwelling unit occupied by a member of the
 33 cooperative. The cooperative association must provide the
 34 assessor with the Social Security numbers of those members. To
 35 qualify for the treatment provided by this subdivision, the
 36 following conditions must be met:

1 (a) the cooperative association must be organized under
2 chapter 308A or 308B and all voting members of the board of
3 directors must be resident tenants of the cooperative and must
4 be elected by the resident tenants of the cooperative;

5 (b) the cooperative association must have a lease for
6 occupancy of the property for a term of at least 20 years, which
7 permits the cooperative association, while not in default on the
8 lease, to participate materially in the management of the
9 property, including material participation in establishing
10 budgets, setting rent levels, and hiring and supervising a
11 management agent;

12 (c) to the extent permitted under state or federal law, the
13 cooperative association must have a right under a written
14 agreement with the owner to purchase the property if the owner
15 proposes to sell it; if the cooperative association does not
16 purchase the property it is offered for sale, the owner may not
17 subsequently sell the property to another purchaser at a price
18 lower than the price at which it was offered for sale to the
19 cooperative association unless the cooperative association
20 approves the sale;

21 (d) a minimum of 40 percent of the cooperative
22 association's members must have incomes at or less than 60
23 percent of area median gross income as determined by the United
24 States Secretary of Housing and Urban Development under section
25 142(d)(2)(B) of the Internal Revenue Code of 1986, as amended
26 through December 31, 1991. For purposes of this clause, "member
27 income" means the income of a member existing at the time the
28 member acquires cooperative membership;

29 (e) if a limited partnership owns the property, it must
30 include as the managing general partner a nonprofit organization
31 operating under the provisions of chapter 317A and qualifying
32 under section 501(c)(3) or 501(c)(4) of the Internal Revenue
33 Code of 1986, as amended through December 31, 1990, and the
34 limited partnership agreement must provide that the managing
35 general partner have sufficient powers so that it materially
36 participates in the management and control of the limited

1 partnership;

2 (f) prior to becoming a member of a leasehold cooperative
3 described in this subdivision, a person must have received
4 notice that (1) describes leasehold cooperative property in
5 plain language, including but not limited to the effects of
6 classification under this subdivision on rents, property taxes
7 and tax credits or refunds, and operating expenses, and (2)
8 states that copies of the articles of incorporation and bylaws
9 of the cooperative association, the lease between the owner and
10 the cooperative association, a sample sublease between the
11 cooperative association and a tenant, and, if the owner is a
12 partnership, a copy of the limited partnership agreement, can be
13 obtained upon written request at no charge from the owner, and
14 the owner must send or deliver the materials within seven days
15 after receiving any request;

16 (g) if a dwelling unit of a building was occupied on the
17 60th day prior to the date on which the unit became leasehold
18 cooperative property described in this subdivision, the notice
19 described in paragraph (f) must have been sent by first class
20 mail to the occupant of the unit at least 60 days prior to the
21 date on which the unit became leasehold cooperative property.
22 For purposes of the notice under this paragraph, the copies of
23 the documents referred to in paragraph (f) may be in proposed
24 version, provided that any subsequent material alteration of
25 those documents made after the occupant has requested a copy
26 shall be disclosed to any occupant who has requested a copy of
27 the document. Copies of the articles of incorporation and
28 certificate of limited partnership shall be filed with the
29 secretary of state after the expiration of the 60-day period
30 unless the change to leasehold cooperative status does not
31 proceed;

32 (h) the county attorney of the county in which the property
33 is located must certify to the assessor that the property meets
34 the requirements of this subdivision;

35 (i) the public financing received must be from at least one
36 of the following sources:

1 (1) tax increment financing proceeds used for the
2 acquisition or rehabilitation of the building or interest rate
3 write-downs relating to the acquisition of the building;

4 (2) government issued bonds exempt from taxes under section
5 103 of the Internal Revenue Code of 1986, as amended through
6 December 31, 1991, the proceeds of which are used for the
7 acquisition or rehabilitation of the building;

8 (3) programs under section 221(d)(3), 202, or 236, of Title
9 II of the National Housing Act;

10 (4) rental housing program funds under Section 8 of the
11 United States Housing Act of 1937 or the market rate family
12 graduated payment mortgage program funds administered by the
13 Minnesota Housing Finance Agency that are used for the
14 acquisition or rehabilitation of the building;

15 (5) low-income housing credit under section 42 of the
16 Internal Revenue Code of 1986, as amended through December 31,
17 1991;

18 (6) public financing provided by a local government used
19 for the acquisition or rehabilitation of the building, including
20 grants or loans from (i) federal community development block
21 grants; (ii) HOME block grants; or (iii) residential rental
22 bonds issued under chapter 474A; or

23 (7) other rental housing program funds provided by the
24 Minnesota Housing Finance Agency for the acquisition or
25 rehabilitation of the building;

26 (j) at the time of the initial request for homestead
27 classification or of any transfer of ownership of the property,
28 the governing body of the municipality in which the property is
29 located must hold a public hearing and make the following
30 findings:

31 (1) that the granting of the homestead treatment of the
32 apartment's units will facilitate safe, clean, affordable
33 housing for the cooperative members that would otherwise not be
34 available absent the homestead designation;

35 (2) that the owner has presented information satisfactory
36 to the governing body showing that the savings garnered from the

1 homestead designation of the units will be used to reduce
2 tenant's rents or provide a level of furnishing or maintenance
3 not possible absent the designation; and

4 (3) that the requirements of paragraphs (b), (d), and (i)
5 have been met.

6 Homestead treatment must be afforded to units occupied by
7 members of the cooperative association and the units must be
8 assessed as provided in subdivision 3, provided that any unit
9 not so occupied shall be classified and assessed pursuant to the
10 appropriate class. No more than three acres of land may, for
11 assessment purposes, be included with each dwelling unit that
12 qualifies for homestead treatment under this subdivision.

13 When dwelling units no longer qualify under this
14 subdivision, the current owner must notify the assessor within
15 60 days. Failure to notify the assessor within 60 days shall
16 result in the loss of benefits under this subdivision for taxes
17 payable in the year that the failure is discovered. For these
18 purposes, "benefits under this subdivision" means the difference
19 in the net tax capacity of the units which no longer qualify as
20 computed under this subdivision and as computed under the
21 otherwise applicable law, times the local tax rate applicable to
22 the building for that taxes payable year. Upon discovery of a
23 failure to notify, the assessor shall inform the auditor of the
24 difference in net tax capacity for the building or buildings in
25 which units no longer qualify, and the auditor shall calculate
26 the benefits under this subdivision. Such amount, plus a
27 penalty equal to 100 percent of that amount, shall then be
28 demanded of the building's owner. The property owner may appeal
29 the county's determination by serving copies of a petition for
30 review with county officials as provided in section 278.01 and
31 filing a proof of service as provided in section 278.01 with the
32 Minnesota Tax Court within 60 days of the date of the notice
33 from the county. The appeal shall be governed by the Tax Court
34 procedures provided in chapter 271, for cases relating to the
35 tax laws as defined in section 271.01, subdivision 5;
36 disregarding sections 273.125, subdivision 5, and 278.03, but

1 including section 278.05, subdivision 2. If the amount of the
2 benefits under this subdivision and penalty are not paid within
3 60 days, and if no appeal has been filed, the county auditor
4 shall certify the amount of the benefit and penalty to the
5 succeeding year's tax list to be collected as part of the
6 property taxes on the affected buildings.

7 [EFFECTIVE DATE.] This section is effective for taxes
8 payable in 2004 and thereafter.

9 Sec. 21. Minnesota Statutes 2004, section 273.124,
10 subdivision 8, is amended to read:

11 Subd. 8. [~~HOMESTEAD OWNED BY OR LEASED TO FAMILY FARM~~
12 ~~CORPORATION, JOINT FARM VENTURE, LIMITED LIABILITY COMPANY, OR~~
13 ~~PARTNERSHIP.] (a) Each family farm corporation~~;~~each; each joint
14 family farm venture~~;~~; and each limited liability company~~;~~and
15 each or partnership operating which operates a family farm; is
16 entitled to class 1b under section 273.13, subdivision 22,
17 paragraph (b), or class 2a assessment for one homestead occupied
18 by a shareholder, member, or partner thereof who is residing on
19 the land, and actively engaged in farming of the land owned by
20 the family farm corporation, joint family farm venture, limited
21 liability company, or partnership ~~operating-a-family-farm.~~~~

22 Homestead treatment applies even if legal title to the property
23 is in the name of the family farm corporation, joint family farm
24 venture, limited liability company, or partnership ~~operating-the~~
25 ~~family-farm~~, and not in the name of the person residing on it.

26 "Family farm corporation," "family farm," and "partnership
27 operating a family farm" have the meanings given in section
28 500.24, except that the number of allowable shareholders,
29 members, or partners under this subdivision shall not exceed
30 12. "Limited liability company" has the meaning contained in
31 sections 322B.03, subdivision 28, and 500.24, subdivision 2,
32 paragraphs (l) and (m). "Joint family farm venture" means a
33 cooperative agreement among two or more farm enterprises
34 authorized to operate a family farm under section 500.24.

35 (b) In addition to property specified in paragraph (a), any
36 other residences owned by family farm corporations, joint family

1 farm ventures, limited liability companies, or partnerships
2 ~~operating-a-family-farm~~ described in paragraph (a) which are
3 located on agricultural land and occupied as homesteads by its
4 shareholders, members, or partners who are actively engaged in
5 farming on behalf of that corporation, joint farm venture,
6 limited liability company, or partnership must also be assessed
7 as class 2a property or as class 1b property under section
8 273.13.

9 (c) Agricultural property that is owned by a member,
10 partner, or shareholder of a family farm corporation or joint
11 family farm venture, limited liability company operating a
12 family farm, or by a partnership operating a family farm and
13 leased to the family farm corporation, limited liability
14 company, ~~or partnership operating-a-family-farm~~, or joint farm
15 venture, as defined in paragraph (a), is eligible for
16 classification as class 1b or class 2a under section 273.13, if
17 the owner is actually residing on the property, and is actually
18 engaged in farming the land on behalf of that corporation, joint
19 farm venture, limited liability company, or partnership. This
20 paragraph applies without regard to any legal possession rights
21 of the family farm corporation, joint family farm venture,
22 limited liability company, or partnership ~~operating-a-family~~
23 ~~farm~~ under the lease.

24 [EFFECTIVE DATE.] This section is effective the day
25 following final enactment.

26 Sec. 22. Minnesota Statutes 2004, section 273.124,
27 subdivision 13, is amended to read:

28 Subd. 13. [HOMESTEAD APPLICATION.] (a) A person who meets
29 the homestead requirements under subdivision 1 must file a
30 homestead application with the county assessor to initially
31 obtain homestead classification.

32 (b) On or before January 2, 1993, each county assessor
33 shall mail a homestead application to the owner of each parcel
34 of property within the county which was classified as homestead
35 for the 1992 assessment year. The format and contents of a
36 uniform homestead application shall be prescribed by the

1 commissioner of revenue. The commissioner shall consult with
2 the chairs of the house and senate tax committees on the
3 contents of the homestead application form. The application
4 must clearly inform the taxpayer that this application must be
5 signed by all owners who occupy the property or by the
6 qualifying relative and returned to the county assessor in order
7 for the property to continue receiving homestead treatment. The
8 envelope containing the homestead application shall clearly
9 identify its contents and alert the taxpayer of its necessary
10 immediate response.

11 (c) Every property owner applying for homestead
12 classification must furnish to the county assessor the Social
13 Security number of each occupant who is listed as an owner of
14 the property on the deed of record, the name and address of each
15 owner who does not occupy the property, and the name and Social
16 Security number of each owner's spouse who occupies the
17 property. The application must be signed by each owner who
18 occupies the property and by each owner's spouse who occupies
19 the property, or, in the case of property that qualifies as a
20 homestead under subdivision 1, paragraph (c), by the qualifying
21 relative.

22 If a property owner occupies a homestead, the property
23 owner's spouse may not claim another property as a homestead
24 unless the property owner and the property owner's spouse file
25 with the assessor an affidavit or other proof required by the
26 assessor stating that the property qualifies as a homestead
27 under subdivision 1, paragraph (e).

28 Owners or spouses occupying residences owned by their
29 spouses and previously occupied with the other spouse, either of
30 whom fail to include the other spouse's name and Social Security
31 number on the homestead application or provide the affidavits or
32 other proof requested, will be deemed to have elected to receive
33 only partial homestead treatment of their residence. The
34 remainder of the residence will be classified as nonhomestead
35 residential. When an owner or spouse's name and Social Security
36 number appear on homestead applications for two separate

1 residences and only one application is signed, the owner or
2 spouse will be deemed to have elected to homestead the residence
3 for which the application was signed.

4 The Social Security numbers or affidavits or other proofs
5 of the property owners and spouses are private data on
6 individuals as defined by section 13.02, subdivision 12, but,
7 notwithstanding that section, the private data may be disclosed
8 to the commissioner of revenue, or, for purposes of proceeding
9 under the Revenue Recapture Act to recover personal property
10 taxes owing, to the county treasurer.

11 (d) If residential real estate is occupied and used for
12 purposes of a homestead by a relative of the owner and qualifies
13 for a homestead under subdivision 1, paragraph (c), in order for
14 the property to receive homestead status, a homestead
15 application must be filed with the assessor. The Social
16 Security number of each relative occupying the property and the
17 Social Security number of each owner who is related to an
18 occupant of the property shall be required on the homestead
19 application filed under this subdivision. If a different
20 relative of the owner subsequently occupies the property, the
21 owner of the property must notify the assessor within 30 days of
22 the change in occupancy. The Social Security number of a
23 relative occupying the property is private data on individuals
24 as defined by section 13.02, subdivision 12, but may be
25 disclosed to the commissioner of revenue.

26 (e) The homestead application shall also notify the
27 property owners that the application filed under this section
28 will not be mailed annually and that if the property is granted
29 homestead status for the 1993 assessment, or any assessment year
30 thereafter, that same property shall remain classified as
31 homestead until the property is sold or transferred to another
32 person, or the owners, the spouse of the owner, or the relatives
33 no longer use the property as their homestead. Upon the sale or
34 transfer of the homestead property, a certificate of value must
35 be timely filed with the county auditor as provided under
36 section 272.115. Failure to notify the assessor within 30 days

1 that the property has been sold, transferred, or that the owner,
 2 the spouse of the owner, or the relative is no longer occupying
 3 the property as a homestead, shall result in (i) a requirement
 4 to repay homestead benefits related to assessment dates after
 5 the ownership or occupancy change, except for years for which a
 6 new and valid homestead application was effective, and limited
 7 to benefits for taxes payable in the current year and the five
 8 prior years; (ii) the penalty provided under this-subdivision
 9 paragraph (h) for each of the same years, if applicable; and
 10 (iii) the property will lose its current homestead status for
 11 the current assessment year unless a new homestead application
 12 is effective for that assessment. The provisions of section
 13 273.02 with regard to property erroneously classified as a
 14 homestead do not apply. The person to be notified of the
 15 reimbursement requirement and of the penalty under the
 16 procedures in paragraph (h) is the owner who sold or transferred
 17 the property or whose relative is no longer occupying the
 18 property as a homestead.

19 (f) If the homestead application is not returned within 30
 20 days, the county will send a second application to the present
 21 owners of record. The notice of proposed property taxes
 22 prepared under section 275.065, subdivision 3, shall reflect the
 23 property's classification. Beginning with assessment year 1993
 24 for all properties, if a homestead application has not been
 25 filed with the county by December 15, the assessor shall
 26 classify the property as nonhomestead for the current assessment
 27 year for taxes payable in the following year, provided that the
 28 owner may be entitled to receive the homestead classification by
 29 proper application under section 375.192.

30 (g) At the request of the commissioner, each county must
 31 give the commissioner a list that includes the name and Social
 32 Security number of each property owner and the property owner's
 33 spouse occupying the property, or relative of a property owner,
 34 applying for homestead classification under this subdivision.
 35 The commissioner shall use the information provided on the lists
 36 as appropriate under the law, including for the detection of

1 improper claims by owners, or relatives of owners, under chapter
2 290A.

3 (h) ~~If the commissioner a city or county assessor finds~~
4 ~~that a property owner may be claiming a fraudulent~~ is receiving
5 homestead benefits that are not allowable under the law,
6 ~~the commissioner shall notify the appropriate counties. Within~~
7 ~~90 days of the notification, the county assessor shall~~
8 ~~investigate to determine if the homestead classification was~~
9 ~~properly claimed. If the property owner does not qualify, the~~
10 county assessor shall notify the county auditor who will
11 determine the amount of homestead benefits that had been
12 improperly allowed for taxes payable in the current year and in
13 each of the five prior years. For the purpose of this section,
14 "homestead benefits" means the tax reduction resulting from the
15 classification as a homestead under section 273.13, the taconite
16 homestead credit under section 273.135, the residential
17 homestead and agricultural homestead credits under section
18 273.1384, and the supplemental homestead credit under section
19 273.1391.

20 The county auditor shall send a notice to the person who
21 owned the affected property at the time the homestead
22 application related to the improper homestead was filed,
23 demanding reimbursement of the homestead benefits not allowable
24 under the law for taxes payable in the current year and the five
25 prior years. The notice shall demand reimbursement of those
26 homestead benefits, plus a penalty equal to ±00 either:

27 (i) ten percent of the homestead benefits if the owner
28 acted with negligent or intentional disregard of the applicable
29 tax laws and rules but without intent to defraud; or

30 (ii) 50 percent of the homestead benefits if the owner
31 fraudulently attempted in any manner to evade or defeat the
32 proper tax.

33 If the penalty provided in this paragraph is imposed and
34 the assessor becomes aware that the property is improperly
35 classified as a homestead for the current assessment year, the
36 assessor shall reclassify the property for that assessment, and

1 the provisions of section 273.02 with regard to property
2 erroneously classified as a homestead do not apply.

3 A penalty under this section shall be abated under section
4 375.192 upon a determination that the improper classification
5 was due to reasonable cause. The person notified may appeal the
6 county's determination by serving copies of a petition for
7 review with county officials as provided in section 278.01 and
8 filing proof of service as provided in section 278.01 with the
9 Minnesota Tax Court within 60 days of the date of the notice
10 from the county. Procedurally, the appeal is governed by the
11 provisions in chapter 271 which apply to the appeal of a
12 property tax assessment or levy, but without requiring any
13 prepayment of the amount in controversy. If the amount of
14 homestead benefits and penalty is not paid within 60 days, and
15 if no appeal has been filed, the county auditor shall certify
16 the amount of taxes and penalty to the county treasurer. The
17 county treasurer will add interest to the unpaid homestead
18 benefits and penalty amounts at the rate provided in section
19 279.03 for real property taxes becoming delinquent in the
20 calendar year during which the amount remains unpaid. Interest
21 may be assessed for the period beginning 60 days after demand
22 for payment was made.

23 If the person notified is the current owner of the
24 property, the treasurer may add the total amount of homestead
25 benefits, penalty, interest, and costs to the ad valorem taxes
26 otherwise payable on the property by including the amounts on
27 the property tax statements under section 276.04, subdivision
28 3. The amounts added under this paragraph to the ad valorem
29 taxes shall include interest accrued through December 31 of the
30 year preceding the taxes payable year for which the amounts are
31 first added. These amounts, when added to the property tax
32 statement, become subject to all the laws for the enforcement of
33 real or personal property taxes for that year, and for any
34 subsequent year.

35 If the person notified is not the current owner of the
36 property, the treasurer may collect the amounts due under the

1 Revenue Recapture Act in chapter 270A, or use any of the powers
2 granted in sections 277.20 and 277.21 without exclusion, to
3 enforce payment of the homestead benefits, penalty, interest,
4 and costs, as if those amounts were delinquent tax obligations
5 of the person who owned the property at the time the application
6 related to the improperly allowed homestead was filed. The
7 treasurer may relieve a prior owner of personal liability for
8 the homestead benefits, penalty, interest, and costs, and
9 instead extend those amounts on the tax lists against the
10 property as provided in this paragraph to the extent that the
11 current owner agrees in writing. On all demands, billings,
12 property tax statements, and related correspondence, the county
13 must list and state separately the amounts of homestead
14 benefits, penalty, interest and costs being demanded, billed or
15 assessed.

16 (i) Any amount of homestead benefits recovered by the
17 county from the property owner shall be distributed to the
18 county, city or town, and school district where the property is
19 located in the same proportion that each taxing district's levy
20 was to the total of the three taxing districts' levy for the
21 current year. Any amount recovered attributable to taconite
22 homestead credit shall be transmitted to the St. Louis County
23 auditor to be deposited in the taconite property tax relief
24 account. Any amount recovered that is attributable to
25 supplemental homestead credit is to be transmitted to the
26 commissioner of revenue for deposit in the general fund of the
27 state treasury. The total amount of penalty collected must be
28 deposited in the county general fund.

29 (j) If a property owner has applied for more than one
30 homestead and the county assessors cannot determine which
31 property should be classified as homestead, the county assessors
32 will refer the information to the commissioner. The
33 commissioner shall make the determination and notify the
34 counties within 60 days.

35 (k) In addition to lists of homestead properties, the
36 commissioner may ask the counties to furnish lists of all

1 properties and the record owners. The Social Security numbers
 2 and federal identification numbers that are maintained by a
 3 county or city assessor for property tax administration
 4 purposes, and that may appear on the lists retain their
 5 classification as private or nonpublic data; but may be viewed,
 6 accessed, and used by the county auditor or treasurer of the
 7 same county for the limited purpose of assisting the
 8 commissioner in the preparation of microdata samples under
 9 section 270.0681.

10 (1) On or before April 30 each year, each county must
 11 provide the commissioner with the following data for each parcel
 12 of homestead property by electronic means as defined in section
 13 289A.02, subdivision 8:

14 (i) the property identification number assigned to the
 15 parcel for purposes of taxes payable in the current year;

16 (ii) the name and Social Security number of each property
 17 owner and property owner's spouse, as shown on the tax rolls for
 18 the current and the prior assessment year;

19 (iii) the classification of the property under section
 20 273.13 for taxes payable in the current year and in the prior
 21 year;

22 (iv) an indication of whether the property was classified
 23 as a homestead for taxes payable in the current year or for
 24 taxes payable in the prior year because of occupancy by a
 25 relative of the owner or by a spouse of a relative;

26 (v) the property taxes payable as defined in section
 27 290A.03, subdivision 13, for the current year and the prior
 28 year;

29 (vi) the market value of improvements to the property first
 30 assessed for tax purposes for taxes payable in the current year;

31 (vii) the assessor's estimated market value assigned to the
 32 property for taxes payable in the current year and the prior
 33 year;

34 (viii) the taxable market value assigned to the property
 35 for taxes payable in the current year and the prior year;

36 (ix) whether there are delinquent property taxes owing on

1 the homestead;

2 (x) the unique taxing district in which the property is
3 located; and

4 (xi) such other information as the commissioner decides is
5 necessary.

6 The commissioner shall use the information provided on the
7 lists as appropriate under the law, including for the detection
8 of improper claims by owners, or relatives of owners, under
9 chapter 290A.

10 [EFFECTIVE DATE.] This section is generally effective July
11 1, 2005, and thereafter, except the changes in paragraphs (e)
12 and (h) are effective only for notices initially sent out under
13 those paragraphs on or after July 1, 2005.

14 Sec. 23. Minnesota Statutes 2004, section 273.124,
15 subdivision 21, is amended to read:

16 Subd. 21. [TRUST PROPERTY; HOMESTEAD.] Real property held
17 by a trustee under a trust is eligible for classification as
18 homestead property if:

19 (1) the grantor or surviving spouse of the grantor of the
20 trust occupies and uses the property as a homestead;

21 (2) a relative or surviving relative of the grantor who
22 meets the requirements of subdivision 1, paragraph (c), in the
23 case of residential real estate; or subdivision 1, paragraph
24 (d), in the case of agricultural property, occupies and uses the
25 property as a homestead;

26 (3) a family farm corporation, joint farm venture, limited
27 liability company, or partnership operating a family farm rents
28 the property held by a trustee under a trust, and the grantor,
29 the spouse of the grantor, or the son or daughter of the
30 grantor, who is also a shareholder, member, or partner of the
31 corporation, joint farm venture, limited liability company, or
32 partnership occupies and uses the property as a homestead, and
33 or is actively farming the property on behalf of the
34 corporation, joint farm venture, limited liability company, or
35 partnership; or

36 (4) a person who has received homestead classification for

1 property taxes payable in 2000 on the basis of an unqualified
2 legal right under the terms of the trust agreement to occupy the
3 property as that person's homestead and who continues to use the
4 property as a homestead or a person who received the homestead
5 classification for taxes payable in 2005 under clause (3) who
6 does not qualify under clause (3) for taxes payable in 2006 or
7 thereafter but who continues to qualify under clause (3) as it
8 existed for taxes payable in 2005.

9 For purposes of this subdivision, "grantor" is defined as
10 the person creating or establishing a testamentary, inter Vivos,
11 revocable or irrevocable trust by written instrument or through
12 the exercise of a power of appointment.

13 [EFFECTIVE DATE.] This section is effective for taxes
14 payable in 2006 and thereafter.

15 Sec. 24. Minnesota Statutes 2004, section 273.1315, is
16 amended to read:

17 273.1315 [CERTIFICATION OF 1B PROPERTY.]

18 Any property owner seeking classification and assessment of
19 the owner's homestead as class 1b property pursuant to section
20 273.13, subdivision 22, paragraph (b), shall file with the
21 commissioner of revenue a 1b homestead declaration, on a form
22 prescribed by the commissioner. The declaration shall contain
23 the following information:

24 (a) the information necessary to verify that on or before
25 June 30 of the filing year, the property owner or the owner's
26 spouse satisfies the requirements of section 273.13, subdivision
27 22, paragraph (b), for 1b classification; and

28 (b) any additional information prescribed by the
29 commissioner.

30 The declaration must be filed on or before October 1 to be
31 effective for property taxes payable during the succeeding
32 calendar year. The declaration and any supplementary
33 information received from the property owner pursuant to this
34 section shall be subject to chapter 270B. If approved by the
35 commissioner, the declaration remains in effect until the
36 property no longer qualifies under section 273.13, subdivision

1 22, paragraph (b). Failure to notify the commissioner within 30
2 days that the property no longer qualifies under that paragraph
3 because of a sale, change in occupancy, or change in the status
4 or condition of an occupant shall result in the penalty provided
5 in section 273.124, subdivision 13, computed on the basis of the
6 class 1b benefits for the property, and the property shall lose
7 its current class 1b classification.

8 The commissioner shall provide to the assessor on or before
9 November 1 a listing of the parcels of property qualifying for
10 1b classification.

11 [EFFECTIVE DATE.] This section is effective the day
12 following final enactment.

13 Sec. 25. Minnesota Statutes 2004, section 273.19,
14 subdivision 1a, is amended to read:

15 Subd. 1a. [LEASE DESCRIBED.] For purposes of this section,
16 a lease includes any agreement, except a cooperative farming
17 agreement pursuant to section 97A.135, subdivision 3, or a lease
18 executed pursuant to section 272.68, subdivision 4, permitting a
19 nonexempt person or entity to use the property, regardless of
20 whether the agreement is characterized as a lease. A lease has
21 a "term of at least one year" if the term is for a period of
22 less than one year and the lease permits the parties to renew
23 the lease without requiring that similar terms for leasing the
24 property will be offered to other applicants or bidders through
25 a competitive bidding or other form of offer to potential
26 lessees or users.

27 [EFFECTIVE DATE.] This section is effective the day
28 following final enactment.

29 Sec. 26. Minnesota Statutes 2004, section 273.372, is
30 amended to read:

31 273.372 [PROCEEDINGS AND APPEALS; UTILITY OR RAILROAD
32 VALUATIONS.]

33 ~~An appeal by a utility or railroad company concerning the~~
34 ~~exemption, valuation, or classification of property for which~~
35 ~~the commissioner of revenue has provided the city or county~~
36 ~~assessor with valuations by order, or for which the commissioner~~

1 ~~has recommended values to the city or county assessor, must be~~
 2 ~~brought against the commissioner in Tax Court or in district~~
 3 ~~court of the county where the property is located, and not~~
 4 ~~against the county or taxing district where the property is~~
 5 ~~located.~~ Subdivision 1. [SCOPE.] This section governs judicial
 6 review of a claim that public utility property or railroad
 7 operating property has been partially, unfairly, or unequally
 8 assessed, or assessed at a valuation greater than its real or
 9 actual value, or that the property is exempt. However, this
 10 section applies only to property described in sections 273.33,
 11 273.35, and 273.37, and only if the net tax capacity has not
 12 been changed from that provided to the city or a county by the
 13 commissioner. If the net tax capacity being appealed is not the
 14 net tax capacity established by the commissioner through order
 15 or recommendation, or if the petition claims that the tax levied
 16 against the parcel is illegal, in whole or in part, or if the
 17 petition claims the tax has been paid, the action must be
 18 brought under chapter 278 without regard to this section in each
 19 county where the property is located and proper service must be
 20 made upon the local officials specified in section 278.01,
 21 subdivision 1.

22 Subd. 2. [CONTENTS AND FILING OF PETITION.] In all cases
 23 under this section, the petition must be served on the
 24 commissioner and must be filed with the Tax Court in Ramsey
 25 County. In all cases under this section that directly challenge
 26 an order of the commissioner, the petition must include all the
 27 parcels encompassed by that order which the petitioner claims
 28 have been partially, unfairly, or unequally assessed, assessed
 29 at a valuation greater than their real or actual value, or are
 30 exempt. In all cases under this section not directly
 31 challenging a commissioner's order, the petition must include
 32 either all the utility parcels or all the railroad parcels in
 33 the state in which the petitioner claims an interest and which
 34 the petitioner claims have been partially, unfairly, or
 35 unequally assessed, assessed at a valuation greater than their
 36 real or actual value, or are exempt.

1 Subd. 3. [APPLICABILITY OF OTHER LAWS.] If the appeal to
2 court ~~is from~~ governed by this section directly challenges an
3 order of the commissioner, ~~it~~ the appeal must be brought under
4 chapter 271, except that when the provisions of this section
5 conflict with chapter 271, this section prevails. If the an
6 appeal governed by this section is from the exemption,
7 valuation, classification, or tax that results from
8 implementation of the a commissioner's order or recommendation,
9 it must be brought under the provisions of chapter 278, ~~and the~~
10 ~~provisions in that chapter apply,~~ except that service shall be
11 on the commissioner only and not on the county local officials
12 specified in section 278.01, subdivision 1, and if any other
13 provision of this section conflicts with chapter 278, this
14 section prevails.

15 ~~This provision applies to the property described in~~
16 ~~sections 273.33, 273.35, 273.36, and 273.37, but only if the~~
17 ~~appealed values have remained unchanged from those provided to~~
18 ~~the city or county by the commissioner. If the exemption,~~
19 ~~valuation, or classification being appealed has been changed by~~
20 ~~the city or county, then the action must be brought under~~
21 ~~chapter 278 in the county where the property is located and~~
22 ~~proper service must be made upon the county officials as~~
23 ~~specified in section 278.01, subdivision 1.~~

24 Subd. 4. [NOTICE.] Upon filing of any appeal by a utility
25 company or railroad against the commissioner under this section,
26 the commissioner shall give notice by first class mail to each
27 county which would be affected by the appeal.

28 Subd. 5. [ADMINISTRATIVE APPEALS.] Companies that submit
29 the reports under section 270.82 or 273.371 by the date
30 specified in that section, or by the date specified by the
31 commissioner in an extension, may appeal administratively to the
32 commissioner ~~under the procedures in section 270.11, subdivision~~
33 6, prior to bringing an action in Tax Court or in district
34 court, however, instituting an administrative appeal with the
35 commissioner does not change or modify the deadline in section
36 271.06 for appealing an order of the commissioner ~~in Tax Court~~

1 or the deadline in section 278.01 for filing a property tax
 2 claim or objection ~~in-Tax-Court-or-district-court.~~

3 [EFFECTIVE DATE.] This section is effective for petitions
 4 served and filed on or after September 1, 2005.

5 Sec. 27. Minnesota Statutes 2004, section 274.014,
 6 subdivision 2, is amended to read:

7 Subd. 2. [APPEALS AND EQUALIZATION COURSE.] ~~By-no-later~~
 8 ~~than-January-17~~ Beginning in 2006, and each year thereafter,
 9 there must be at least one member at each meeting of a local
 10 board of appeal and equalization who has attended an appeals and
 11 equalization course developed or approved by the commissioner
 12 within the last four years, as certified by the commissioner.
 13 The course may be offered in conjunction with a meeting of the
 14 Minnesota League of Cities or the Minnesota Association of
 15 Townships. The course content must include, but need not be
 16 limited to, a review of the handbook developed by the
 17 commissioner under subdivision 1.

18 [EFFECTIVE DATE.] This section is effective the day
 19 following final enactment.

20 Sec. 28. Minnesota Statutes 2004, section 274.014,
 21 subdivision 3, is amended to read:

22 Subd. 3. [PROOF OF COMPLIANCE; TRANSFER OF DUTIES.] (a)
 23 Any city or town that ~~does-not~~ conducts local boards of appeal
 24 and equalization meetings must provide proof to the county
 25 assessor by December 1, 2006, and each year thereafter, that it
 26 is in compliance with the requirements of subdivision 2~~7~~-~~and~~
 27 ~~that-it-had~~. Beginning in 2006, this notice must also verify
 28 that there was a quorum of voting members at each meeting of the
 29 board of appeal and equalization in the prior current year~~7~~. A
 30 city or town that does not comply with these requirements is
 31 deemed to have transferred its board of appeal and equalization
 32 powers to the county ~~under-section-274-017-subdivision-37~~
 33 for beginning with the following year's assessment and
 34 continuing unless the powers are reinstated under paragraph (c).

35 (b) The county shall notify the taxpayers when the board of
 36 appeal and equalization for a city or town has been transferred

1 to the county under this subdivision and, prior to the meeting
 2 time of the county board of equalization, the county shall make
 3 available to those taxpayers a procedure for a review of the
 4 assessments, including, but not limited to, open book meetings.
 5 This alternate review process shall take place in April and May.

6 (c) A local board whose powers are transferred to the
 7 county under this subdivision may be reinstated by resolution of
 8 the governing body of the city or town and upon proof of
 9 compliance with the requirements of subdivision 2. The
 10 resolution and proofs must be provided to the county assessor by
 11 December 1 in order to be effective for the following year's
 12 assessment.

13 [EFFECTIVE DATE.] This section is effective the day
 14 following final enactment.

15 Sec. 29. Minnesota Statutes 2004, section 274.14, is
 16 amended to read:

17 274.14 [LENGTH OF SESSION; RECORD.]

18 ~~The county board of equalization or the special board of~~
 19 ~~equalization appointed by it shall meet during the last ten~~
 20 ~~meeting days in June. For this purpose, "meeting days" are~~
 21 ~~defined as any day of the week excluding Saturday and Sunday.~~
 22 The board may meet on any ten consecutive meeting days in June,
 23 after the second Friday in June, ~~if~~. The actual meeting dates
 24 are must be contained on the valuation notices mailed to each
 25 property owner in the county under as provided in section
 26 273.121. For this purpose, "meeting days" is defined as any day
 27 of the week excluding Saturday and Sunday. No action taken by
 28 the county board of review after June 30 is valid, except for
 29 corrections permitted in sections 273.01 and 274.01. The county
 30 auditor shall keep an accurate record of the proceedings and
 31 orders of the board. The record must be published like other
 32 proceedings of county commissioners. A copy of the published
 33 record must be sent to the commissioner of revenue, with the
 34 abstract of assessment required by section 274.16.

35 [EFFECTIVE DATE.] This section is effective the day
 36 following final enactment.

1 Sec. 30. Minnesota Statutes 2004, section 275.065,
 2 subdivision 1a, is amended to read:

3 Subd. 1a. [OVERLAPPING JURISDICTIONS.] In the case of a
 4 taxing authority lying in two or more counties, the home county
 5 auditor shall certify the proposed levy and the proposed local
 6 tax rate to the other county auditor by ~~September-20~~ October 5.
 7 The home county auditor must estimate the levy or rate in
 8 preparing the notices required in subdivision 3, if the other
 9 county has not certified the appropriate information. If
 10 requested by the home county auditor, the other county auditor
 11 must furnish an estimate to the home county auditor.

12 [EFFECTIVE DATE.] This section is effective the day
 13 following final enactment.

14 Sec. 31. Minnesota Statutes 2004, section 275.07,
 15 subdivision 1, is amended to read:

16 Subdivision 1. [CERTIFICATION OF LEVY.] (a) Except as
 17 provided under paragraph (b), the taxes voted by cities,
 18 counties, school districts, and special districts shall be
 19 certified by the proper authorities to the county auditor on or
 20 before five working days after December 20 in each year. A town
 21 must certify the levy adopted by the town board to the county
 22 auditor by September 15 each year. If the town board modifies
 23 the levy at a special town meeting after September 15, the town
 24 board must recertify its levy to the county auditor on or before
 25 five working days after December 20. ~~The taxes certified shall~~
 26 ~~be reduced by the county auditor by the aid received under~~
 27 ~~section 273.1398, subdivision 3.~~ If a city, town, county,
 28 school district, or special district fails to certify its levy
 29 by that date, its levy shall be the amount levied by it for the
 30 preceding year.

31 (b)(i) The taxes voted by counties under sections 103B.241,
 32 103B.245, and 103B.251 shall be separately certified by the
 33 county to the county auditor on or before five working days
 34 after December 20 in each year. The taxes certified shall not
 35 be reduced by the county auditor by the aid received under
 36 section 273.1398, subdivision 3. If a county fails to certify

1 its levy by that date, its levy shall be the amount levied by it
2 for the preceding year.

3 (ii) For purposes of the proposed property tax notice under
4 section 275.065 and the property tax statement under section
5 276.04, for the first year in which the county implements the
6 provisions of this paragraph, the county auditor shall reduce
7 the county's levy for the preceding year to reflect any amount
8 levied for water management purposes under clause (i) included
9 in the county's levy.

10 [EFFECTIVE DATE.] This section is effective the day
11 following final enactment.

12 Sec. 32. Minnesota Statutes 2004, section 275.07,
13 subdivision 4, is amended to read:

14 Subd. 4. [REPORT TO COMMISSIONER.] (a) On or before
15 October 8 of each year, the county auditor shall report to the
16 commissioner of revenue the proposed levy certified by local
17 units of government under section 275.065, subdivision 1. If
18 any taxing authorities have notified the county auditor that
19 they are in the process of negotiating an agreement for sharing,
20 merging, or consolidating services but that when the proposed
21 levy was certified under section 275.065, subdivision 1c, the
22 agreement was not yet finalized, the county auditor shall supply
23 that information to the commissioner when filing the report
24 under this section and shall recertify the affected levies as
25 soon as practical after October 10.

26 (b) On or before January 15 of each year, the county
27 auditor shall report to the commissioner of revenue the final
28 levy certified by local units of government under subdivision 1.

29 (c) The levies must be reported in the manner prescribed by
30 the commissioner. ~~The reports must show a total levy and the~~
31 ~~amount of each special levy.~~

32 [EFFECTIVE DATE.] This section is effective the day
33 following final enactment.

34 Sec. 33. Minnesota Statutes 2004, section 276.04,
35 subdivision 2, is amended to read:

36 Subd. 2. [CONTENTS OF TAX STATEMENTS.] (a) The treasurer

1 shall provide for the printing of the tax statements. The
2 commissioner of revenue shall prescribe the form of the property
3 tax statement and its contents. The statement must contain a
4 tabulated statement of the dollar amount due to each taxing
5 authority and the amount of the state tax from the parcel of
6 real property for which a particular tax statement is prepared.
7 The dollar amounts attributable to the county, the state tax,
8 the voter approved school tax, the other local school tax, the
9 township or municipality, and the total of the metropolitan
10 special taxing districts as defined in section 275.065,
11 subdivision 3, paragraph (i), must be separately stated. The
12 amounts due all other special taxing districts, if any, may be
13 aggregated. If the county levy under this paragraph includes an
14 amount for a lake improvement district as defined under sections
15 103B.501 to 103B.581, the amount attributable for that purpose
16 must be separately stated from the remaining county levy
17 amount. The amount of the tax on homesteads qualifying under
18 the senior citizens' property tax deferral program under chapter
19 290B is the total amount of property tax before subtraction of
20 the deferred property tax amount. The amount of the tax on
21 contamination value imposed under sections 270.91 to 270.98, if
22 any, must also be separately stated. The dollar amounts,
23 including the dollar amount of any special assessments, may be
24 rounded to the nearest even whole dollar. For purposes of this
25 section whole odd-numbered dollars may be adjusted to the next
26 higher even-numbered dollar. The amount of market value
27 excluded under section 273.11, subdivision 16, if any, must also
28 be listed on the tax statement.

29 (b) The property tax statements for manufactured homes and
30 sectional structures taxed as personal property shall contain
31 the same information that is required on the tax statements for
32 real property.

33 (c) Real and personal property tax statements must contain
34 the following information in the order given in this paragraph.
35 The information must contain the current year tax information in
36 the right column with the corresponding information for the

1 previous year in a column on the left:

2 (1) the property's estimated market value under section
3 273.11, subdivision 1;

4 (2) the property's taxable market value after reductions
5 under section 273.11, subdivisions 1a and 16;

6 (3) the property's gross tax, calculated by adding the
7 property's total property tax to the sum of the aids enumerated
8 in clause (4);

9 (4) a total of the following aids:

10 (i) education aids payable under chapters 122A, 123A, 123B,
11 124D, 125A, 126C, and 127A;

12 (ii) local government aids for cities, towns, and counties
13 under ~~chapter-477A~~ sections 477A.011 to 477A.014; and

14 (iii) disparity reduction aid under section 273.1398;

15 (5) for homestead residential and agricultural properties,
16 the credits under section 273.1384;

17 (6) any credits received under sections 273.119; 273.123;
18 273.135; 273.1391; 273.1398, subdivision 4; 469.171; and
19 473H.10, except that the amount of credit received under section
20 273.135 must be separately stated and identified as "taconite
21 tax relief"; and

22 (7) the net tax payable in the manner required in paragraph
23 (a).

24 (d) If the county uses envelopes for mailing property tax
25 statements and if the county agrees, a taxing district may
26 include a notice with the property tax statement notifying
27 taxpayers when the taxing district will begin its budget
28 deliberations for the current year, and encouraging taxpayers to
29 attend the hearings. If the county allows notices to be
30 included in the envelope containing the property tax statement,
31 and if more than one taxing district relative to a given
32 property decides to include a notice with the tax statement, the
33 county treasurer or auditor must coordinate the process and may
34 combine the information on a single announcement.

35 The commissioner of revenue shall certify to the county
36 auditor the actual or estimated aids enumerated in clause (4)

1 that local governments will receive in the following year. The
 2 commissioner must certify this amount by January 1 of each year.

3 [EFFECTIVE DATE.] This section is effective the day
 4 following final enactment.

5 Sec. 34. Minnesota Statutes 2004, section 276.112, is
 6 amended to read:

7 276.112 [STATE PROPERTY TAXES; COUNTY TREASURER.]

8 On or before January 25 each year, for the period ending
 9 December 31 of the prior year, and on or before June 29 28 each
 10 year, for the period ending on the most recent settlement day
 11 determined in section 276.09, and on or before December 2 each
 12 year, for the period ending November 20, the county treasurer
 13 must make full settlement with the county auditor according to
 14 sections 276.09, 276.10, and 276.111 for all receipts of state
 15 property taxes levied under section 275.025, and must transmit
 16 those receipts to the commissioner of revenue by electronic
 17 means.

18 [EFFECTIVE DATE.] This section is effective the day
 19 following final enactment.

20 Sec. 35. Minnesota Statutes 2004, section 276A.01,
 21 subdivision 7, is amended to read:

22 Subd. 7. [POPULATION.] "Population" means the most recent
 23 estimate of the population of a municipality made by the state
 24 demographer and filed with the commissioner of revenue as of
 25 July ± 15 of the year in which a municipality's distribution net
 26 tax capacity is calculated. The state demographer shall
 27 annually estimate the population of each municipality and, in
 28 the case of a municipality which is located partly within and
 29 partly without the area, the proportion of the total which
 30 resides within the area, and shall file the estimates with the
 31 commissioner of revenue.

32 [EFFECTIVE DATE.] This section is effective the day
 33 following final enactment.

34 Sec. 36. Minnesota Statutes 2004, section 282.016, is
 35 amended to read:

36 282.016 [PROHIBITED PURCHASERS.]

1 No (a) A county auditor, county treasurer, county attorney,
2 court administrator of the district court, or county assessor
3 or, supervisor of assessments, or deputy or clerk or an employee
4 of such officer, ~~and no a~~ commissioner for tax-forfeited lands
5 or an assistant to such commissioner ~~may,~~ must not become a
6 purchaser, either personally or as an agent or attorney for
7 another person, of the properties offered for sale under the
8 provisions of this chapter, ~~either personally, or as agent or~~
9 ~~attorney for any other person, except that~~ in the county for
10 which the person performs duties.

11 (b) Notwithstanding paragraph (a), such officer, deputy,
12 court administrator clerk, or employee or commissioner for
13 tax-forfeited lands or assistant to such commissioner may (1)
14 purchase lands owned by that official at the time the state
15 became the absolute owner thereof or (2) bid upon and purchase
16 forfeited property offered for sale under the alternate sale
17 procedure described in section 282.01, subdivision 7a.

18 [EFFECTIVE DATE.] This section is effective the day
19 following final enactment.

20 Sec. 37. Minnesota Statutes 2004, section 282.08, is
21 amended to read:

22 282.08 [APPORTIONMENT OF PROCEEDS TO TAXING DISTRICTS.]

23 The net proceeds from the sale or rental of any parcel of
24 forfeited land, or from the sale of products from the forfeited
25 land, must be apportioned by the county auditor to the taxing
26 districts interested in the land, as follows:

27 (1) ~~the amounts necessary to pay the state general tax levy~~
28 ~~against the parcel for taxes payable in the year for which the~~
29 ~~tax judgment was entered, and for each subsequent payable year~~
30 ~~up to and including the year of forfeiture, must be apportioned~~
31 ~~to the state,~~

32 (2) the portion required to pay any amounts included in the
33 appraised value under section 282.01, subdivision 3, as
34 representing increased value due to any public improvement made
35 after forfeiture of the parcel to the state, but not exceeding
36 the amount certified by the clerk of the municipality must be

1 apportioned to the municipal subdivision entitled to it;

2 ~~(3)~~ (2) the portion required to pay any amount included in
 3 the appraised value under section 282.019, subdivision 5,
 4 representing increased value due to response actions taken after
 5 forfeiture of the parcel to the state, but not exceeding the
 6 amount of expenses certified by the Pollution Control Agency or
 7 the commissioner of agriculture, must be apportioned to the
 8 agency or the commissioner of agriculture and deposited in the
 9 fund from which the expenses were paid;

10 ~~(4)~~ (3) the portion of the remainder required to discharge
 11 any special assessment chargeable against the parcel for
 12 drainage or other purpose whether due or deferred at the time of
 13 forfeiture, must be apportioned to the municipal subdivision
 14 entitled to it; and

15 ~~(5)~~ (4) any balance must be apportioned as follows:

16 (i) The county board may annually by resolution set aside
 17 no more than 30 percent of the receipts remaining to be used for
 18 timber development on tax-forfeited land and dedicated memorial
 19 forests, to be expended under the supervision of the county
 20 board. It must be expended only on projects approved by the
 21 commissioner of natural resources.

22 (ii) The county board may annually by resolution set aside
 23 no more than 20 percent of the receipts remaining to be used for
 24 the acquisition and maintenance of county parks or recreational
 25 areas as defined in sections 398.31 to 398.36, to be expended
 26 under the supervision of the county board.

27 (iii) Any balance remaining must be apportioned as
 28 follows: county, 40 percent; town or city, 20 percent; and
 29 school district, 40 percent, provided, however, that in
 30 unorganized territory that portion which would have accrued to
 31 the township must be administered by the county board of
 32 commissioners.

33 [EFFECTIVE DATE.] This section is effective the day
 34 following final enactment for state general tax levy amounts
 35 payable in 2004 and thereafter.

36 Sec. 38. Minnesota Statutes 2004, section 282.15, is

1 amended to read:

2 282.15 [SALES OF FORFEITED AGRICULTURAL LANDS.]

3 The sale shall be conducted by the auditor of the county in
 4 which the parcels lie. The parcels shall be sold to the highest
 5 bidder but not for less than the appraised value. The sales
 6 shall be for cash or on the following terms: The appraised
 7 value of all merchantable timber on agricultural lands shall be
 8 paid for in full at the date of sale. At least 15 percent of
 9 the purchase price of the land shall be paid in cash at the time
 10 of purchase. The balance shall be paid in not more than 20
 11 equal annual installments, with interest at a rate equal to the
 12 rate in effect at the time under section 549.09 on the unpaid
 13 balance each year. Both principal and interest are due and
 14 payable on December 31 each year following that in which the
 15 purchase was made. The purchaser may pay any number of
 16 installments of principal and interest on or before their due
 17 date. When the sale is on terms other than for cash in full,
 18 the purchaser shall receive from the county auditor a contract
 19 for deed, in a form prescribed by the attorney general. The
 20 county auditor shall make a report to the commissioner of
 21 natural resources not more than 30 days after each public sale
 22 showing the lands sold at the sales, and submit a copy of each
 23 contract of sale.

24 All lands sold pursuant to this section shall ~~on the~~
 25 ~~second day of January following the date of the sale,~~ must be
 26 restored to the tax rolls and become subject to taxation in the
 27 same manner as they were assessed and taxed before becoming the
 28 absolute property of the state for the assessment year
 29 determined under section 272.02, subdivision 38, paragraph (c).

30 [EFFECTIVE DATE.] This section is effective for sales
 31 occurring on or after July 1, 2005.

32 Sec. 39. Minnesota Statutes 2004, section 282.21, is
 33 amended to read:

34 282.21 [FORM OF CONVEYANCE.]

35 When any sale has been made under sections 282.14 to
 36 282.22, upon payment in full of the purchase price, appropriate

1 conveyance in fee in such form as may be prescribed by the
2 attorney general shall be issued by the commissioner of finance
3 natural resources to the purchaser or the purchaser's assigns
4 and this conveyance shall have the force and effect of a patent
5 from the state.

6 [EFFECTIVE DATE.] This section is effective the day
7 following final enactment.

8 Sec. 40. Minnesota Statutes 2004, section 282.224, is
9 amended to read:

10 282.224 [FORM OF CONVEYANCE.]

11 When any sale has been made under sections 282.221 to
12 282.226, upon payment in full of the purchase price, appropriate
13 conveyance in fee, in such form as may be prescribed by the
14 attorney general, shall be issued by the commissioner of natural
15 resources to the purchaser or the purchaser's assignee, and the
16 conveyance shall have the force and effect of a patent from the
17 state.

18 [EFFECTIVE DATE.] This section is effective the day
19 following final enactment.

20 Sec. 41. Minnesota Statutes 2004, section 282.301, is
21 amended to read:

22 282.301 [RECEIPTS FOR PAYMENTS.]

23 When any sale has been made under sections 282.012 and
24 282.241 to 282.324, the purchaser shall receive from the county
25 auditor at the time of repurchase a receipt, in such form as may
26 be prescribed by the attorney general. When the purchase price
27 of a parcel of land shall be paid in full, the following facts
28 shall be certified by the county auditor to the commissioner of
29 revenue of the state of Minnesota: the description of land, the
30 date of sale, the name of the purchaser or the purchaser's
31 assignee, and the date when the final installment of the
32 purchase price was paid. Upon payment in full of the purchase
33 price, the purchaser or the assignee shall receive a quitclaim
34 deed from the state, to be executed by the commissioner of
35 revenue. The deed must be sent to the county auditor who shall
36 have it recorded before it is forwarded to the purchaser.

1 Failure to make any payment herein required shall constitute
2 default and upon such default and cancellation in accord with
3 section 282.40, the right, title and interest of the purchaser
4 or the purchaser's heirs, representatives, or assigns in such
5 parcel shall terminate.

6 [EFFECTIVE DATE.] This section is effective the day
7 following final enactment.

8 Sec. 42. Minnesota Statutes 2004, section 290A.19, is
9 amended to read:

10 290A.19 [OWNER OR MANAGING AGENT TO FURNISH RENT
11 CERTIFICATE.]

12 (a) The owner or managing agent of any property for which
13 rent is paid for occupancy as a homestead must furnish a
14 certificate of rent paid to a person who is a renter on December
15 31, in the form prescribed by the commissioner. If the renter
16 moves before December 31, the owner or managing agent may give
17 the certificate to the renter at the time of moving, or mail the
18 certificate to the forwarding address if an address has been
19 provided by the renter. The certificate must be made available
20 to the renter before February 1 of the year following the year
21 in which the rent was paid. The owner or managing agent must
22 retain a duplicate of each certificate or an equivalent record
23 showing the same information for a period of three years. The
24 duplicate or other record must be made available to the
25 commissioner upon request. For the purposes of this section,
26 "owner" includes a park owner as defined under section 327C.01,
27 subdivision 6, and "property" includes a lot as defined under
28 section 327C.01, subdivision 3.

29 (b) The commissioner may require the owner or managing
30 agent to file a copy of the certificate of rent paid with the
31 commissioner by April 15 of the year following the year in which
32 the rent was paid. The copy must be submitted to the
33 commissioner by electronic means as that term is defined in
34 section 289A.02, subdivision 8. This paragraph does not apply to
35 any owner or managing agent that is required to issue
36 certificates to renters of fewer than 100 units.

1 [EFFECTIVE DATE.] This section is effective for
2 certificates of rent paid that are issued for rent paid after
3 December 31, 2005.

4 Sec. 43. Minnesota Statutes 2004, section 290B.05,
5 subdivision 3, is amended to read:

6 Subd. 3. [CALCULATION OF DEFERRED PROPERTY TAX AMOUNT.]
7 When final property tax amounts for the following year have been
8 determined, the county auditor shall calculate the "deferred
9 property tax amount." The deferred property tax amount is equal
10 to the lesser of (1) the maximum allowable deferral for the
11 year; or (2) the difference between (i) the total amount of
12 property taxes and special assessments levied upon the
13 qualifying homestead by all taxing jurisdictions and (ii) the
14 maximum property tax amount. Any-special-assessments-levied-by
15 any-local-unit-of-government-must-not-be-included-in-the-total
16 tax-used-to-calculate-the-deferred-tax-amount. For this purpose
17 "special assessments" includes any assessment, fee, or other
18 charge that may by law, and which does, appear on the property
19 tax statement for the property for collection under the laws
20 applicable to the enforcement of real estate taxes. Any tax
21 attributable to new improvements made to the property after the
22 initial application has been approved under section 290B.04,
23 subdivision 2, must be excluded when determining any subsequent
24 deferred property tax amount. The county auditor shall
25 annually, on or before April 15, certify to the commissioner of
26 revenue the property tax deferral amounts determined under this
27 subdivision by property and by owner.

28 [EFFECTIVE DATE.] This section is effective for amounts
29 deferred in 2006 and thereafter.

30 Sec. 44. Minnesota Statutes 2004, section 373.45,
31 subdivision 7, is amended to read:

32 Subd. 7. [AID REDUCTION FOR REPAYMENT.] (a) Except as
33 provided in paragraph (b), the commissioner may reduce, by the
34 amount paid by the state under this section on behalf of the
35 county, plus the interest due on the state payments, the
36 ~~following-aids-payable-to-the-county:~~

1 ~~(1)-homestead-and-agricultural-credit-aid-and-disparity~~
2 ~~reduction-aid-payable-under-section-273.1398;~~

3 ~~(2)-county-criminal-justice-aid-payable-under-section~~
4 ~~477A.0121;-and~~

5 ~~(3)-family-preservation-aid-payable-under-section-477A.0122~~
6 county program aid under section 477A.0124.

7 The amount of any aid reduction reverts from the appropriate
8 account to the state general fund.

9 (b) If, after review of the financial situation of the
10 county, the authority advises the commissioner that a total
11 reduction of the aids would cause an undue hardship on the
12 county, the authority, with the approval of the commissioner,
13 may establish a different schedule for reduction of aids to
14 repay the state. The amount of aids to be reduced are decreased
15 by any amounts repaid to the state by the county from other
16 revenue sources.

17 [EFFECTIVE DATE.] This section is effective for aid payable
18 in 2005 and thereafter.

19 Sec. 45. Minnesota Statutes 2004, section 469.1735,
20 subdivision 3, is amended to read:

21 Subd. 3. [TRANSFER AUTHORITY FOR PROPERTY TAX.] (a) A city
22 may elect to use all or part of its allocation under subdivision
23 2 to reimburse the city or county or both for property tax
24 reductions under section 272.0212. To elect this option, the
25 city must notify the commissioner of revenue by October 1 of
26 each calendar year of the amount of the property tax
27 reductions for which it seeks reimbursements for taxes payable
28 during the following current year and the governmental units to
29 which the amounts will be paid. The commissioner may require
30 the city to provide information substantiating the amount of the
31 reductions granted or any other information necessary to
32 administer this provision. The commissioner shall pay the
33 reimbursements by December 26 of the taxes payable year. Any
34 amount transferred under this authority reduces the amount of
35 tax credit certificates available under subdivisions 1 and 2.

36 (b) The amount elected by the city under paragraph (a) is

1 appropriated to the commissioner of revenue from the general
2 fund to reimburse the city or county for tax reductions under
3 section 272.0212. The amount appropriated may not exceed the
4 maximum amounts allocated to a city under subdivision 2,
5 paragraph (b), less the amount of certificates issued by the
6 city under subdivision 1, and is available until expended.

7 [EFFECTIVE DATE.] This section is effective for
8 reimbursements of taxes payable in 2005 and thereafter.

9 Sec. 46. [473.24] [POPULATION ESTIMATES.]

10 (a) The Metropolitan Council shall annually prepare an
11 estimate of population for each county, city, and town in the
12 metropolitan area and an estimate of the number of households
13 and average household size for each city in the metropolitan
14 area with a population of 2,500 or more, and an estimate of
15 population over age 65 for each county in the metropolitan area,
16 and convey the estimates to the governing body of each county,
17 city, or town by June 1 each year. In the case of a city or
18 town that is located partly within and partly without the
19 metropolitan area, the Metropolitan Council shall estimate the
20 proportion of the total population and the average size of
21 households that reside within the area. The Metropolitan
22 Council may prepare an estimate of the population and of the
23 average household size for any other political subdivision
24 located in the metropolitan area.

25 (b) A governing body may challenge an estimate made under
26 this section by filing its specific objections in writing with
27 the Metropolitan Council by June 24. If the challenge does not
28 result in an acceptable estimate, the governing body may have a
29 special census conducted by the United States Bureau of the
30 Census. The political subdivision must notify the Metropolitan
31 Council on or before July 1 of its intent to have the special
32 census conducted. The political subdivision must bear all costs
33 of the special census. Results of the special census must be
34 received by the Metropolitan Council by the next April 15 to be
35 used in that year's June 1 estimate under this section. The
36 Metropolitan Council shall certify the estimates of population

1 and the average household size to the state demographer and to
2 the commissioner of revenue by July 15 each year, including any
3 estimates still under objection.

4 [EFFECTIVE DATE.] This section is effective the day
5 following final enactment.

6 Sec. 47. Minnesota Statutes 2004, section 473F.02,
7 subdivision 7, is amended to read:

8 Subd. 7. [POPULATION.] "Population" means the most recent
9 estimate of the population of a municipality made by the
10 Metropolitan Council under section 473.24 and filed with the
11 commissioner of revenue as of July ± 15 of the year in which a
12 municipality's distribution net tax capacity is calculated. The
13 ~~council shall annually estimate the population of each~~
14 ~~municipality as of a date which it determines and, in the case~~
15 ~~of a municipality which is located partly within and partly~~
16 ~~without the area, the proportion of the total which resides~~
17 ~~within the area, and shall promptly thereafter file its~~
18 ~~estimates with the commissioner of revenue.~~

19 [EFFECTIVE DATE.] This section is effective the day
20 following final enactment.

21 Sec. 48. Minnesota Statutes 2004, section 477A.011,
22 subdivision 3, is amended to read:

23 Subd. 3. [POPULATION.] "Population" means the
24 population estimated or established as of July ± 15 in an aid
25 calculation year by the most recent federal census, by a special
26 census conducted under contract with the United States Bureau of
27 the Census, by a population estimate made by the Metropolitan
28 Council pursuant to section 473.24, or by a population estimate
29 of the state demographer made pursuant to section 4A.02,
30 whichever is the most recent as to the stated date of the count
31 or estimate for the preceding calendar year, and which has been
32 certified to the commissioner of revenue on or before July 15 of
33 the aid calculation year. The term "per capita" refers to
34 population as defined by this subdivision. A revision of an
35 estimate or count is effective for these purposes only if it is
36 certified to the commissioner on or before July 15 of the aid

1 calculation year. Clerical errors in the certification or use
2 of the estimates and counts established as of July 15 in the aid
3 calculation year are subject to correction within the time
4 periods allowed under section 477A.014.

5 [EFFECTIVE DATE.] This section is effective the day
6 following final enactment.

7 Sec. 49. Minnesota Statutes 2004, section 477A.011,
8 subdivision 36, is amended to read:

9 Subd. 36. [CITY AID BASE.] (a) Except as otherwise
10 provided in this subdivision, "city aid base" is zero.

11 (b) The city aid base for any city with a population less
12 than 500 is increased by \$40,000 for aids payable in calendar
13 year 1995 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 \$40,000 for aids payable in calendar
16 year 1995 only, provided that:

17 (i) the average total tax capacity rate for taxes payable
18 in 1995 exceeds 200 percent;

19 (ii) the city portion of the tax capacity rate exceeds 100
20 percent; and

21 (iii) its city aid base is less than \$60 per capita.

22 (c) The city aid base for a city is increased by \$20,000 in
23 1998 and thereafter and the maximum amount of total aid it may
24 receive under section 477A.013, subdivision 9, paragraph (c), is
25 also increased by \$20,000 in calendar year 1998 only, provided
26 that:

27 (i) the city has a population in 1994 of 2,500 or more;

28 (ii) the city is located in a county, outside of the
29 metropolitan area, which contains a city of the first class;

30 (iii) the city's net tax capacity used in calculating its
31 1996 aid under section 477A.013 is less than \$400 per capita;
32 and

33 (iv) at least four percent of the total net tax capacity,
34 for taxes payable in 1996, of property located in the city is
35 classified as railroad property.

36 (d) The city aid base for a city is increased by \$200,000

1 in 1999 and thereafter and the maximum amount of total aid it
2 may receive under section 477A.013, subdivision 9, paragraph
3 (c), is also increased by \$200,000 in calendar year 1999 only,
4 provided that:

5 (i) the city was incorporated as a statutory city after
6 December 1, 1993;

7 (ii) its city aid base does not exceed \$5,600; and

8 (iii) the city had a population in 1996 of 5,000 or more.

9 (e) The city aid base for a city is increased by \$450,000
10 in 1999 to 2008 and the maximum amount of total aid it may
11 receive under section 477A.013, subdivision 9, paragraph (c), is
12 also increased by \$450,000 in calendar year 1999 only, provided
13 that:

14 (i) the city had a population in 1996 of at least 50,000;

15 (ii) its population had increased by at least 40 percent in
16 the ten-year period ending in 1996; and

17 (iii) its city's net tax capacity for aids payable in 1998
18 is less than \$700 per capita.

19 ~~(f) Beginning in 2004, the city aid base for a city is~~
20 ~~equal to the sum of its city aid base in 2003 and the amount of~~
21 ~~additional aid it was certified to receive under section 477A.06~~
22 ~~in 2003. For 2004 only, the maximum amount of total aid a city~~
23 ~~may receive under section 477A.013, subdivision 9, paragraph~~
24 ~~(c), is also increased by the amount it was certified to receive~~
25 ~~under section 477A.06 in 2003.~~

26 (g) The city aid base for a city is increased by \$150,000
27 for aids payable in 2000 and thereafter, and the maximum amount
28 of total aid it may receive under section 477A.013, subdivision
29 9, paragraph (c), is also increased by \$150,000 in calendar year
30 2000 only, provided that:

31 (1) the city has a population that is greater than 1,000
32 and less than 2,500;

33 (2) its commercial and industrial percentage for aids
34 payable in 1999 is greater than 45 percent; and

35 (3) the total market value of all commercial and industrial
36 property in the city for assessment year 1999 is at least 15

1 percent less than the total market value of all commercial and
2 industrial property in the city for assessment year 1998.

3 ~~(h)~~ (g) The city aid base for a city is increased by
4 \$200,000 in 2000 and thereafter, and the maximum amount of total
5 aid it may receive under section 477A.013, subdivision 9,
6 paragraph (c), is also increased by \$200,000 in calendar year
7 2000 only, provided that:

8 (1) the city had a population in 1997 of 2,500 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 \$650 per
11 capita;

12 (3) the pre-1940 housing percentage of the city used in
13 calculating 1999 aid under section 477A.013 is greater than 12
14 percent;

15 (4) the 1999 local government aid of the city under section
16 477A.013 is less than 20 percent of the amount that the formula
17 aid of the city would have been if the need increase percentage
18 was 100 percent; and

19 (5) the city aid base of the city used in calculating aid
20 under section 477A.013 is less than \$7 per capita.

21 ~~(i)~~ (h) The city aid base for a city is increased by
22 \$102,000 in 2000 and thereafter, and the maximum amount of total
23 aid it may receive under section 477A.013, subdivision 9,
24 paragraph (c), is also increased by \$102,000 in calendar year
25 2000 only, provided that:

26 (1) the city has a population in 1997 of 2,000 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 \$455 per
29 capita;

30 (3) the net levy of the city used in calculating 1999 aid
31 under section 477A.013 is greater than \$195 per capita; and

32 (4) the 1999 local government aid of the city under section
33 477A.013 is less than 38 percent of the amount that the formula
34 aid of the city would have been if the need increase percentage
35 was 100 percent.

36 ~~(j)~~ (i) The city aid base for a city is increased by

1 \$32,000 in 2001 and thereafter, and the maximum amount of total
2 aid it may receive under section 477A.013, subdivision 9,
3 paragraph (c), is also increased by \$32,000 in calendar year
4 2001 only, provided that:

5 (1) the city has a population in 1998 that is greater than
6 200 but less than 500;

7 (2) the city's revenue need used in calculating aids
8 payable in 2000 was greater than \$200 per capita;

9 (3) the city net tax capacity for the city used in
10 calculating aids available in 2000 was equal to or less than
11 \$200 per capita;

12 (4) the city aid base of the city used in calculating aid
13 under section 477A.013 is less than \$65 per capita; and

14 (5) the city's formula aid for aids payable in 2000 was
15 greater than zero.

16 ~~(k)~~ (j) The city aid base for a city is increased by \$7,200
17 in 2001 and thereafter, and the maximum amount of total aid it
18 may receive under section 477A.013, subdivision 9, paragraph
19 (c), is also increased by \$7,200 in calendar year 2001 only,
20 provided that:

21 (1) the city had a population in 1998 that is greater than
22 200 but less than 500;

23 (2) the city's commercial industrial percentage used in
24 calculating aids payable in 2000 was less than ten percent;

25 (3) more than 25 percent of the city's population was 60
26 years old or older according to the 1990 census;

27 (4) the city aid base of the city used in calculating aid
28 under section 477A.013 is less than \$15 per capita; and

29 (5) the city's formula aid for aids payable in 2000 was
30 greater than zero.

31 ~~(l)~~ (k) The city aid base for a city is increased by
32 \$45,000 in 2001 and thereafter and by an additional \$50,000 in
33 calendar years 2002 to 2011, and the maximum amount of total aid
34 it may receive under section 477A.013, subdivision 9, paragraph
35 (c), is also increased by \$45,000 in calendar year 2001 only,
36 and by \$50,000 in calendar year 2002 only, provided that:

1 (1) the net tax capacity of the city used in calculating
2 its 2000 aid under section 477A.013 is less than \$810 per
3 capita;

4 (2) the population of the city declined more than two
5 percent between 1988 and 1998;

6 (3) the net levy of the city used in calculating 2000 aid
7 under section 477A.013 is greater than \$240 per capita; and

8 (4) the city received less than \$36 per capita in aid under
9 section 477A.013, subdivision 9, for aids payable in 2000.

10 ~~(m)~~ (1) The city aid base for a city with a population of
11 10,000 or more which is located outside of the seven-county
12 metropolitan area is increased in 2002 and thereafter, and the
13 maximum amount of total aid it may receive under section
14 477A.013, subdivision 9, paragraph (b) or (c), is also increased
15 in calendar year 2002 only, by an amount equal to the lesser of:

16 (1)(i) the total population of the city, as determined by
17 the United States Bureau of the Census, in the 2000 census, (ii)
18 minus 5,000, (iii) times 60; or

19 (2) \$2,500,000.

20 ~~(n)~~ (m) The city aid base is increased by \$50,000 in 2002
21 and thereafter, and the maximum amount of total aid it may
22 receive under section 477A.013, subdivision 9, paragraph (c), is
23 also increased by \$50,000 in calendar year 2002 only, provided
24 that:

25 (1) the city is located in the seven-county metropolitan
26 area;

27 (2) its population in 2000 is between 10,000 and 20,000;
28 and

29 (3) its commercial industrial percentage, as calculated for
30 city aid payable in 2001, was greater than 25 percent.

31 ~~(o)~~ (n) The city aid base for a city is increased by
32 \$150,000 in calendar years 2002 to 2011 and the maximum amount
33 of total aid it may receive under section 477A.013, subdivision
34 9, paragraph (c), is also increased by \$150,000 in calendar year
35 2002 only, provided that:

36 (1) the city had a population of at least 3,000 but no more

1 than 4,000 in 1999;

2 (2) its home county is located within the seven-county
3 metropolitan area;

4 (3) its pre-1940 housing percentage is less than 15
5 percent; and

6 (4) its city net tax capacity per capita for taxes payable
7 in 2000 is less than \$900 per capita.

8 ~~(p)~~ (o) The city aid base for a city is increased by
9 \$200,000 beginning in calendar year 2003 and the maximum amount
10 of total aid it may receive under section 477A.013, subdivision
11 9, paragraph (c), is also increased by \$200,000 in calendar year
12 2003 only, provided that the city qualified for an increase in
13 homestead and agricultural credit aid under Laws 1995, chapter
14 264, article 8, section 18.

15 ~~(q)~~ (p) The city aid base for a city is increased by
16 \$200,000 in 2004 only and the maximum amount of total aid it may
17 receive under section 477A.013, subdivision 9, is also increased
18 by \$200,000 in calendar year 2004 only, if the city is the site
19 of a nuclear dry cask storage facility.

20 ~~(r)~~ (q) The city aid base for a city is increased by
21 \$10,000 in 2004 and thereafter and the maximum total aid it may
22 receive under section 477A.013, subdivision 9, is also increased
23 by \$10,000 in calendar year 2004 only, if the city was included
24 in a federal major disaster designation issued on April 1, 1998,
25 and its pre-1940 housing stock was decreased by more than 40
26 percent between 1990 and 2000.

27 [EFFECTIVE DATE.] This section is effective beginning with
28 aids payable in 2004.

29 Sec. 50. Minnesota Statutes 2004, section 477A.011,
30 subdivision 38, is amended to read:

31 Subd. 38. [HOUSEHOLD SIZE.] "Household size" means the
32 average number of persons per household in the jurisdiction as
33 most recently estimated and reported by the state
34 demographer and Metropolitan Council as of July ± 15 of the aid
35 calculation year. A revision to an estimate or enumeration is
36 effective for these purposes only if it is certified to the

1 commissioner on or before July 15 of the aid calculation year.
 2 Clerical errors in the certification or use of estimates and
 3 counts established as of July 15 in the aid calculation year are
 4 subject to correction within the time periods allowed under
 5 section 477A.014.

6 [EFFECTIVE DATE.] This section is effective the day
 7 following final enactment.

8 Sec. 51. Minnesota Statutes 2004, section 477A.0124,
 9 subdivision 2, is amended to read:

10 Subd. 2. [DEFINITIONS.] (a) For the purposes of this
 11 section, the following terms have the meanings given them.

12 (b) "County program aid" means the sum of "county need aid,"
 13 "county tax base equalization aid," and "county transition aid."

14 (c) "Age-adjusted population" means a county's population
 15 multiplied by the county age index.

16 (d) "County age index" means the percentage of the
 17 population over age 65 within the county divided by the
 18 percentage of the population over age 65 within the state,
 19 except that the age index for any county may not be greater than
 20 1.8 nor less than 0.8.

21 (e) "Population over age 65" means the population over age
 22 65 established as of July ± 15 in an aid calculation year by the
 23 most recent federal census, by a special census conducted under
 24 contract with the United States Bureau of the Census, by a
 25 population estimate made by the Metropolitan Council, or by a
 26 population estimate of the state demographer made pursuant to
 27 section 4A.02, whichever is the most recent as to the stated
 28 date of the count or estimate for the preceding calendar
 29 year and which has been certified to the commissioner of revenue
 30 on or before July 15 of the aid calculation year. A revision to
 31 an estimate or count is effective for these purposes only if
 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 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 (f) "Part I crimes" means the three-year average annual
2 number of Part I crimes reported for each county by the
3 Department of Public Safety for the most recent years available.
4 By July 1 of each year, the commissioner of public safety shall
5 certify to the commissioner of revenue the number of Part I
6 crimes reported for each county for the three most recent
7 calendar years available.

8 (g) "Households receiving food stamps" means the average
9 monthly number of households receiving food stamps for the three
10 most recent years for which data is available. By July 1 of
11 each year, the commissioner of human services must certify to
12 the commissioner of revenue the average monthly number of
13 households in the state and in each county that receive food
14 stamps, for the three most recent calendar years available.

15 (h) "County net tax capacity" means the net tax capacity of
16 the county, computed analogously to city net tax capacity under
17 section 477A.011, subdivision 20.

18 [EFFECTIVE DATE.] This section is effective the day
19 following final enactment.

20 Sec. 52. Laws 2003, chapter 127, article 5, section 27,
21 the effective date, is amended to read:

22 [EFFECTIVE DATE.] This section is effective for taxes
23 payable-in-2004-and-thereafter distributions occurring on or
24 after June 10, 2003.

25 Sec. 53. Laws 2003, chapter 127, article 5, section 28,
26 the effective date, is amended to read:

27 [EFFECTIVE DATE.] This section is effective for taxes
28 payable-in-2004-and-thereafter distributions occurring on or
29 after June 10, 2003.

30 Sec. 54. Laws 2003, First Special Session chapter 21,
31 article 5, section 13, is amended to read:

32 Sec. 13. [2004 CITY AID REDUCTIONS.]

33 The commissioner of revenue shall compute an aid reduction
34 amount for 2004 for each city as provided in this section.

35 The initial aid reduction amount for each city is the
36 amount by which the city's aid distribution under Minnesota

1 Statutes, section 477A.013, and related provisions payable in
2 2003 exceeds the city's 2004 distribution under those provisions.

3 The minimum aid reduction amount for a city is the amount
4 of its reduction in 2003 under section 12. If a city receives
5 an increase to its city aid base under Minnesota Statutes,
6 section 477A.011, subdivision 36, its minimum aid reduction is
7 reduced by an equal amount.

8 The maximum aid reduction amount for a city is an amount
9 equal to 14 percent of the city's total 2004 levy plus aid
10 revenue base, except that if the city has a city net tax
11 capacity for aids payable in 2004, as defined in Minnesota
12 Statutes, section 477A.011, subdivision 20, of \$700 per capita
13 or less, the maximum aid reduction shall not exceed an amount
14 equal to 13 percent of the city's total 2004 levy plus aid
15 revenue base.

16 If the initial aid reduction amount for a city is less than
17 the minimum aid reduction amount for that city, the final aid
18 reduction amount for the city is the sum of the initial aid
19 reduction amount and the lesser of the amount of the city's
20 payable 2004 reimbursement under Minnesota Statutes, section
21 273.1384, or the difference between the minimum and initial aid
22 reduction amounts for the city, and the amount of the final aid
23 reduction in excess of the initial aid reduction is deducted
24 from the city's reimbursements pursuant to Minnesota Statutes,
25 section 273.1384.

26 If the initial aid reduction amount for a city is greater
27 than the maximum aid reduction amount for the city, the city
28 receives an additional distribution under this section equal to
29 the result of subtracting the maximum aid reduction amount from
30 the initial aid reduction amount. This distribution shall be
31 paid in equal installments in 2004 on the dates specified in
32 Minnesota Statutes, section 477A.015. The amount necessary for
33 these additional distributions is appropriated to the
34 commissioner of revenue from the general fund in fiscal year
35 2005.

36 ~~The initial aid reduction is applied to the city's~~

~~1 distribution-pursuant-to-Minnesota-Statutes,section-477A.013,~~
~~2 and-any-aid-reduction-in-excess-of-the-initial-aid-reduction-is~~
~~3 applied-to-the-city's-reimbursements-pursuant-to-Minnesota~~
~~4 Statutes,section-273.1384.~~

5 To the extent that sufficient information is available on
6 each payment date in 2004, the commissioner of revenue shall pay
7 the reimbursements reduced under this section in equal
8 installments on the payment dates provided in law.

9 [EFFECTIVE DATE.] This section is effective for aids
10 payable in 2004.

11 Sec. 55. Laws 2003, First Special Session chapter 21,
12 article 6, section 9, is amended to read:

13 Sec. 9. [DEFINITIONS.]

14 (a) For purposes of sections 9 to 15, the following terms
15 have the meanings given them in this section.

16 (b) The 2003 and 2004 "levy plus aid revenue base" for a
17 county is the sum of that county's certified property tax levy
18 for taxes payable in 2003, plus the sum of the amounts the
19 county was certified to receive in the designated calendar year
20 as:

21 (1) homestead and agricultural credit aid under Minnesota
22 Statutes, section 273.1398, subdivision 2, plus any additional
23 aid under section 16, minus the amount calculated under section
24 273.1398, subdivision 4a, paragraph (b), for counties in
25 judicial districts one, three, six, and ten, and 25 percent of
26 the amount calculated under section 273.1398, subdivision 4a,
27 paragraph (b), for counties in judicial districts two and four;

28 (2) the amount of county manufactured home homestead and
29 agricultural credit aid computed for the county for payment in
30 2003 under section 273.166;

31 (3) criminal justice aid under Minnesota Statutes, section
32 477A.0121;

33 (4) family preservation aid under Minnesota Statutes,
34 section 477A.0122;

35 (5) taconite aids under Minnesota Statutes, sections 298.28
36 and 298.282, including any aid which was required to be placed

1 in a special fund for expenditure in the next succeeding year;
2 and

3 (6) county program aid under section 477A.0124, exclusive
4 of the attached machinery aid component.

5 [EFFECTIVE DATE.] This section is effective for aids
6 payable in 2004.

7 Sec. 56. [LINCOLN AND PIPESTONE COUNTIES; TOWN LEVY
8 ADJUSTMENT FOR WIND ENERGY PRODUCTION TAX.]

9 Notwithstanding the deadlines in Minnesota Statutes,
10 section 275.07, towns located in Lincoln or Pipestone County are
11 authorized to adjust their payable 2004 levy for all or a
12 portion of their estimated wind energy production tax amounts
13 for 2004, as computed by the commissioner of revenue from
14 reports filed under Minnesota Statutes, section 272.029,
15 subdivision 4. The Lincoln and Pipestone County auditors may
16 adjust the payable 2004 levy certifications under Minnesota
17 Statutes, section 275.07, subdivision 1, based upon the towns
18 that have recertified their levies under this section by March
19 15, 2004.

20 [EFFECTIVE DATE.] This section is effective for taxes
21 payable in 2004.

22 Sec. 57. [REPEALER.]

23 (a) Minnesota Statutes 2004, sections 273.19, subdivision
24 5; 274.05; 275.15; 275.61, subdivision 2; and 283.07, are
25 repealed effective the day following final enactment.

26 (b) Laws 1975, chapter 287, section 5, and Laws 2003,
27 chapter 127, article 9, section 9, subdivision 4, are repealed
28 effective without local approval for taxes payable in 2006 and
29 thereafter.

30 ARTICLE 15

31 DEPARTMENT OF REVENUE

32 SALES AND USE TAXES - SF1683

33 Section 1. Minnesota Statutes 2004, section 289A.38,
34 subdivision 6, is amended to read:

35 Subd. 6. [OMISSION IN EXCESS OF 25 PERCENT.] Additional
36 taxes may be assessed within 6-1/2 years after the due date of

1 the return or the date the return was filed, whichever is later,
2 if:

3 (1) the taxpayer omits from gross income an amount properly
4 includable in it that is in excess of 25 percent of the amount
5 of gross income stated in the return;

6 (2) the taxpayer omits from a sales, use, or withholding
7 tax return an amount of taxes in excess of 25 percent of the
8 taxes reported in the return; or

9 (3) the taxpayer omits from the gross estate assets in
10 excess of 25 percent of the gross estate reported in the return.

11 [EFFECTIVE DATE.] This section is effective the day
12 following final enactment.

13 Sec. 2. Minnesota Statutes 2004, section 289A.38, is
14 amended by adding a subdivision to read:

15 Subd. 15. [PURCHASER FILED REFUND CLAIMS.] If a purchaser
16 refund claim is filed under section 289A.50, subdivision 2a, and
17 the basis for the claim is that the purchaser was improperly
18 charged tax on an improvement to real property or on the
19 purchase of nontaxable services, sales or use tax may be
20 assessed for the cost of materials used to make the real
21 property improvement or to perform the nontaxable service. The
22 assessment may be made against the person making the improvement
23 to real property or the sale of nontaxable services, within the
24 period prescribed in subdivision 1, or within one year after the
25 date of the refund order, whichever is later.

26 [EFFECTIVE DATE.] This section is effective for purchaser
27 refund claims filed on or after July 1, 2005.

28 Sec. 3. Minnesota Statutes 2004, section 289A.40,
29 subdivision 2, is amended to read:

30 Subd. 2. [BAD DEBT LOSS.] If a claim relates to an
31 overpayment because of a failure to deduct a loss due to a bad
32 debt or to a security becoming worthless, the claim is
33 considered timely if filed within seven years from the date
34 prescribed for the filing of the return. A claim relating to an
35 overpayment of taxes under chapter 297A must be filed within
36 3-1/2 years from the date prescribed for filing the return, plus

1 any extensions granted for filing the return, but only if filed
2 within the extended time. The refund or credit is limited to
3 the amount of overpayment attributable to the loss. "Bad debt"
4 for purposes of this subdivision, has the same meaning as that
5 term is used in United States Code, title 26, section 166,
6 except that for a claim relating to an overpayment of taxes
7 under chapter 297A the following are excluded from the
8 calculation of bad debt: financing charges or interest; sales
9 or use taxes charged on the purchase price; uncollectible
10 amounts on property that remain in the possession of the seller
11 until the full purchase price is paid; expenses incurred in
12 attempting to collect any debt; and repossessed property.

13 [EFFECTIVE DATE.] For claims relating to an overpayment of
14 taxes under chapter 297A, this section is effective for sales
15 and purchases made on or after January 1, 2004; for all other
16 bad debts or claims, this section is effective on or after July
17 1, 2003.

18 Sec. 4. Minnesota Statutes 2004, section 289A.40, is
19 amended by adding a subdivision to read:

20 Subd. 5. [PURCHASER FILED REFUND CLAIMS.] A claim for
21 refund of taxes paid on a transaction not subject to tax under
22 chapter 297A, where the purchaser may apply directly to the
23 commissioner under section 289A.50, subdivision 2a, must be
24 filed within 3-1/2 years from the 20th day of the month
25 following the month of the invoice date for the purchase.

26 [EFFECTIVE DATE.] This section is effective for claims
27 filed on or after the day following final enactment.

28 Sec. 5. Minnesota Statutes 2004, section 289A.40, is
29 amended by adding a subdivision to read:

30 Subd. 6. [CAPITAL EQUIPMENT REFUND CLAIMS.] A claim for
31 refund for taxes paid under chapter 297A on capital equipment
32 must be filed within 3-1/2 years from the 20th day of the month
33 following the month of the invoice date for the purchase of the
34 capital equipment. A claim for refund for taxes imposed on
35 capital equipment under section 297A.63 must be filed within
36 3-1/2 years from the date prescribed for filing the return, or

1 one year from the date of an order assessing tax under section
2 289A.37, subdivision 1, upon payment in full of the tax,
3 penalties, and interest shown on the order, whichever period
4 expires later.

5 [EFFECTIVE DATE.] This section is effective for claims
6 filed on or after the day following final enactment.

7 Sec. 6. Minnesota Statutes 2004, section 297A.61,
8 subdivision 3, is amended to read:

9 Subd. 3. [SALE AND PURCHASE.] (a) "Sale" and "purchase"
10 include, but are not limited to, each of the transactions listed
11 in this subdivision.

12 (b) Sale and purchase include:

13 (1) any transfer of title or possession, or both, of
14 tangible personal property, whether absolutely or conditionally,
15 for a consideration in money or by exchange or barter; and

16 (2) the leasing of or the granting of a license to use or
17 consume, for a consideration in money or by exchange or barter,
18 tangible personal property, other than a manufactured home used
19 for residential purposes for a continuous period of 30 days or
20 more.

21 (c) Sale and purchase include the production, fabrication,
22 printing, or processing of tangible personal property for a
23 consideration for consumers who furnish either directly or
24 indirectly the materials used in the production, fabrication,
25 printing, or processing.

26 (d) Sale and purchase include the preparing for a
27 consideration of food. Notwithstanding section 297A.67,
28 subdivision 2, taxable food includes, but is not limited to, the
29 following:

30 (1) prepared food sold by the retailer;

31 (2) soft drinks;

32 (3) candy; and

33 (4) dietary supplements; and

34 (5) all food sold through vending machines.

35 (e) A sale and a purchase includes the furnishing for a
36 consideration of electricity, gas, water, or steam for use or

1 consumption within this state.

2 (f) A sale and a purchase includes the transfer for a
3 consideration of prewritten computer software whether delivered
4 electronically, by load and leave, or otherwise.

5 (g) A sale and a purchase includes the furnishing for a
6 consideration of the following services:

7 (1) the privilege of admission to places of amusement,
8 recreational areas, or athletic events, and the making available
9 of amusement devices, tanning facilities, reducing salons, steam
10 baths, turkish baths, health clubs, and spas or athletic
11 facilities;

12 (2) lodging and related services by a hotel, rooming house,
13 resort, campground, motel, or trailer camp and the granting of
14 any similar license to use real property in a specific facility,
15 other than the renting or leasing of it for a continuous period
16 of 30 days or more under an enforceable written agreement that
17 may not be terminated without prior notice;

18 (3) nonresidential parking services, whether on a
19 contractual, hourly, or other periodic basis, except for parking
20 at a meter;

21 (4) the granting of membership in a club, association, or
22 other organization if:

23 (i) the club, association, or other organization makes
24 available for the use of its members sports and athletic
25 facilities, without regard to whether a separate charge is
26 assessed for use of the facilities; and

27 (ii) use of the sports and athletic facility is not made
28 available to the general public on the same basis as it is made
29 available to members.

30 Granting of membership means both onetime initiation fees and
31 periodic membership dues. Sports and athletic facilities
32 include golf courses; tennis, racquetball, handball, and squash
33 courts; basketball and volleyball facilities; running tracks;
34 exercise equipment; swimming pools; and other similar athletic
35 or sports facilities;

36 (5) delivery of aggregate materials and concrete block by a

1 third party if the delivery would be subject to the sales tax if
2 provided by the seller of the aggregate material or concrete
3 block; and

4 (6) services as provided in this clause:

5 (i) laundry and dry cleaning services including cleaning,
6 pressing, repairing, altering, and storing clothes, linen
7 services and supply, cleaning and blocking hats, and carpet,
8 drapery, upholstery, and industrial cleaning. Laundry and dry
9 cleaning services do not include services provided by coin
10 operated facilities operated by the customer;

11 (ii) motor vehicle washing, waxing, and cleaning services,
12 including services provided by coin operated facilities operated
13 by the customer, and rustproofing, undercoating, and towing of
14 motor vehicles;

15 (iii) building and residential cleaning, maintenance, and
16 disinfecting and exterminating services;

17 (iv) detective, security, burglar, fire alarm, and armored
18 car services; but not including services performed within the
19 jurisdiction they serve by off-duty licensed peace officers as
20 defined in section 626.84, subdivision 1, or services provided
21 by a nonprofit organization for monitoring and electronic
22 surveillance of persons placed on in-home detention pursuant to
23 court order or under the direction of the Minnesota Department
24 of Corrections;

25 (v) pet grooming services;

26 (vi) lawn care, fertilizing, mowing, spraying and sprigging
27 services; garden planting and maintenance; tree, bush, and shrub
28 pruning, bracing, spraying, and surgery; indoor plant care;
29 tree, bush, shrub, and stump removal; and tree trimming for
30 public utility lines. Services performed under a construction
31 contract for the installation of shrubbery, plants, sod, trees,
32 bushes, and similar items are not taxable;

33 (vii) massages, except when provided by a licensed health
34 care facility or professional or upon written referral from a
35 licensed health care facility or professional for treatment of
36 illness, injury, or disease; and

1 (viii) the furnishing of lodging, board, and care services
2 for animals in kennels and other similar arrangements, but
3 excluding veterinary and horse boarding services.

4 In applying the provisions of this chapter, the terms
5 "tangible personal property" and "sales at retail" include
6 taxable services listed in clause (6), items (i) to (vi) and
7 (viii), and the provision of these taxable services, unless
8 specifically provided otherwise. Services performed by an
9 employee for an employer are not taxable. Services performed by
10 a partnership or association for another partnership or
11 association are not taxable if one of the entities owns or
12 controls more than 80 percent of the voting power of the equity
13 interest in the other entity. Services performed between
14 members of an affiliated group of corporations are not taxable.
15 For purposes of the preceding sentence, "affiliated group of
16 corporations" includes those entities that would be classified
17 as members of an affiliated group under United States Code,
18 title 26, section 1504, and that are eligible to file a
19 consolidated tax return for federal income tax purposes.

20 (h) A sale and a purchase includes the furnishing for a
21 consideration of tangible personal property or taxable services
22 by the United States or any of its agencies or
23 instrumentalities, or the state of Minnesota, its agencies,
24 instrumentalities, or political subdivisions.

25 (i) A sale and a purchase includes the furnishing for a
26 consideration of telecommunications services, including cable
27 television services and direct satellite services.
28 Telecommunications services are taxed to the extent allowed
29 under federal law.

30 (j) A sale and a purchase includes the furnishing for a
31 consideration of installation if the installation charges would
32 be subject to the sales tax if the installation were provided by
33 the seller of the item being installed.

34 (k) A sale and a purchase includes the rental of a vehicle
35 by a motor vehicle dealer to a customer when (1) the vehicle is
36 rented by the customer for a consideration, or (2) the motor

1 vehicle dealer is reimbursed pursuant to a service contract as
2 defined in section 65B.29, subdivision 1, clause (1).

3 [EFFECTIVE DATE.] This section is effective the day
4 following final enactment.

5 Sec. 7. Minnesota Statutes 2004, section 297A.61,
6 subdivision 4, is amended to read:

7 Subd. 4. [RETAIL SALE.] (a) A "retail sale" means any
8 sale, lease, or rental for any purpose, other than resale,
9 sublease, or subrent of items by the purchaser in the normal
10 course of business as defined in subdivision 21.

11 (b) A sale of property used by the owner only by leasing it
12 to others or by holding it in an effort to lease it, and put to
13 no use by the owner other than resale after the lease or effort
14 to lease, is a sale of property for resale.

15 (c) A sale of master computer software that is purchased
16 and used to make copies for sale or lease is a sale of property
17 for resale.

18 (d) A sale of building materials, supplies, and equipment
19 to owners, contractors, subcontractors, or builders for the
20 erection of buildings or the alteration, repair, or improvement
21 of real property is a retail sale in whatever quantity sold,
22 whether the sale is for purposes of resale in the form of real
23 property or otherwise.

24 (e) A sale of carpeting, linoleum, or similar floor
25 covering to a person who provides for installation of the floor
26 covering is a retail sale and not a sale for resale since a sale
27 of floor covering which includes installation is a contract for
28 the improvement of real property.

29 (f) A sale of shrubbery, plants, sod, trees, and similar
30 items to a person who provides for installation of the items is
31 a retail sale and not a sale for resale since a sale of
32 shrubbery, plants, sod, trees, and similar items that includes
33 installation is a contract for the improvement of real property.

34 (g) A sale of tangible personal property that is awarded as
35 prizes is a retail sale and is not considered a sale of property
36 for resale.

1 (h) A sale of tangible personal property utilized or
 2 employed in the furnishing or providing of services under
 3 subdivision 3, paragraph (g), clause (1), including, but not
 4 limited to, property given as promotional items, is a retail
 5 sale and is not considered a sale of property for resale.

6 (i) A sale of tangible personal property used in conducting
 7 lawful gambling under chapter 349 or the state lottery under
 8 chapter 349A, including, but not limited to, property given as
 9 promotional items, is a retail sale and is not considered a sale
 10 of property for resale.

11 (j) A sale of machines, equipment, or devices that are used
 12 to furnish, provide, or dispense goods or services, including,
 13 but not limited to, coin-operated devices, is a retail sale and
 14 is not considered a sale of property for resale.

15 (k) In the case of a lease, a retail sale occurs when an
 16 obligation to make a lease payment becomes due under the terms
 17 of the agreement or the trade practices of the lessor.

18 (l) In the case of a conditional sales contract, a retail
 19 sale occurs upon the transfer of title or possession of the
 20 tangible personal property.

21 [EFFECTIVE DATE.] This section is effective the day
 22 following final enactment.

23 Sec. 8. Minnesota Statutes 2004, section 297A.64,
 24 subdivision 4, is amended to read:

25 Subd. 4. [EXEMPTIONS.] (a) The tax and the fee imposed by
 26 this section do not apply to a lease or rental of (1) a vehicle
 27 to be used by the lessee to provide a licensed taxi service; (2)
 28 a hearse or limousine used in connection with a burial or
 29 funeral service; or (3) a van designed or adapted primarily for
 30 transporting property rather than passengers. The tax and the
 31 fee imposed under this section do not apply when the lease or
 32 rental of a vehicle is exempt from the tax imposed under section
 33 297A.62, subdivision 1.

34 (b) The lessor may elect not to charge the fee imposed in
 35 subdivision 2 if in the previous calendar year the lessor had no
 36 more than 20 vehicles available for lease that would have been

1 subject to tax under this section, or no more than \$50,000 in
2 gross receipts that would have been subject to tax under this
3 section.

4 [EFFECTIVE DATE.] This section is effective the day
5 following final enactment.

6 Sec. 9. Minnesota Statutes 2004, section 297A.668,
7 subdivision 1, is amended to read:

8 Subdivision 1. [APPLICABILITY.] The provisions of this
9 section apply regardless of the characterization of a product as
10 tangible personal property, a digital good, or a service; but do
11 not apply to telecommunications services, or the sales of motor
12 vehicles, ~~watercraft, aircraft, modular homes, manufactured~~
13 ~~homes, or mobile homes.~~ These provisions only apply to
14 determine a seller's obligation to pay or collect and remit a
15 sales or use tax with respect to the seller's sale of a
16 product. These provisions do not affect the obligation of a
17 seller as purchaser to remit tax on the use of the product.

18 [EFFECTIVE DATE.] This section is effective the day
19 following final enactment.

20 Sec. 10. Minnesota Statutes 2004, section 297A.668,
21 subdivision 5, is amended to read:

22 Subd. 5. [TRANSPORTATION EQUIPMENT.] (a) The retail sale,
23 including lease or rental, of transportation equipment shall be
24 sourced the same as a retail sale in accordance with the
25 provisions of subdivision 2, notwithstanding the exclusion of
26 lease or rental in subdivision 2.

27 (b) "Transportation equipment" means any of the following:

28 (1) locomotives and railcars that are utilized for the
29 carriage of persons or property in interstate commerce; and/or

30 (2) trucks and truck-tractors with a gross vehicle weight
31 rating (GVWR) of 10,001 pounds or greater, trailers,
32 semitrailers, or passenger buses that are:

33 (i) registered through the international registration plan;

34 and

35 (ii) operated under authority of a carrier authorized and
36 certified by the United States Department of Transportation or

1 another federal authority to engage in the carriage of persons
2 or property in interstate commerce;

3 (3) aircraft that are operated by air carriers authorized
4 and certificated by the United States Department of
5 Transportation or another federal or a foreign authority to
6 engage in the carriage of persons or property in interstate
7 commerce; or

8 (4) containers designed for use on and component parts
9 attached or secured on the transportation equipment described in
10 items (1) through (3).

11 [EFFECTIVE DATE.] This section is effective for sales and
12 purchases made on or after January 1, 2004.

13 Sec. 11. Minnesota Statutes 2004, section 297A.67,
14 subdivision 2, is amended to read:

15 Subd. 2. [FOOD AND FOOD INGREDIENTS.] Except as otherwise
16 provided in this subdivision, food and food ingredients are
17 exempt. For purposes of this subdivision, "food" and "food
18 ingredients" mean substances, whether in liquid, concentrated,
19 solid, frozen, dried, or dehydrated form, that are sold for
20 ingestion or chewing by humans and are consumed for their taste
21 or nutritional value. Food and food ingredients exempt under
22 this subdivision do not include candy, soft drinks, food sold
23 through vending machines, dietary supplements, and prepared
24 foods. Food and food ingredients do not include alcoholic
25 beverages~~7-dietary-supplements7~~ and tobacco. For purposes of
26 this subdivision, "alcoholic beverages" means beverages that are
27 suitable for human consumption and contain one-half of one
28 percent or more of alcohol by volume. For purposes of this
29 subdivision, "tobacco" means cigarettes, cigars, chewing or pipe
30 tobacco, or any other item that contains tobacco. For purposes
31 of this subdivision, "dietary supplements" means any product,
32 other than tobacco, intended to supplement the diet that:

33 (1) contains one or more of the following dietary
34 ingredients:

35 (i) a vitamin;

36 (ii) a mineral;

1 (iii) an herb or other botanical;

2 (iv) an amino acid;

3 (v) a dietary substance for use by humans to supplement the
4 diet by increasing the total dietary intake; and

5 (vi) a concentrate, metabolite, constituent, extract, or
6 combination of any ingredient described in items (i) to (v);

7 (2) is intended for ingestion in tablet, capsule, powder,
8 softgel, gelcap, or liquid form, or if not intended for
9 ingestion in such form, is not represented as conventional food
10 and is not represented for use as a sole item of a meal or of
11 the diet; and

12 (3) is required to be labeled as a dietary supplement,
13 identifiable by the supplement facts box found on the label and
14 as required pursuant to Code of Federal Regulations, title 21,
15 section 101.36.

16 [EFFECTIVE DATE.] This section is effective for sales made
17 on or after the day following final enactment.

18 Sec. 12. Minnesota Statutes 2004, section 297A.68,
19 subdivision 2, is amended to read:

20 Subd. 2. [MATERIALS CONSUMED IN INDUSTRIAL PRODUCTION.]

21 (a) Materials stored, used, or consumed in industrial production
22 of personal property intended to be sold ultimately at retail
23 are exempt, whether or not the item so used becomes an
24 ingredient or constituent part of the property produced.
25 Materials that qualify for this exemption include, but are not
26 limited to, the following:

27 (1) chemicals, including chemicals used for cleaning food
28 processing machinery and equipment;

29 (2) materials, including chemicals, fuels, and electricity
30 purchased by persons engaged in industrial production to treat
31 waste generated as a result of the production process;

32 (3) fuels, electricity, gas, and steam used or consumed in
33 the production process, except that electricity, gas, or steam
34 used for space heating, cooling, or lighting is exempt if (i) it
35 is in excess of the average climate control or lighting for the
36 production area, and (ii) it is necessary to produce that

1 particular product;

2 (4) petroleum products and lubricants;

3 (5) packaging materials, including returnable containers
4 used in packaging food and beverage products;

5 (6) accessory tools, equipment, and other items that are
6 separate detachable units with an ordinary useful life of less
7 than 12 months used in producing a direct effect upon the
8 product; and

9 (7) the following materials, tools, and equipment used in
10 metalcasting: crucibles, thermocouple protection sheaths and
11 tubes, stalk tubes, refractory materials, molten metal filters
12 and filter boxes, degassing lances, and base blocks.

13 (b) This exemption does not include:

14 (1) machinery, equipment, implements, tools, accessories,
15 appliances, contrivances and furniture and fixtures, except
16 those listed in paragraph (a), clause (6); and

17 (2) petroleum and special fuels used in producing or
18 generating power for propelling ready-mixed concrete trucks on
19 the public highways of this state.

20 (c) Industrial production includes, but is not limited to,
21 research, development, design or production of any tangible
22 personal property, manufacturing, processing (other than by
23 restaurants and consumers) of agricultural products (whether
24 vegetable or animal), commercial fishing, refining, smelting,
25 reducing, brewing, distilling, printing, mining, quarrying,
26 lumbering, generating electricity, the production of road
27 building materials, and the research, development, design, or
28 production of computer software. Industrial production does not
29 include painting, cleaning, repairing or similar processing of
30 property except as part of the original manufacturing process.
31 Industrial production does not include the furnishing of
32 services listed in section 297A.61, subdivision 3, paragraph
33 (g), clause (6), items (i) to (vi) and (viii).

34 [EFFECTIVE DATE.] This section is effective the day
35 following final enactment.

36 Sec. 13. Minnesota Statutes 2004, section 297A.68,

1 subdivision 5, is amended to read:

2 Subd. 5. [CAPITAL EQUIPMENT.] (a) Capital equipment is
3 exempt. The tax must be imposed and collected as if the rate
4 under section 297A.62, subdivision 1, applied, and then refunded
5 in the manner provided in section 297A.75.

6 "Capital equipment" means machinery and equipment purchased
7 or leased, and used in this state by the purchaser or lessee
8 primarily for manufacturing, fabricating, mining, or refining
9 tangible personal property to be sold ultimately at retail if
10 the machinery and equipment are essential to the integrated
11 production process of manufacturing, fabricating, mining, or
12 refining. Capital equipment also includes machinery and
13 equipment used primarily to electronically transmit results
14 retrieved by a customer of an on-line computerized data
15 retrieval system.

16 (b) Capital equipment includes, but is not limited to:

17 (1) machinery and equipment used to operate, control, or
18 regulate the production equipment;

19 (2) machinery and equipment used for research and
20 development, design, quality control, and testing activities;

21 (3) environmental control devices that are used to maintain
22 conditions such as temperature, humidity, light, or air pressure
23 when those conditions are essential to and are part of the
24 production process;

25 (4) materials and supplies used to construct and install
26 machinery or equipment;

27 (5) repair and replacement parts, including accessories,
28 whether purchased as spare parts, repair parts, or as upgrades
29 or modifications to machinery or equipment;

30 (6) materials used for foundations that support machinery
31 or equipment;

32 (7) materials used to construct and install special purpose
33 buildings used in the production process;

34 (8) ready-mixed concrete equipment in which the ready-mixed
35 concrete is mixed as part of the delivery process regardless if
36 mounted on a chassis, repair parts for ready-mixed concrete

1 trucks, and leases of ready-mixed concrete trucks; and

2 (9) machinery or equipment used for research, development,
3 design, or production of computer software.

4 (c) Capital equipment does not include the following:

5 (1) motor vehicles taxed under chapter 297B;

6 (2) machinery or equipment used to receive or store raw
7 materials;

8 (3) building materials, except for materials included in
9 paragraph (b), clauses (6) and (7);

10 (4) machinery or equipment used for nonproduction purposes,
11 including, but not limited to, the following: plant security,
12 fire prevention, first aid, and hospital stations; support
13 operations or administration; pollution control; and plant
14 cleaning, disposal of scrap and waste, plant communications,
15 space heating, cooling, lighting, or safety;

16 (5) farm machinery and aquaculture production equipment as
17 defined by section 297A.61, subdivisions 12 and 13;

18 (6) machinery or equipment purchased and installed by a
19 contractor as part of an improvement to real property; or

20 (7) machinery and equipment used by restaurants in the
21 furnishing, preparing, or serving of prepared foods as defined
22 in section 297A.61, subdivision 31;

23 (8) machinery and equipment used to furnish the services
24 listed in section 297A.61, subdivision 3, paragraph (g), clause
25 (6), items (i) to (vi) and (viii); or

26 (9) any other item that is not essential to the integrated
27 process of manufacturing, fabricating, mining, or refining.

28 (d) For purposes of this subdivision:

29 (1) "Equipment" means independent devices or tools separate
30 from machinery but essential to an integrated production
31 process, including computers and computer software, used in
32 operating, controlling, or regulating machinery and equipment;
33 and any subunit or assembly comprising a component of any
34 machinery or accessory or attachment parts of machinery, such as
35 tools, dies, jigs, patterns, and molds.

36 (2) "Fabricating" means to make, build, create, produce, or

1 assemble components or property to work in a new or different
2 manner.

3 (3) "Integrated production process" means a process or
4 series of operations through which tangible personal property is
5 manufactured, fabricated, mined, or refined. For purposes of
6 this clause, (i) manufacturing begins with the removal of raw
7 materials from inventory and ends when the last process prior to
8 loading for shipment has been completed; (ii) fabricating begins
9 with the removal from storage or inventory of the property to be
10 assembled, processed, altered, or modified and ends with the
11 creation or production of the new or changed product; (iii)
12 mining begins with the removal of overburden from the site of
13 the ores, minerals, stone, peat deposit, or surface materials
14 and ends when the last process before stockpiling is completed;
15 and (iv) refining begins with the removal from inventory or
16 storage of a natural resource and ends with the conversion of
17 the item to its completed form.

18 (4) "Machinery" means mechanical, electronic, or electrical
19 devices, including computers and computer software, that are
20 purchased or constructed to be used for the activities set forth
21 in paragraph (a), beginning with the removal of raw materials
22 from inventory through completion of the product, including
23 packaging of the product.

24 (5) "Machinery and equipment used for pollution control"
25 means machinery and equipment used solely to eliminate, prevent,
26 or reduce pollution resulting from an activity described in
27 paragraph (a).

28 (6) "Manufacturing" means an operation or series of
29 operations where raw materials are changed in form, composition,
30 or condition by machinery and equipment and which results in the
31 production of a new article of tangible personal property. For
32 purposes of this subdivision, "manufacturing" includes the
33 generation of electricity or steam to be sold at retail.

34 (7) "Mining" means the extraction of minerals, ores, stone,
35 or peat.

36 (8) "On-line data retrieval system" means a system whose

1 cumulation of information is equally available and accessible to
2 all its customers.

3 (9) "Primarily" means machinery and equipment used 50
4 percent or more of the time in an activity described in
5 paragraph (a).

6 (10) "Refining" means the process of converting a natural
7 resource to an intermediate or finished product, including the
8 treatment of water to be sold at retail.

9 [EFFECTIVE DATE.] This section is effective the day
10 following final enactment.

11 Sec. 14. Minnesota Statutes 2004, section 297A.68,
12 subdivision 35, is amended to read:

13 Subd. 35. [TELECOMMUNICATIONS EQUIPMENT.] (a)
14 Telecommunications machinery and equipment purchased or leased
15 for use directly by a telecommunications service provider
16 primarily in the provision of telecommunications services that
17 are ultimately to be sold at retail are exempt, regardless of
18 whether purchased by the owner, a contractor, or a subcontractor.

19 (b) For purposes of this subdivision, "telecommunications
20 machinery and equipment" includes, but is not limited to:

21 (1) machinery, equipment, and fixtures utilized in
22 receiving, initiating, amplifying, processing, transmitting,
23 retransmitting, recording, switching, or monitoring
24 telecommunications services, such as computers, transformers,
25 amplifiers, routers, bridges, repeaters, multiplexers, and other
26 items performing comparable functions;

27 (2) machinery, equipment, and fixtures used in the
28 transportation of telecommunications services, radio
29 transmitters and receivers, satellite equipment, microwave
30 equipment, and other transporting media, but not wire, cable,
31 fiber, poles, or conduit;

32 (3) ancillary machinery, equipment, and fixtures that
33 regulate, control, protect, or enable the machinery in clauses
34 (1) and (2) to accomplish its intended function, such as
35 auxiliary power supply, test equipment, towers, heating,
36 ventilating, and air conditioning equipment necessary to the

1 operation of the telecommunications equipment; and software
2 necessary to the operation of the telecommunications equipment;
3 and

4 (4) repair and replacement parts, including accessories,
5 whether purchased as spare parts, repair parts, or as upgrades
6 or modifications to qualified machinery or equipment.

7 (c) For purposes of this subdivision, "telecommunications
8 services" means telecommunications services as defined in
9 section 297A.61, subdivision 24, paragraph paragraphs (a), only
10 (c), and (d).

11 [EFFECTIVE DATE.] This section is effective the day
12 following final enactment.

13 Sec. 15. Minnesota Statutes 2004, section 297A.68,
14 subdivision 39, is amended to read:

15 Subd. 39. [PREEXISTING BIDS OR CONTRACTS.] (a) The sale of
16 tangible personal property or services is exempt from tax or a
17 tax rate increase for a period of six months from the effective
18 date of the law change that results in the imposition of the tax
19 or the tax rate increase under this chapter if:

20 (1) the act imposing the tax or increasing the tax rate
21 does not have transitional effective date language for existing
22 construction contracts and construction bids; and

23 (2) the requirements of paragraph (b) are met.

24 (b) A sale is tax exempt under paragraph (a) if it meets
25 the requirements of either clause (1) or (2):

26 (1) For a construction contract:

27 (i) the goods or services sold must be used for the
28 performance of a bona fide written lump sum or fixed price
29 construction contract;

30 (ii) the contract must be entered into before the date the
31 goods or services become subject to the sales tax or the tax
32 rate was increased;

33 (iii) the contract must not provide for allocation of
34 future taxes; and

35 (iv) for each qualifying contract the contractor must give
36 the seller documentation of the contract on which an exemption

1 is to be claimed.

2 (2) For a construction bid:

3 (i) the goods or services sold must be used pursuant to an
4 obligation of a bid or bids;

5 (ii) the bid or bids must be submitted and accepted before
6 the date the goods or services became subject to the sales
7 tax or the tax rate was increased;

8 (iii) the bid or bids must not be able to be withdrawn,
9 modified, or changed without forfeiting a bond; and

10 (iv) for each qualifying bid, the contractor must give the
11 seller documentation of the bid on which an exemption is to be
12 claimed.

13 [EFFECTIVE DATE.] This section is effective the day
14 following final enactment.

15 Sec. 16. Minnesota Statutes 2004, section 297A.99,
16 subdivision 4, is amended to read:

17 Subd. 4. [TAX BASE.] (a) The tax applies to sales taxable
18 under this chapter that occur within the political subdivision.

19 (b) Taxable goods or services are subject to a political
20 subdivision's sales tax, if they are performed-either:

21 ~~{1}-within-the-political-subdivision,-or~~

22 ~~{2}-partly-within-and-partly-without-the-political~~

23 ~~subdivision-and-more-of-the-service-is-performed-within-the~~

24 ~~political-subdivision,-based-on-the-cost-of-performance~~ sourced

25 to the political subdivision pursuant to section 297A.668.

26 [EFFECTIVE DATE.] This section is effective for sales made
27 on or after January 1, 2004.

28 Sec. 17. Minnesota Statutes 2004, section 297A.99,
29 subdivision 7, is amended to read:

30 Subd. 7. [EXEMPTIONS.] (a) All goods or services that are
31 otherwise exempt from taxation under this chapter are exempt
32 from a political subdivision's tax.

33 (b) The gross receipts from the sale of tangible personal
34 property that meets the ~~requirement~~ requirements of section
35 297A.68, ~~subdivision~~ subdivisions 11, 15, and 16 are exempt,
36 except the qualification test applies based on the boundaries of

1 the political subdivision instead of the state of Minnesota.

2 (c) All mobile transportation equipment, and parts and
3 accessories attached to or to be attached to the equipment are
4 exempt, if purchased by a holder of a motor carrier direct pay
5 permit under section 297A.90.

6 [EFFECTIVE DATE.] This section is effective the day
7 following final enactment.

8 Sec. 18. [REPEALER.]

9 Minnesota Rules, parts 8130.0110, subpart 4; 8130.0200,
10 subparts 5 and 6; 8130.0400, subpart 9; 8130.1200, subparts 5
11 and 6; 8130.2900; 8130.3100, subpart 1; 8130.4000, subparts 1
12 and 2; 8130.4200, subpart 1; 8130.4400, subpart 3; 8130.5200;
13 8130.5600, subpart 3; 8130.5800, subpart 5; 8130.7300, subpart
14 5; and 8130.8800, subpart 4, are repealed.

15 [EFFECTIVE DATE.] This section is effective the day
16 following final enactment.

17 ARTICLE 16

18 DEPARTMENT OF REVENUE

19 SPECIAL TAXES - SF1683

20 Section 1. Minnesota Statutes 2004, section 287.04, is
21 amended to read:

22 287.04 [EXEMPTIONS.]

23 The tax imposed by section 287.035 does not apply to:

24 (a) A decree of marriage dissolution or an instrument made
25 pursuant to it.

26 (b) A mortgage given to correct a misdescription of the
27 mortgaged property.

28 (c) A mortgage or other instrument that adds additional
29 security for the same debt for which mortgage registry tax has
30 been paid.

31 (d) A contract for the conveyance of any interest in real
32 property, including a contract for deed.

33 (e) A mortgage secured by real property subject to the
34 minerals production tax of sections 298.24 to 298.28.

35 (f) The principal amount of a mortgage loan made under a
36 low and moderate income or other affordable housing program, if

1 the mortgagee is a federal, state, or local government agency.

2 (g) Mortgages granted by fraternal benefit societies
3 subject to section 64B.24.

4 (h) A mortgage amendment or extension, as defined in
5 section 287.01.

6 (i) An agricultural mortgage if the proceeds of the loan
7 secured by the mortgage are used to acquire or improve real
8 property classified under section 273.13, subdivision 23,
9 paragraph (a), or (b), clause (1), (2), or (3).

10 (j) A mortgage on an armory building as set forth in
11 section 193.147.

12 [EFFECTIVE DATE.] This section is effective the day
13 following final enactment.

14 Sec. 2. Minnesota Statutes 2004, section 295.50, is
15 amended by adding a subdivision to read:

16 Subd. 1a. [BLOOD COMPONENTS.] "Blood components" means the
17 parts of the blood that are separated from blood by physical or
18 mechanical means and are intended for transfusion. Blood
19 components do not include blood derivatives.

20 [EFFECTIVE DATE.] This section is effective for gross
21 revenues received after December 31, 2004.

22 Sec. 3. Minnesota Statutes 2004, section 295.50,
23 subdivision 3, is amended to read:

24 Subd. 3. [GROSS REVENUES.] "Gross revenues" are total
25 amounts received in money or otherwise by:

26 (1) a hospital for patient services;

27 (2) a surgical center for patient services;

28 (3) a health care provider, other than a staff model health
29 carrier, for patient services;

30 (4) a wholesale drug distributor for sale or distribution
31 of legend drugs that are delivered in Minnesota by the wholesale
32 drug distributor, by common carrier, or by mail, unless the
33 legend drugs are delivered to another wholesale drug distributor
34 who sells legend drugs exclusively at wholesale. Legend drugs
35 do not include nutritional products as defined in Minnesota
36 Rules, part 9505.0325, and blood and blood components; and

1 (5) a staff model health plan company as gross premiums for
2 enrollees, co-payments, deductibles, coinsurance, and fees for
3 patient services.

4 [EFFECTIVE DATE.] This section is effective for gross
5 revenues received after December 31, 2004.

6 Sec. 4. Minnesota Statutes 2004, section 295.53,
7 subdivision 1, is amended to read:

8 Subdivision 1. [EXEMPTIONS.] (a) The following payments
9 are excluded from the gross revenues subject to the hospital,
10 surgical center, or health care provider taxes under sections
11 295.50 to 295.59:

12 (1) payments received for services provided under the
13 Medicare program, including payments received from the
14 government, and organizations governed by sections 1833 and 1876
15 of title XVIII of the federal Social Security Act, United States
16 Code, title 42, section 1395, and enrollee deductibles,
17 coinsurance, and co-payments, whether paid by the Medicare
18 enrollee or by a Medicare supplemental coverage as defined in
19 section 62A.011, subdivision 3, clause (10), or by Medicaid
20 payments under title XIX of the federal Social Security Act.
21 Payments for services not covered by Medicare are taxable;

22 (2) payments received for home health care services;

23 (3) payments received from hospitals or surgical centers
24 for goods and services on which liability for tax is imposed
25 under section 295.52 or the source of funds for the payment is
26 exempt under clause (1), (7), (10), or (14);

27 (4) payments received from health care providers for goods
28 and services on which liability for tax is imposed under this
29 chapter or the source of funds for the payment is exempt under
30 clause (1), (7), (10), or (14);

31 (5) amounts paid for legend drugs, other than nutritional
32 products and blood and blood components, to a wholesale drug
33 distributor who is subject to tax under section 295.52,
34 subdivision 3, reduced by reimbursements received for legend
35 drugs otherwise exempt under this chapter;

36 (6) payments received by a health care provider or the

1 wholly owned subsidiary of a health care provider for care
2 provided outside Minnesota;

3 (7) payments received from the chemical dependency fund
4 under chapter 254B;

5 (8) payments received in the nature of charitable donations
6 that are not designated for providing patient services to a
7 specific individual or group;

8 (9) payments received for providing patient services
9 incurred through a formal program of health care research
10 conducted in conformity with federal regulations governing
11 research on human subjects. Payments received from patients or
12 from other persons paying on behalf of the patients are subject
13 to tax;

14 (10) payments received from any governmental agency for
15 services benefiting the public, not including payments made by
16 the government in its capacity as an employer or insurer or
17 payments made by the government for services provided under
18 general assistance medical care, the MinnesotaCare program, or
19 the medical assistance program governed by title XIX of the
20 federal Social Security Act, United States Code, title 42,
21 sections 1396 to 1396v;

22 (11) government payments received by the commissioner of
23 human services for state-operated services;

24 (12) payments received by a health care provider for
25 hearing aids and related equipment or prescription eyewear
26 delivered outside of Minnesota;

27 (13) payments received by an educational institution from
28 student tuition, student activity fees, health care service
29 fees, government appropriations, donations, or grants, and for
30 services identified in and provided under an individualized
31 education plan as defined in section 256B.0625 or Code of
32 Federal Regulations, chapter 34, section 300.340(a). Fee for
33 service payments and payments for extended coverage are taxable;
34 and

35 (14) payments received under the federal Employees Health
36 Benefits Act, United States Code, title 5, section 8909(f), as

1 amended by the Omnibus Reconciliation Act of 1990. Enrollee
2 deductibles, coinsurance, and co-payments are subject to tax.

3 (b) Payments received by wholesale drug distributors for
4 legend drugs sold directly to veterinarians or veterinary bulk
5 purchasing organizations are excluded from the gross revenues
6 subject to the wholesale drug distributor tax under sections
7 295.50 to 295.59.

8 [EFFECTIVE DATE.] The change made to paragraph (a), clause
9 (5), of this section is effective for amounts paid for blood and
10 blood components after December 31, 2004. The change made to
11 paragraph (a), clause (14), of this section is effective for
12 enrollee deductibles, coinsurance, and co-payments received
13 under the federal Employees Health Benefits Act on or after the
14 day following final enactment.

15 Sec. 5. Minnesota Statutes 2004, section 295.60,
16 subdivision 3, is amended to read:

17 Subd. 3. [PAYMENT.] (a) Each furrier shall make estimated
18 payments of the taxes for the calendar year in quarterly
19 installments to the commissioner by April 15, July 15, October
20 15, and January 15 of the following calendar year.

21 (b) Estimated tax payments are not required if:

22 (1) the tax for the current calendar year is less than
23 \$500; or

24 (2) the tax for the previous calendar year is less than
25 \$500, if the taxpayer had a tax liability and was doing business
26 the entire year.

27 (c) Underpayment of estimated installments bear interest at
28 the rate specified in section 270.75, from the due date of the
29 payment until paid or until the due date of the annual return,
30 whichever comes first. An underpayment of an estimated
31 installment is the difference between the amount paid and the
32 lesser of (1) ~~90-percent-of-one-quarter-of-the-tax-for-the~~
33 calendar-year the tax for the actual gross revenues received
34 during the quarter, or (2) one-quarter of the total tax for the
35 previous calendar year if the taxpayer had a tax liability and
36 was doing business the entire year.

1 [EFFECTIVE DATE.] This section is effective for gross
2 revenues received after December 31, 2005.

3 Sec. 6. Minnesota Statutes 2004, section 296A.09, is
4 amended by adding a subdivision to read:

5 Subd. 6. [EXEMPTIONS.] The provisions of subdivisions 1
6 and 2 do not apply to aviation gasoline or jet fuel purchased by
7 an ambulance service licensed under chapter 144E.

8 [EFFECTIVE DATE.] This section is effective for purchases
9 made on or after July 1, 2005.

10 Sec. 7. Minnesota Statutes 2004, section 296A.22, is
11 amended by adding a subdivision to read:

12 Subd. 9. [ABATEMENT OF PENALTY.] (a) The commissioner may
13 by written order abate any penalty imposed under this section,
14 if in the commissioner's opinion there is reasonable cause to do
15 so.

16 (b) A request for abatement of penalty must be filed with
17 the commissioner within 60 days of the date the notice stating
18 that a penalty has been imposed was mailed to the taxpayer's
19 last known address.

20 (c) If the commissioner issues an order denying a request
21 for abatement of penalty, the taxpayer may file an
22 administrative appeal as provided in section 296A.25 or appeal
23 to Tax Court as provided in section 271.06. If the commissioner
24 does not issue an order on the abatement request within 60 days
25 from the date the request is received, the taxpayer may appeal
26 to Tax Court as provided in section 271.06.

27 [EFFECTIVE DATE.] This section is effective for penalties
28 imposed on or after the day following final enactment.

29 Sec. 8. Minnesota Statutes 2004, section 297E.01,
30 subdivision 5, is amended to read:

31 Subd. 5. [DISTRIBUTOR.] "Distributor" means a distributor
32 as defined in section 349.12, subdivision 11, or a person or
33 linked bingo game provider who markets, sells, or provides
34 gambling product to a person or entity for resale or use at the
35 retail level.

36 [EFFECTIVE DATE.] This section is effective the day

1 following final enactment.

2 Sec. 9. Minnesota Statutes 2004, section 297E.01,
3 subdivision 7, is amended to read:

4 Subd. 7. [GAMBLING PRODUCT.] "Gambling product" means
5 bingo hard cards, bingo paper, or sheets, or linked bingo paper
6 sheets; pull-tabs; tipboards; paddletickets and paddleticket
7 cards; raffle tickets; or any other ticket, card, board,
8 placard, device, or token that represents a chance, for which
9 consideration is paid, to win a prize.

10 [EFFECTIVE DATE.] This section is effective the day
11 following final enactment.

12 Sec. 10. Minnesota Statutes 2004, section 297E.01, is
13 amended by adding a subdivision to read:

14 Subd. 9a. [LINKED BINGO GAME.] "Linked bingo game" means a
15 bingo game played at two or more locations where licensed
16 organizations are authorized to conduct bingo, when there is a
17 common prize pool and a common selection of numbers or symbols
18 conducted at one location, and when the results of the selection
19 are transmitted to all participating locations by satellite,
20 telephone, or other means by a linked bingo game provider.

21 [EFFECTIVE DATE.] This section is effective the day
22 following final enactment.

23 Sec. 11. Minnesota Statutes 2004, section 297E.01, is
24 amended by adding a subdivision to read:

25 Subd. 9b. [LINKED BINGO GAME PROVIDER.] "Linked bingo game
26 provider" means any person who provides the means to link bingo
27 prizes in a linked bingo game, who provides linked bingo paper
28 sheets to the participating organizations, who provides linked
29 bingo prize management, and who provides the linked bingo game
30 system.

31 [EFFECTIVE DATE.] This section is effective the day
32 following final enactment.

33 Sec. 12. Minnesota Statutes 2004, section 297E.06,
34 subdivision 2, is amended to read:

35 Subd. 2. [BUSINESS RECORDS.] An organization shall
36 maintain records supporting the gambling activity reported to

1 the commissioner. Records include, but are not limited to, the
2 following items:

3 (1) all winning and unsold tickets, cards, or stubs for
4 pull-tab, tipboard, paddlewheel, and raffle games;

5 (2) all reports and statements, including checker's
6 records, for each bingo occasion;

7 (3) all cash journals and ledgers, deposit slips, register
8 tapes, and bank statements supporting gambling activity
9 receipts;

10 (4) all invoices that represent purchases of gambling
11 product;

12 (5) all canceled checks or copies of substitute checks as
13 defined in Public Law 108-100, section 3, check recorders,
14 journals and ledgers, vouchers, invoices, bank statements, and
15 other documents supporting gambling activity expenditures; and

16 (6) all organizational meeting minutes.

17 All records required to be kept by this section must be
18 preserved by the organization for at least 3-1/2 years and may
19 be inspected by the commissioner of revenue at any reasonable
20 time without notice or a search warrant.

21 [EFFECTIVE DATE.] This section is effective July 1, 2005.

22 Sec. 13. Minnesota Statutes 2004, section 297E.07, is
23 amended to read:

24 297E.07 [INSPECTION RIGHTS.]

25 At any reasonable time, without notice and without a search
26 warrant, the commissioner may enter a place of business of a
27 manufacturer, distributor, ~~or~~ organization, or linked bingo game
28 provider; any site from which pull-tabs or tipboards or other
29 gambling equipment or gambling product are being manufactured,
30 stored, or sold; or any site at which lawful gambling is being
31 conducted, and inspect the premises, books, records, and other
32 documents required to be kept under this chapter to determine
33 whether or not this chapter is being fully complied with. If
34 the commissioner is denied free access to or is hindered or
35 interfered with in making an inspection of the place of
36 business, books, or records, the permit of the distributor may

1 be revoked by the commissioner, and the license of the
 2 manufacturer, the distributor, or the organization, or linked
 3 bingo game provider may be revoked by the board.

4 [EFFECTIVE DATE.] This section is effective the day
 5 following final enactment.

6 Sec. 14. Minnesota Statutes 2004, section 297F.08,
 7 subdivision 12, is amended to read:

8 Subd. 12. [CIGARETTES IN INTERSTATE COMMERCE.] (a) A
 9 person may not transport or cause to be transported from this
 10 state cigarettes for sale in another state without first
 11 affixing to the cigarettes the stamp required by the state in
 12 which the cigarettes are to be sold or paying any other excise
 13 tax on the cigarettes imposed by the state in which the
 14 cigarettes are to be sold.

15 (b) A person may not affix to cigarettes the stamp required
 16 by another state or pay any other excise tax on the cigarettes
 17 imposed by another state if the other state prohibits stamps
 18 from being affixed to the cigarettes, prohibits the payment of
 19 any other excise tax on the cigarettes, or prohibits the sale of
 20 the cigarettes.

21 (c) Not later than 15 days after the end of each calendar
 22 quarter, a person who transports or causes to be transported
 23 from this state cigarettes for sale in another state shall
 24 submit to the commissioner a report identifying the quantity and
 25 style of each brand of the cigarettes transported or caused to
 26 be transported in the preceding calendar quarter, and the name
 27 and address of each recipient of the cigarettes. This reporting
 28 requirement only applies to cigarettes manufactured by companies
 29 that are not original or subsequent participating manufacturers
 30 in the Master Settlement Agreement with other states.

31 (d) For purposes of this section, "person" has the meaning
 32 given in section 297F.01, subdivision 12. Person does not
 33 include any common or contract carrier, or public warehouse that
 34 is not owned, in whole or in part, directly or indirectly by
 35 such person, and does not include a manufacturer that has
 36 entered-into is an original or subsequent participating

1 manufacturer in the Master Settlement Agreement with other
 2 states.

3 [EFFECTIVE DATE.] This section is effective the day
 4 following final enactment.

5 Sec. 15. Minnesota Statutes 2004, section 297F.08, is
 6 amended by adding a subdivision to read:

7 Subd. 13. [BOND.] The commissioner may require the
 8 furnishing of a corporate surety bond or a certified check in an
 9 amount suitable to guarantee payment of the tax stamps purchased
 10 by a distributor. The bond or certified check may be required
 11 when the commissioner determines that a distributor is (1)
 12 delinquent in the filing of any return required under this
 13 chapter, or (2) delinquent in the payment of any uncontested tax
 14 liability under this chapter. The distributor shall furnish the
 15 bond or certified check for a period of two years, after which,
 16 if the distributor has not been delinquent in the filing of any
 17 returns required under this chapter, or delinquent in the paying
 18 of any tax under this chapter, a bond or certified check is no
 19 longer required. The commissioner at any time may apply the
 20 bond or certified check to any unpaid taxes or fees, including
 21 interest and penalties, owed to the department by the
 22 distributor.

23 [EFFECTIVE DATE.] This section is effective the day
 24 following final enactment.

25 Sec. 16. Minnesota Statutes 2004, section 297F.09,
 26 subdivision 1, is amended to read:

27 Subdivision 1. [MONTHLY RETURN; CIGARETTE DISTRIBUTOR.] On
 28 or before the 18th day of each calendar month, a distributor
 29 with a place of business in this state shall file a return with
 30 the commissioner showing the quantity of cigarettes manufactured
 31 or brought in from outside the state or purchased during the
 32 preceding calendar month and the quantity of cigarettes sold or
 33 otherwise disposed of in this state and outside this state
 34 during that month. A licensed distributor outside this state
 35 shall in like manner file a return showing the quantity of
 36 cigarettes shipped or transported into this state during the

1 preceding calendar month. Returns must be made in the form and
2 manner prescribed by the commissioner and must contain any other
3 information required by the commissioner. The return must be
4 accompanied by a remittance for the full unpaid tax liability
5 shown by it. ~~The return for the May liability and 85 percent of~~
6 ~~the estimated June liability is due on the date payment of the~~
7 ~~tax is due.~~ For distributors subject to the accelerated tax
8 payment requirements in subdivision 10, the return for the May
9 liability is due two business days before June 30th of the year
10 and the return for the June liability is due on or before August
11 18th of the year.

12 [EFFECTIVE DATE.] This section is effective the day
13 following final enactment.

14 Sec. 17. Minnesota Statutes 2004, section 297F.09,
15 subdivision 2, is amended to read:

16 Subd. 2. [MONTHLY RETURN; TOBACCO PRODUCTS DISTRIBUTOR.]

17 On or before the 18th day of each calendar month, a distributor
18 with a place of business in this state shall file a return with
19 the commissioner showing the quantity and wholesale sales price
20 of each tobacco product:

21 (1) brought, or caused to be brought, into this state for
22 sale; and

23 (2) made, manufactured, or fabricated in this state for
24 sale in this state, during the preceding calendar month.

25 Every licensed distributor outside this state shall in like
26 manner file a return showing the quantity and wholesale sales
27 price of each tobacco product shipped or transported to
28 retailers in this state to be sold by those retailers, during
29 the preceding calendar month. Returns must be made in the form
30 and manner prescribed by the commissioner and must contain any
31 other information required by the commissioner. The return must
32 be accompanied by a remittance for the full tax liability
33 shown. ~~The return for the May liability and 85 percent of the~~
34 ~~estimated June liability is due on the date payment of the tax~~
35 ~~is due.~~ For distributors subject to the accelerated tax payment
36 requirements in subdivision 10, the return for the May liability

1 is due two business days before June 30th of the year and the
2 return for the June liability is due on or before August 18th of
3 the year.

4 [EFFECTIVE DATE.] This section is effective the day
5 following final enactment.

6 Sec. 18. Minnesota Statutes 2004, section 297G.09, is
7 amended by adding a subdivision to read:

8 Subd. 10. [QUARTERLY AND ANNUAL PAYMENTS AND RETURNS.] (a)
9 If a manufacturer, wholesaler, brewer, or importer has an
10 average liquor tax liability equal to or less than \$500 per
11 month in any quarter of a calendar year, and has substantially
12 complied with the state tax laws during the preceding four
13 calendar quarters, the manufacturer, wholesaler, brewer, or
14 importer may request authorization to file and pay the taxes
15 quarterly in subsequent calendar quarters. The authorization
16 remains in effect during the period in which the manufacturer's,
17 wholesaler's, brewer's, or importer's quarterly returns reflect
18 liquor tax liabilities of less than \$1,500 and there is
19 continued compliance with state tax laws.

20 (b) If a manufacturer, wholesaler, brewer, or importer has
21 an average liquor tax liability equal to or less than \$100 per
22 month during a calendar year, and has substantially complied
23 with the state tax laws during that period, the manufacturer,
24 wholesaler, brewer, or importer may request authorization to
25 file and pay the taxes annually in subsequent years. The
26 authorization remains in effect during the period in which the
27 manufacturer's, wholesaler's, brewer's, or importer's annual
28 returns reflect liquor tax liabilities of less than \$1,200 and
29 there is continued compliance with state tax laws.

30 (c) The commissioner may also grant quarterly or annual
31 filing and payment authorizations to manufacturers, wholesalers,
32 brewers, or importers if the commissioner concludes that the
33 manufacturer's, wholesaler's, brewer's, or importer's future tax
34 liabilities will be less than the monthly totals identified in
35 paragraphs (a) and (b). An authorization granted under this
36 paragraph is subject to the same conditions as an authorization

1 granted under paragraphs (a) and (b).

2 (d) The annual tax return and payments must be filed and
3 paid on or before the 18th day of January following the calendar
4 year. The quarterly returns and payments must be filed and paid
5 on or before April 18 for the quarter ending March 31, on or
6 before July 18 for the quarter ending June 30, on or before
7 October 18 for the quarter ending September 30, and on or before
8 January 18 for the quarter ending December 31.

9 [EFFECTIVE DATE.] This section is effective for tax returns
10 and payments due on or after January 1, 2006.

11 Sec. 19. Minnesota Statutes 2004, section 297I.01, is
12 amended by adding a subdivision to read:

13 Subd. 13a. [REINSURANCE.] "Reinsurance" is insurance
14 whereby an insurance company, for a consideration, agrees to
15 indemnify another insurance company against all or part of the
16 loss which the latter may sustain under the policy or policies
17 which it has issued.

18 [EFFECTIVE DATE.] This section is effective the day
19 following final enactment.

20 Sec. 20. Minnesota Statutes 2004, section 297I.05,
21 subdivision 5, is amended to read:

22 Subd. 5. [HEALTH MAINTENANCE ORGANIZATIONS, NONPROFIT
23 HEALTH SERVICE PLAN CORPORATIONS, AND COMMUNITY INTEGRATED
24 SERVICE NETWORKS.] (a) Health-maintenance-organizations,
25 community-integrated-service-networks,-and-nonprofit-health-care
26 service-plan-corporations-are-exempt-from-the-tax-imposed-under
27 this-section-for-premiums-received-in-calendar-years-2001-to
28 2003-

29 (b)-For-calendar-years-after-2003, A tax is imposed on
30 health maintenance organizations, community integrated service
31 networks, and nonprofit health care service plan corporations.
32 The rate of tax is equal to one percent of gross premiums less
33 return premiums on all direct business received by the
34 organization, network, or corporation or its agents in
35 Minnesota, in cash or otherwise, in the calendar year.

36 (c)-In-approving-the-premium-rates-as-required-in-sections

1 payers, to be made electronically regardless of dollar amount.

2 Sec. 2. Minnesota Statutes 2004, section 289A.20,
3 subdivision 2, is amended to read:

4 Subd. 2. [WITHHOLDING FROM WAGES, ENTERTAINER WITHHOLDING,
5 WITHHOLDING FROM PAYMENTS TO OUT-OF-STATE CONTRACTORS, AND
6 WITHHOLDING BY PARTNERSHIPS AND SMALL BUSINESS CORPORATIONS.]

7 (a) A tax required to be deducted and withheld during the
8 quarterly period must be paid on or before the last day of the
9 month following the close of the quarterly period, unless an
10 earlier time for payment is provided. A tax required to be
11 deducted and withheld from compensation of an entertainer and
12 from a payment to an out-of-state contractor must be paid on or
13 before the date the return for such tax must be filed under
14 section 289A.18, subdivision 2. Taxes required to be deducted
15 and withheld by partnerships and S corporations must be paid on
16 or before the date the return must be filed under section
17 289A.18, subdivision 2.

18 (b) An employer who, during the previous quarter, withheld
19 more than \$1,500 of tax under section 290.92, subdivision 2a or
20 3, or 290.923, subdivision 2, must deposit tax withheld under
21 those sections with the commissioner within the time allowed to
22 deposit the employer's federal withheld employment taxes under
23 Code of Federal Regulations, title 26, section 31.6302-1, as
24 amended through December 31, 2001, without regard to the safe
25 harbor or de minimis rules in subparagraph (f) or the one-day
26 rule in subsection (c), clause (3). Taxpayers must submit a
27 copy of their federal notice of deposit status to the
28 commissioner upon request by the commissioner.

29 (c) The commissioner may prescribe by rule other return
30 periods or deposit requirements. In prescribing the reporting
31 period, the commissioner may classify payors according to the
32 amount of their tax liability and may adopt an appropriate
33 reporting period for the class that the commissioner judges to
34 be consistent with efficient tax collection. In no event will
35 the duration of the reporting period be more than one year.

36 (d) If less than the correct amount of tax is paid to the

1 commissioner, proper adjustments with respect to both the tax
 2 and the amount to be deducted must be made, without interest, in
 3 the manner and at the times the commissioner prescribes. If the
 4 underpayment cannot be adjusted, the amount of the underpayment
 5 will be assessed and collected in the manner and at the times
 6 the commissioner prescribes.

7 ~~(e) If the aggregate amount of the tax withheld during a~~
 8 ~~fiscal year ending June 30 under section 290.92, subdivision 2a~~
 9 ~~or 3, is equal to or exceeds the amounts established for~~
 10 ~~remitting federal withheld taxes pursuant to the regulations~~
 11 ~~promulgated under section 6302(h) of the Internal Revenue Code,~~
 12 ~~the employer must remit each required deposit for wages paid in~~
 13 ~~the subsequent calendar year by electronic means.~~

14 (f) A third-party bulk filer as defined in section 290.92,
 15 subdivision 30, paragraph (a), clause (2), who remits
 16 withholding deposits must remit all deposits by electronic means
 17 as provided in paragraph (e), regardless of the aggregate amount
 18 of tax withheld during a fiscal year for all of the employers.

19 Sec. 3. Minnesota Statutes 2004, section 289A.20,
 20 subdivision 4, is amended to read:

21 Subd. 4. [SALES AND USE TAX.] (a) The taxes imposed by
 22 chapter 297A are due and payable to the commissioner monthly on
 23 or before the 20th day of the month following the month in which
 24 the taxable event occurred, or following another reporting
 25 period as the commissioner prescribes or as allowed under
 26 section 289A.18, subdivision 4, paragraph (f) or (g), except
 27 that use taxes due on an annual use tax return as provided under
 28 section 289A.11, subdivision 1, are payable by April 15
 29 following the close of the calendar year.

30 (b) A vendor having a liability of \$120,000 or more during
 31 a fiscal year ending June 30 must remit the June liability for
 32 the next year in the following manner:

33 (1) Two business days before June 30 of the year, the
 34 vendor must remit 85 percent of the estimated June liability to
 35 the commissioner.

36 (2) On or before August 20 of the year, the vendor must pay

1 any additional amount of tax not remitted in June.

2 ~~(c) A vendor having a liability of \$120,000 or more during~~
3 ~~a fiscal year ending June 30 must remit all liabilities on~~
4 ~~returns due for periods beginning in the subsequent calendar~~
5 ~~year by electronic means on or before the 20th day of the month~~
6 ~~following the month in which the taxable event occurred, or on~~
7 ~~or before the 20th day of the month following the month in which~~
8 ~~the sale is reported under section 289A.18, subdivision 4,~~
9 ~~except for 85 percent of the estimated June liability, which is~~
10 ~~due two business days before June 30. The remaining amount of~~
11 ~~the June liability is due on August 20.~~

12 Sec. 4. Minnesota Statutes 2004, section 297E.02,
13 subdivision 4, is amended to read:

14 Subd. 4. [PULL-TAB AND TIPBOARD TAX.] (a) A tax is imposed
15 on the sale of each deal of pull-tabs and tipboards sold by a
16 distributor. The rate of the tax is 1.7 percent of the ideal
17 gross of the pull-tab or tipboard deal. The sales tax imposed
18 by chapter 297A on the sale of the pull-tabs and tipboards by
19 the distributor is imposed on the retail sales price less the
20 tax imposed by this subdivision. The retail sale of pull-tabs
21 or tipboards by the organization is exempt from taxes imposed by
22 chapter 297A and is exempt from all local taxes and license fees
23 except a fee authorized under section 349.16, subdivision 8.

24 (b) The liability for the tax imposed by this section is
25 incurred when the pull-tabs and tipboards are delivered by the
26 distributor to the customer or to a common or contract carrier
27 for delivery to the customer, or when received by the customer's
28 authorized representative at the distributor's place of
29 business, regardless of the distributor's method of accounting
30 or the terms of the sale.

31 The tax imposed by this subdivision is imposed on all sales
32 of pull-tabs and tipboards, except the following:

33 (1) sales to the governing body of an Indian tribal
34 organization for use on an Indian reservation;

35 (2) sales to distributors licensed under the laws of
36 another state or of a province of Canada, as long as all

1 statutory and regulatory requirements are met in the other state
2 or province;

3 (3) sales of promotional tickets as defined in section
4 349.12; and

5 (4) pull-tabs and tipboards sold to an organization that
6 sells pull-tabs and tipboards under the exemption from licensing
7 in section 349.166, subdivision 2. A distributor shall require
8 an organization conducting exempt gambling to show proof of its
9 exempt status before making a tax-exempt sale of pull-tabs or
10 tipboards to the organization. A distributor shall identify, on
11 all reports submitted to the commissioner, all sales of
12 pull-tabs and tipboards that are exempt from tax under this
13 subdivision.

14 ~~(c) A distributor having a liability of \$120,000 or more~~
15 ~~during a fiscal year ending June 30 must remit all liabilities~~
16 ~~in the subsequent calendar year by electronic means.~~

17 (d) Any customer who purchases deals of pull-tabs or
18 tipboards from a distributor may file an annual claim for a
19 refund or credit of taxes paid pursuant to this subdivision for
20 unsold pull-tab and tipboard tickets. The claim must be filed
21 with the commissioner on a form prescribed by the commissioner
22 by March 20 of the year following the calendar year for which
23 the refund is claimed. The refund must be filed as part of the
24 customer's February monthly return. The refund or credit is
25 equal to 1.7 percent of the face value of the unsold pull-tab or
26 tipboard tickets, provided that the refund or credit will be
27 1.75 percent of the face value of the unsold pull-tab or
28 tipboard tickets for claims for a refund or credit of taxes
29 filed on the February 2001 monthly return. The refund claimed
30 will be applied as a credit against tax owing under this chapter
31 on the February monthly return. If the refund claimed exceeds
32 the tax owing on the February monthly return, that amount will
33 be refunded. The amount refunded will bear interest pursuant to
34 section 270.76 from 90 days after the claim is filed.

35 Sec. 5. Minnesota Statutes 2004, section 473.843,
36 subdivision 3, is amended to read:

1 Subd. 3. [PAYMENT OF FEE.] On or before the 20th day of
2 each month each operator shall pay the fee due under this
3 section for the previous month, using a form provided by the
4 commissioner of revenue.

5 ~~An operator having a fee of \$120,000 or more during a~~
6 ~~fiscal year ending June 30 must pay all fees in the subsequent~~
7 ~~calendar year by electronic means.~~

8 Sec. 6. [REPEALER.]

9 Minnesota Statutes 2004, sections 289A.26, subdivision 2a;
10 289A.60, subdivision 21; 295.55, subdivision 4; 295.60,
11 subdivision 4; 297F.09, subdivision 7; 297G.09, subdivision 6;
12 297I.35, subdivision 2; and 297I.85, subdivision 7, are repealed.

13 Sec. 7. [EFFECTIVE DATE.]

14 This article is effective for payments due in calendar year
15 2006, and in calendar years thereafter, based upon liabilities
16 incurred in the fiscal year ending June 30, 2005, and in fiscal
17 years thereafter.

18 ARTICLE 18

19 DEPARTMENT OF REVENUE

20 MISCELLANEOUS - SF1683

21 Section 1. Minnesota Statutes 2004, section 15.06,
22 subdivision 6, is amended to read:

23 Subd. 6. [GENERAL POWERS OF COMMISSIONERS.] Except as
24 otherwise expressly provided by law, a commissioner shall have
25 the following powers:

26 (1) to delegate to any subordinate employee the exercise of
27 specified statutory powers or duties as the commissioner may
28 deem advisable, subject to the commissioner's control; provided,
29 that every delegation shall be made by written order, filed with
30 the secretary of state; and further provided that only a deputy
31 commissioner may have all the powers or duties of the
32 commissioner. A commissioner who delegates the exercise of
33 identical powers or duties to ten or more subordinate employees,
34 may combine the delegation to these employees in one written
35 order. A delegation of authority granted by a commissioner
36 remains in effect until revoked by the commissioner, revoked by

1 a successor commissioner, or termination of the employees'
2 employment. A successor commissioner may continue to grant the
3 same delegations of authority that were granted by a previous
4 commissioner, by issuing a written order that is filed with the
5 secretary of state and lists the names of the subordinate
6 employees that have orders of delegations of authority, the date
7 the order was signed, and the date the order was filed with the
8 secretary of state;

9 (2) to appoint all subordinate employees and to prescribe
10 their duties; provided, that all departments and agencies shall
11 be subject to the provisions of chapter 43A;

12 (3) with the approval of the commissioner of
13 administration, to organize the department or agency as deemed
14 advisable in the interest of economy and efficiency; and

15 (4) to prescribe procedures for the internal management of
16 the department or agency to the extent that the procedures do
17 not directly affect the rights of or procedure available to the
18 public.

19 [EFFECTIVE DATE.] This section is effective the day
20 following final enactment.

21 Sec. 2. Minnesota Statutes 2004, section 16D.10, is
22 amended to read:

23 16D.10 [CASE REVIEWER.]

24 Subdivision 1. [DUTIES.] The commissioner shall make a
25 case reviewer available to debtors. The reviewer must be
26 available to answer a debtor's questions concerning the
27 collection process and to review the collection activity taken.
28 If the reviewer reasonably believes that the particular action
29 being taken is unreasonable or unfair, the reviewer may make
30 recommendations to the commissioner in regard to the collection
31 action.

32 Subd. 2. [AUTHORITY TO ISSUE DEBTOR ASSISTANCE ORDER.] On
33 application filed by a debtor with the case reviewer, in the
34 form, manner, and in the time prescribed by the commissioner,
35 and after thorough investigation, the case reviewer may issue a
36 debtor assistance order if, in the determination of the case

1 reviewer, the manner in which the state debt collection laws are
2 being administered is creating or will create an unjust and
3 inequitable result for the debtor. Debtor assistance orders are
4 governed by the provisions relating to taxpayer assistance
5 orders under section 270.273.

6 Subd. 3. [TRANSFER OF DUTIES TO TAXPAYER RIGHTS ADVOCATE.]
7 All duties and authority of the case reviewer under subdivisions
8 1 and 2 are transferred to the taxpayer rights advocate.

9 [EFFECTIVE DATE.] This section is effective the day
10 following final enactment.

11 Sec. 3. Minnesota Statutes 2004, section 270.65, is
12 amended to read:

13 270.65 [DATE OF ASSESSMENT; DEFINITION.]

14 For purposes of taxes administered by the commissioner, the
15 term "date of assessment" means the date a liability reported on
16 a return was entered into the records of the commissioner or the
17 date a return should have been filed, whichever is later; or, in
18 the case of taxes determined by the commissioner, "date of
19 assessment" means the date of the order assessing taxes or date
20 of the return made by the commissioner; or, in the case of an
21 amended return filed by the taxpayer, the assessment date is the
22 date additional liability reported on the return, if any, was
23 entered into the records of the commissioner; or, in the case of
24 a consent agreement signed by the taxpayer under section 270.67,
25 subdivision 3, the assessment date is the notice date shown on
26 the agreement; or, in the case of a check from a taxpayer that
27 is dishonored and results in an erroneous refund being given to
28 the taxpayer, remittance of the check is deemed to be an
29 assessment and the "date of assessment" is the date the check
30 was received by the commissioner.

31 [EFFECTIVE DATE.] This section is effective the day
32 following final enactment.

33 Sec. 4. Minnesota Statutes 2004, section 270.67,
34 subdivision 4, is amended to read:

35 Subd. 4. [OFFER-IN-COMPROMISE AND INSTALLMENT PAYMENT
36 PROGRAM.] (a) In implementing the authority provided in

1 subdivision 2 or in sections 8.30 and 16D.15 to accept offers of
 2 installment payments or offers-in-compromise of tax liabilities,
 3 the commissioner of revenue shall prescribe guidelines for
 4 employees of the Department of Revenue to determine whether an
 5 offer-in-compromise or an offer to make installment payments is
 6 adequate and should be accepted to resolve a dispute. In
 7 prescribing the guidelines, the commissioner shall develop and
 8 publish schedules of national and local allowances designed to
 9 provide that taxpayers entering into a compromise or payment
 10 agreement have an adequate means to provide for basic living
 11 expenses. The guidelines must provide that the taxpayer's
 12 ownership interest in a motor vehicle, to the extent of the
 13 value allowed in section 550.37, will not be considered as an
 14 asset; in the case of an offer related to a joint tax liability
 15 of spouses, that value of two motor vehicles must be excluded.
 16 The guidelines must provide that employees of the department
 17 shall determine, on the basis of the facts and circumstances of
 18 each taxpayer, whether the use of the schedules is appropriate
 19 and that employees must not use the schedules to the extent the
 20 use would result in the taxpayer not having adequate means to
 21 provide for basic living expenses. The guidelines must provide
 22 that:

23 (1) an employee of the department shall not reject an
 24 offer-in-compromise or an offer to make installment payments
 25 from a low-income taxpayer solely on the basis of the amount of
 26 the offer; and

27 (2) in the case of an offer-in-compromise which relates
 28 only to issues of liability of the taxpayer:

29 (i) the offer must not be rejected solely because the
 30 commissioner is unable to locate the taxpayer's return or return
 31 information for verification of the liability; and

32 (ii) the taxpayer shall not be required to provide an
 33 audited, reviewed, or compiled financial statement.

34 (b) The commissioner shall establish procedures:

35 (1) that require presentation of a counteroffer or a
 36 written rejection of the offer by the commissioner if the amount

1 offered by the taxpayer in an offer-in-compromise or an offer to
2 make installment payments is not accepted by the commissioner;

3 (2) for an administrative review of any written rejection
4 of a proposed offer-in-compromise or installment agreement made
5 by a taxpayer under this section before the rejection is
6 communicated to the taxpayer;

7 (3) that allow a taxpayer to request reconsideration of any
8 written rejection of the offer or agreement to the commissioner
9 of revenue to determine whether the rejection is reasonable and
10 appropriate under the circumstances; and

11 (4) that provide for notification to the taxpayer when an
12 offer-in-compromise has been accepted, and issuance of
13 certificates of release of any liens imposed under section
14 270.69 related to the liability which is the subject of the
15 compromise.

16 (c) Each compromise proposal must be accompanied by a
17 nonrefundable payment of \$250. If the compromise proposal is
18 accepted, the payment must be applied to the accepted compromise
19 amount. If the compromise is rejected, the payment must be
20 applied to the outstanding tax debts of the taxpayer pursuant to
21 section 270.652. In cases of financial hardship, upon
22 presentation of information establishing an inability to make
23 the \$250 payment, the commissioner may waive this requirement.

24 [EFFECTIVE DATE.] This section is effective for offers in
25 compromise submitted after August 31, 2005.

26 Sec. 5. Minnesota Statutes 2004, section 270.69,
27 subdivision 4, is amended to read:

28 Subd. 4. [PERIOD OF LIMITATIONS.] The lien imposed by this
29 section shall, notwithstanding any other provision of law to the
30 contrary, be enforceable from the time the lien arises and for
31 ten years from the date of filing the notice of lien, which must
32 be filed by the commissioner within five years after the date of
33 assessment of the tax or final administrative or judicial
34 determination of the assessment. A notice of lien filed in one
35 county may be transcribed to the secretary of state or to any
36 other county within ten years after the date of its filing, but

1 the transcription shall not extend the period during which the
 2 lien is enforceable. A notice of lien may be renewed by the
 3 commissioner before the expiration of the ten-year period for an
 4 additional ten years. The taxpayer must receive written notice
 5 of the renewal.

6 [EFFECTIVE DATE.] This section is effective the day
 7 following final enactment.

8 Sec. 6. Minnesota Statutes 2004, section 289A.19,
 9 subdivision 4, is amended to read:

10 Subd. 4. ~~[ESTATE TAX RETURNS.] When-in-the-commissioner's~~
 11 ~~judgment-good-cause-exists,-the-commissioner-may-extend-the-time~~
 12 ~~for-filing-an-estate-tax-return-for-not-more-than-six-months-~~

13 When an extension to file the federal estate tax return has been
 14 granted under section 6081 of the Internal Revenue Code, the
 15 time for filing the estate tax return is extended for that
 16 period. If the estate requests an extension to file an estate
 17 tax return within the time provided in section 289A.18,
 18 subdivision 3, the commissioner shall extend the time for filing
 19 the estate tax return for six months.

20 [EFFECTIVE DATE.] This section is effective for estates of
 21 decedents dying after December 31, 2004.

22 Sec. 7. Minnesota Statutes 2004, section 289A.31,
 23 subdivision 2, is amended to read:

24 Subd. 2. [JOINT INCOME TAX RETURNS.] (a) If a joint income
 25 tax return is made by a husband and wife, the liability for the
 26 tax is joint and several. A spouse who qualifies for relief
 27 from a liability attributable to an underpayment under section
 28 6015(b) of the Internal Revenue Code is relieved of the state
 29 income tax liability on the underpayment.

30 (b) In the case of individuals who were a husband and wife
 31 prior to the dissolution of their marriage or their legal
 32 separation, or prior to the death of one of the individuals, for
 33 tax liabilities reported on a joint or combined return, the
 34 liability of each person is limited to the proportion of the tax
 35 due on the return that equals that person's proportion of the
 36 total tax due if the husband and wife filed separate returns for

1 the taxable year. This provision is effective only when the
2 commissioner receives written notice of the marriage
3 dissolution, legal separation, or death of a spouse from the
4 husband or wife. No refund may be claimed by an ex-spouse,
5 legally separated or widowed spouse for any taxes paid more than
6 60 days before receipt by the commissioner of the written notice.

7 (c) A request for calculation of separate liability
8 pursuant to paragraph (b) for taxes reported on a return must be
9 made within six years after the due date of the return. For
10 calculation of separate liability for taxes assessed by the
11 commissioner under section 289A.35 or 289A.37, the request must
12 be made within six years after the date of assessment. The
13 commissioner is not required to calculate separate liability if
14 the remaining unpaid liability for which recalculation is
15 requested is \$100 or less.

16 [EFFECTIVE DATE.] This section is effective for requests
17 for relief made on or after the day following final enactment.

18 Sec. 8. Minnesota Statutes 2004, section 289A.37,
19 subdivision 5, is amended to read:

20 Subd. 5. [SUFFICIENCY OF NOTICE.] An order of assessment,
21 sent postage prepaid by United States mail to the taxpayer at
22 the taxpayer's last known address, or sent by electronic mail to
23 the taxpayer's last known electronic mailing address as provided
24 for in section 325L.08, is sufficient even if the taxpayer is
25 deceased or is under a legal disability, or, in the case of a
26 corporation, has terminated its existence, unless the department
27 has been provided with a new address by a party authorized to
28 receive notices of assessment.

29 [EFFECTIVE DATE.] This section is effective the day
30 following final enactment.

31 Sec. 9. Minnesota Statutes 2004, section 289A.60,
32 subdivision 2a, is amended to read:

33 Subd. 2a. [PENALTIES FOR EXTENDED DELINQUENCY.] (a) If an
34 individual income tax is not paid within 180 days after the date
35 of filing of a return or, in the case of taxes assessed by the
36 commissioner, within 180 days after the assessment date or, if

1 appealed, within 180 days after final resolution of the appeal,
 2 an extended delinquency penalty of five percent of the tax
 3 remaining unpaid is added to the amount due.

4 (b) ~~If a corporate-franchise, fiduciary-income, mining~~
 5 ~~company, estate, partnership, S-corporation, or nonresident~~
 6 ~~entertainer~~ tax return is not filed within 30 days after written
 7 demand for the filing of a delinquent return, an extended
 8 delinquency penalty of five percent of the tax not paid prior to
 9 the demand ~~is added to the tax, or in the case of an individual~~
 10 ~~income tax return, a minimum penalty of \$100 or the five percent~~
 11 penalty is imposed, whichever amount is greater.

12 [EFFECTIVE DATE.] This section is effective for returns
 13 originally due on or after August 1, 2005.

14 Sec. 10. Minnesota Statutes 2004, section 289A.60,
 15 subdivision 6, is amended to read:

16 Subd. 6. [PENALTY FOR FAILURE TO FILE, FALSE OR FRAUDULENT
 17 RETURN, EVASION.] If a person, with intent to evade or defeat a
 18 tax or payment of tax, fails to file a return, files a false or
 19 fraudulent return, or attempts in any other manner to evade or
 20 defeat a tax or payment of tax, there is imposed on the person a
 21 penalty equal to 50 percent of the tax, less amounts paid by the
 22 person on the basis of the false or fraudulent return, if any,
 23 due for the period to which the return related.

24 [EFFECTIVE DATE.] This section is effective the day
 25 following final enactment.

26 Sec. 11. Minnesota Statutes 2004, section 289A.60,
 27 subdivision 11, is amended to read:

28 Subd. 11. [PENALTIES RELATING TO INFORMATION REPORTS,
 29 WITHHOLDING.] (a) When a person required under section 289A.09,
 30 subdivision 2, to give a statement to an employee or payee and a
 31 duplicate statement to the commissioner, or to give a
 32 reconciliation of the statements and quarterly returns to the
 33 commissioner, gives a false or fraudulent statement to an
 34 employee or payee or a false or fraudulent duplicate statement
 35 or reconciliation of statements and quarterly returns to the
 36 commissioner, or fails to give a statement or the reconciliation

1 in the manner, when due, and showing the information required by
2 section 289A.09, subdivision 2, or rules prescribed by the
3 commissioner under that section, that person is liable for a
4 penalty of \$50 for an act or failure to act. The total amount
5 imposed on the delinquent person for failures during a calendar
6 year must not exceed \$25,000.

7 (b) In addition to any other penalty provided by law, an
8 employee who gives a withholding exemption certificate or a
9 residency affidavit to an employer that ~~the-employee-has-reason~~
10 ~~to-know-contains-a-materially-incorrect-statement~~ decreases the
11 amount withheld under section 290.92 and as of the time the
12 certificate or affidavit was given to the employer there was no
13 reasonable basis for the statements in the certificate or
14 affidavit is liable to the commissioner of revenue for a penalty
15 of \$500 for each instance.

16 (c) In addition to any other penalty provided by law, an
17 employer who fails to submit a copy of a withholding exemption
18 certificate or a residency affidavit required by section 290.92,
19 subdivision 5a, clause (1)(a), (1)(b), or (2) is liable to the
20 commissioner of revenue for a penalty of \$50 for each instance.

21 (d) An employer or payor who fails to file an application
22 for a withholding account number, as required by section 290.92,
23 subdivision 24, is liable to the commissioner for a penalty of
24 \$100.

25 [EFFECTIVE DATE.] This section is effective for
26 certificates and affidavits given to employers after December
27 31, 2005.

28 Sec. 12. Minnesota Statutes 2004, section 290.92,
29 subdivision 1, is amended to read:

30 Subdivision 1. [DEFINITIONS.] (1) [WAGES.] For purposes
31 of this section, the term "wages" means the same as that term is
32 defined in section 3401(a) and (f) of the Internal Revenue Code.

33 (2) [PAYROLL PERIOD.] For purposes of this section the
34 term "payroll period" means a period for which a payment of
35 wages is ordinarily made to the employee by the employee's
36 employer, and the term "miscellaneous payroll period" means a

1 payroll period other than a daily, weekly, biweekly,
 2 semimonthly, monthly, quarterly, semiannual, or annual payroll
 3 period.

4 (3) [EMPLOYEE.] For purposes of this section the term
 5 "employee" means any resident individual performing services for
 6 an employer, either within or without, or both within and
 7 without the state of Minnesota, and every nonresident individual
 8 performing services within the state of Minnesota, the
 9 performance of which services constitute, establish, and
 10 determine the relationship between the parties as that of
 11 employer and employee. As used in the preceding sentence, the
 12 term "employee" includes an officer of a corporation, and an
 13 officer, employee, or elected official of the United States, a
 14 state, or any political subdivision thereof, or the District of
 15 Columbia, or any agency or instrumentality of any one or more of
 16 the foregoing.

17 (4) [EMPLOYER.] For purposes of this section the term
 18 "employer" means any person, including individuals, fiduciaries,
 19 estates, trusts, partnerships, limited liability companies, and
 20 corporations transacting business in or deriving any income from
 21 sources within the state of Minnesota for whom an individual
 22 performs or performed any service, of whatever nature, as the
 23 employee of such person, except that if the person for whom the
 24 individual performs or performed the services does not have
 25 legal control of the payment of the wages for such services, the
 26 term "employer," except for purposes of paragraph (1), means the
 27 person having legal control of the payment of such wages. As
 28 used in the preceding sentence, the term "employer" includes any
 29 corporation, individual, estate, trust, or organization which is
 30 exempt from taxation under section 290.05 and further includes,
 31 but is not limited to, officers of corporations who have legal
 32 control, either individually or jointly with another or others,
 33 of the payment of the wages.

34 (5) [NUMBER OF WITHHOLDING EXEMPTIONS CLAIMED.] For
 35 purposes of this section, the term "number of withholding
 36 exemptions claimed" means the number of withholding exemptions

1 claimed in a withholding exemption certificate in effect under
2 subdivision 5, except that if no such certificate is in effect,
3 the number of withholding exemptions claimed shall be considered
4 to be zero.

5 [EFFECTIVE DATE.] This section is effective the day
6 following final enactment.

7 Sec. 13. Minnesota Statutes 2004, section 290C.05, is
8 amended to read:

9 290C.05 [ANNUAL CERTIFICATION.]

10 On or before July 1 of each year, beginning with the year
11 after the claimant has received an approved application, the
12 commissioner shall send each claimant enrolled under the
13 sustainable forest incentive program a certification form. The
14 claimant must sign the certification, attesting that the
15 requirements and conditions for continued enrollment in the
16 program are currently being met, and must return the signed
17 certification form to the commissioner by August 15 of that same
18 year. ~~Failure to~~ If the claimant does not return an annual
19 certification form by the due date ~~shall result in removal of~~
20 ~~the lands from the provisions of the sustainable forest~~
21 ~~incentive program, and the imposition of any applicable removal~~
22 ~~penalty, the provisions in section 290C.11 apply. The claimant~~
23 ~~may appeal the removal and any associated penalty according to~~
24 ~~the procedures and within the time allowed under this chapter.~~

25 [EFFECTIVE DATE.] This section is effective the day
26 following final enactment.

27 Sec. 14. [290C.055] [LENGTH OF COVENANT.]

28 The covenant remains in effect for a minimum of eight
29 years. If land is removed from the program before it has been
30 enrolled for four years, the covenant remains in effect for
31 eight years from the date recorded.

32 If land that has been enrolled for four years or more is
33 removed from the program for any reason, there is a waiting
34 period before the covenant terminates. The covenant terminates
35 on January 1 of the fifth calendar year that begins after the
36 date that:

1 (1) the commissioner receives notification from the
 2 claimant that the claimant wishes to remove the land from the
 3 program under section 290C.10; or

4 (2) the date that the land is removed from the program
 5 under section 290C.11.

6 Notwithstanding the other provisions of this section, the
 7 covenant is terminated at the same time that the land is removed
 8 from the program due to acquisition of title or possession for a
 9 public purpose under section 290C.10.

10 [EFFECTIVE DATE.] This section is effective the day
 11 following final enactment.

12 Sec. 15. Minnesota Statutes 2004, section 290C.10, is
 13 amended to read:

14 290C.10 [WITHDRAWAL PROCEDURES.]

15 An approved claimant under the sustainable forest incentive
 16 program for a minimum of four years may notify the commissioner
 17 of the intent to terminate enrollment. Within 90 days of
 18 receipt of notice to terminate enrollment, the commissioner
 19 shall inform the claimant in writing, acknowledging receipt of
 20 this notice and indicating the effective date of termination
 21 from the sustainable forest incentive program. Termination of
 22 enrollment in the sustainable forest incentive program occurs on
 23 January 1 of the fifth calendar year that begins after receipt
 24 by the commissioner of the termination notice. After the
 25 commissioner issues an effective date of termination, a claimant
 26 wishing to continue the land's enrollment in the sustainable
 27 forest incentive program beyond the termination date must apply
 28 for enrollment as prescribed in section 290C.04. A claimant who
 29 withdraws a parcel of land from this program may not reenroll
 30 the parcel for a period of three years. Within 90 days after
 31 the termination date, the commissioner shall execute and
 32 acknowledge a document releasing the land from the covenant
 33 required under this chapter. The document must be mailed to the
 34 claimant and is entitled to be recorded. The commissioner may
 35 allow early withdrawal from the Sustainable Forest Incentive Act
 36 without penalty ~~in cases of condemnation~~ when the state of

1 Minnesota, any local government unit, or any other entity which
2 has the right of eminent domain acquires title or possession to
3 the land for a public purpose notwithstanding the provisions of
4 this section. In the case of such acquisition, the commissioner
5 shall execute and acknowledge a document releasing the land
6 acquired by the state, local government unit, or other entity
7 from the covenant. All other enrolled land must remain in the
8 program.

9 [EFFECTIVE DATE.] This section is effective the day
10 following final enactment.

11 Sec. 16. Minnesota Statutes 2004, section 325D.33,
12 subdivision 6, is amended to read:

13 Subd. 6. [VIOLATIONS.] If the commissioner determines that
14 a distributor is violating any provision of this chapter, the
15 commissioner must give the distributor a written warning
16 explaining the violation and an explanation of what must be done
17 to comply with this chapter. Within ten days of issuance of the
18 warning, the distributor must notify the commissioner that the
19 distributor has complied with the commissioner's recommendation
20 or request that the commissioner set the issue for a hearing
21 pursuant to chapter 14. If a hearing is requested, the hearing
22 shall be scheduled within 20 days of the request and the
23 recommendation of the administrative law judge shall be issued
24 within five working days of the close of the hearing. The
25 commissioner's final determination shall be issued within five
26 working days of the receipt of the administrative law judge's
27 recommendation. If the commissioner's final determination is
28 adverse to the distributor and the distributor does not comply
29 within ten days of receipt of the commissioner's final
30 determination, the commissioner may order the distributor to
31 immediately cease the stamping of cigarettes. As soon as
32 practicable after the order, the commissioner must remove the
33 meter and any unapplied cigarette stamps from the premises of
34 the distributor.

35 If within ten days of issuance of the written warning the
36 distributor has not complied with the commissioner's

1 recommendation or requested a hearing, the commissioner may
 2 order the distributor to immediately cease the stamping of
 3 cigarettes and remove the meter and unapplied stamps from the
 4 distributor's premises.

5 ~~If, within any 12-month period, the commissioner has issued~~
 6 ~~three written warnings to any distributor, even if the~~
 7 ~~distributor has complied within ten days, the commissioner shall~~
 8 ~~notify the distributor of the commissioner's intent to revoke~~
 9 ~~the distributor's license for a continuing course of conduct~~
 10 ~~contrary to this chapter. For purposes of this paragraph, a~~
 11 ~~written warning that was ultimately resolved by removal of the~~
 12 ~~warning by the commissioner is not deemed to be a warning. The~~
 13 ~~commissioner must notify the distributor of the date and time of~~
 14 ~~a hearing pursuant to chapter 14 at least 20 days before the~~
 15 ~~hearing is held. The hearing must provide an opportunity for~~
 16 ~~the distributor to show cause why the license should not be~~
 17 ~~revoked. If the commissioner revokes a distributor's license,~~
 18 ~~the commissioner shall not issue a new license to that~~
 19 ~~distributor for 180 days.~~

20 [EFFECTIVE DATE.] This section is effective the day
 21 following final enactment.

22 Sec. 17. Minnesota Statutes 2004, section 473.843,
 23 subdivision 5, is amended to read:

24 Subd. 5. [PENALTIES; ENFORCEMENT.] The audit, penalty, and
 25 enforcement provisions applicable to corporate franchise taxes
 26 imposed under chapter 290 apply to the fees imposed under this
 27 section. The commissioner of revenue shall administer the
 28 provisions.

29 [EFFECTIVE DATE.] This section is effective the day
 30 following final enactment.

31 ARTICLE 19

32 INDIVIDUAL INCOME TAX - SF2206

33 Section 1. Minnesota Statutes 2004, section 16A.152,
 34 subdivision 2, is amended to read:

35 Subd. 2. [ADDITIONAL REVENUES; PRIORITY.] (a) If on the
 36 basis of a forecast of general fund revenues and expenditures,

1 the commissioner of finance determines that there will be a
2 positive unrestricted budgetary general fund balance at the
3 close of the biennium, the commissioner of finance must allocate
4 money to the following accounts and purposes in priority order:

5 (1) the cash flow account established in subdivision 1
6 until that account reaches \$350,000,000;

7 (2) the budget reserve account established in subdivision
8 1a until that account reaches \$653,000,000;

9 (3) the amount necessary to increase the aid payment
10 schedule for school district aids and credits payments in
11 section 127A.45 to not more than 90 percent; and

12 (4) the amount necessary to restore all or a portion of the
13 net aid reductions under section 127A.441 and to reduce the
14 property tax revenue recognition shift under section 123B.75,
15 subdivision 5, paragraph (c), and Laws 2003, First Special
16 Session chapter 9, article 5, section 34, as amended by Laws
17 2003, First Special Session chapter 23, section 20, by the same
18 amount;

19 (5) the amount necessary to eliminate requirements for
20 accelerated payments of June tax liabilities under sections
21 287.12; 287.29; 289A.20, subdivision 4; 297F.09, subdivision 10,
22 and 297G.09, subdivision 9;

23 (6) the amount necessary to provide that interest is
24 payable on claims for refunds of the sales tax paid on exempt
25 capital equipment from the date the claim is filed with the
26 commissioner and on other exempt items as provided in Minnesota
27 Statutes 2002, section 297A.75, subdivision 4; and

28 (7) the amount necessary to make payments of local
29 government aids and taconite aid reimbursements in four
30 installments in each of the months of March, July, September,
31 and November as provided in Minnesota Statutes 1980, section
32 477A.01.

33 (b) The amounts necessary to meet the requirements of this
34 section are appropriated from the general fund within two weeks
35 after the forecast is released or, in the case of transfers
36 under paragraph (a), clauses (3) and (4), as necessary to meet

1 the appropriations schedules otherwise established in statute.

2 (c) To the extent that a positive unrestricted budgetary
3 general fund balance is projected, appropriations under this
4 section must be made before any transfer is made under section
5 16A.1522.

6 (d) The commissioner of finance shall certify the total
7 dollar amount of the reductions under paragraph (a), clauses (3)
8 and (4), to the commissioner of education. The commissioner of
9 education shall increase the aid payment percentage and reduce
10 the property tax shift percentage by these amounts and apply
11 those reductions to the current fiscal year and thereafter.

12 Sec. 2. Minnesota Statutes 2004, section 290.01,
13 subdivision 7b, is amended to read:

14 Subd. 7b. [RESIDENT TRUST.] (a) Resident trust means a
15 trust, except a grantor type trust, which either (1) was created
16 by a will of a decedent who at death was domiciled in this state
17 or (2) is an irrevocable trust, the grantor of which was
18 domiciled in this state at the time the trust became
19 irrevocable. For the purpose of this subdivision, a trust is
20 considered irrevocable to the extent the grantor is not treated
21 as the owner thereof under sections 671 to 678 of the Internal
22 Revenue Code. The term "grantor type trust" means a trust where
23 the income or gains of the trust are taxable to the grantor or
24 others treated as substantial owners under sections 671 to 678
25 of the Internal Revenue Code.

26 (b)(1) A trust, other than a grantor type trust, that
27 became irrevocable before January 1, 1996, or that was
28 administered in Minnesota before January 1, 1996, is a resident
29 trust only if two or more of the following conditions are
30 satisfied:

31 (i) a majority of the discretionary decisions of the
32 trustees relative to the investment of trust assets are made in
33 Minnesota;

34 (ii) a majority of the discretionary decisions of the
35 trustees relative to the distributions of trust income and
36 principal are made in Minnesota;

1 (iii) the official books and records of the trust,
2 consisting of the original minutes of trustee meetings and the
3 original trust instruments, are located in Minnesota.

4 (2) For purposes of this paragraph, if the trustees
5 delegate decisions and actions to an agent or custodian, the
6 actions and decisions of the agent or custodian must not be
7 taken into account in determining whether the trust is
8 administered in Minnesota, if:

9 (i) the delegation was permitted under the trust agreement;

10 (ii) the trustees retain the power to revoke the delegation
11 on reasonable notice; and

12 (iii) the trustees monitor and evaluate the performance of
13 the agent or custodian on a regular basis as is reasonably
14 determined by the trustees.

15 [EFFECTIVE DATE.] This section is effective the day
16 following final enactment.

17 Sec. 3. Minnesota Statutes 2004, section 290.01,
18 subdivision 19a, as amended by 2005 S.F. No. 1683, article 2,
19 section 3, if enacted, is amended to read:

20 Subd. 19a. [ADDITIONS TO FEDERAL TAXABLE INCOME.] For
21 individuals, estates, and trusts, there shall be added to
22 federal taxable income:

23 (1)(i) interest income on obligations of any state other
24 than Minnesota or a political or governmental subdivision,
25 municipality, or governmental agency or instrumentality of any
26 state other than Minnesota exempt from federal income taxes
27 under the Internal Revenue Code or any other federal statute;
28 and

29 (ii) exempt-interest dividends as defined in section
30 852(b)(5) of the Internal Revenue Code, except the portion of
31 the exempt-interest dividends derived from interest income on
32 obligations of the state of Minnesota or its political or
33 governmental subdivisions, municipalities, governmental agencies
34 or instrumentalities, but only if the portion of the
35 exempt-interest dividends from such Minnesota sources paid to
36 all shareholders represents 95 percent or more of the

1 exempt-interest dividends that are paid by the regulated
2 investment company as defined in section 851(a) of the Internal
3 Revenue Code, or the fund of the regulated investment company as
4 defined in section 851(g) of the Internal Revenue Code, making
5 the payment; and

6 (iii) for the purposes of items (i) and (ii), interest on
7 obligations of an Indian tribal government described in section
8 7871(c) of the Internal Revenue Code shall be treated as
9 interest income on obligations of the state in which the tribe
10 is located;

11 (2) the amount of income or sales and use taxes paid or
12 accrued within the taxable year under this chapter and income or
13 sales and use taxes paid to any other state or to any province
14 or territory of Canada, to the extent allowed as a deduction
15 under section 63(d) of the Internal Revenue Code, but the
16 addition may not be more than the amount by which the itemized
17 deductions as allowed under section 63(d) of the Internal
18 Revenue Code exceeds the amount of the standard deduction as
19 defined in section 63(c) of the Internal Revenue Code of 1986,
20 as amended through June 15, 2003. For the purpose of this
21 paragraph, the disallowance of itemized deductions under section
22 68 of the Internal Revenue Code of 1986, income or sales and use
23 tax is the last itemized deduction disallowed;

24 (3) the capital gain amount of a lump sum distribution to
25 which the special tax under section 1122(h)(3)(B)(ii) of the Tax
26 Reform Act of 1986, Public Law 99-514, applies;

27 (4) the amount of income taxes paid or accrued within the
28 taxable year under this chapter and income taxes paid to any
29 other state or any province or territory of Canada, to the
30 extent allowed as a deduction in determining federal adjusted
31 gross income. For the purpose of this paragraph, income taxes
32 do not include the taxes imposed by sections 290.0922,
33 subdivision 1, paragraph (b), 290.9727, 290.9728, and 290.9729;

34 (5) the amount of expense, interest, or taxes disallowed
35 pursuant to section 290.10;

36 (6) the amount of a partner's pro rata share of net income

1 which does not flow through to the partner because the
2 partnership elected to pay the tax on the income under section
3 6242(a)(2) of the Internal Revenue Code; and

4 (7) 80 percent of the depreciation deduction allowed under
5 section 168(k) of the Internal Revenue Code. For purposes of
6 this clause, if the taxpayer has an activity that in the taxable
7 year generates a deduction for depreciation under section 168(k)
8 and the activity generates a loss for the taxable year that the
9 taxpayer is not allowed to claim for the taxable year, "the
10 depreciation allowed under section 168(k)" for the taxable year
11 is limited to excess of the depreciation claimed by the activity
12 under section 168(k) over the amount of the loss from the
13 activity that is not allowed in the taxable year. In succeeding
14 taxable years when the losses not allowed in the taxable year
15 are allowed, the depreciation under section 168(k) is allowed;

16 (8) 80 percent of the amount by which the deduction allowed
17 by section 179 of the Internal Revenue Code exceeds the
18 deduction allowable by section 179 of the Internal Revenue Code
19 of 1986, as amended through December 31, 2003;

20 (9) to the extent deducted in computing federal taxable
21 income, the amount of the deduction allowable under section 199
22 of the Internal Revenue Code;

23 ~~(10) to the extent deducted in computing federal taxable~~
24 ~~income, the amount by which the standard deduction allowed under~~
25 ~~section 63(c) of the Internal Revenue Code exceeds the standard~~
26 ~~deduction allowable under section 63(c) of the Internal Revenue~~
27 ~~Code of 1986, as amended through December 31, 2003;~~

28 ~~{11}~~ the exclusion allowed under section 139A of the
29 Internal Revenue Code for federal subsidies for prescription
30 drug plans; and

31 ~~{12}~~ (11) the deduction or exclusion allowed under section
32 223 of the Internal Revenue Code for contributions to health
33 savings accounts.

34 [EFFECTIVE DATE.] This section is effective for tax years
35 beginning after December 31, 2004.

36 Sec. 4. Minnesota Statutes 2004, section 290.06,

1 subdivision 2c, is amended to read:

2 Subd. 2c. [SCHEDULES OF RATES FOR INDIVIDUALS, ESTATES,
3 AND TRUSTS.] (a) The income taxes imposed by this chapter upon
4 married individuals filing joint returns and surviving spouses
5 as defined in section 2(a) of the Internal Revenue Code must be
6 computed by applying to their taxable net income the following
7 schedule of rates:

- 8 (1) On the first ~~\$25,680~~ \$29,070, 5.35 percent;
- 9 (2) On all over ~~\$25,680~~ \$29,070, but not
10 over ~~\$102,030~~ \$115,510, 7.05 percent;
- 11 (3) On all over ~~\$102,030~~ \$115,510, but not over \$250,000,
12 7.85 percent; and
- 13 (4) On all over \$250,000, 10.65 percent for taxable years
14 beginning after December 31, 2004, and before the fourth bracket
15 termination year as defined in paragraph (f). For the fourth
16 bracket termination year and subsequent taxable years, the
17 income included in this clause will be subject to the rate in
18 clause (3).

19 Married individuals filing separate returns, estates, and
20 trusts must compute their income tax by applying the above rates
21 to their taxable income, except that the income brackets will be
22 one-half of the above amounts.

23 (b) The income taxes imposed by this chapter upon unmarried
24 individuals must be computed by applying to taxable net income
25 the following schedule of rates:

- 26 (1) On the first ~~\$17,570~~ \$19,890, 5.35 percent;
- 27 (2) On all over ~~\$17,570~~ \$19,890, but not
28 over ~~\$57,710~~ \$65,330, 7.05 percent;
- 29 (3) On all over ~~\$57,710~~ \$65,330, but not over \$166,665,
30 7.85 percent; and
- 31 (4) On all over \$166,665, 10.65 percent for taxable years
32 beginning after December 31, 2004, and before the fourth bracket
33 termination year as defined in paragraph (f). For the fourth
34 bracket termination year and subsequent taxable years, the
35 income included in this clause will be subject to the rate in
36 clause (3).

1 (c) The income taxes imposed by this chapter upon unmarried
2 individuals qualifying as a head of household as defined in
3 section 2(b) of the Internal Revenue Code must be computed by
4 applying to taxable net income the following schedule of rates:

5 (1) On the first ~~\$21,730~~ \$24,490, 5.35 percent;

6 (2) On all over ~~\$21,730~~ \$24,490, but not
7 over ~~\$86,910~~ \$98,390, 7.05 percent;

8 (3) On all over ~~\$86,910~~ \$98,390, but not over \$208,330,
9 7.85 percent; and

10 (4) On all over \$208,330, 10.65 percent for taxable years
11 beginning after December 31, 2004, and before the fourth bracket
12 termination year as defined in paragraph (f). For the fourth
13 bracket termination year and subsequent taxable years, the
14 income included in this clause will be subject to the rate in
15 clause (3).

16 (d) In lieu of a tax computed according to the rates set
17 forth in this subdivision, the tax of any individual taxpayer
18 whose taxable net income for the taxable year is less than an
19 amount determined by the commissioner must be computed in
20 accordance with tables prepared and issued by the commissioner
21 of revenue based on income brackets of not more than \$100. The
22 amount of tax for each bracket shall be computed at the rates
23 set forth in this subdivision, provided that the commissioner
24 may disregard a fractional part of a dollar unless it amounts to
25 50 cents or more, in which case it may be increased to \$1.

26 (e) An individual who is not a Minnesota resident for the
27 entire year must compute the individual's Minnesota income tax
28 as provided in this subdivision. After the application of the
29 nonrefundable credits provided in this chapter, the tax
30 liability must then be multiplied by a fraction in which:

31 (1) the numerator is the individual's Minnesota source
32 federal adjusted gross income as defined in section 62 of the
33 Internal Revenue Code and increased by the additions required
34 under section 290.01, subdivision 19a, clauses (1), (5), and
35 (6), and reduced by the subtraction under section 290.01,
36 subdivision 19b, clause (11), and the Minnesota assignable

1 portion of the subtraction for United States government interest
 2 under section 290.01, subdivision 19b, clause (1), after
 3 applying the allocation and assignability provisions of section
 4 290.081, clause (a), or 290.17; and

5 (2) the denominator is the individual's federal adjusted
 6 gross income as defined in section 62 of the Internal Revenue
 7 Code of 1986, increased by the amounts specified in section
 8 290.01, subdivision 19a, clauses (1), (5), and (6), and reduced
 9 by the amounts specified in section 290.01, subdivision 19b,
 10 clauses (1) and (11).

11 (f) In this subdivision, the fourth bracket termination
 12 year is the first taxable year beginning after the commissioner
 13 of finance has determined that there will be a positive
 14 unrestricted budgeting general fund balance at the close of the
 15 biennium that is sufficient to complete the allocations required
 16 under section 16A.152, subdivision 2.

17 [EFFECTIVE DATE.] This section is effective for taxable
 18 years beginning after December 31, 2004.

19 Sec. 5. Minnesota Statutes 2004, section 290.06,
 20 subdivision 2d, is amended to read:

21 Subd. 2d. [INFLATION ADJUSTMENT OF BRACKETS.] (a) For
 22 taxable years beginning after December 31, ~~2000~~ 2005, the
 23 minimum and maximum dollar amounts for each rate bracket for
 24 which a tax is imposed in subdivision 2c shall be adjusted for
 25 inflation by the percentage determined under paragraph (b). For
 26 the purpose of making the adjustment as provided in this
 27 subdivision all of the rate brackets provided in subdivision 2c
 28 shall be the rate brackets as they existed for taxable years
 29 beginning after December 31, ~~1999~~ 2004, and before January
 30 1, ~~2001~~ 2006. The rate applicable to any rate bracket must not
 31 be changed. The dollar amounts setting forth the tax shall be
 32 adjusted to reflect the changes in the rate brackets. The rate
 33 brackets as adjusted must be rounded to the nearest \$10 amount.
 34 If the rate bracket ends in \$5, it must be rounded up to the
 35 nearest \$10 amount.

36 (b) The commissioner shall adjust the rate brackets and by

1 the percentage determined pursuant to the provisions of section
 2 1(f) of the Internal Revenue Code, except that in section
 3 1(f)(3)(B) the word "~~1999~~ 2004" shall be substituted for the
 4 word "1992." For ~~2001~~ 2006, the commissioner shall then
 5 determine the percent change from the 12 months ending on August
 6 31, ~~1999~~ 2004, to the 12 months ending on August 31, ~~2000~~ 2005,
 7 and in each subsequent year, from the 12 months ending on August
 8 31, ~~1999~~ 2004, to the 12 months ending on August 31 of the year
 9 preceding the taxable year. The determination of the
 10 commissioner pursuant to this subdivision shall not be
 11 considered a "rule" and shall not be subject to the
 12 Administrative Procedure Act contained in chapter 14.

13 No later than December 15 of each year, the commissioner
 14 shall announce the specific percentage that will be used to
 15 adjust the tax rate brackets.

16 Sec. 6. Minnesota Statutes 2004, section 290.06, is
 17 amended by adding a subdivision to read:

18 Subd. 32. [DAIRY INVESTMENT CREDIT.] (a) A dairy
 19 investment credit is allowed against the tax computed under this
 20 chapter equal to the credit amount in the table, based on the
 21 amount paid or incurred by the taxpayer in the tax year and
 22 certified by the commissioner of agriculture under paragraph
 23 (f), for qualifying expenditures:

<u>Amount of</u> <u>qualifying expenditures</u>	<u>Credit amount</u>
24 <u>up to \$500,000</u>	25 <u>ten percent of</u> 26 <u>qualifying expenditures</u>
27 <u>over \$500,000, but not</u> 28 <u>more than \$600,000</u>	29 <u>\$50,000, plus nine percent</u> 30 <u>of the amount of qualified</u> 31 <u>expenditures in excess of</u> <u>\$500,000</u>
32 <u>over \$600,000, but not</u> 33 <u>more than \$700,000</u>	34 <u>\$59,000, plus seven percent</u> 35 <u>of the amount of qualified</u> <u>expenditures in excess of</u> <u>\$600,000</u>
36 <u>over \$700,000, but not</u> 37 <u>more than \$800,000</u>	38 <u>\$66,000, plus five percent</u> 39 <u>of the amount of qualified</u> <u>expenditures in excess of</u> <u>\$700,000</u>
40 <u>over \$800,000, but not</u> 41 <u>more than \$900,000</u>	42 <u>\$71,000, plus three percent</u> 43 <u>of the amount of qualified</u> <u>expenditures in excess of</u> <u>\$800,000</u>

1 over \$900,000, but not
2 more than \$1,000,000

\$74,000, plus one percent
of the amount of qualified
expenditures in excess of
\$900,000

5 \$1,000,000 or more

\$75,000

6 (b) "Qualifying expenditures," for purposes of this
7 subdivision, means the expenses incurred for dairy animals for
8 the construction or improvement of buildings or facilities, or
9 the acquisition of equipment, for dairy animal housing,
10 confinement, animal feeding, milk production, and waste
11 management, including, but not limited to, the following:

12 (1) freestall barns;

13 (2) fences;

14 (3) watering facilities;

15 (4) feed storage and handling equipment;

16 (5) milking parlors;

17 (6) robotic equipment;

18 (7) scales;

19 (8) milk storage and cooling facilities;

20 (9) bulk tanks;

21 (10) manure handling equipment and storage facilities;

22 (11) digesters;

23 (12) equipment used to produce energy; and

24 (13) on-farm processing.

25 Qualifying expenditures only include amounts that are
26 capitalized and deducted under either section 167 or 179 of the
27 Internal Revenue Code in computing federal taxable income.

28 (c) The credit is limited to the liability for tax, as
29 computed under this section for the taxable year for which the
30 credit certificate is issued. If the amount of the credit
31 determined under this section for any taxable year exceeds this
32 limitation, the excess is a dairy investment credit carryover to
33 each of the 15 succeeding taxable years. The entire amount of
34 the excess unused credit for the taxable year is carried first
35 to the earliest of the taxable years to which the credit may be
36 carried and then to each successive year to which the credit may
37 be carried. The amount of the unused credit which may be added

1 under this paragraph shall not exceed the taxpayer's liability
2 for tax less the dairy investment credit for the taxable year.

3 (d) For a partnership or S corporation, the maximum amount
4 of the credit applies to the entity, not the individual partner
5 or shareholder.

6 (e) To be eligible for the dairy investment credit in this
7 subdivision, a taxpayer must apply to the commissioner of
8 agriculture for a tax credit certificate. The application must
9 be made on forms prescribed by the commissioner of agriculture
10 and must include a statement of the qualifying expenditures by
11 the taxpayer.

12 (f) The commissioner of agriculture shall certify credits
13 in the order the forms required under paragraph (e) are received
14 and approved by the commissioner of agriculture, until the
15 maximum credit amount for the taxable year has been reached.
16 The maximum credit amount is \$900,000 for tax years beginning
17 after December 31, 2004, and before January 1, 2006; \$2,000,000
18 for tax years beginning after December 31, 2005, and before
19 January 1, 2007; \$3,500,000 for tax years beginning after
20 December 31, 2006, and before January 1, 2008; and \$4,000,000
21 per year for tax years beginning after December 31, 2007.

22 Any eligible applications for which certificates are not
23 issued in a tax year because the commissioner of agriculture has
24 issued certificates totaling the maximum credit amount for that
25 tax year remain eligible for a credit certificate in subsequent
26 tax years, in the order in which the forms were received by the
27 commissioner of agriculture.

28 [EFFECTIVE DATE.] This section is effective for assets
29 placed in service in taxable years beginning after December 31,
30 2004.

31 Sec. 7. Minnesota Statutes 2004, section 290.17,
32 subdivision 2, is amended to read:

33 Subd. 2. [INCOME NOT DERIVED FROM CONDUCT OF A TRADE OR
34 BUSINESS.] The income of a taxpayer subject to the allocation
35 rules that is not derived from the conduct of a trade or
36 business must be assigned in accordance with paragraphs (a) to

1 (f):

2 (a)(1) Subject to paragraphs (a)(2) and (a)(3), and
 3 ~~(a)(4)~~ income from wages as defined in section 3401(a) and (f)
 4 of the Internal Revenue Code is assigned to this state if, and
 5 to the extent that, the work of the employee is performed within
 6 it; all other income from such sources is treated as income from
 7 sources without this state.

8 Severance pay shall be considered income from labor or
 9 personal or professional services.

10 (2) In the case of an individual who is a nonresident of
 11 Minnesota and who is an athlete or entertainer, income from
 12 compensation for labor or personal services performed within
 13 this state shall be determined in the following manner:

14 (i) The amount of income to be assigned to Minnesota for an
 15 individual who is a nonresident salaried athletic team employee
 16 shall be determined by using a fraction in which the denominator
 17 contains the total number of days in which the individual is
 18 under a duty to perform for the employer, and the numerator is
 19 the total number of those days spent in Minnesota. For purposes
 20 of this paragraph, off-season training activities, unless
 21 conducted at the team's facilities as part of a team imposed
 22 program, are not included in the total number of duty days.
 23 Bonuses earned as a result of play during the regular season or
 24 for participation in championship, play-off, or all-star games
 25 must be allocated under the formula. Signing bonuses are not
 26 subject to allocation under the formula if they are not
 27 conditional on playing any games for the team, are payable
 28 separately from any other compensation, and are nonrefundable;
 29 and

30 (ii) The amount of income to be assigned to Minnesota for
 31 an individual who is a nonresident, and who is an athlete or
 32 entertainer not listed in clause (i), for that person's athletic
 33 or entertainment performance in Minnesota shall be determined by
 34 assigning to this state all income from performances or athletic
 35 contests in this state.

36 (3) For purposes of this section, amounts received by a

1 nonresident as "retirement income" as defined in section (b)(1)
 2 of the State Income Taxation of Pension Income Act, Public Law
 3 104-95, are not considered income derived from carrying on a
 4 trade or business or from wages or other compensation for work
 5 an employee performed in Minnesota, and are not taxable under
 6 this chapter.

7 ~~(4) Wages, otherwise assigned to this state under clause~~
 8 ~~(1) and not qualifying under clause (3), are not taxable under~~
 9 ~~this chapter if the following conditions are met:~~

- 10 ~~(i) the recipient was not a resident of this state for any~~
 11 ~~part of the taxable year in which the wages were received, and~~
 12 ~~(ii) the wages are for work performed while the recipient~~
 13 ~~was a resident of this state.~~

14 (b) Income or gains from tangible property located in this
 15 state that is not employed in the business of the recipient of
 16 the income or gains must be assigned to this state.

17 (c) Income or gains from intangible personal property not
 18 employed in the business of the recipient of the income or gains
 19 must be assigned to this state if the recipient of the income or
 20 gains is a resident of this state or is a resident trust or
 21 estate.

22 Gain on the sale of a partnership interest is allocable to
 23 this state in the ratio of the original cost of partnership
 24 tangible property in this state to the original cost of
 25 partnership tangible property everywhere, determined at the time
 26 of the sale. If more than 50 percent of the value of the
 27 partnership's assets consists of intangibles, gain or loss from
 28 the sale of the partnership interest is allocated to this state
 29 in accordance with the sales factor of the partnership for its
 30 first full tax period immediately preceding the tax period of
 31 the partnership during which the partnership interest was sold.

32 Gain on the sale of goodwill or income from a covenant not
 33 to compete that is connected with a business operating all or
 34 partially in Minnesota is allocated to this state to the extent
 35 that the income from the business in the year preceding the year
 36 of sale was assignable to Minnesota under subdivision 3.

1 property and \$1,000,000 of payroll as determined under section
2 290.191 or 290.20; or (ii) it has in effect a valid election
3 under section 936 of the Internal Revenue Code.

4 [EFFECTIVE DATE.] This section is effective for tax years
5 beginning after December 31, 2004.

6 Sec. 2. Minnesota Statutes 2004, section 290.01,
7 subdivision 19d, is amended to read:

8 Subd. 19d. [CORPORATIONS; MODIFICATIONS DECREASING FEDERAL
9 TAXABLE INCOME.] For corporations, there shall be subtracted
10 from federal taxable income after the increases provided in
11 subdivision 19c:

12 (1) the amount of foreign dividend gross-up added to gross
13 income for federal income tax purposes under section 78 of the
14 Internal Revenue Code;

15 (2) the amount of salary expense not allowed for federal
16 income tax purposes due to claiming the federal jobs credit
17 under section 51 of the Internal Revenue Code;

18 (3) any dividend (not including any distribution in
19 liquidation) paid within the taxable year by a national or state
20 bank to the United States, or to any instrumentality of the
21 United States exempt from federal income taxes, on the preferred
22 stock of the bank owned by the United States or the
23 instrumentality;

24 (4) amounts disallowed for intangible drilling costs due to
25 differences between this chapter and the Internal Revenue Code
26 in taxable years beginning before January 1, 1987, as follows:

27 (i) to the extent the disallowed costs are represented by
28 physical property, an amount equal to the allowance for
29 depreciation under Minnesota Statutes 1986, section 290.09,
30 subdivision 7, subject to the modifications contained in
31 subdivision 19e; and

32 (ii) to the extent the disallowed costs are not represented
33 by physical property, an amount equal to the allowance for cost
34 depletion under Minnesota Statutes 1986, section 290.09,
35 subdivision 8;

36 (5) the deduction for capital losses pursuant to sections

1 1211 and 1212 of the Internal Revenue Code, except that:

2 (i) for capital losses incurred in taxable years beginning
3 after December 31, 1986, capital loss carrybacks shall not be
4 allowed;

5 (ii) for capital losses incurred in taxable years beginning
6 after December 31, 1986, a capital loss carryover to each of the
7 15 taxable years succeeding the loss year shall be allowed;

8 (iii) for capital losses incurred in taxable years
9 beginning before January 1, 1987, a capital loss carryback to
10 each of the three taxable years preceding the loss year, subject
11 to the provisions of Minnesota Statutes 1986, section 290.16,
12 shall be allowed; and

13 (iv) for capital losses incurred in taxable years beginning
14 before January 1, 1987, a capital loss carryover to each of the
15 five taxable years succeeding the loss year to the extent such
16 loss was not used in a prior taxable year and subject to the
17 provisions of Minnesota Statutes 1986, section 290.16, shall be
18 allowed;

19 (6) an amount for interest and expenses relating to income
20 not taxable for federal income tax purposes, if (i) the income
21 is taxable under this chapter and (ii) the interest and expenses
22 were disallowed as deductions under the provisions of section
23 171(a)(2), 265 or 291 of the Internal Revenue Code in computing
24 federal taxable income;

25 (7) in the case of mines, oil and gas wells, other natural
26 deposits, and timber for which percentage depletion was
27 disallowed pursuant to subdivision 19c, clause (11), a
28 reasonable allowance for depletion based on actual cost. In the
29 case of leases the deduction must be apportioned between the
30 lessor and lessee in accordance with rules prescribed by the
31 commissioner. In the case of property held in trust, the
32 allowable deduction must be apportioned between the income
33 beneficiaries and the trustee in accordance with the pertinent
34 provisions of the trust, or if there is no provision in the
35 instrument, on the basis of the trust's income allocable to
36 each;

1 (8) for certified pollution control facilities placed in
2 service in a taxable year beginning before December 31, 1986,
3 and for which amortization deductions were elected under section
4 169 of the Internal Revenue Code of 1954, as amended through
5 December 31, 1985, an amount equal to the allowance for
6 depreciation under Minnesota Statutes 1986, section 290.09,
7 subdivision 7;

8 (9) amounts included in federal taxable income that are due
9 to refunds of income, excise, or franchise taxes based on net
10 income or related minimum taxes paid by the corporation to
11 Minnesota, another state, a political subdivision of another
12 state, the District of Columbia, or a foreign country or
13 possession of the United States to the extent that the taxes
14 were added to federal taxable income under section 290.01,
15 subdivision 19c, clause (1), in a prior taxable year;

16 ~~(10) 80-percent-of-royalties,-fees,-or-other-like-income~~
17 ~~accrued-or-received-from-a-foreign-operating-corporation-or-a~~
18 ~~foreign-corporation-which-is-part-of-the-same-unitary-business~~
19 ~~as-the-receiving-corporation;~~

20 ~~{11}~~ income or gains from the business of mining as defined
21 in section 290.05, subdivision 1, clause (a), that are not
22 subject to Minnesota franchise tax;

23 ~~{12}~~ (11) the amount of handicap access expenditures in the
24 taxable year which are not allowed to be deducted or capitalized
25 under section 44(d)(7) of the Internal Revenue Code;

26 ~~{13}~~ (12) the amount of qualified research expenses not
27 allowed for federal income tax purposes under section 280C(c) of
28 the Internal Revenue Code, but only to the extent that the
29 amount exceeds the amount of the credit allowed under section
30 290.068;

31 ~~{14}~~ (13) the amount of salary expenses not allowed for
32 federal income tax purposes due to claiming the Indian
33 employment credit under section 45A(a) of the Internal Revenue
34 Code;

35 ~~{15}~~ (14) the amount of any refund of environmental taxes
36 paid under section 59A of the Internal Revenue Code;

1 ~~(15)~~ (15) for taxable years beginning before January 1,
2 2008, the amount of the federal small ethanol producer credit
3 allowed under section 40(a)(3) of the Internal Revenue Code
4 which is included in gross income under section 87 of the
5 Internal Revenue Code;

6 ~~(16)~~ (16) for a corporation whose foreign sales
7 corporation, as defined in section 922 of the Internal Revenue
8 Code, constituted a foreign operating corporation during any
9 taxable year ending before January 1, 1995, and a return was
10 filed by August 15, 1996, claiming the deduction under section
11 290.21, subdivision 4, for income received from the foreign
12 operating corporation, an amount equal to 1.23 multiplied by the
13 amount of income excluded under section 114 of the Internal
14 Revenue Code, provided the income is not income of a foreign
15 operating company;

16 ~~(17)~~ (17) any decrease 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 ~~(18)~~ (18) in each of the five tax years immediately
21 following the tax year in which an addition is required under
22 subdivision 19c, clause (16), an amount equal to one-fifth of
23 the delayed depreciation. For purposes of this clause, "delayed
24 depreciation" means the amount of the addition made by the
25 taxpayer under subdivision 19c, clause (16). The resulting
26 delayed depreciation cannot be less than zero.

27 [EFFECTIVE DATE.] This section is effective for tax years
28 beginning after December 31, 2004.

29 Sec. 3. Minnesota Statutes 2004, section 290.17,
30 subdivision 4, is amended to read:

31 Subd. 4. [UNITARY BUSINESS PRINCIPLE.] (a) If a trade or
32 business conducted wholly within this state or partly within and
33 partly without this state is part of a unitary business, the
34 entire income of the unitary business is subject to
35 apportionment pursuant to section 290.191. Notwithstanding
36 subdivision 2, paragraph (c), none of the income of a unitary

1 business is considered to be derived from any particular source
2 and none may be allocated to a particular place except as
3 provided by the applicable apportionment formula. The
4 provisions of this subdivision do not apply to business income
5 subject to subdivision 5, income of an insurance company, or
6 income of an investment company determined under section 290.36.

7 (b) The term "unitary business" means business activities
8 or operations which result in a flow of value between them. The
9 term may be applied within a single legal entity or between
10 multiple entities and without regard to whether each entity is a
11 sole proprietorship, a corporation, a partnership or a trust.

12 (c) Unity is presumed whenever there is unity of ownership,
13 operation, and use, evidenced by centralized management or
14 executive force, centralized purchasing, advertising,
15 accounting, or other controlled interaction, but the absence of
16 these centralized activities will not necessarily evidence a
17 nonunitary business. Unity is also presumed when business
18 activities or operations are of mutual benefit, dependent upon
19 or contributory to one another, either individually or as a
20 group.

21 (d) Where a business operation conducted in Minnesota is
22 owned by a business entity that carries on business activity
23 outside the state different in kind from that conducted within
24 this state, and the other business is conducted entirely outside
25 the state, it is presumed that the two business operations are
26 unitary in nature, interrelated, connected, and interdependent
27 unless it can be shown to the contrary.

28 (e) Unity of ownership is not deemed to exist when a
29 corporation is involved unless that corporation is a member of a
30 group of two or more business entities and more than 50 percent
31 of the voting stock of each member of the group is directly or
32 indirectly owned by a common owner or by common owners, either
33 corporate or noncorporate, or by one or more of the member
34 corporations of the group. For this purpose, the term "voting
35 stock" shall include membership interests of mutual insurance
36 holding companies formed under section 60A.077.

1 (f) The net income and apportionment factors under section
2 290.191 or 290.20 of foreign corporations and other foreign
3 entities which are part of a unitary business shall not be
4 included in the net income or the apportionment factors of the
5 unitary business. A foreign corporation or other foreign entity
6 which is required to file a return under this chapter shall file
7 on a separate return basis. The net income and apportionment
8 factors under section 290.191 or 290.20 of foreign operating
9 corporations shall not be included in the net income or the
10 apportionment factors of the unitary business except as provided
11 in paragraph (g).

12 (g) The adjusted net income of a foreign operating
13 corporation shall be deemed to be paid as a dividend on the last
14 day of its taxable year to each shareholder thereof, in
15 proportion to each shareholder's ownership, with which such
16 corporation is engaged in a unitary business. Such deemed
17 dividend shall be treated as a dividend under section 290.21,
18 subdivision 4. The dividends-received deduction must not be
19 allowed on dividends, interest, royalties, or capital gains
20 received by the foreign operating corporation included in the
21 deemed dividend.

22 Dividends actually paid by a foreign operating corporation
23 to a corporate shareholder which is a member of the same unitary
24 business as the foreign operating corporation shall be
25 eliminated from the net income of the unitary business in
26 preparing a combined report for the unitary business. The
27 adjusted net income of a foreign operating corporation shall be
28 its net income adjusted as follows:

29 (1) any taxes paid or accrued to a foreign country, the
30 commonwealth of Puerto Rico, or a United States possession or
31 political subdivision of any of the foregoing shall be a
32 deduction; and

33 (2) the subtraction from federal taxable income for
34 payments received from foreign corporations or foreign operating
35 corporations under section 290.01, subdivision 19d, clause (10),
36 shall not be allowed.

1 If a foreign operating corporation incurs a net loss,
2 neither income nor deduction from that corporation shall be
3 included in determining the net income of the unitary business.

4 (h) For purposes of determining the net income of a unitary
5 business and the factors to be used in the apportionment of net
6 income pursuant to section 290.191 or 290.20, there must be
7 included only the income and apportionment factors of domestic
8 corporations or other domestic entities other than foreign
9 operating corporations that are determined to be part of the
10 unitary business pursuant to this subdivision, notwithstanding
11 that foreign corporations or other foreign entities might be
12 included in the unitary business.

13 (i) Deductions for expenses, interest, or taxes otherwise
14 allowable under this chapter that are connected with or
15 allocable against dividends, deemed dividends described in
16 paragraph (g), or royalties, fees, or other like income
17 described in section 290.01, subdivision 19d, clause (10), shall
18 not be disallowed.

19 (j) Each corporation or other entity, except a sole
20 proprietorship, that is part of a unitary business must file
21 combined reports as the commissioner determines. On the
22 reports, all intercompany transactions between entities included
23 pursuant to paragraph (h) must be eliminated and the entire net
24 income of the unitary business determined in accordance with
25 this subdivision is apportioned among the entities by using each
26 entity's Minnesota factors for apportionment purposes in the
27 numerators of the apportionment formula and the total factors
28 for apportionment purposes of all entities included pursuant to
29 paragraph (h) in the denominators of the apportionment formula.

30 (k) If a corporation has been divested from a unitary
31 business and is included in a combined report for a fractional
32 part of the common accounting period of the combined report:

33 (1) its income includable in the combined report is its
34 income incurred for that part of the year determined by
35 proration or separate accounting; and

36 (2) its sales, property, and payroll included in the

1 apportionment formula must be prorated or accounted for
2 separately.

3 [EFFECTIVE DATE.] This section is effective for tax years
4 beginning after December 31, 2004.

5 ARTICLE 21

6 SALES TAX - SF2206

7 Section 1. Minnesota Statutes 2004, section 297A.61, is
8 amended by adding a subdivision to read:

9 Subd. 37. [EVENT SOUVENIR CLOTHING.] "Event souvenir
10 clothing" is clothing that is sold at a state-subsidized
11 facility and that bears a name, image, or logo of the
12 entertainer, athlete, or team that performs at the facility. As
13 used in this subdivision, a "state-subsidized facility" means
14 the Metrodome financed under section 473.581, the basketball
15 arena that receives payments from the Amateur Sports Commission
16 under section 473.556, subdivision 16, the hockey arena that
17 received a loan of state funds under Laws 1998, chapter 404,
18 section 23, subdivision 6, and the entertainment and convention
19 center that received a grant under Laws 1998, chapter 404,
20 section 23, subdivision 9.

21 [EFFECTIVE DATE.] This section is effective for sales after
22 June 30, 2005.

23 Sec. 2. Minnesota Statutes 2004, section 297A.67,
24 subdivision 6, is amended to read:

25 Subd. 6. [OTHER EXEMPT MEALS.] (a) Meals or drinks
26 purchased for and served exclusively to individuals who are 60
27 years of age or over and their spouses or to handicapped persons
28 and their spouses by governmental agencies, nonprofit
29 organizations, or churches, or pursuant to any program funded in
30 whole or in part through United States Code, title 42, sections
31 3001 through 3045, wherever delivered, prepared, or served, are
32 exempt.

33 (b) Meals or drinks purchased for and served exclusively to
34 children who are less than 14 years of age or disabled children
35 who are less than 16 years of age and who are attending a child
36 care or early childhood education program, are exempt if they

1 are:

2 (1) purchased by a nonprofit child care facility that is
3 exempt under section 297A.70, subdivision 4, and that primarily
4 serves families with income of 250 percent or less of federal
5 poverty guidelines; and

6 (2) prepared at the site of the child care facility.

7 [EFFECTIVE DATE.] This section is effective for sales after
8 December 31, 1997.

9 Sec. 3. Minnesota Statutes 2004, section 297A.67,
10 subdivision 7, is amended to read:

11 Subd. 7. [MEDICINES DRUGS; MEDICAL DEVICES.]

12 (a) Prescribed Sales of the following drugs and medical devices
13 are exempt:

14 (1) drugs and medicine, and insulin, intended for internal
15 or external use, in the cure, mitigation, treatment, or
16 prevention of illness or disease in human beings are exempt.
17 "Prescribed drugs and medicine" includes use, including
18 over-the-counter drugs or medicine prescribed by a licensed
19 health-care professional.

20 (b) Nonprescription medicines consisting principally
21 (determined by the weight of all ingredients) of analgesics that
22 are approved by the United States Food and Drug Administration
23 for internal use by human beings are exempt. For purposes of
24 this subdivision, "principally" means greater than 50 percent
25 analgesics by weight.

26 (c) Prescription glasses, hospital beds, fever
27 thermometers, reusable;

28 (2) single-use finger-pricking devices for the extraction
29 of blood, blood-glucose-monitoring machines, and
30 other single-use devices and single-use diagnostic agents used
31 in diagnosing, monitoring, or treating diabetes, and therapeutic
32 and;

33 (3) insulin and medical oxygen for human use, regardless of
34 whether prescribed or sold over the counter;

35 (4) prosthetic devices are exempt. "Therapeutic devices"
36 means devices that are attached or applied to the human body to

1 ~~cure, heal, or alleviate injury, illness, or disease, either~~
2 ~~directly or by administering a curative agent. -- "Prosthetic~~
3 ~~devices" means devices that replace injured, diseased, or~~
4 ~~missing parts of the human body, either temporarily or~~
5 ~~permanently;~~

6 (5) durable medical equipment for home use only;

7 (6) mobility enhancing equipment; and

8 (7) prescription corrective eyeglasses.

9 (b) For purposes of this subdivision:

10 (1) "Drug" means a compound, substance, or preparation, and
11 any component of a compound, substance, or preparation, other
12 than food and food ingredients, dietary supplements, or
13 alcoholic beverages that is:

14 (i) recognized in the official United States Pharmacopoeia,
15 official Homeopathic Pharmacopoeia of the United States, or
16 official National Formulary, and supplement to any of them;

17 (ii) intended for use in the diagnosis, cure, mitigation,
18 treatment, or prevention of disease; or

19 (iii) intended to affect the structure or any function of
20 the body.

21 (2) "Durable medical equipment" means equipment, including
22 repair and replacement parts, but not including mobility
23 enhancing equipment, that:

24 (i) can withstand repeated use;

25 (ii) is primarily and customarily used to serve a medical
26 purpose;

27 (iii) generally is not useful to a person in the absence of
28 illness or injury; and

29 (iv) is not worn in or on the body.

30 (3) "Mobility enhancing equipment" means equipment,
31 including repair and replacement parts, but not including
32 durable medical equipment, that:

33 (i) is primarily and customarily used to provide or
34 increase the ability to move from one place to another and that
35 is appropriate for use either in a home or a motor vehicle;

36 (ii) is not generally used by persons with normal mobility;

1 and

2 (iii) does not include any motor vehicle or equipment on a
3 motor vehicle normally provided by a motor vehicle manufacturer.

4 (4) "Over-the-counter drug" means a drug that contains a
5 label that identifies the product as a drug as required by Code
6 of Federal Regulations, title 21, section 201.66. The label
7 must include a "drug facts" panel or a statement of the active
8 ingredients with a list of those ingredients contained in the
9 compound, substance, or preparation. Over-the-counter drugs do
10 not include grooming and hygiene products, regardless of whether
11 they otherwise meet the definition. "Grooming and hygiene
12 products" are soaps, cleaning solutions, shampoo, toothpaste,
13 mouthwash, antiperspirants, and suntan lotions and sunscreens.

14 (5) "Prescribed" and "prescription" means a direction in
15 the form of an order, formula, or recipe issued in any form of
16 oral, written, electronic, or other means of transmission by a
17 duly licensed health care professional.

18 (6) "Prosthetic device" means a replacement, corrective, or
19 supportive device, including repair and replacement parts, worn
20 on or in the body to:

21 (i) artificially replace a missing portion of the body;
22 (ii) prevent or correct physical deformity or malfunction;
23 or
24 (iii) support a weak or deformed portion of the body.

25 Prosthetic device does not include corrective eyeglasses.

26 [EFFECTIVE DATE.] This section is effective for sales and
27 purchases made after June 30, 2005.

28 Sec. 4. Minnesota Statutes 2004, section 297A.67,
29 subdivision 8, is amended to read:

30 Subd. 8. [CLOTHING.] (a) Clothing is exempt. For purposes
31 of this subdivision, "clothing" means all human wearing apparel
32 suitable for general use.

33 (b) Clothing includes, but is not limited to, aprons,
34 household and shop; athletic supporters; baby receiving
35 blankets; bathing suits and caps; beach capes and coats; belts
36 and suspenders; boots; coats and jackets; costumes; children and

1 adult diapers, including disposable; ear muffs; footlets; formal
2 wear; garters and garter belts; girdles; gloves and mittens for
3 general use; hats and caps; hosiery; insoles for shoes; lab
4 coats; neckties; overshoes; pantyhose; rainwear; rubber pants;
5 sandals; scarves; shoes and shoe laces; slippers; sneakers;
6 socks and stockings; steel-toed boots; underwear; uniforms,
7 athletic and nonathletic; and wedding apparel.

8 (c) Clothing does not include the following:

9 (1) belt buckles sold separately;

10 (2) costume masks sold separately;

11 (3) patches and emblems sold separately;

12 (4) sewing equipment and supplies, including but not
13 limited to, knitting needles, patterns, pins, scissors, sewing
14 machines, sewing needles, tape measures, and thimbles;

15 (5) sewing materials that become part of clothing,
16 including but not limited to, buttons, fabric, lace, thread,
17 yarn, and zippers;

18 (6) clothing accessories or equipment;

19 (7) sports or recreational equipment; and

20 (8) protective equipment; and

21 (9) event souvenir clothing.

22 Clothing also does not include apparel made from fur if a
23 uniform definition of "apparel made from fur" is developed by
24 the member states of the Streamlined Sales and Use Tax Agreement.

25 For purposes of this subdivision, "clothing accessories or
26 equipment" means incidental items worn on the person or in
27 conjunction with clothing. Clothing accessories and equipment
28 include, but are not limited to, briefcases; cosmetics; hair
29 notions, including barrettes, hair bows, and hairnets; handbags;
30 handkerchiefs; jewelry; nonprescription sunglasses; umbrellas;
31 wallets; watches; and wigs and hairpieces. "Sports or
32 recreational equipment" means items designed for human use and
33 worn in conjunction with an athletic or recreational activity
34 that are not suitable for general use. Sports and recreational
35 equipment includes, but is not limited to, ballet and tap shoes;
36 cleated or spiked athletic shoes; gloves, including, but not

1 limited to, baseball, bowling, boxing, hockey, and golf gloves;
2 goggles; hand and elbow guards; life preservers and vests; mouth
3 guards; roller and ice skates; shin guards; shoulder pads; ski
4 boots; waders; and wetsuits and fins. "Protective equipment"
5 means items for human wear and designed as protection of the
6 wearer against injury or disease or as protection against damage
7 or injury of other persons or property but not suitable for
8 general use. Protective equipment includes, but is not limited
9 to, breathing masks; clean room apparel and equipment; ear and
10 hearing protectors; face shields; finger guards; hard hats;
11 helmets; paint or dust respirators; protective gloves; safety
12 glasses and goggles; safety belts; tool belts; and welders
13 gloves and masks.

14 [EFFECTIVE DATE.] This section is effective for sales after
15 June 30, 2005.

16 Sec. 5. Minnesota Statutes 2004, section 297A.67,
17 subdivision 29, is amended to read:

18 Subd. 29. [SOLAR ENERGY EFFICIENT PRODUCTS.] ~~(a)-A~~
19 ~~residential-lighting-fixture-or-a-compact-fluorescent-bulb-is~~
20 ~~exempt-if-it-has-an-energy-star-label.~~

21 ~~(b)-The-following-products-are-exempt-if-they-have-an~~
22 ~~energyguide-label-that-indicates-that-the-product-meets-or~~
23 ~~exceeds-the-standards-listed-below:~~

24 ~~(1)-an-electric-heat-pump-hot-water-heater-with-an-energy~~
25 ~~factor-of-at-least-1.9;~~

26 ~~(2)-a-natural-gas-water-heater-with-an-energy-factor-of-at~~
27 ~~least-0.62;~~

28 ~~(3)-a-propane-gas-or-fuel-oil-water-heater-with-an-energy~~
29 ~~factor-of-at-least-0.62;~~

30 ~~(4)-a-natural-gas-furnace-with-an-annual-fuel-utilization~~
31 ~~efficiency-greater-than-92-percent, and~~

32 ~~(5)-a-propane-gas-or-fuel-oil-furnace-with-an-annual-fuel~~
33 ~~utilization-efficiency-greater-than-92-percent.~~

34 ~~(c) A photovoltaic-device~~ solar energy system, as defined
35 in section 216C.06, subdivision 17, is exempt. For purposes of
36 this subdivision, "photovoltaic-device" means a solid-state

1 ~~electrical device, such as a solar module, that converts light~~
 2 ~~directly into direct current electricity of voltage-current~~
 3 ~~characteristics that are a function of the characteristics of~~
 4 ~~the light source and the materials in and design of the device.~~
 5 ~~A "solar module" is a photovoltaic device that produces a~~
 6 ~~specified power output under defined test conditions, usually~~
 7 ~~composed of groups of solar cells connected in series, in~~
 8 ~~parallel, or in series-parallel combinations.~~

9 (d) ~~For purposes of this subdivision, "energy star label"~~
 10 ~~means the label granted to certain products that meet United~~
 11 ~~States Environmental Protection Agency and United States~~
 12 ~~Department of Energy criteria for energy efficiency. For~~
 13 ~~purposes of this subdivision, "energyguide label" means the~~
 14 ~~label that the United States Federal Trade Commissioner requires~~
 15 ~~manufacturers to apply to certain appliances under United States~~
 16 ~~Code, title 16, part 305.~~

17 [EFFECTIVE DATE.] This section is effective for sales and
 18 purchases made on or after August 1, 2005.

19 Sec. 6. Minnesota Statutes 2004, section 297A.68,
 20 subdivision 28, is amended to read:

21 Subd. 28. [MEDICAL SUPPLIES.] Medical supplies purchased
 22 by a licensed health care facility or licensed health care
 23 professional to provide medical treatment to residents or
 24 patients are exempt. The exemption does not apply to durable
 25 medical equipment or components of durable medical equipment,
 26 laboratory supplies, radiological supplies, and other items used
 27 in providing medical services. For purposes of this
 28 subdivision, "medical supplies" means adhesive and nonadhesive
 29 bandages, gauze pads and strips, cotton applicators,
 30 antiseptics, nonprescription drugs, eye solution, and other
 31 similar supplies used directly on the resident or patient in
 32 providing medical services.

33 [EFFECTIVE DATE.] This section is effective for sales and
 34 purchases made after June 30, 2005.

35 Sec. 7. Minnesota Statutes 2004, section 297A.71,
 36 subdivision 12, is amended to read:

1 Subd. 12. [CHAIR LIFTS, RAMPS, ELEVATORS.] ~~Chair-lifts,~~
2 ~~ramps,~~ and Elevators and building materials used to install or
3 construct them chair lifts, ramps, and elevators are exempt, if
4 they are authorized by a physician and installed in or attached
5 to the owner's homestead. The tax must be imposed and collected
6 as if the rate under section 297A.62, subdivision 1, applied and
7 then refunded in the manner provided in section 297A.75.

8 [EFFECTIVE DATE.] This section is effective for sales and
9 purchases made after June 30, 2005.

10 Sec. 8. Minnesota Statutes 2004, section 297A.71, is
11 amended by adding a subdivision to read:

12 Subd. 33. [HYDROELECTRIC GENERATING FACILITY.] Materials
13 and supplies used or consumed in the construction of a
14 hydroelectric generating facility that meets the requirements of
15 this subdivision are exempt. To qualify for the exemption under
16 this subdivision, a hydroelectric generating facility must:

17 (1) utilize two turbine generators at a dam site existing
18 on March 31, 1994;

19 (2) be located on land within 1,500 feet of a 13.8 kilovolt
20 distribution circuit; and

21 (3) be eligible to receive a renewable energy production
22 incentive payment under section 216C.41.

23 [EFFECTIVE DATE.] This section is effective for sales made
24 after December 31, 2004, and on or before December 31, 2007.

25 Sec. 9. Laws 1993, chapter 375, article 9, section 46,
26 subdivision 2, as amended by Laws 1997, chapter 231, article 7,
27 section 40, and Laws 1998, chapter 389, article 8, section 30,
28 and Laws 2003 First Special Session chapter 21, article 8,
29 section 13, is amended to read:

30 Subd. 2. [USE OF REVENUES.] Revenues received from the tax
31 authorized by subdivision 1 may only be used by the city to pay
32 the cost of collecting the tax, and to pay for the following
33 projects or to secure or pay any principal, premium, or interest
34 on bonds issued in accordance with subdivision 3 for the
35 following projects.

36 (a) To pay all or a portion of the capital expenses of

1 construction, equipment and acquisition costs for the expansion
2 and remodeling of the St. Paul Civic Center complex, including
3 the demolition of the existing arena and the construction and
4 equipping of a new arena.

5 (b) The remainder of the funds must be spent for:

6 (1) capital projects to further residential, cultural,
7 commercial, and economic development in both downtown St. Paul
8 and St. Paul neighborhoods ; and

9 (2) capital and operating expenses of cultural
10 organizations in the city, provided that the amount spent under
11 this clause must equal ten percent of the total amount spent
12 under this paragraph in any year.

13 (c) The amount apportioned under paragraph (b) shall be no
14 less than 60 percent of the revenues derived from the tax each
15 year, except to the extent that a portion of that amount is
16 required to pay debt service on (1) bonds issued for the
17 purposes of paragraph (a) prior to March 1, 1998; or (2) bonds
18 issued for the purposes of paragraph (a) after March 1, 1998,
19 but only if the city council determines that 40 percent of the
20 revenues derived from the tax together with other revenues
21 pledged to the payment of the bonds, including the proceeds of
22 definitive bonds, is expected to exceed the annual debt service
23 on the bonds.

24 (d) If in any year more than 40 percent of the revenue
25 derived from the tax authorized by subdivision 1 is used to pay
26 debt service on the bonds issued for the purposes of paragraph
27 (a) and to fund a reserve for the bonds, the amount of the debt
28 service payment that exceeds 40 percent of the revenue must be
29 determined for that year. In any year when 40 percent of the
30 revenue produced by the sales tax exceeds the amount required to
31 pay debt service on the bonds and to fund a reserve for the
32 bonds under paragraph (a), the amount of the excess must be made
33 available for capital projects to further residential, cultural,
34 commercial, and economic development in the neighborhoods and
35 downtown until the cumulative amounts determined for all years
36 under the preceding sentence have been made available under this

1 sentence. The amount made available as reimbursement in the
 2 preceding sentence is not included in the 60 percent determined
 3 under paragraph (c).

4 (e) No revenues from the tax authorized by subdivision 1
 5 may be used to pay principal, premium, or interest on any bonds
 6 or other obligations except the bonds issued under subdivision 3.

7 ~~(e)~~ (f) By January 15 of each odd-numbered year, the mayor
 8 and the city council must report to the legislature on the use
 9 of sales tax revenues during the preceding two-year period.

10 [EFFECTIVE DATE.] This section is effective the day
 11 following final enactment.

12 Sec. 10. Laws 2001, First Special Session chapter 5,
 13 article 12, section 44, the effective date, is amended to read:

14 [EFFECTIVE DATE.] This section is effective for sales and
 15 purchases made after July 31, 2001, ~~and before August 17, 2005.~~

16 Sec. 11. [COUNTY OF MOWER; SALES AND USE TAX.]

17 Subdivision 1. [SALES AND USE TAX
 18 AUTHORIZED.] Notwithstanding Minnesota Statutes, section
 19 477A.016, or any other provision of law or ordinance, the county
 20 of Mower may, by resolution, impose a sales and use tax of up to
 21 one-half percent for the purposes specified in subdivision 2.
 22 Except as otherwise provided in this section, the provisions of
 23 Minnesota Statutes, section 297A.99, govern the imposition,
 24 administration, collection, and enforcement of the tax
 25 authorized under this subdivision.

26 Subd. 2. [USE OF REVENUES.] The proceeds of the tax
 27 imposed under this section must be solely used to pay for costs
 28 associated with a Criminal Justice Center for Mower County.
 29 Government functions to be located in the facility for which
 30 proceeds of the tax may be used include, but are not limited to,
 31 jail, law enforcement, dispatch, courts, court administration,
 32 correctional services, and county attorney.

33 Authorized expenses include, but are not limited to, site
 34 acquisition, infrastructure, construction, and professional fees
 35 related to the project.

36 Subd. 3. [BONDING AUTHORITY.] (a) The county may issue

1 bonds under Minnesota Statutes, chapter 475, to finance the
2 capital expenditures and improvements authorized by the
3 referendum under subdivision 4. An election to approve the
4 bonds under Minnesota Statutes, section 475.58, is not required.

5 (b) The bonds are not included in computing any debt limits
6 applicable to the county, and the levy of taxes under Minnesota
7 Statutes, section 475.61, to pay principal and interest on the
8 bonds is not subject to levy limits.

9 Subd. 4. [REFERENDUM.] If the county of Mower proposes to
10 impose the tax authorized by this section, the question of
11 imposing the tax must be submitted to the voters at either a
12 special election held before January 1, 2006, or at the next
13 general election.

14 Subd. 5. [TERMINATION OF TAXES.] The tax imposed under
15 this section expires when the county board first determines that
16 the amount of revenues raised to pay for the Criminal Justice
17 Center project under subdivision 2 meet or exceed approved
18 project costs. Any funds remaining after completion of the
19 projects may be placed in the general funds of the county. The
20 county may rescind the tax imposed under this section at an
21 earlier time by ordinance.

22 [EFFECTIVE DATE.] This section is effective the day after
23 compliance by the governing body of the county of Mower with
24 Minnesota Statutes, section 645.021, subdivision 3.

25 Sec. 12. [CITY OF WORTHINGTON; 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, at the next
30 general election, the city of Worthington may impose by
31 ordinance a sales and use tax of up to one-half of one percent
32 for the purpose specified in subdivision 3. Except as otherwise
33 provided in this section, the provisions of Minnesota Statutes,
34 section 297A.99, govern the imposition, administration,
35 collection, and enforcement of the tax authorized under this
36 subdivision.

1 Subd. 2. [EXCISE TAX AUTHORIZED.] Notwithstanding
2 Minnesota Statutes, section 477A.016, or any other provision of
3 law, ordinance, or city charter, the city of Worthington may
4 impose by ordinance, for the purposes specified in subdivision
5 3, an excise tax of up to \$20 per motor vehicle, as defined by
6 ordinance, purchased or acquired from any person engaged within
7 the city in the business of selling motor vehicles at retail.

8 Subd. 3. [USE OF REVENUES.] Revenues received from taxes
9 authorized by subdivisions 1 and 2 must be used by the city to
10 pay the cost of collecting and administering the taxes and to
11 pay for the costs of a multipurpose city facility to include
12 meeting rooms, a swimming pool, and a senior citizen center, and
13 to make renovations to the Memorial Auditorium. Authorized
14 expenses include, but are not limited to, acquiring property and
15 paying construction expenses related to these improvements, and
16 paying debt service on bonds or other obligations issued to
17 finance acquisition and construction of these improvements.

18 Subd. 4. [BONDING AUTHORITY.] (a) If the tax authorized
19 under subdivision 1 is approved by the voters, the city may
20 issue bonds under Minnesota Statutes, chapter 475, to pay
21 capital and administrative expenses for the improvements
22 described in subdivision 3 in an amount that does not exceed
23 \$7,800,000. An election to approve the bonds under Minnesota
24 Statutes, section 475.58, is not required.

25 (b) The debt represented by the bonds is not included in
26 computing any debt limitation applicable to the city, and any
27 levy of taxes under Minnesota Statutes, section 475.61, to pay
28 principal of and interest on the bonds is not subject to any
29 levy limitation.

30 Subd. 5. [TERMINATION OF TAXES.] The taxes imposed under
31 subdivisions 1 and 2 expire at the earlier of (1) ten years, or
32 (2) when the city council determines that the amount of revenue
33 received from the taxes to pay for the projects under
34 subdivision 3 equals or exceeds \$7,800,000 plus the additional
35 amount needed to pay the costs related to issuance of bonds
36 under subdivision 4, including interest on the bonds. Any funds

1 remaining after completion of the project and retirement or
2 redemption of the bonds shall be placed in a capital project
3 fund of the city. The taxes imposed under subdivisions 1 and 2
4 may expire at an earlier time if the city so determines by
5 ordinance.

6 [EFFECTIVE DATE.] This section is effective the day after
7 the governing body of the city of Worthington and its chief
8 clerical officer timely comply with Minnesota Statutes, section
9 645.021, subdivisions 2 and 3.

10 ARTICLE 22

11 PROPERTY TAX AND AIDS - SF2206

12 Section 1. Minnesota Statutes 2004, section 123B.53,
13 subdivision 5, is amended to read:

14 Subd. 5. [EQUALIZED DEBT SERVICE LEVY.] (a) The equalized
15 debt service levy of a district equals the sum of the first tier
16 equalized debt service levy and the second tier equalized debt
17 service levy.

18 (b) A district's first tier equalized debt service levy
19 equals the district's first tier debt service equalization
20 revenue times the lesser of one or the ratio of:

21 (1) the quotient derived by dividing the adjusted debt
22 service net tax capacity of the district for the year before the
23 year the levy is certified by the adjusted pupil units in the
24 district for the school year ending in the year prior to the
25 year the levy is certified; to

26 (2) \$3,200.

27 (c) A district's second tier equalized debt service levy
28 equals the district's second tier debt service equalization
29 revenue times the lesser of one or the ratio of:

30 (1) the quotient derived by dividing the adjusted debt
31 service net tax capacity of the district for the year before the
32 year the levy is certified by the adjusted pupil units in the
33 district for the school year ending in the year prior to the
34 year the levy is certified; to

35 (2) \$8,000.

36 [EFFECTIVE DATE.] This section is effective for taxes

1 payable in 2006.

2 Sec. 2. Minnesota Statutes 2004, section 126C.01, is
3 amended by adding a subdivision to read:

4 Subd. 2a. [DEBT SERVICE NET TAX CAPACITY.] A school
5 district's debt service net tax capacity means the net tax
6 capacity of the taxable property of the district as adjusted by
7 the commissioner of revenue under section 127A.48, subdivision
8 17. The debt service net tax capacity for any given calendar
9 year must be used to compute the debt service levy limitations
10 for levies certified in the succeeding calendar year and aid for
11 the school year beginning in the second succeeding calendar year.

12 [EFFECTIVE DATE.] This section is effective the day
13 following final enactment for computing taxes payable in 2006.

14 Sec. 3. Minnesota Statutes 2004, section 127A.48, is
15 amended by adding a subdivision to read:

16 Subd. 17. [DEBT SERVICE NET TAX CAPACITY.] To calculate
17 each district's debt service net tax capacity, the commissioner
18 of revenue must recompute the amounts in this section using an
19 alternative sales ratio comparing the sales price to the
20 estimated market value of the property.

21 [EFFECTIVE DATE.] This section is effective the day
22 following final enactment for computing taxes payable in 2006.

23 Sec. 4. Minnesota Statutes 2004, section 254B.02,
24 subdivision 3, is amended to read:

25 Subd. 3. [RESERVE ACCOUNT.] The commissioner shall
26 allocate money from the reserve account to counties that, during
27 the current fiscal year, have met or exceeded the base level of
28 expenditures for eligible chemical dependency services from
29 local money. The commissioner shall establish the base level
30 for fiscal year 1988 as the amount of local money used for
31 eligible services in calendar year 1986. In later years, the
32 base level must be increased in the same proportion as state
33 appropriations to implement Laws 1986, chapter 394, sections 8
34 to 20, are increased, except the base level shall not exceed 55
35 percent of the county allocation provided in subdivision 1 for
36 fiscal year 2006; 50 percent in fiscal year 2007; 45 percent in

1 fiscal year 2008; and 40 percent in fiscal year 2009.
 2 Thereafter the maximum base level shall decrease by five percent
 3 each year until the maximum county match is 15 percent. The
 4 base level must be decreased if the fund balance from which
 5 allocations are made under section 254B.02, subdivision 1, is
 6 decreased in later years. The local match rate for the reserve
 7 account is the same rate as applied to the initial allocation.
 8 Reserve account payments must not be included when calculating
 9 the county adjustments made according to subdivision 2. For
 10 counties providing medical assistance or general assistance
 11 medical care through managed care plans on January 1, 1996, the
 12 base year is fiscal year 1995. For counties beginning provision
 13 of managed care after January 1, 1996, the base year is the most
 14 recent fiscal year before enrollment in managed care begins.
 15 For counties providing managed care, the base level will be
 16 increased or decreased in proportion to changes in the fund
 17 balance from which allocations are made under subdivision 2, but
 18 will be additionally increased or decreased in proportion to the
 19 change in county adjusted population made in subdivision 1,
 20 paragraphs (b) and (c). Effective July 1, 2001, at the end of
 21 each biennium, any funds deposited in the reserve account funds
 22 in excess of those needed to meet obligations incurred under
 23 this section and sections 254B.06 and 254B.09 shall cancel to
 24 the general fund.

25 Sec. 5. Minnesota Statutes 2004, section 272.02,
 26 subdivision 53, is amended to read:

27 Subd. 53. [ELECTRIC GENERATION FACILITY; PERSONAL
 28 PROPERTY.] Notwithstanding subdivision 9, clause (a), attached
 29 machinery and other personal property which is part of a 3.2
 30 megawatt run-of-the-river hydroelectric generation facility and
 31 that meets the requirements of this subdivision is exempt. At
 32 the time of construction, the facility must:

33 (1) utilize two turbine generators at a dam site existing
 34 on March 31, 1994;

35 (2) be located on publicly-owned land and within 1,500 feet
 36 of a 13.8 kilovolt distribution substation; and

1 (3) be eligible to receive a renewable energy production
2 incentive payment under section 216C.41.

3 Construction of the facility must be commenced after
4 ~~January 17, 2002~~ December 31, 2004, and before January 1, 2005
5 2007. Property eligible for this exemption does not include
6 electric transmission lines and interconnections or gas
7 pipelines and interconnections appurtenant to the property or
8 the facility.

9 [EFFECTIVE DATE.] This section is effective for taxes
10 levied in 2005, payable in 2006, and thereafter.

11 Sec. 6. Minnesota Statutes 2004, section 272.02, is
12 amended by adding a subdivision to read:

13 Subd. 68. [ELECTRIC GENERATION FACILITY PERSONAL
14 PROPERTY.] (a) Notwithstanding subdivision 9, clause (a),
15 attached machinery and other personal property which is part of
16 either a simple-cycle, combustion-turbine electric generation
17 facility, or a combined-cycle, combustion-turbine electric
18 generation facility that does not exceed 325 megawatts of
19 installed capacity and that meets the requirements of this
20 subdivision is exempt. At the time of construction, the
21 facility must:

22 (1) utilize either a simple-cycle or a combined-cycle
23 combustion-turbine generator fueled by natural gas;

24 (2) be connected to an existing 115-kilovolt high-voltage
25 electric transmission line that is within two miles of the
26 facility;

27 (3) be located on an underground natural gas storage
28 aquifer;

29 (4) be designed as either a peaking or intermediate load
30 facility; and

31 (5) have received, by resolution, the approval from the
32 governing body of the county for the exemption of personal
33 property under this subdivision.

34 (b) Construction of the facility must be commenced after
35 January 1, 2006, and before January 1, 2008. Property eligible
36 for this exemption does not include electric transmission lines

1 and interconnections or gas pipelines and interconnections
 2 appurtenant to the property or the facility.

3 [EFFECTIVE DATE.] This section is effective for assessment
 4 year 2005, taxes payable in 2006, and thereafter.

5 Sec. 7. Minnesota Statutes 2004, section 272.0211,
 6 subdivision 1, is amended to read:

7 Subdivision 1. [EFFICIENCY DETERMINATION AND
 8 CERTIFICATION.] An owner or operator of a new or existing
 9 electric power generation facility, excluding wind energy
 10 conversion systems, may apply to the commissioner of revenue for
 11 a market value exclusion on the property as provided for in this
 12 section. This exclusion shall apply only to the market value of
 13 the equipment of the facility, and shall not apply to the
 14 structures and the land upon which the facility is located. The
 15 commissioner of revenue shall prescribe the forms and procedures
 16 for this application. Upon receiving the application, the
 17 commissioner of revenue shall request the commissioner of
 18 commerce to make a determination of the efficiency of the
 19 applicant's electric power generation facility. ~~In calculating~~
 20 ~~the efficiency of a facility,~~ The commissioner of commerce shall
 21 ~~use a definition of~~ calculate efficiency ~~which calculates~~
 22 ~~efficiency as the sum of:~~

23 ~~(1) the useful electrical power output, plus~~
 24 ~~(2) the useful thermal energy output, plus~~
 25 ~~(3) the fuel energy of the useful chemical products,~~
 26 ~~all divided by the total energy input to the facility, expressed~~
 27 as a percentage as the ratio of useful energy outputs to energy
 28 inputs, expressed as a percentage, based on the performance of
 29 the facility's equipment during normal full load operation. The
 30 commissioner must include in this formula the energy used in any
 31 on-site preparation of materials necessary to convert the
 32 materials into the fuel used to generate electricity, such as a
 33 process to gasify petroleum coke. The commissioner shall use
 34 the ~~high-heating-value~~ Higher Heating Value (HHV) for all
 35 substances in the commissioner's efficiency calculations, except
 36 for wood for fuel in a biomass-eligible project under section

1 216B.2424; for these instances, the commissioner shall adjust
 2 the heating value to allow for energy consumed for evaporation
 3 of the moisture in the wood. The applicant shall provide the
 4 commissioner of commerce with whatever information the
 5 commissioner deems necessary to make the determination. Within
 6 30 days of the receipt of the necessary information, the
 7 commissioner of commerce shall certify the findings of the
 8 efficiency determination to the commissioner of revenue and to
 9 the applicant. ~~The commissioner of commerce shall determine the~~
 10 ~~efficiency of the facility and certify the findings of that~~
 11 ~~determination to the commissioner of revenue every two years~~
 12 ~~thereafter from the date of the original certification.~~

13 [EFFECTIVE DATE.] This section is effective for assessment
 14 year 2005 and thereafter, for taxes payable in 2006 and
 15 thereafter.

16 Sec. 8. Minnesota Statutes 2004, section 272.0211,
 17 subdivision 2, is amended to read:

18 Subd. 2. [SLIDING SCALE EXCLUSION.] Based upon the
 19 efficiency determination provided by the commissioner of
 20 commerce as described in subdivision 1, the commissioner of
 21 revenue shall subtract ~~five~~ eight percent of the taxable market
 22 value of the qualifying property for each percentage point that
 23 the efficiency of the specific facility, as determined by the
 24 commissioner of commerce, is above ~~35~~ 40 percent. The reduction
 25 in taxable market value shall be reflected in the taxable market
 26 value of the facility beginning with the assessment year
 27 immediately following the determination. For a facility that is
 28 assessed by the county in which the facility is located, the
 29 commissioner of revenue shall certify to the assessor of that
 30 county the percentage of the taxable market value of the
 31 facility to be excluded.

32 [EFFECTIVE DATE.] This section is effective for assessment
 33 year 2005 and thereafter, for taxes payable in 2006 and
 34 thereafter.

35 Sec. 9. Minnesota Statutes 2004, section 273.11,
 36 subdivision 1a, is amended to read:

1 Subd. 1a. [LIMITED MARKET VALUE.] In the case of all
2 property classified as agricultural homestead or nonhomestead,
3 residential homestead or nonhomestead, timber, or noncommercial
4 seasonal residential recreational, the assessor shall compare
5 the value with the taxable portion of the value determined in
6 the preceding assessment.

7 For assessment year 2002, the amount of the increase shall
8 not exceed the greater of (1) ten percent of the value in the
9 preceding assessment, or (2) 15 percent of the difference
10 between the current assessment and the preceding assessment.

11 For assessment year 2003, the amount of the increase shall
12 not exceed the greater of (1) 12 percent of the value in the
13 preceding assessment, or (2) 20 percent of the difference
14 between the current assessment and the preceding assessment.

15 For assessment year 2004, the amount of the increase shall
16 not exceed the greater of (1) 15 percent of the value in the
17 preceding assessment, or (2) 25 percent of the difference
18 between the current assessment and the preceding assessment.

19 For assessment year 2005, the amount of the increase shall
20 not exceed the greater of (1) 15 percent of the value in the
21 preceding assessment, or (2) 33 percent of the difference
22 between the current assessment and the preceding assessment.

23 For assessment year 2006, the amount of the increase shall
24 not exceed the greater of (1) 15 percent of the value in the
25 preceding assessment, or (2) 50 percent of the difference
26 between the current assessment and the preceding assessment.

27 This limitation shall not apply to increases in value due
28 to improvements. For purposes of this subdivision, the term
29 "assessment" means the value prior to any exclusion under
30 subdivision 16.

31 The provisions of this subdivision shall be in effect
32 through assessment year 2006 as provided in this subdivision.

33 For purposes of the assessment/sales ratio study conducted
34 under section 127A.48, and the computation of state aids paid
35 under chapters 122A, 123A, 123B, excluding section 123B.53,
36 124D, 125A, 126C, 127A, and 477A, market values and net tax

1 capacities determined under this subdivision and subdivision 16,
 2 shall be used.

3 [EFFECTIVE DATE.] This section is effective the day
 4 following final enactment for computing taxes payable in 2006.

5 Sec. 10. Minnesota Statutes 2004, section 275.025,
 6 subdivision 1, is amended to read:

7 Subdivision 1. [LEVY AMOUNT.] (a) The state general levy
 8 is levied against commercial-industrial property and seasonal
 9 residential recreational property, as defined in this section.
 10 The state general levy base amount is \$592,000,000 for taxes
 11 payable in 2002. For taxes payable in subsequent years on
 12 seasonal residential recreational property, the levy base amount
 13 is increased each year by multiplying the levy base amount
 14 for that class of property for the prior year by the sum of one
 15 plus the rate of increase, if any, in the implicit price
 16 deflator for government consumption expenditures and gross
 17 investment for state and local governments prepared by the
 18 Bureau of Economic Analysts of the United States Department of
 19 Commerce for the 12-month period ending March 31 of the year
 20 prior to the year the taxes are payable. For taxes payable in
 21 2006 and subsequent years on commercial-industrial property, the
 22 tax is imposed under this subdivision at the rate of the tax
 23 imposed under this subdivision for taxes payable in 2002. The
 24 tax under this section is not treated as a local tax rate under
 25 section 469.177 and is not the levy of a governmental unit under
 26 chapters 276A and 473F.

27 (b) Beginning with taxes payable in 2008, and in each year
 28 thereafter, the commissioner of finance shall deposit in the
 29 education reserve account established in 2005 S.F. No. 1683,
 30 article 4, section 73, if enacted, the increased amount of the
 31 state general levy for that year over the state general levy
 32 base amount for taxes payable in 2002.

33 (c) The commissioner shall increase or decrease the
 34 preliminary or final rate for a year as necessary to account for
 35 errors and tax base changes that affected a preliminary or final
 36 rate for either of the two preceding years. Adjustments are

1 allowed to the extent that the necessary information is
 2 available to the commissioner at the time the rates for a year
 3 must be certified, and for the following reasons:

- 4 (1) an erroneous report of taxable value by a local
 5 official;
- 6 (2) an erroneous calculation by the commissioner; and
- 7 (3) an increase or decrease in taxable value for
 8 commercial-industrial or seasonal residential recreational
 9 property reported on the abstracts of tax lists submitted under
 10 section 275.29 that was not reported on the abstracts of
 11 assessment submitted under section 270.11, subdivision 2, for
 12 the same year.

13 The commissioner may, but need not, make adjustments if the
 14 total difference in the tax levied for the year would be less
 15 than \$100,000.

16 [EFFECTIVE DATE.] This section is effective for taxes
 17 payable in 2006 and subsequent years.

18 Sec. 11. Minnesota Statutes 2004, section 275.065,
 19 subdivision 3, is amended to read:

20 Subd. 3. [NOTICE OF PROPOSED PROPERTY TAXES.] (a) The
 21 county auditor shall prepare and the county treasurer shall
 22 deliver after November 10 and on or before November 24 each
 23 year, by first class mail to each taxpayer at the address listed
 24 on the county's current year's assessment roll, a notice of
 25 proposed property taxes.

26 (b) The commissioner of revenue shall prescribe the form of
 27 the notice.

28 (c) The notice must inform taxpayers that it contains the
 29 amount of property taxes each taxing authority proposes to
 30 collect for taxes payable the following year. In the case of a
 31 town, or in the case of the state general tax, the final tax
 32 amount will be its proposed tax. In the case of taxing
 33 authorities required to hold a public meeting under subdivision
 34 6, the notice must clearly state that each taxing authority,
 35 including regional library districts established under section
 36 134.201, and including the metropolitan taxing districts as

1 defined in paragraph (i), but excluding all other special taxing
 2 districts and towns, will hold a public meeting to receive
 3 public testimony on the proposed budget and proposed or final
 4 property tax levy, or, in case of a school district, on the
 5 current budget and proposed property tax levy. It must clearly
 6 state the time and place of each taxing authority's meeting, a
 7 telephone number for the taxing authority that taxpayers may
 8 call if they have questions related to the notice, and an
 9 address where comments will be received by mail.

10 (d) The notice must state for each parcel:

11 (1) the market value of the property as determined under
 12 section 273.11, and used for computing property taxes payable in
 13 the following year and for taxes payable in the current year as
 14 each appears in the records of the county assessor on November 1
 15 of the current year; and, in the case of residential property,
 16 whether the property is classified as homestead or
 17 nonhomestead. The notice must clearly inform taxpayers of the
 18 years to which the market values apply and that the values are
 19 final values;

20 (2) the items listed below, shown separately by county,
 21 city or town, and state general tax, net of the residential and
 22 agricultural homestead credit under section 273.1384, voter
 23 approved school levy, other local school levy, and the sum of
 24 the special taxing districts, and as a total of all taxing
 25 authorities:

- 26 (i) the actual tax for taxes payable in the current year;
- 27 and
- 28 (ii) the proposed tax amount.

29 If the county levy under clause (2) includes an amount for
 30 a lake improvement district as defined under sections 103B.501
 31 to 103B.581, the amount attributable for that purpose must be
 32 separately stated from the remaining county levy amount.

33 In the case of a town or the state general tax, the final
 34 tax shall also be its proposed tax unless the town changes its
 35 levy at a special town meeting under section 365.52. If a
 36 school district has certified under section 126C.17, subdivision

1 9, that a referendum will be held in the school district at the
 2 November general election, the county auditor must note next to
 3 the school district's proposed amount that a referendum is
 4 pending and that, if approved by the voters, the tax amount may
 5 be higher than shown on the notice. In the case of the city of
 6 Minneapolis, the levy for the Minneapolis Library Board and the
 7 levy for Minneapolis Park and Recreation shall be listed
 8 separately from the remaining amount of the city's levy. In the
 9 case of the city of St. Paul, the levy for the St. Paul Library
 10 Agency must be listed separately from the remaining amount of
 11 the city's levy. In the case of a parcel where tax increment or
 12 the fiscal disparities areawide tax under chapter 276A or 473F
 13 applies, the proposed tax levy on the captured value or the
 14 proposed tax levy on the tax capacity subject to the areawide
 15 tax must each be stated separately and not included in the sum
 16 of the special taxing districts; and

17 (3) the increase or decrease between the total taxes
 18 payable in the current year and the total proposed taxes,
 19 expressed as a percentage.

20 For purposes of this section, the amount of the tax on
 21 homesteads qualifying under the senior citizens' property tax
 22 deferral program under chapter 290B is the total amount of
 23 property tax before subtraction of the deferred property tax
 24 amount.

25 (e) The notice must clearly state that the proposed or
 26 final taxes do not include the following:

27 (1) special assessments;

28 (2) levies approved by the voters after the date the
 29 proposed taxes are certified, including bond referenda and
 30 school district levy referenda;

31 (3) a levy limit increase approved by the voters by the
 32 first Tuesday after the first Monday in November of the levy
 33 year as provided under section 275.73;

34 (4) amounts necessary to pay cleanup or other costs due to
 35 a natural disaster occurring after the date the proposed taxes
 36 are certified;

1 (5) amounts necessary to pay tort judgments against the
2 taxing authority that become final after the date the proposed
3 taxes are certified; and

4 (6) the contamination tax imposed on properties which
5 received market value reductions for contamination.

6 (f) Except as provided in subdivision 7, failure of the
7 county auditor to prepare or the county treasurer to deliver the
8 notice as required in this section does not invalidate the
9 proposed or final tax levy or the taxes payable pursuant to the
10 tax levy.

11 (g) If the notice the taxpayer receives under this section
12 lists the property as nonhomestead, and satisfactory
13 documentation is provided to the county assessor by the
14 applicable deadline, and the property qualifies for the
15 homestead classification in that assessment year, the assessor
16 shall reclassify the property to homestead for taxes payable in
17 the following year.

18 (h) In the case of class 4 residential property used as a
19 residence for lease or rental periods of 30 days or more, the
20 taxpayer must either:

21 (1) mail or deliver a copy of the notice of proposed
22 property taxes to each tenant, renter, or lessee; or

23 (2) post a copy of the notice in a conspicuous place on the
24 premises of the property.

25 The notice must be mailed or posted by the taxpayer by
26 November 27 or within three days of receipt of the notice,
27 whichever is later. A taxpayer may notify the county treasurer
28 of the address of the taxpayer, agent, caretaker, or manager of
29 the premises to which the notice must be mailed in order to
30 fulfill the requirements of this paragraph.

31 (i) For purposes of this subdivision, subdivisions 5a and
32 6, "metropolitan special taxing districts" means the following
33 taxing districts in the seven-county metropolitan area that levy
34 a property tax for any of the specified purposes listed below:

35 (1) Metropolitan Council under section 473.132, 473.167,
36 473.249, 473.325, 473.446, 473.521, 473.547, or 473.834;

1 (2) Metropolitan Airports Commission under section 473.667,
2 473.671, or 473.672; and

3 (3) Metropolitan Mosquito Control Commission under section
4 473.711.

5 For purposes of this section, any levies made by the
6 regional rail authorities in the county of Anoka, Carver,
7 Dakota, Hennepin, Ramsey, Scott, or Washington under chapter
8 398A shall be included with the appropriate county's levy and
9 shall be discussed at that county's public hearing.

10 (j) The governing body of a county, city, or school
11 district may, with the consent of the county auditor, include
12 supplemental information with the statement of proposed property
13 taxes about the impact of state aid increases or decreases on
14 property tax increases or decreases and on the level of services
15 provided in the affected jurisdiction. This supplemental
16 information may include information for the following year, the
17 current year, and for as many consecutive preceding years as
18 deemed appropriate by the governing body of the county, city, or
19 school district. It may include only information regarding:

20 (1) the impact of inflation as measured by the implicit
21 price deflator for state and local government purchases;

22 (2) population growth and decline;

23 (3) state or federal government action; and

24 (4) other financial factors that affect the level of

25 property taxation and local services that the governing body of
26 the county, city, or school district may deem appropriate to
27 include.

28 The information may be presented using tables, written
29 narrative, and graphic representations and may contain
30 instruction toward further sources of information or opportunity
31 for comment.

32 Sec. 12. Minnesota Statutes 2004, section 469.033,
33 subdivision 6, is amended to read:

34 Subd. 6. [OPERATION AREA AS TAXING DISTRICT, SPECIAL TAX.]

35 All of the territory included within the area of operation of
36 any authority shall constitute a taxing district for the purpose

1 of levying and collecting special benefit taxes as provided in
2 this subdivision. All of the taxable property, both real and
3 personal, within that taxing district shall be deemed to be
4 benefited by projects to the extent of the special taxes levied
5 under this subdivision. Subject to the consent by resolution of
6 the governing body of the city in and for which it was created,
7 an authority may levy a tax upon all taxable property within
8 that taxing district. The tax shall be extended, spread, and
9 included with and as a part of the general taxes for state,
10 county, and municipal purposes by the county auditor, to be
11 collected and enforced therewith, together with the penalty,
12 interest, and costs. As the tax, including any penalties,
13 interest, and costs, is collected by the county treasurer it
14 shall be accumulated and kept in a separate fund to be known as
15 the "housing and redevelopment project fund." The money in the
16 fund shall be turned over to the authority at the same time and
17 in the same manner that the tax collections for the city are
18 turned over to the city, and shall be expended only for the
19 purposes of sections 469.001 to 469.047. It shall be paid out
20 upon vouchers signed by the chair of the authority or an
21 authorized representative. The amount of the levy shall be an
22 amount approved by the governing body of the city, but shall not
23 exceed 0.0144 percent of taxable market value for the current
24 levy year, notwithstanding section 273.032. The authority shall
25 each year formulate and file a budget in accordance with the
26 budget procedure of the city in the same manner as required of
27 executive departments of the city or, if no budgets are required
28 to be filed, by August 1. The amount of the tax levy for the
29 following year shall be based on that budget.

30 Sec. 13. Minnesota Statutes 2004, section 473F.08,
31 subdivision 3a, is amended to read:

32 Subd. 3a. [BLOOMINGTON COMPUTATION.] Beginning in 1987 and
33 each subsequent year through 1998, the city of Bloomington shall
34 determine the interest payments for that year for the bonds
35 which have been sold for the highway improvements pursuant to
36 Laws 1986, chapter 391, section 2, paragraph (g). Effective for

1 property taxes payable in 1988 through property taxes payable in
2 1999, after the Hennepin County auditor has computed the
3 areawide portion of the levy for the city of Bloomington
4 pursuant to subdivision 3, clause (a), the auditor shall
5 annually add a dollar amount to the city of Bloomington's
6 areawide portion of the levy equal to the amount which has been
7 certified to the auditor by the city of Bloomington for the
8 interest payments for that year for the bonds which were sold
9 for highway improvements. The total areawide portion of the
10 levy for the city of Bloomington including the additional amount
11 for interest repayment certified pursuant to this subdivision
12 shall be certified by the Hennepin County auditor to the
13 administrative auditor pursuant to subdivision 5. The Hennepin
14 County auditor shall distribute to the city of Bloomington the
15 additional areawide portion of the levy computed pursuant to
16 this subdivision at the same time that payments are made to the
17 other counties pursuant to subdivision 7a. For property taxes
18 payable from the year ~~2006~~ 2014 through ~~2015~~ 2023, the Hennepin
19 County auditor shall adjust Bloomington's contribution to the
20 areawide gross tax capacity upward each year by a value equal to
21 ten percent of the total additional areawide levy distributed to
22 Bloomington under this subdivision from 1988 to 1999, divided by
23 the areawide tax rate for taxes payable in the previous year.

24 [EFFECTIVE DATE.] This section is effective the day
25 following final enactment.

26 Sec. 14. Minnesota Statutes 2004, section 477A.011,
27 subdivision 34, is amended to read:

28 Subd. 34. [CITY REVENUE NEED.] (a) For a city with a
29 population equal to or greater than 2,500, "city revenue need"
30 is the sum of (1) 5.0734098 times the pre-1940 housing
31 percentage; plus (2) 19.141678 times the population decline
32 percentage; plus (3) 2504.06334 times the road accidents factor;
33 plus (4) 355.0547; minus (5) the metropolitan area factor; minus
34 (6) 49.10638 times the household size.

35 (b) For a city with a population less than 2,500, "city
36 revenue need" is the sum of (1) 2.387 times the pre-1940 housing

1 percentage; plus (2) 2.67591 times the commercial industrial
 2 percentage; plus (3) 3.16042 times the population decline
 3 percentage; plus (4) 1.206 times the transformed population;
 4 minus (5) 62.772.

5 (c) The city revenue need cannot be less than zero.

6 (d) For calendar year 2005 and subsequent years, the city
 7 revenue need for a city, as determined in paragraphs (a) to (c),
 8 is multiplied by the ratio of the ~~annual~~ most recently available
 9 first quarter implicit price deflator for government consumption
 10 expenditures and gross investment for state and local
 11 governments as prepared by the United States Department of
 12 Commerce, ~~for-the-most-recently-available-year~~ to the 2003 first
 13 quarter 2002 implicit price deflator for state and local
 14 government purchases.

15 (e) For a city with a population of 2,500 or more and a
 16 population in one of the most recently available five years that
 17 was less than 2,500, "city revenue need" is the sum of (1) its
 18 city revenue need calculated under paragraph (a) multiplied by
 19 its transition factor; plus (2) its city revenue need calculated
 20 under the formula in paragraph (b) multiplied by the difference
 21 between one and its transition factor. For purposes of this
 22 paragraph, a city's "transition factor" is equal to 0.2
 23 multiplied by the number of years that the city's population
 24 estimate has been 2,500 or more. This provision only applies
 25 for aids payable in calendar years 2006 to 2008 to cities with a
 26 2002 population of less than 2,500. It applies to any city for
 27 aids payable in 2009 and thereafter.

28 [EFFECTIVE DATE.] This section is effective for aids
 29 payable in 2006 and thereafter.

30 Sec. 15. Minnesota Statutes 2004, section 477A.011,
 31 subdivision 36, as amended by Laws 2005, chapter 38, section 1,
 32 is amended to read:

33 Subd. 36. [CITY AID BASE.] (a) Except as otherwise
 34 provided in this subdivision, "city aid base" is zero.

35 (b) The city aid base for any city with a population less
 36 than 500 is increased by \$40,000 for aids payable in calendar

1 year 1995 and thereafter, and the maximum amount of total aid it
2 may receive under section 477A.013, subdivision 9, paragraph
3 (c), is also increased by \$40,000 for aids payable in calendar
4 year 1995 only, provided that:

5 (i) the average total tax capacity rate for taxes payable
6 in 1995 exceeds 200 percent;

7 (ii) the city portion of the tax capacity rate exceeds 100
8 percent; and

9 (iii) its city aid base is less than \$60 per capita.

10 (c) The city aid base for a city is increased by \$20,000 in
11 1998 and thereafter and the maximum amount of total aid it may
12 receive under section 477A.013, subdivision 9, paragraph (c), is
13 also increased by \$20,000 in calendar year 1998 only, provided
14 that:

15 (i) the city has a population in 1994 of 2,500 or more;

16 (ii) the city is located in a county, outside of the
17 metropolitan area, which contains a city of the first class;

18 (iii) the city's net tax capacity used in calculating its
19 1996 aid under section 477A.013 is less than \$400 per capita;
20 and

21 (iv) at least four percent of the total net tax capacity,
22 for taxes payable in 1996, of property located in the city is
23 classified as railroad property.

24 (d) The city aid base for a city is increased by \$200,000
25 in 1999 and thereafter and the maximum amount of total aid it
26 may receive under section 477A.013, subdivision 9, paragraph
27 (c), is also increased by \$200,000 in calendar year 1999 only,
28 provided that:

29 (i) the city was incorporated as a statutory city after
30 December 1, 1993;

31 (ii) its city aid base does not exceed \$5,600; and

32 (iii) the city had a population in 1996 of 5,000 or more.

33 (e) The city aid base for a city is increased by \$450,000
34 in 1999 to 2008 and the maximum amount of total aid it may
35 receive under section 477A.013, subdivision 9, paragraph (c), is
36 also increased by \$450,000 in calendar year 1999 only, provided

1 that:

2 (i) the city had a population in 1996 of at least 50,000;

3 (ii) its population had increased by at least 40 percent in
4 the ten-year period ending in 1996; and

5 (iii) its city's net tax capacity for aids payable in 1998
6 is less than \$700 per capita.

7 (f) The city aid base for a city is increased by \$150,000
8 for aids payable in 2000 and thereafter, and the maximum amount
9 of total aid it may receive under section 477A.013, subdivision
10 9, paragraph (c), is also increased by \$150,000 in calendar year
11 2000 only, provided that:

12 (1) the city has a population that is greater than 1,000
13 and less than 2,500;

14 (2) its commercial and industrial percentage for aids
15 payable in 1999 is greater than 45 percent; and

16 (3) the total market value of all commercial and industrial
17 property in the city for assessment year 1999 is at least 15
18 percent less than the total market value of all commercial and
19 industrial property in the city for assessment year 1998.

20 (g) The city aid base for a city is increased by \$200,000
21 in 2000 and thereafter, and the maximum amount of total aid it
22 may receive under section 477A.013, subdivision 9, paragraph
23 (c), is also increased by \$200,000 in calendar year 2000 only,
24 provided that:

25 (1) the city had a population in 1997 of 2,500 or more;

26 (2) the net tax capacity of the city used in calculating
27 its 1999 aid under section 477A.013 is less than \$650 per
28 capita;

29 (3) the pre-1940 housing percentage of the city used in
30 calculating 1999 aid under section 477A.013 is greater than 12
31 percent;

32 (4) the 1999 local government aid of the city under section
33 477A.013 is less than 20 percent of the amount that the formula
34 aid of the city would have been if the need increase percentage
35 was 100 percent; and

36 (5) the city aid base of the city used in calculating aid

1 under section 477A.013 is less than \$7 per capita.

2 (h) The city aid base for a city is increased by \$102,000
3 in 2000 and thereafter, and the maximum amount of total aid it
4 may receive under section 477A.013, subdivision 9, paragraph
5 (c), is also increased by \$102,000 in calendar year 2000 only,
6 provided that:

7 (1) the city has a population in 1997 of 2,000 or more;

8 (2) the net tax capacity of the city used in calculating
9 its 1999 aid under section 477A.013 is less than \$455 per
10 capita;

11 (3) the net levy of the city used in calculating 1999 aid
12 under section 477A.013 is greater than \$195 per capita; and

13 (4) the 1999 local government aid of the city under section
14 477A.013 is less than 38 percent of the amount that the formula
15 aid of the city would have been if the need increase percentage
16 was 100 percent.

17 (i) The city aid base for a city is increased by \$32,000 in
18 2001 and thereafter, and the maximum amount of total aid it may
19 receive under section 477A.013, subdivision 9, paragraph (c), is
20 also increased by \$32,000 in calendar year 2001 only, provided
21 that:

22 (1) the city has a population in 1998 that is greater than
23 200 but less than 500;

24 (2) the city's revenue need used in calculating aids
25 payable in 2000 was greater than \$200 per capita;

26 (3) the city net tax capacity for the city used in
27 calculating aids available in 2000 was equal to or less than
28 \$200 per capita;

29 (4) the city aid base of the city used in calculating aid
30 under section 477A.013 is less than \$65 per capita; and

31 (5) the city's formula aid for aids payable in 2000 was
32 greater than zero.

33 (j) The city aid base for a city is increased by \$7,200 in
34 2001 and thereafter, and the maximum amount of total aid it may
35 receive under section 477A.013, subdivision 9, paragraph (c), is
36 also increased by \$7,200 in calendar year 2001 only, provided

1 that:

2 (1) the city had a population in 1998 that is greater than
3 200 but less than 500;

4 (2) the city's commercial industrial percentage used in
5 calculating aids payable in 2000 was less than ten percent;

6 (3) more than 25 percent of the city's population was 60
7 years old or older according to the 1990 census;

8 (4) the city aid base of the city used in calculating aid
9 under section 477A.013 is less than \$15 per capita; and

10 (5) the city's formula aid for aids payable in 2000 was
11 greater than zero.

12 (k) The city aid base for a city is increased by \$45,000 in
13 2001 and thereafter and by an additional \$50,000 in calendar
14 years 2002 to 2011, and the maximum amount of total aid it may
15 receive under section 477A.013, subdivision 9, paragraph (c), is
16 also increased by \$45,000 in calendar year 2001 only, and by
17 \$50,000 in calendar year 2002 only, provided that:

18 (1) the net tax capacity of the city used in calculating
19 its 2000 aid under section 477A.013 is less than \$810 per
20 capita;

21 (2) the population of the city declined more than two
22 percent between 1988 and 1998;

23 (3) the net levy of the city used in calculating 2000 aid
24 under section 477A.013 is greater than \$240 per capita; and

25 (4) the city received less than \$36 per capita in aid under
26 section 477A.013, subdivision 9, for aids payable in 2000.

27 The city aid base for a city described in this paragraph is also
28 increased by \$250,000 in calendar year 2006 and the maximum
29 amount of total aid it may receive under section 477A.013,
30 subdivision 9, paragraph (c), is also increased by \$250,000 in
31 calendar year 2006 only.

32 (1) The city aid base for a city with a population of
33 10,000 or more which is located outside of the seven-county
34 metropolitan area is increased in 2002 and thereafter, and the
35 maximum amount of total aid it may receive under section
36 477A.013, subdivision 9, paragraph (b) or (c), is also increased

1 in calendar year 2002 only, by an amount equal to the lesser of:

2 (1)(i) the total population of the city, ~~as-determined-by~~
3 ~~the-United-States-Bureau-of-the-Census,-in-the-2000-census,~~ (ii)
4 minus 5,000, (iii) times 60; or

5 (2) \$2,500,000.

6 (m) The city aid base is increased by \$50,000 in 2002 and
7 thereafter, and the maximum amount of total aid it may receive
8 under section 477A.013, subdivision 9, paragraph (c), is also
9 increased by \$50,000 in calendar year 2002 only, provided that:

10 (1) the city is located in the seven-county metropolitan
11 area;

12 (2) its population in 2000 is between 10,000 and 20,000;
13 and

14 (3) its commercial industrial percentage, as calculated for
15 city aid payable in 2001, was greater than 25 percent.

16 (n) The city aid base for a city is increased by \$150,000
17 in calendar years 2002 to 2011 and the maximum amount of total
18 aid it may receive under section 477A.013, subdivision 9,
19 paragraph (c), is also increased by \$150,000 in calendar year
20 2002 only, provided that:

21 (1) the city had a population of at least 3,000 but no more
22 than 4,000 in 1999;

23 (2) its home county is located within the seven-county
24 metropolitan area;

25 (3) its pre-1940 housing percentage is less than 15
26 percent; and

27 (4) its city net tax capacity per capita for taxes payable
28 in 2000 is less than \$900 per capita.

29 (o) The city aid base for a city is increased by \$200,000
30 beginning in calendar year 2003 and the maximum amount of total
31 aid it may receive under section 477A.013, subdivision 9,
32 paragraph (c), is also increased by \$200,000 in calendar year
33 2003 only, provided that the city qualified for an increase in
34 homestead and agricultural credit aid under Laws 1995, chapter
35 264, article 8, section 18.

36 (p) The city aid base for a city is increased by \$200,000

1 in 2004 only and the maximum amount of total aid it may receive
 2 under section 477A.013, subdivision 9, is also increased by
 3 \$200,000 in calendar year 2004 only, if the city is the site of
 4 a nuclear dry cask storage facility.

5 (q) The city aid base for a city is increased by \$10,000 in
 6 2004 and thereafter and the maximum total aid it may receive
 7 under section 477A.013, subdivision 9, is also increased by
 8 \$10,000 in calendar year 2004 only, if the city was included in
 9 a federal major disaster designation issued on April 1, 1998,
 10 and its pre-1940 housing stock was decreased by more than 40
 11 percent between 1990 and 2000.

12 (r) The city aid base for a city is increased by \$25,000 in
 13 2006 only and the maximum total aid it may receive under section
 14 477A.013, subdivision 9, is also increased by \$25,000 in 2006
 15 only, if the city (1) received no aid under section 477A.013 in
 16 2004; (2) had a population in 2002 greater than 20,000 and less
 17 than 50,000; and (3) had an adjusted net tax capacity of less
 18 than \$750 per capita for aids payable in 2004.

19 (s) The city aid base for a city is increased by \$500,000
 20 in calendar year 2006 and thereafter, and the maximum amount of
 21 total aid the city may receive under section 477A.013,
 22 subdivision 9, paragraph (c), is also increased by \$500,000 in
 23 calendar year 2006 only, provided that:

24 (1) the city is located outside of the seven-county
 25 metropolitan area;

26 (2) the city's 2000 population is between 10,000 and
 27 20,000;

28 (3) the net levy of the city used in calculating 2005 aid
 29 under section 477A.013 is greater than \$350 per capita; and

30 (4) the city's commercial industrial percentage under
 31 subdivision 32, for aids payable in 2005, was at least 20
 32 percent.

33 (t) The city aid base for a city is increased by \$25,000 in
 34 2006 only and the maximum total aid it may receive under section
 35 477A.013, subdivision 9, is also increased by \$25,000 in
 36 calendar year 2006 only if the city had a population in 2003 of

1 at least 1,000 and has a state park for which the city provides
2 rescue services and which comprised at least 14 percent of the
3 total geographic area included within the city boundaries in
4 2000.

5 [EFFECTIVE DATE.] This section is effective beginning with
6 aids payable in 2006, except that the striking of paragraph (f)
7 is effective beginning with aids payable in 2004.

8 Sec. 16. Minnesota Statutes 2004, section 477A.0124,
9 subdivision 4, is amended to read:

10 Subd. 4. [COUNTY TAX-BASE EQUALIZATION AID.] (a) For
11 ~~2005~~ 2006 and subsequent years, the money appropriated to county
12 tax-base equalization aid each calendar year, after the payment
13 under paragraph (f), shall be apportioned among the counties
14 according to each county's tax-base equalization aid factor.

15 (b) A county's tax-base equalization aid factor is equal to
16 the amount by which (i) \$185 times the county's population,
17 exceeds (ii) 9.45 percent of the county's net tax capacity.

18 (c) In the case of a county with a population less than
19 10,000, the factor determined in paragraph (b) shall be
20 multiplied by a factor of three.

21 (d) In the case of a county with a population greater than
22 or equal to 10,000, but less than 12,500, the factor determined
23 in paragraph (b) shall be multiplied by a factor of two.

24 (e) In the case of a county with a population greater than
25 500,000, the factor determined in paragraph (b) shall be
26 multiplied by a factor of 0.25.

27 (f) Before the money appropriated to county base
28 equalization aid is apportioned among the counties as provided
29 in paragraph (a), an amount up to \$73,259 is allocated annually
30 to Anoka County and up to \$59,664 is annually allocated to
31 Washington County for the county to pay postretirement costs of
32 health insurance premiums for court employees. The allocation
33 under this paragraph is in addition to the allocations under
34 paragraphs (a) to (e).

35 [EFFECTIVE DATE.] This section is effective for aids
36 payable in 2006 and thereafter.

1 Sec. 17. Minnesota Statutes 2004, section 477A.013,
2 subdivision 8, is amended to read:

3 Subd. 8. [CITY FORMULA AID.] In calendar year 2004 and
4 subsequent years, the formula aid for a city is equal to the
5 need increase percentage multiplied by the difference between
6 (1) the city's revenue need multiplied by its population, and
7 (2) ~~the sum of the city's net tax capacity multiplied by the tax~~
8 ~~effort rate, and the taconite aids under sections 298.28 and~~
9 ~~298.282, multiplied by the following percentages:~~

- 10 ~~(i) zero percent for aids payable in 2004,~~
11 ~~(ii) 25 percent for aids payable in 2005,~~
12 ~~(iii) 50 percent for aids payable in 2006,~~
13 ~~(iv) 75 percent for aids payable in 2007, and~~
14 ~~(v) 100 percent for aids payable in 2008 and thereafter.~~

15 No city may have a formula aid amount less than zero. The need
16 increase percentage must be the same for all cities.

17 The applicable need increase percentage must be calculated
18 by the Department of Revenue so that the total of the aid under
19 subdivision 9 equals the total amount available for aid under
20 section 477A.03 after the subtraction under section 477A.014,
21 subdivisions 4 and 5.

22 [EFFECTIVE DATE.] This section is effective for aids
23 payable in 2006 and thereafter.

24 Sec. 18. Minnesota Statutes 2004, section 477A.013,
25 subdivision 9, is amended to read:

26 Subd. 9. [CITY AID DISTRIBUTION.] (a) In calendar year
27 2002 and thereafter, each city shall receive an aid distribution
28 equal to the sum of (1) the city formula aid under subdivision
29 8, and (2) its city aid base.

30 ~~(b) The aid for a city in calendar year 2004 shall not~~
31 ~~exceed the amount of its aid in calendar year 2003 after the~~
32 ~~reductions under laws 2003, First Special Session chapter 21,~~
33 ~~article 5.~~

34 ~~(c)~~ For aids payable in 2005 and thereafter, the total aid
35 for any city shall not exceed the sum of (1) ten 50 percent of
36 the city's net levy for the year prior to the aid distribution

1 plus (2) its total aid in the previous year. For aids payable
 2 in 2005 and thereafter, the total aid for any city with a
 3 population of 2,500 or more may not decrease from its total aid
 4 under this section in the previous year by an amount greater
 5 than ten percent of its net levy in the year prior to the aid
 6 distribution.

7 ~~(d) (c) For aids payable in 2004 only, the total aid for a~~
 8 ~~city with a population less than 2,500 may not be less than the~~
 9 ~~amount it was certified to receive in 2003 minus the greater of~~
 10 ~~(1) the reduction to this aid payment in 2003 under Laws 2003,~~
 11 ~~First Special Session chapter 21, article 5, or (2) five percent~~
 12 ~~of its 2003 aid amount.~~ For aids payable in 2005 and
 13 thereafter, the total aid for a city with a population less than
 14 2,500 must not be less than the amount it was certified to
 15 receive in the previous year minus five percent of its 2003
 16 certified aid amount.

17 (d) For aids payable in 2006 only, the total aid for a city
 18 with a population less than 1,000 must not be less than 105
 19 percent of the amount it was certified to receive in 2005.

20 [EFFECTIVE DATE.] This section is effective for aids
 21 payable in 2006 and thereafter.

22 Sec. 19. [477A.0133] [COUNTY CRIMINAL JUSTICE AID.]

23 Subdivision 1. [PURPOSE.] County criminal justice aid is
 24 provided for the sole purpose of reducing the reliance of county
 25 criminal justice and corrections programs and associated costs
 26 on local property taxes.

27 County criminal justice aids must be used to pay expenses
 28 associated with criminal justice activities, specifically
 29 probation and supervised release caseload reductions, chemical
 30 dependency treatment, mental health programs, and assistance to
 31 crime victims.

32 Subd. 2. [DEFINITIONS.] For the purposes of this section,
 33 the following definitions apply:

34 (1) "population" means the population according to the most
 35 recent federal census, or according to the state demographer's
 36 most recent estimate if it has been issued subsequent to the

1 most recent federal census; and

2 (2) "Part I crimes" means the three-year average annual
3 number of Part I crimes reported for each county by the
4 Department of Public Safety for the most recent years
5 available. By July 1 of each year, the commissioner of public
6 safety shall certify to the commissioner of revenue the number
7 of Part I crimes reported for each county for the three most
8 recent calendar years available.

9 Subd. 3. [FORMULA.] Each calendar year, the commissioner
10 of revenue shall distribute county criminal justice aid to each
11 county in an amount determined according to the following
12 formula:

13 (1) one-half shall be distributed to each county in the
14 same proportion that the county's population is to the
15 population of all counties in the state; and

16 (2) one-half shall be distributed to each county in the
17 same proportion that the county's Part I crimes are to the total
18 Part I crimes for all counties in the state.

19 Subd. 4. [PAYMENT DATES.] The aid amounts for each
20 calendar year shall be paid as provided in section 477A.015.

21 Subd. 5. [REPORT.] By March 15 of each year following the
22 year in which criminal justice aids are received, each county
23 must file a report with the commissioner of revenue describing
24 how criminal justice aids were spent, and demonstrating that
25 they were used for criminal justice purposes.

26 Subd. 6. [ANNUAL APPROPRIATION.] Aid payments to counties
27 under this section are limited to \$15,000,000 in 2006 and 2007
28 only.

29 Sec. 20. Minnesota Statutes 2004, section 477A.03,
30 subdivision 2a, is amended to read:

31 Subd. 2a. [CITIES.] ~~For aids payable in 2004, the total~~
32 ~~aids paid under section 477A.013, subdivision 9, are limited to~~
33 ~~\$429,000,000.~~ For aids payable in 2005 and thereafter 2006, the
34 total aids paid under section 477A.013, subdivision 9, are
35 increased to ~~\$437,052,000~~ \$523,052,000. For aids payable in
36 2007 and subsequent years, the total aids paid under section

1 477A.013, subdivision 9, are increased by one plus the
2 percentage increase in the implicit price deflator for
3 government consumption expenditures and gross investment for
4 state and local governments prepared by the Bureau of Economic
5 Analysis of the United States Department of Commerce for the
6 12-month period ending March 31 of the previous year. The
7 percentage increase used in this subdivision shall be no less
8 than 2.5 percent and no greater than 5.0 percent. The total
9 aids paid under section 477A.013, subdivision 9, shall not
10 exceed the amount required for the need increase percentage to
11 equal one. It is the intention of the legislature that the
12 increased aid provided to cities be used to pay for public
13 safety functions.

14 [EFFECTIVE DATE.] This section is effective for aids
15 payable in 2006 and thereafter.

16 Sec. 21. Minnesota Statutes 2004, section 477A.03,
17 subdivision 2b, is amended to read:

18 Subd. 2b. [COUNTIES.] (a) For aids payable in calendar
19 year 2005 and thereafter, the total aids paid to counties under
20 section 477A.0124, subdivision 3, are limited to \$100,500,000.
21 Each calendar year, \$500,000 shall be retained by the
22 commissioner of revenue to make reimbursements to the
23 commissioner of finance for payments made under section 611.27.
24 For calendar year 2004, the amount shall be in addition to the
25 payments authorized under section 477A.0124, subdivision 1. For
26 calendar year 2005 and subsequent years, the amount shall be
27 deducted from the appropriation under this paragraph. The
28 reimbursements shall be to defray the additional costs
29 associated with court-ordered counsel under section 611.27. Any
30 retained amounts not used for reimbursement in a year shall be
31 included in the next distribution of county need aid that is
32 certified to the county auditors for the purpose of property tax
33 reduction for the next taxes payable year.

34 (b) For aids payable in 2005 and thereafter 2006, the total
35 aids under section 477A.0124, subdivision 4, are limited to
36 \$105,000,000. For aids payable in 2007 and thereafter, the

1 total aid under section 477A.0124, subdivision 4, is limited to
2 \$105,132,923. The commissioner of finance shall bill the
3 commissioner of revenue for the cost of preparation of local
4 impact notes as required by section 3.987, not to exceed
5 \$207,000 in fiscal year 2004 and thereafter. The commissioner
6 of education shall bill the commissioner of revenue for the cost
7 of preparation of local impact notes for school districts as
8 required by section 3.987, not to exceed \$7,000 in fiscal year
9 2004 and thereafter. The commissioner of revenue shall deduct
10 the amounts billed under this paragraph from the appropriation
11 under this paragraph. The amounts deducted are appropriated to
12 the commissioner of finance and the commissioner of education
13 for the preparation of local impact notes.

14 [EFFECTIVE DATE.] This section is effective for aids
15 payable in 2007 and thereafter.

16 Sec. 22. Laws 1994, chapter 587, article 9, section 8,
17 subdivision 1, is amended to read:

18 Subdivision 1. [TAX LEVIES.] Notwithstanding Minnesota
19 Statutes, section 471.24, each of the following cities or towns
20 is authorized to levy a tax and make an appropriation not to
21 exceed ~~\$15,000~~ \$25,000 annually to the Lakeview Cemetery
22 Association, operated by the town of Iron Range, for cemetery
23 purposes: the city of Coleraine, the city of Bovey, and each
24 town which is a member of the cemetery association.

25 [EFFECTIVE DATE.] This section is effective for taxes
26 levied in 2005, payable in 2006, and thereafter.

27 Sec. 23. 2005 S.F. No. 467, section 1, the effective date,
28 if enacted, is amended to read:

29 [EFFECTIVE DATE.] This section is effective for taxes
30 levied in ~~2005~~ 2004, payable in ~~2006~~ 2005, and thereafter.

31 Sec. 24. [COURT AID ADJUSTMENT.]

32 For aids payable in 2005 only, the amount of court aid paid
33 to Anoka County under Minnesota Statutes, section 273.1398,
34 subdivision 4, is increased by \$36,630 for aids payable in 2005
35 only and the amount paid to Washington County under Minnesota
36 Statutes, section 273.1398, subdivision 4, is increased by

1 \$29,832 for aids payable in 2005 only.

2 [EFFECTIVE DATE.] This section is effective for aids
3 payable in 2005 only.

4 Sec. 25. [SUPREME COURT BUDGET.]

5 The district courts general fund appropriation is reduced
6 by \$66,462 in fiscal year 2006 and \$132,923 beginning in fiscal
7 year 2007 to fund the amount transferred to county tax base
8 equalization aid to fund the payments under Minnesota Statutes,
9 section 477A.0124, subdivision 4, paragraph (f), and section 20.

10 [EFFECTIVE DATE.] This section is effective the day
11 following final enactment.

12 Sec. 26. [CROW WING COUNTY SEWER DISTRICT; PILOT PROJECT.]

13 Subdivision 1. [POWERS.] In addition to the powers granted
14 in Minnesota Statutes, chapter 116A, the county board for Crow
15 Wing County, by resolution, may grant the following powers to a
16 sewer district created by the county board under Minnesota
17 Statutes, chapter 116A:

18 (1) provide that an authorized representative of the
19 district, after presentation of credentials, may enter at
20 reasonable times any premise to inspect or maintain an
21 individual sewage treatment system, as defined in Minnesota
22 Statutes, section 115.55, subdivision 1, paragraph (g);

23 (2) include areas of the county within the sewer district
24 that are not contiguous and establish different systems for
25 wastewater treatment in specific areas of the county;

26 (3) provide that each special service area that is managed
27 by the sewer system or combination thereof constitutes a system
28 under Minnesota Statutes, chapter 116A;

29 (4) delegate to the sewer district, by resolution, all or a
30 portion of its administrative and enforcement obligations with
31 respect to individual sewage treatment systems under Minnesota
32 Statutes, chapter 115, and rules adopted by the Pollution
33 Control Agency;

34 (5) modify any individual sewage treatment system to
35 provide reasonable access to it for inspection and maintenance;
36 and

1 (6) neither the approval nor the waiver of the county
 2 board, nor confirmation by order of the district court, shall be
 3 required for the sewer commission to exercise the powers set
 4 forth in Minnesota Statutes, section 116A.24.

5 Subd. 2. [REPORT.] If the Crow Wing County Board exercises
 6 the additional powers granted under subdivision 1, the county
 7 shall provide a report by January 15, 2009, to the senate and
 8 house committees with jurisdiction over environmental policy and
 9 taxes on the establishment and operation of the sewer district.

10 The report must include:

11 (1) a description of the implementation of the additional
 12 powers granted under subdivision 1;

13 (2) available information on the effectiveness of the
 14 additional powers to control pollution in the county; and

15 (3) any recommendations for changes to Minnesota Statutes,
 16 chapter 116A, to broaden the authority for sewer districts to
 17 include any of the additional powers granted under subdivision 1.

18 [EFFECTIVE DATE.] This section is effective the day
 19 following compliance with Minnesota Statutes, section 645.021,
 20 subdivision 2.

21 Sec. 27. [DEVELOPMENT AUTHORIZED.]

22 Dakota County Regional Railroad Authority may exercise the
 23 powers conferred by Minnesota Statutes, section 398A.04, to
 24 plan, establish, acquire, develop, construct, purchase, enlarge,
 25 extend, improve, maintain, equip, operate, regulate, and protect
 26 a bus rapid transit system located within the Cedar Avenue
 27 transitway corridor within Dakota County. The authority may
 28 levy for this purpose under Minnesota Statutes, section 398A.04,
 29 subdivision 8, to the extent the levy authority under that
 30 subdivision is not required to be used for that levy year for
 31 railroad purposes.

32 [EFFECTIVE DATE.] Pursuant to Minnesota Statutes, section
 33 645.023, subdivision 1, paragraph (a), this section is effective
 34 without local approval the day following final enactment.

35 Sec. 28. [CITY OF WHITE BEAR LAKE.]

36 Subdivision 1. [PAYMENT REQUIRED.] The commissioner of

1 revenue must make payments of \$52,482 on each of July 20, 2005,
2 and December 26, 2005, to the city of White Bear Lake.

3 Subd. 2. [APPROPRIATION.] \$104,964 is appropriated from
4 the general fund to the commissioner of revenue to make the
5 payments required in this section.

6 Sec. 29. [APPROPRIATION.]

7 \$1,287,000 in fiscal year 2006 and \$1,933,000 in fiscal
8 year 2007 is appropriated from the general fund to the
9 commissioner of human services for the consolidated chemical
10 dependency treatment fund.

11 ARTICLE 23

12 INTERNATIONAL ECONOMIC DEVELOPMENT ZONE - SF2206

13 Section 1. Minnesota Statutes 2004, section 272.02, is
14 amended by adding a subdivision to read:

15 Subd. 69. [INTERNATIONAL ECONOMIC DEVELOPMENT ZONE
16 PROPERTY.] (a) Improvements to real property, and personal
17 property, classified under section 273.13, subdivision 24, and
18 located within an international economic development zone
19 designated under section 469.322, are exempt from ad valorem
20 taxes levied under chapter 275, if the occupant of the property
21 is a qualified business, as defined in section 469.321.

22 (b) The exemption applies beginning for the first
23 assessment year after designation of the international economic
24 development zone. The exemption applies to each assessment year
25 that begins during the duration of the international economic
26 development zone and to property occupied by July 1 of the
27 assessment year by a qualified business. This exemption does
28 not apply to:

29 (1) the levy under section 475.61 or similar levy
30 provisions under any other law to pay general obligation bonds;
31 or

32 (2) a levy under section 126C.17, if the levy was approved
33 by the voters before the designation of the zone.

34 [EFFECTIVE DATE.] This section is effective beginning for
35 property taxes assessed in 2006, payable in 2007.

36 Sec. 2. Minnesota Statutes 2004, section 290.06, is

1 amended by adding a subdivision to read:

2 Subd. 33. [INTERNATIONAL ECONOMIC DEVELOPMENT ZONE JOB
3 CREDIT.] A taxpayer that is a qualified business, as defined in
4 section 469.321, subdivision 6, is allowed a credit as
5 determined under section 469.327 against the tax imposed by this
6 chapter.

7 [EFFECTIVE DATE.] This section is effective for taxable
8 years beginning after December 31, 2005.

9 Sec. 3. Minnesota Statutes 2004, section 297A.68, is
10 amended by adding a subdivision to read:

11 Subd. 40. [INTERNATIONAL ECONOMIC DEVELOPMENT ZONES.] (a)
12 Purchases of tangible personal property or taxable services by a
13 qualified business, as defined in section 469.321, are exempt if
14 the property or services are primarily used or consumed in an
15 international economic development zone designated under section
16 469.322.

17 (b) Purchase and use of construction materials and supplies
18 for construction of improvements to real property in an
19 international economic development zone are exempt if the
20 improvements after completion of construction are to be used in
21 the conduct of a qualified business, as defined in section
22 469.321. This exemption applies regardless of whether the
23 purchases are made by the business or a contractor.

24 (c) The exemptions under this subdivision apply to a local
25 sales and use tax, regardless of whether the local tax is
26 imposed on sales taxable under this chapter or in another law,
27 ordinance, or charter provision.

28 (d) This subdivision applies to sales, if the purchase was
29 made and delivery received during the period provided under
30 section 469.324, subdivision 2.

31 [EFFECTIVE DATE.] This section is effective for sales made
32 after December 31, 2005.

33 Sec. 4. [469.321] [DEFINITIONS.]

34 Subdivision 1. [SCOPE.] For purposes of sections 469.321
35 to 469.326, the following terms have the meanings given.

36 Subd. 2. [FOREIGN TRADE ZONE.] "Foreign trade zone" means

1 a foreign trade zone designated pursuant to United States Code,
2 title 19, section 81b, for the right to use the powers provided
3 in United States Code, title 19, sections 81a to 81u, or a
4 subzone authorized by the foreign trade zone.

5 Subd. 3. [FOREIGN TRADE ZONE AUTHORITY.] "Foreign trade
6 zone authority" means the Greater Metropolitan Foreign Trade
7 Zone Commission number 119, a joint powers authority created by
8 the county of Hennepin, the cities of Minneapolis and
9 Bloomington, and the Metropolitan Airports Commission, under the
10 authority of section 469.059, 469.101, or 471.59, which includes
11 any other political subdivisions that enter into the authority
12 after its creation.

13 Subd. 4. [INTERNATIONAL ECONOMIC DEVELOPMENT ZONE.] An
14 "international economic development zone" or "zone" is a zone so
15 designated under section 469.322.

16 Subd. 5. [PERSON.] "Person" includes an individual,
17 corporation, partnership, limited liability company,
18 association, or any other entity.

19 Subd. 6. [QUALIFIED BUSINESS.] (a) "Qualified business"
20 means a person carrying on a trade or business at a place of
21 business located within an international economic development
22 zone that is:

23 (1) engaged in the furtherance of international export or
24 import of goods; and

25 (2) certified by the foreign trade zone authority as a
26 trade or business that furthers the purpose of developing
27 international distribution capacity and capability.

28 (b) A person that relocates a trade or business from within
29 Minnesota but outside an international economic development zone
30 into an international economic development zone is not a
31 qualified business, unless the business:

32 (1)(i) increases full-time employment in the first full
33 year of operation within the international economic development
34 zone by at least 20 percent measured relative to the operations
35 that were relocated and maintains the required level of
36 employment for each year that tax incentives under section

1 469.324 are claimed; or

2 (ii) makes a capital investment in the property located
3 within a zone equal to at least ten percent of the gross
4 revenues of the operations that were relocated in the
5 immediately preceding taxable year; and

6 (2) enters a binding written agreement with the foreign
7 trade zone authority that:

8 (i) pledges that the business will meet the requirements of
9 clause (1);

10 (ii) provides for repayment of all tax benefits enumerated
11 under section 469.324 to the business under the procedures in
12 section 469.328, if the requirements of clause (1) are not met
13 for the taxable year or for taxes payable during a year in which
14 the requirements were not met; and

15 (iii) contains any other terms the foreign trade zone
16 authority determines appropriate.

17 Clause (1) of this paragraph does not apply to a freight
18 forwarder.

19 (c) A qualified business must pay each employee total
20 compensation, including benefits not mandated by law, that on an
21 annualized basis is equal to at least 110 percent of the federal
22 poverty guidelines for a family of four.

23 Subd. 7. [REGIONAL DISTRIBUTION CENTER.] A "regional
24 distribution center" is a distribution center developed within a
25 foreign trade zone. The regional distribution center must have
26 as its primary purpose to facilitate gathering of freight for
27 the purpose of centralizing the functions necessary for the
28 shipment of freight in international commerce, including, but
29 not limited to, security and customs functions.

30 Subd. 8. [RELOCATE.] (a) "Relocate" means that a trade or
31 business:

32 (1) ceases one or more operations or functions at another
33 location in Minnesota and begins performing substantially the
34 same operations or functions at a location in an international
35 economic development zone; or

36 (2) reduces employment at another location in Minnesota

1 during a period starting one year before and ending one year
 2 after it begins operations in an international economic
 3 development zone and its employees in the international economic
 4 development zone are engaged in the same line of business as the
 5 employees at the location where it reduced employment.

6 (b) "Relocate" does not include an expansion by a business
 7 that establishes a new facility that does not replace or
 8 supplant an existing operation or employment, in whole or in
 9 part.

10 (c) "Trade or business" includes any business entity that
 11 is substantially similar in operation or ownership to the
 12 business entity seeking to be a qualified business under this
 13 section.

14 Subd. 9. [FREIGHT FORWARDER.] "Freight forwarder" is a
 15 business that, for compensation, ensures that goods produced or
 16 sold by another business move from point of origin to point of
 17 destination.

18 [EFFECTIVE DATE.] This section is effective the day
 19 following final enactment.

20 Sec. 5. [469.322] [DESIGNATION OF INTERNATIONAL ECONOMIC
 21 DEVELOPMENT ZONE.]

22 (a) An area designated as a foreign trade zone may be
 23 designated by the foreign trade zone authority as an
 24 international economic development zone if within the zone a
 25 regional distribution center is being developed pursuant to
 26 section 469.323. The zone must be not less than 500 acres and
 27 not more than 1,000 acres in size.

28 (b) In making the designation, the foreign trade zone
 29 authority, in consultation with the Minnesota Department of
 30 Transportation and the Metropolitan Council, shall consider
 31 access to major transportation routes, consistency with current
 32 state transportation and air cargo planning, adequacy of the
 33 size of the site, access to airport facilities, present and
 34 future capacity at the designated airport, the capability to
 35 meet integrated present and future air cargo, security, and
 36 inspection services, and access to other infrastructure and

1 financial incentives. The border of the international economic
2 development zone must be no more than 60 miles distant or 90
3 minutes drive time from the border of the Minneapolis-St. Paul
4 International Airport. The county in which the zone is located
5 must be a member of the foreign trade zone authority.

6 [EFFECTIVE DATE.] This section is effective the day
7 following final enactment.

8 Sec. 6. [469.323] [FOREIGN TRADE ZONE AUTHORITY POWERS.]

9 Subdivision 1. [DEVELOPMENT OF REGIONAL DISTRIBUTION
10 CENTER.] The foreign trade zone authority is responsible for
11 creating a development plan for the regional distribution
12 center. The regional distribution center must be developed with
13 the purpose of expanding, on a regional basis, international
14 distribution capacity and capability. The foreign trade zone
15 authority shall consult with municipalities that have indicated
16 to the authority an interest in locating the international
17 economic development zone within their boundaries and a
18 willingness to establish a tax increment financing district
19 coterminous with the boundaries of the zone, as well as
20 interested businesses, potential financiers, and appropriate
21 state and federal agencies.

22 Subd. 2. [BUSINESS PLAN.] Before designation of an
23 international economic development zone under section 469.322,
24 the governing body of the foreign trade zone authority shall
25 prepare a business plan. The plan must include an analysis of
26 the economic feasibility of the regional distribution center
27 once it becomes operational and of the operations of freight
28 forwarders and other businesses that choose to locate within the
29 boundaries of the zone. The analysis must provide profitability
30 models that:

31 (1) include the benefits of the incentives;

32 (2) estimate the amount of time needed to achieve
33 profitability; and

34 (3) analyze the length of time incentives will be necessary
35 to the economic viability of the regional distribution center.

36 If the governing body of the foreign trade authority

1 determines that the models do not establish the economic
2 feasibility of the project, the regional distribution center
3 does not meet the development requirements of this section and
4 section 469.322.

5 Subd. 3. [PORT AUTHORITY POWERS.] The governing body of
6 the foreign trade zone authority may establish a port authority
7 that has the same powers as a port authority established under
8 section 469.049. If the foreign trade zone authority
9 establishes a port authority, the governing body of the foreign
10 trade zone authority may exercise all powers granted to a city
11 by sections 469.048 to 469.068 within the area of the
12 international economic development zone, except it may not
13 impose or request imposition of a property tax levy under
14 section 469.053 by any city.

15 Subd. 4. [BUSINESS SUBSIDY LAW.] Tax exemptions, job
16 credits, and tax increment financing provided under this section
17 are business subsidies for the purpose of sections 116J.993 to
18 116J.995.

19 [EFFECTIVE DATE.] This section is effective the day
20 following final enactment.

21 Sec. 7. [469.324] [TAX INCENTIVES IN INTERNATIONAL
22 ECONOMIC DEVELOPMENT ZONE.]

23 Subdivision 1. [AVAILABILITY.] Qualified businesses that
24 operate in an international economic development zone,
25 individuals who invest in a regional distribution center, or
26 qualified businesses that operate in an international economic
27 development zone qualify for:

28 (1) exemption from the property tax as provided in section
29 272.02, subdivision 69;

30 (2) exemption from the state sales and use tax and any
31 local sales and use taxes on qualifying purchases as provided in
32 section 297A.68, subdivision 40;

33 (3) the jobs credit allowed under section 469.327; and

34 (4) tax increment financing as provided in this chapter.

35 Subd. 2. [DURATION.] (a) Except as provided in paragraph
36 (b), the tax incentives described in subdivision 1, clauses (1)

1 and (3), are available for no more than 12 consecutive taxable
 2 years for any taxpayer that claims them. The tax incentives
 3 described in subdivision 1, clause (2), are available for each
 4 taxpayer that claims them for taxes otherwise payable on
 5 transactions during a period of 12 years from the date when the
 6 first exemption is claimed by that taxpayer under each
 7 exemption. No exemptions described in subdivision 1, clauses
 8 (1) to (4), are available after December 31, 2020.

9 (b) For taxpayers that are freight forwarders, the
 10 durations provided under paragraph (a) are reduced to six years.

11 Subd. 3. [QUALIFICATION.] To receive the tax incentives
 12 under this section, a qualified business must, by December 31 of
 13 each year, certify to the commissioner of revenue the percentage
 14 of its business activity within the zone that constitutes
 15 international business activity for the year, measured by value
 16 or volume of activity. If the percentage is less than 100
 17 percent, the amount of the tax benefits provided under sections
 18 290.06, subdivision 33, and 469.327 are reduced in proportion to
 19 the percentage of business activity that is not international
 20 business activity. The commissioner of revenue may audit the
 21 business activities of a qualifying business to determine its
 22 eligibility for tax benefits under this section.

23 Sec. 8. [469.325] [JOBS CREDIT.]

24 Subdivision 1. [CREDIT ALLOWED.] A qualified business is
 25 allowed a credit against the taxes imposed under chapter 290.
 26 The credit equals seven percent of the:

27 (1) lesser of:

28 (i) zone payroll for the taxable year, less the zone
 29 payroll for the base year; or

30 (ii) total Minnesota payroll for the taxable year, less
 31 total Minnesota payroll for the base year; minus

32 (2) \$30,000 multiplied by the number of full-time
 33 equivalent employees that the qualified business employs in the
 34 international economic development zone for the taxable year,
 35 minus the number of full-time equivalent employees the business
 36 employed in the zone in the base year, but not less than zero.

1 Subd. 2. [DEFINITIONS.] (a) For purposes of this section,
 2 the following terms have the meanings given.

3 (b) "Base year" means the taxable year beginning during the
 4 calendar year prior to the calendar year in which the zone
 5 designation took effect.

6 (c) "Full-time equivalent employees" means the equivalent
 7 of annualized expected hours of work equal to 2,080 hours.

8 (d) "Minnesota payroll" means the wages or salaries
 9 attributed to Minnesota under section 290.191, subdivision 12,
 10 for the qualified business or the unitary business of which the
 11 qualified business is a part, whichever is greater.

12 (e) "Zone payroll" means wages or salaries used to
 13 determine the zone payroll factor for the qualified business,
 14 less the amount of compensation attributable to any employee
 15 that exceeds \$70,000.

16 Subd. 3. [INFLATION ADJUSTMENT.] For taxable years
 17 beginning after December 31, 2006, the dollar amounts in
 18 subdivision 1, clause (2), and subdivision 2, paragraph (e), are
 19 annually adjusted for inflation. The commissioner of revenue
 20 shall adjust the amounts by the percentage determined under
 21 section 290.06, subdivision 2d, for the taxable year.

22 Subd. 4. [REFUNDABLE.] If the amount of the credit exceeds
 23 the liability for tax under chapter 290, the commissioner of
 24 revenue shall refund the excess to the qualified business.

25 Subd. 5. [APPROPRIATION.] An amount sufficient to pay the
 26 refunds authorized by this section is appropriated to the
 27 commissioner of revenue from the general fund.

28 [EFFECTIVE DATE.] This section is effective for taxable
 29 years beginning after December 31, 2005.

30 Sec. 9. [469.326] [REPAYMENT OF TAX BENEFITS.]

31 Subdivision 1. [REPAYMENT OBLIGATION.] A person must repay
 32 the amount of the tax reduction received under section 469.324,
 33 subdivision 1, clauses (2) and (3), and refund received under
 34 section 469.327, during the two years immediately before it
 35 ceased to operate in the zone, if the person ceased to operate
 36 its facility located within the zone or otherwise ceases to be

1 or is not a qualified business.

2 Subd. 2. [DISPOSITION OF REPAYMENT.] The repayment must be
3 paid to the state to the extent it represents a state tax
4 reduction. Any amount repaid to the state must be deposited in
5 the general fund. Any repayment of local sales or use taxes
6 must be repaid to the jurisdiction imposing the local sales or
7 use tax.

8 Subd. 3. [REPAYMENT PROCEDURES.] (a) For the repayment of
9 taxes imposed under chapter 290 or 297A or local taxes collected
10 pursuant to section 297A.99, a person must file an amended
11 return with the commissioner of revenue and pay any taxes
12 required to be repaid within 30 days after ceasing to be a
13 qualified business. The amount required to be repaid is
14 determined by calculating the tax for the period for which
15 repayment is required without regard to the tax reductions
16 allowed under section 469.324.

17 (b) The provisions of chapters 270 and 289A relating to the
18 commissioner of revenue's authority to audit, assess, and
19 collect the tax and to hear appeals are applicable to the
20 repayment required under paragraph (a). The commissioner may
21 impose civil penalties as provided in chapter 289A, and the
22 additional tax and penalties are subject to interest at the rate
23 provided in section 270.75, from 30 days after ceasing to do
24 business in the zone until the date the tax is paid.

25 (c) For determining the tax required to be repaid, a tax
26 reduction is deemed to have been received on the date that the
27 tax would have been due if the person had not been entitled to
28 the tax reduction.

29 (d) The commissioner of revenue may assess the repayment of
30 taxes under paragraph (b) at any time within two years after the
31 person ceases to be a qualified business, or within any period
32 of limitations for the assessment of tax under section 289A.38,
33 whichever is later.

34 [EFFECTIVE DATE.] This section is effective the day
35 following final enactment.

36 Sec. 10. [469.327] [ADDITIONAL BENEFITS CONTINGENT ON JOBZ

1 DETERMINATIONS.]

2 Notwithstanding section 469.312, subdivision 3, the
3 governor may designate the international economic development
4 zone as a job opportunity building zone if the governor reports
5 to the tax committees of the senate and the house of
6 representatives the following information:

7 (1) the estimated cost of providing the additional tax
8 incentives provided under sections 469.310 to 469.320 to the
9 international economic development zone; and

10 (2) the estimated cost of tax expenditures projected to
11 have been obligated for all job opportunity building zone
12 projects that have been approved before June 1, 2005.

13 Sec. 11. [DEPARTMENT OF EMPLOYMENT AND ECONOMIC
14 DEVELOPMENT STUDY; INTERNATIONAL AIR FREIGHT.]

15 The commissioner of employment and economic development
16 must study and analyze the issue of whether the state would
17 benefit from more than one international economic development
18 zone as defined in Minnesota Statutes, section 469.321. The
19 commissioner shall solicit input on the issue from businesses,
20 communities, and economic development organizations. The
21 commissioner must report the results of the study and analysis
22 to the committees of the legislature having jurisdiction over
23 economic development issues by December 1, 2005, along with any
24 legislative recommendations.

25 ARTICLE 24

26 MISCELLANEOUS - SF2206

27 Section 1. Minnesota Statutes 2004, section 270.0603,
28 subdivision 3, is amended to read:

29 Subd. 3. [DISTRIBUTION.] The appropriate statement
30 prepared in accordance with subdivisions 1 and 2 must be
31 distributed by the commissioner to all taxpayers contacted with
32 respect to the determination or collection of a tax, other than
33 the providing of tax forms. Failure to receive the statement
34 does not invalidate the determination or collection action, nor
35 does it affect, modify, or alter any statutory time limits
36 applicable to the determination or collection action, including

1 the time limit for filing a claim for refund.

2 [EFFECTIVE DATE.] This section is effective the day
 3 following final enactment, except that for claims for refund, it
 4 is effective for claims filed after August 31, 2005.

5 Sec. 2. Minnesota Statutes 2004, section 270.0682,
 6 subdivision 1, is amended to read:

7 Subdivision 1. [BIENNIAL REPORT.] The commissioner of
 8 revenue shall report to the legislature by March 1 of each
 9 odd-numbered year on the overall incidence of ~~the-income-tax,~~
 10 ~~sales-and-excise-taxes,-and-property-tax~~ taxes as defined in
 11 section 645.44, subdivision 19. The report shall present
 12 information on the distribution of the tax burden (1) for the
 13 overall income distribution, using a systemwide incidence
 14 measure such as the Suits index or other appropriate measures of
 15 equality and inequality, (2) by income classes, including at a
 16 minimum deciles of the income distribution, and (3) by other
 17 appropriate taxpayer characteristics.

18 Sec. 3. Minnesota Statutes 2004, section 272.02,
 19 subdivision 64, is amended to read:

20 Subd. 64. [JOB OPPORTUNITY BUILDING ZONE PROPERTY.] (a)
 21 Improvements to real property, and personal property, classified
 22 under section 273.13, subdivision 24, and located within a job
 23 opportunity building zone, designated under section 469.314, are
 24 exempt from ad valorem taxes levied under chapter 275.

25 (b) Improvements to real property, and tangible personal
 26 property, of an agricultural production facility located within
 27 an agricultural processing facility zone, designated under
 28 section 469.314, is exempt from ad valorem taxes levied under
 29 chapter 275.

30 (c) For property to qualify for exemption under paragraph
 31 (a), the occupant must be a qualified business, as defined in
 32 section 469.310.

33 (d) The exemption applies beginning for the first
 34 assessment year after designation of the job opportunity
 35 building zone by the commissioner of employment and economic
 36 development. The exemption applies to each assessment year that

1 begins during the duration of the job opportunity building zone
2 and to property occupied by July 1 of the assessment year by a
3 qualified business. This exemption does not apply to:

4 (1) the levy under section 475.61 or similar levy
5 provisions under any other law to pay general obligation bonds;
6 or

7 (2) a levy under section 126C.17, if the levy was approved
8 by the voters before the designation of the job opportunity
9 building zone.

10 (e) This subdivision does not apply to captured net tax
11 capacity in a tax increment financing district to the extent
12 necessary to meet the debt repayment obligations of the
13 authority if the property is also located within an agricultural
14 processing zone.

15 [EFFECTIVE DATE.] This section is effective for taxes
16 payable in 2005 and thereafter.

17 Sec. 4. Minnesota Statutes 2004, section 429.021,
18 subdivision 1, is amended to read:

19 Subdivision 1. [IMPROVEMENTS AUTHORIZED.] The council of a
20 municipality shall have power to make the following improvements:

21 (1) To acquire, open, and widen any street, and to improve
22 the same by constructing, reconstructing, and maintaining
23 sidewalks, pavement, gutters, curbs, and vehicle parking strips
24 of any material, or by grading, graveling, oiling, or otherwise
25 improving the same, including the beautification thereof and
26 including storm sewers or other street drainage and connections
27 from sewer, water, or similar mains to curb lines.

28 (2) To acquire, develop, construct, reconstruct, extend,
29 and maintain storm and sanitary sewers and systems, including
30 outlets, holding areas and ponds, treatment plants, pumps, lift
31 stations, service connections, and other appurtenances of a
32 sewer system, within and without the corporate limits.

33 (3) To construct, reconstruct, extend, and maintain steam
34 heating mains.

35 (4) To install, replace, extend, and maintain street lights
36 and street lighting systems and special lighting systems.

1 (5) To acquire, improve, construct, reconstruct, extend,
2 and maintain water works systems, including mains, valves,
3 hydrants, service connections, wells, pumps, reservoirs, tanks,
4 treatment plants, and other appurtenances of a water works
5 system, within and without the corporate limits.

6 (6) To acquire, improve and equip parks, open space areas,
7 playgrounds, and recreational facilities within or without the
8 corporate limits.

9 (7) To plant trees on streets and provide for their
10 trimming, care, and removal.

11 (8) To abate nuisances and to drain swamps, marshes, and
12 ponds on public or private property and to fill the same.

13 (9) To construct, reconstruct, extend, and maintain dikes
14 and other flood control works.

15 (10) To construct, reconstruct, extend, and maintain
16 retaining walls and area walls.

17 (11) To acquire, construct, reconstruct, improve, alter,
18 extend, operate, maintain, and promote a pedestrian skyway
19 system. Such improvement may be made upon a petition pursuant
20 to section 429.031, subdivision 3.

21 (12) To acquire, construct, reconstruct, extend, operate,
22 maintain, and promote underground pedestrian concourses.

23 (13) To acquire, construct, improve, alter, extend,
24 operate, maintain, and promote public malls, plazas or
25 courtyards.

26 (14) To construct, reconstruct, extend, and maintain
27 district heating systems.

28 (15) To construct, reconstruct, alter, extend, operate,
29 maintain, and promote fire protection systems in existing
30 buildings, but only upon a petition pursuant to section 429.031,
31 subdivision 3.

32 (16) To acquire, construct, reconstruct, improve, alter,
33 extend, and maintain highway sound barriers.

34 (17) To improve, construct, reconstruct, extend, and
35 maintain gas and electric distribution facilities owned by a
36 municipal gas or electric utility.

1 (18) To purchase, install, and maintain signs, posts, and
2 other markers for addressing related to the operation of
3 enhanced 911 telephone service.

4 (19) To improve, construct, extend, and maintain facilities
5 for Internet access and other communications purposes, if the
6 council finds that:

7 (i) the facilities are necessary to make available Internet
8 access or other communications services that are not and will
9 not be available through other providers or the private market
10 in the reasonably foreseeable future; and

11 (ii) the service to be provided by the facilities will not
12 compete with service provided by private entities.

13 (20) To assess affected property owners for all or a
14 portion of the costs agreed to with an electric utility,
15 telecommunications carrier, or cable system operator to bury or
16 alter a new or existing distribution system within the public
17 right-of-way that exceeds the utility's design and construction
18 standards, or those set by law, tariff, or franchise, but only
19 upon petition under section 429.031, subdivision 3.

20 Sec. 5. Minnesota Statutes 2004, section 469.015,
21 subdivision 4, is amended to read:

22 Subd. 4. [EXCEPTIONS.] (a) An authority need not require
23 competitive bidding in the following circumstances:

24 (1) in the case of a contract for the acquisition of a
25 low-rent housing project:

26 (i) for which financial assistance is provided by the
27 federal government;

28 (ii) which does not require any direct loan or grant of
29 money from the municipality as a condition of the federal
30 financial assistance; and

31 (iii) for which the contract provides for the construction
32 of the project upon land that is either owned by the authority
33 for redevelopment purposes or not owned by the authority at the
34 time of the contract but the contract provides for the
35 conveyance or lease to the authority of the project or
36 improvements upon completion of construction;

1 (2) with respect to a structured parking facility:

2 (i) constructed in conjunction with, and directly above or
3 below, a development; and

4 (ii) financed with the proceeds of tax increment or parking
5 ramp general obligation or revenue bonds; and

6 (3) until August 1, 2009, with respect to a facility built
7 for the purpose of facilitating the operation of public transit
8 or encouraging its use:

9 (i) constructed in conjunction with, and directly above or
10 below, a development; and

11 (ii) financed with the proceeds of parking ramp general
12 obligation or revenue bonds or with at least 60 percent of the
13 construction cost being financed with funding provided by the
14 federal government; and

15 (4) in the case of any building in which at least 75
16 percent of the usable square footage constitutes a housing
17 development project if:

18 (i) the project is financed with the proceeds of bonds
19 issued under section 469.034 or from nongovernmental sources;

20 (ii) the project is either located on land that is owned or
21 is being acquired by the authority only for development
22 purposes, or is not owned by the authority at the time the
23 contract is entered into but the contract provides for
24 conveyance or lease to the authority of the project or
25 improvements upon completion of construction; and

26 (iii) the authority finds and determines that elimination
27 of the public bidding requirements is necessary in order for the
28 housing development project to be economical and feasible.

29 (b) An authority need not require a performance bond for
30 the following projects:

31 (1) a contract described in paragraph (a), clause (1);

32 (2) a construction change order for a housing project in
33 which 30 percent of the construction has been completed;

34 (3) a construction contract for a single-family housing
35 project in which the authority acts as the general construction
36 contractor; or

1 (4) a services or materials contract for a housing project.

2 For purposes of this paragraph, "services or materials
3 contract" does not include construction contracts.

4 Sec. 6. Minnesota Statutes 2004, section 469.175,
5 subdivision 2, is amended to read:

6 Subd. 2. [CONSULTATIONS; COMMENT AND FILING.] (a) Before
7 formation of a tax increment financing district, the authority
8 shall provide the county auditor and clerk of the school board
9 with the proposed tax increment financing plan for the district
10 and the authority's estimate of the fiscal and economic
11 implications of the proposed tax increment financing district.
12 The authority must provide the proposed tax increment financing
13 plan and the information on the fiscal and economic implications
14 of the plan to the county auditor and the clerk of the school
15 district board at least 30 days before the public hearing
16 required by subdivision 3. The information on the fiscal and
17 economic implications may be included in or as part of the tax
18 increment financing plan. The county auditor and clerk of the
19 school board shall provide copies to the members of the boards,
20 as directed by their respective boards. The 30-day requirement
21 is waived if the boards of the county and school district submit
22 written comments on the proposal and any modification of the
23 proposal to the authority after receipt of the information.

24 (b) For purposes of this subdivision, "fiscal and economic
25 implications of the proposed tax increment financing district"
26 includes:

27 (1) an estimate of the total amount of tax increment that
28 will be generated over the life of the district;

29 (2) a description of the probable impact of the district on
30 city-provided services such as police and fire protection,
31 public infrastructure, and borrowing costs attributable to the
32 district;

33 (3) the estimated amount of tax increments over the life of
34 the district that would be attributable to school district
35 levies, assuming the school district's share of the total local
36 tax rate for all taxing jurisdictions remained the same;

1 (4) the estimated amount of tax increments over the life of
2 the district that would be attributable to county levies,
3 assuming the county's share of the total local tax rate for all
4 taxing jurisdictions remained the same; and

5 (5) any additional information requested by the county or
6 the school district that would enable it to determine additional
7 costs that will accrue to it due to the development proposed for
8 the district.

9 [EFFECTIVE DATE.] This section is effective for all
10 districts for which certification is requested after December
11 31, 2005.

12 Sec. 7. Minnesota Statutes 2004, section 645.44, is
13 amended by adding a subdivision to read:

14 Subd. 19. [FEE AND TAX.] (a) "Tax" means any fee, charge,
15 surcharge, or assessment imposed by a governmental entity on an
16 individual, person, entity, transaction, good, service, or other
17 thing. It excludes:

18 (1) a price that an individual or entity chooses
19 voluntarily to pay in return for receipt of goods or services
20 provided by the governmental entity; and

21 (2) a fine or penalty imposed for violation of a state or
22 local law or ordinance.

23 A government good or service does not include access to or the
24 authority to engage in private market transactions with a
25 nongovernmental party, such as licenses to engage in a trade,
26 profession, or business or to improve private property.

27 (b) For purposes of applying the laws of this state, a
28 "fee," "charge," or other similar term that satisfies the
29 functional requirements of paragraph (a) must be treated as a
30 tax for all purposes, regardless of whether the statute or law
31 names or describes it as a tax. The provisions of this
32 subdivision do not preempt or supersede limitations under law
33 that apply to fees, charges, or assessments.

34 (c) This subdivision is not intended to extend or limit the
35 application of article 4, section 18, of the Constitution of
36 Minnesota.

1 [EFFECTIVE DATE.] This section is effective the day
2 following final enactment.

3 Sec. 8. Laws 2003, chapter 128, article 1, section 172, is
4 amended to read:

5 Sec. 172. [TEMPORARY PETROFUND FEE EXEMPTION FOR MINNESOTA
6 COMMERCIAL AIRLINES.]

7 (a) A commercial airline providing regularly scheduled jet
8 service and with its corporate headquarters in Minnesota is
9 exempt from the fee established in Minnesota Statutes, section
10 115C.08, subdivision 3, until July 1, ~~2005~~ 2007, provided the
11 airline develops a plan approved by the commissioner of commerce
12 demonstrating that the savings from this exemption will go
13 towards minimizing job losses in Minnesota, and to support the
14 airline's efforts to avoid filing for federal bankruptcy
15 protections.

16 (b) A commercial airline exempted from the fee is
17 ineligible to receive reimbursement under Minnesota Statutes,
18 chapter 115C, until July 1, ~~2005~~ 2007. A commercial airline
19 that has a release during the fee exemption period is ineligible
20 to receive reimbursement under Minnesota Statutes, chapter 115C,
21 for the costs incurred in response to that release.

22 Sec. 9. [CITY OF ROSEMOUNT; TAX INCREMENT FINANCING.]

23 The city of Rosemount or a development authority of the
24 city may spend increment from its Downtown - Brockway Tax
25 Increment Financing (TIF) District to acquire parcels of
26 property that the Department of Transportation or Dakota County
27 acquired in connection with the realignment of marked Trunk
28 Highway 3, notwithstanding the limits under Minnesota Statutes,
29 section 469.1763, on the amount of increments that may be spent
30 outside of the district or Minnesota Statutes, section 469.176,
31 subdivision 4j, on the purposes for which increments may be
32 spent.

33 [EFFECTIVE DATE.] This section is effective upon local
34 approval by the governing body of the city of Rosemount under
35 Minnesota Statutes, section 645.021.

36 Sec. 10. [APPROPRIATION.]

1 (a) \$125,000 in fiscal year 2006, \$125,000 in fiscal year
2 2007, and \$200,000 in each fiscal year thereafter, are
3 appropriated from the general fund to the commissioner of
4 revenue to make grants to one or more nonprofit organizations,
5 qualifying under section 501(c)(3) of the Internal Revenue Code
6 of 1986, to coordinate, facilitate, encourage, and aid in the
7 provision of taxpayer assistance services.

8 (b) "Taxpayer assistance services" mean accounting and tax
9 preparation services provided by volunteers to low-income and
10 disadvantaged Minnesota residents to help them file federal and
11 state income tax returns and Minnesota property tax refund
12 claims and to provide personal representation before the
13 Department of Revenue and Internal Revenue Service.

14 Sec. 11. [APPROPRIATION.]

15 \$320,000 is appropriated from the general fund in fiscal
16 year 2006 only to the commissioner of employment and economic
17 development to be distributed to the city of Duluth to be used
18 by the city for grants to enterprises related to environmental
19 cleanup of Lake Superior and long-term community health care.

20 Sec. 12. [APPROPRIATION.]

21 The following amounts are appropriated from the general
22 fund to the commissioner of finance for transfer to the clean
23 water legacy account in the environmental fund:

24 (1) \$31,500,000 in fiscal year 2006;

25 (2) \$3,000,000 in fiscal year 2007; and

26 (3) \$40,000,000 in fiscal year 2008 and \$80,000,000 in
27 fiscal year 2009 and subsequent years, but only after at least
28 50 percent of the Minnesota Total Maximum Daily Loads (TMDLs)
29 have been established and approved by the Environmental
30 Protection Agency under the federal Clean Water Act.

31 Sec. 13. [APPROPRIATION; AID PAYMENT SHIFTS.]

32 In fiscal year 2008, \$25,000,000 is appropriated from the
33 general fund to the commissioner of finance to be used to buy
34 back the aid payment shift provided in Minnesota Statutes,
35 section 16A.152, subdivision 2, clause (3).

36 Sec. 14. [DEFERRED MAINTENANCE AID.]

1 imposed under chapter 290 and has one or more of the following
2 characteristics:

3 (1) it is offered to the taxpayer under conditions of
4 confidentiality, as that term is defined in Treas. Reg. section
5 1.6011-4(3)(ii), and for which the taxpayer has paid a fee;

6 (2) the terms of the transaction offer the taxpayer or a
7 related party the right to a full or partial refund of fees if
8 all or part of the intended tax consequences of the transaction
9 are not realized, or if fees are contingent upon the taxpayer
10 realizing tax benefits;

11 (3) it is a transaction or a series of related transactions
12 that result in a corporation or a partnership with only
13 corporate partners claiming a reduction in net income in excess
14 of \$10,000,000 in any combination of tax years;

15 (4) it is a transaction or a series of related transactions
16 that result in an individual, a partnership with one or more
17 noncorporate partners, S corporation, or trust claiming a
18 reduction in net income in excess of \$4,000,000 in any
19 combination of taxable years, whether or not any losses flow
20 through to one or more shareholders or beneficiaries; or

21 (5) it is a transaction or series of related transactions,
22 identified as a Minnesota tax shelter in a rule promulgated by
23 the commissioner of revenue, entered into after the date the
24 rule becomes effective.

25 (d) "Reportable transaction" has the meaning given in
26 Treas. Reg. section 1.6011-4 between February 29, 2000, and
27 January 1, 2006.

28 Subd. 2. [REPORTS BY MATERIAL ADVISORS.] (a) On the first
29 day that a material advisor sells a Minnesota tax shelter or
30 reportable transaction, the material advisor must file with the
31 commissioner a copy of any federal tax shelter registration
32 information relating to reportable transactions if that
33 registration is applicable to any person subject to taxation
34 under chapter 290.

35 (b) On or before April 15, 2006, material advisors must
36 report to the commissioner all federal tax shelters used by a

1 person subject to tax under chapter 290 that the material
2 advisor offered for sale between February 28, 2000, and January
3 1, 2006, which were reportable transactions.

4 (c) On or before April 15, 2006, material advisors must
5 report to the commissioner all Minnesota tax shelters that the
6 material advisor offered for sale between February 28, 2000, and
7 January 1, 2006, if the transactions would have had to be
8 disclosed under subdivision 3 had it been in effect at that time.

9 (d) In addition to the requirements set forth in paragraphs
10 (a), (b), and (c), a material advisor must report to the
11 commissioner any transactions entered into on or after April 15,
12 2006, that become listed as reportable transactions or a
13 Minnesota tax shelter.

14 Subd. 3. [MAINTAINING PARTICIPANT LISTS.] Any person
15 organizing or selling Minnesota tax shelters or reportable
16 transactions must maintain a list of participants that are
17 subject to a tax imposed by chapter 290.

18 Subd. 4. [REPORTING.] All persons, including material
19 advisors who organize or sell Minnesota tax shelters or
20 reportable transactions, must provide the following information
21 to the commissioner within 20 days from receiving a written
22 request from the commissioner to provide the information:

23 (1) legal name of the taxpayer;
24 (2) Minnesota tax identification number;
25 (3) federal tax identification number; and
26 (4) description of the Minnesota tax shelter or reportable
27 transaction.

28 Subd. 5. [DISCLOSURE STATEMENTS BY TAXPAYERS.] Every
29 person subject to taxation under chapter 290 who has
30 participated in a reportable transaction or a Minnesota tax
31 shelter which resulted in a tax decrease must file a disclosure
32 statement on a form prescribed by the commissioner. The form
33 must be filed with the tax return.

34 Sec. 2. Minnesota Statutes 2004, section 289A.38, is
35 amended by adding a subdivision to read:

36 Subd. 15. [VOLUNTARY COMPLIANCE

1 INITIATIVE.] Notwithstanding other limitations in the
2 subdivision, an amount of tax related to a reportable
3 transaction or a Minnesota tax shelter that is not reported in
4 the voluntary compliance initiative described in section 4 may
5 be assessed within eight and one-half years after the date the
6 return is filed.

7 Sec. 3. Minnesota Statutes 2004, section 289A.60, is
8 amended by adding a subdivision to read:

9 Subd. 26. [PENALTY FOR FAILURE TO REPORT A TAX
10 SHELTER.] (a) A penalty of \$15,000 is imposed on a person who
11 fails to register a tax shelter as required under section
12 289A.121 on or before the date prescribed.

13 (b) A penalty of \$10,000 is imposed on a person who fails
14 to report to the commissioner a Minnesota tax shelter or a
15 reportable transaction within 20 days of the date prescribed
16 under section 289A.121. For each day after the 20th day that
17 the person organizing or selling the Minnesota tax shelter or
18 reportable transaction failed to make the information required
19 in section 289A.121, subdivision 2, available to the
20 commissioner after the commissioner made a written request for
21 the list, an additional \$10,000 penalty is imposed on that
22 person.

23 (c) A penalty is imposed on a person who fails to make a
24 report required by section 289A.121, subdivision 2, on or before
25 the date prescribed. The penalty is the greater of:

26 (1) \$100,000; or

27 (2) 50 percent of the gross income that the person derived
28 from the activity.

29 (d) A penalty is imposed on a person who intentionally
30 disregards the requirement to maintain and provide information
31 required in section 289A.121. The penalty is the greater of:

32 (1) \$100,000; or

33 (2) 75 percent of the gross income that the person derived
34 from the activity.

35 (e) A penalty of \$15,000 is imposed on a person who fails
36 to provide a list required under section 289A.121, subdivision

1 4, which does not contain all the information required in that
2 section.

3 Sec. 4. [TAX SHELTER VOLUNTARY COMPLIANCE INITIATIVE.]

4 Subdivision 1. [COMMISSIONER TO INITIATE.] The
5 commissioner of revenue shall develop and administer a Minnesota
6 tax shelter voluntary compliance initiative for taxpayers
7 subject to Minnesota Statutes, section 289A.60, subdivision 26,
8 as provided in this chapter.

9 Subd. 2. [TERM; APPLICATION.] The Minnesota tax shelter
10 voluntary compliance initiative shall be conducted from July 1,
11 2005, to December 31, 2005, pursuant to Minnesota Statutes,
12 section 270.07. The Minnesota tax shelter voluntary compliance
13 initiative shall apply to tax liabilities and penalties
14 attributable to Minnesota tax shelters and reportable
15 transactions for tax years beginning before January 1, 2005. An
16 abusive tax avoidance transaction means a Minnesota tax shelter
17 or a reportable transaction as defined in Minnesota Statutes,
18 section 289A.121, subdivision 1.

19 Subd. 3. [IMPLEMENTATION.] The commissioner of revenue may
20 issue forms and instructions and take other actions necessary,
21 including the use of agreements pursuant to Minnesota Statutes,
22 section 270.67, to implement the Minnesota tax shelter voluntary
23 compliance initiative.

24 Subd. 4. [PERSONS NOT ELIGIBLE TO PARTICIPATE.] (a) Any
25 person is not eligible for participation in the Minnesota tax
26 shelter voluntary compliance initiative, if:

27 (1) the taxpayer was convicted of a crime in connection
28 with an abusive tax avoidance transaction or transactions;

29 (2) a criminal complaint was filed against the taxpayer in
30 connection with an abusive tax avoidance transaction or
31 transactions;

32 (3) the taxpayer is the subject of a criminal investigation
33 in connection with an abusive tax avoidance transaction or
34 transactions; or

35 (4) the taxpayer was eligible to participate in the
36 Internal Revenue Service's Offshore Voluntary Compliance

1 Initiative, as set forth in Revenue Procedure 2003-11.

2 Subd. 5. [ELIGIBLE PARTICIPANTS.] (a) Any person who is
3 not ineligible to participate in the Minnesota tax shelter
4 voluntary compliance initiative under subdivision 4, is eligible
5 to participate in the Minnesota tax shelter voluntary compliance
6 initiative.

7 (b) A person participating in the Minnesota tax shelter
8 voluntary compliance initiative waiving the right to an
9 administrative appeal, a claim for refund, or an action in
10 district court must do both of the following:

11 (1) the participating person must file an amended return
12 for each taxable year for which the taxpayer has filed a tax
13 return using an abusive tax avoidance transaction to underreport
14 the taxpayer's tax liability for that tax year. Each amended
15 return shall report all income from all sources, without regard
16 to the abusive tax avoidance transaction; and

17 (2) the participating person must pay taxes and interest
18 due in full, except that the commissioner of revenue may enter
19 into an installment payment agreement pursuant to Minnesota
20 Statutes, section 270.67, prior to taxpayer filing an amended
21 return.

22 (c) The commissioner of revenue shall abate all penalties
23 imposed under Minnesota Statutes, chapter 289A, which could have
24 been assessed in connection with the use of an abusive tax
25 avoidance transaction, for each taxable year for which the
26 taxpayer elects to participate in the Minnesota tax shelter
27 voluntary compliance initiative, to the extent those penalties
28 are a result of underreporting of tax liabilities attributable
29 to the use of abusive tax avoidance transactions, for which a
30 participating person files an amended return in compliance with
31 paragraph (b).

32 (d) No criminal action shall be brought against a taxpayer
33 for the taxable years reported under the Minnesota tax shelter
34 voluntary compliance initiative with respect to the issues for
35 which a taxpayer voluntarily complies under this chapter.

36 (e) A person filing an amended return under this paragraph

1 of the Minnesota tax shelter voluntary compliance initiative may
2 not file a claim for refund, an administrative appeal, or an
3 action in district court in regard to the amount of taxes or
4 interest paid with the amended return.

5 (f) A person participating in the Minnesota tax shelter
6 voluntary compliance initiative not waiving the right to an
7 administrative appeal, a claim for refund, or an action in
8 district court must do both of the following:

9 (1) the participating person must file an amended return
10 for each taxable year for which the taxpayer has filed a tax
11 return using an abusive tax avoidance transaction to underreport
12 the taxpayer's tax liability for that tax year. Each amended
13 return shall report all income from all sources, without regard
14 to the abusive tax avoidance transactions; and

15 (2) the participating person must pay taxes and interest
16 due in full, except that the commissioner of revenue may enter
17 into an installment payment agreement pursuant to Minnesota
18 Statutes, section 270.67, prior to taxpayer filing an amended
19 return.

20 (g) The commissioner of revenue shall abate all penalties
21 imposed under Minnesota Statutes, chapter 289A, except for the
22 penalty for intentional disregard of law or rules imposed under
23 Minnesota Statutes, section 289A.60, subdivision 5, which could
24 have been assessed in connection with the use of an abusive tax
25 avoidance transaction, for each taxable year for which the
26 taxpayer elects to participate in the Minnesota tax shelter
27 voluntary compliance initiative, to the extent those penalties
28 are a result of underreporting of tax liabilities attributable
29 to the use of abusive tax avoidance transactions, for which a
30 participating person files an amended return in compliance with
31 paragraph (b).

32 (h) No criminal action shall be brought against a taxpayer
33 for the taxable years reported under the Minnesota tax shelter
34 voluntary compliance initiative with respect to the issues for
35 which a taxpayer voluntarily complies under this chapter.

36 Sec. 5. [COMMISSIONER ORDERS AND PENALTIES.]

1 After December 31, 2005, the commissioner of revenue may
2 issue an order of assessment within the time period permitted
3 under Minnesota Statutes, section 289A.38, upon an amended
4 return filed under this chapter for an underreported amount of
5 tax, may impose penalties on an underreported amount of tax on
6 an amended return filed under this chapter, or initiate a
7 criminal action against any person based on any underreported
8 amount of tax on an amended return filed under this chapter.

9 A penalty is imposed upon any person who:

10 (1) is not ineligible to file an amended return pursuant to
11 this chapter;

12 (2) has engaged in abusive tax shelter transactions; and

13 (3) fails to voluntarily amend their tax returns for each
14 taxable year for which an amended return may be filed and the
15 person underreported income attributable to an abusive tax
16 shelter transaction.

17 The penalty is equal to 200 percent of the underreported tax
18 that is attributable to the abusive tax shelter transaction.

19 ARTICLE 26

20 PROPERTY TAX FREEZE - SF2206

21 Section 1. [CITATION.]

22 This article may be cited as the "Truth and Fairness in
23 Taxation Act" (TAFTA) or the "State/Local Fiscal Relations:
24 Truth in Taxation Act."

25 Sec. 2. [STATEMENT OF PURPOSE.]

26 The legislature finds that the state of Minnesota is
27 continuing to experience a persistent budget deficit and that
28 reductions in state spending have resulted in increased burdens
29 on school districts, counties, cities, and other units of local
30 government. In order to maintain stability in state and local
31 fiscal relations, the purpose of this act is to prevent property
32 tax rate increases and to illuminate the impact of reductions in
33 revenue to school districts, counties, cities, and other units
34 of local government.

35 Sec. 3. [BENEFIT RATIO FOR RURAL SERVICE DISTRICTS.]

36 Notwithstanding Minnesota Statutes, section 272.67,

1 subdivision 6, the benefit ratio used for apportioning levies to
2 a rural service district for taxes payable in 2006 and any
3 subsequent year prior to the freeze termination year must not be
4 greater than that in effect for taxes payable in 2005.

5 Sec. 4. [PROHIBITION AGAINST INCURRING NEW DEBT.]

6 Subdivision 1. [ACTIONS PROHIBITED.] After May 31, 2006,
7 no municipality as defined in Minnesota Statutes, section
8 475.51, or any special taxing district as defined in Minnesota
9 Statutes, section 275.066, may sell obligations, certificates of
10 indebtedness, or capital notes under Minnesota Statutes, section
11 412.301, chapter 475, or any other law authorizing obligations,
12 certificates of indebtedness, capital notes, or other debt
13 instruments, or enter into installment purchase contracts or
14 lease purchase agreements under Minnesota Statutes, section
15 465.71, or any other law authorizing installment purchase
16 contracts or lease purchase agreements, if issuing those debt
17 instruments or entering into those contracts would require a
18 levy first becoming payable in 2007 or any subsequent year prior
19 to the freeze termination year.

20 Subd. 2. [EXCEPTIONS.] This prohibition does not apply to:

21 (1) refunding bonds sold to refund bonds originally sold
22 before June 1, 2006;

23 (2) obligations for which the amount of the levy first
24 becoming due in 2007 would not exceed the amount by which the
25 municipality's total debt service levy for taxes payable in 2007
26 prior to issuance of those obligations is less than the
27 municipality's total debt service levy for taxes payable in
28 2006; or

29 (3) obligations with respect to which the municipality
30 makes a finding at the time of the issuance of the obligations
31 that no levy will be required for taxes payable in 2007 or any
32 subsequent year prior to the freeze termination year or to pay
33 the debt service on the obligations because sufficient funds are
34 available from nonproperty tax sources to pay the debt service.

35 As used in clauses (2) and (3), "obligations" includes
36 certificates of indebtedness, capital notes, or other debt

1 instruments or installment purchase contracts or lease purchase
2 agreements.

3 Subd. 3. [DATE WHEN BONDS ARE DEEMED SOLD.] For purposes
4 of this section, bonds will be deemed to have been sold before
5 June 1, 2006, if:

6 (1) an agreement has been entered into between the
7 municipality and a purchaser or underwriter for the sale of the
8 bonds by that date;

9 (2) the issuing municipality is a party to a contract or
10 letter of understanding entered into before June 1, 2006, with
11 the federal government or the state government that requires the
12 municipality to pay for a project, and the project will be
13 funded with the proceeds of the bonds; or

14 (3) the proceeds of the bonds will be used to fund a
15 project or acquisition with respect to which the municipality
16 has entered into a contract with a builder or supplier before
17 June 1, 2006.

18 Sec. 5. [LEVY LIMITATION FOR TAXES PAYABLE IN 2007 AND
19 SUBSEQUENT YEARS.]

20 Subdivision 1. [PROPOSED LEVY.] Notwithstanding any other
21 law to the contrary, for purposes of the certification required
22 by Minnesota Statutes, section 275.065, subdivision 1, in 2006
23 and any subsequent year prior to the freeze termination year, no
24 taxing authority, other than a school district, shall certify to
25 the county auditor a proposed property tax levy or, in the case
26 of a township, a final property tax levy, greater than the levy
27 certified to the county auditor pursuant to Minnesota Statutes,
28 section 275.07, subdivision 1, in the prior year, except as
29 provided in this section.

30 Subd. 2. [FINAL LEVY.] Notwithstanding any other law to
31 the contrary, for purposes of the certification required by
32 Minnesota Statutes, section 275.07, subdivision 1, in 2006 and
33 any subsequent year prior to the freeze termination year, no
34 taxing authority, other than a school district, shall certify to
35 the county auditor a property tax levy greater than the amount
36 certified to the county auditor pursuant to Minnesota Statutes,

1 section 275.07, subdivision 1, in the prior year, except as
2 provided in this section.

3 Subd. 3. [DEBT SERVICE EXCEPTION.] If a levy for taxes
4 payable in 2007 or any subsequent year prior to the freeze
5 termination year, for debt service on obligations, certificates
6 of indebtedness, capital notes, or other debt instruments sold
7 prior to June 1, 2006, or to make payments on installment
8 purchase contracts or lease purchase agreements entered into
9 prior to June 1, 2006, exceeds the levy a taxing authority
10 certified pursuant to Minnesota Statutes, section 275.07,
11 subdivision 1, for taxes payable in 2006 for the same purpose,
12 the excess may be levied notwithstanding the limitations of
13 subdivisions 1 and 2.

14 Subd. 4. [ANNEXATION EXCEPTION.] The city tax rate for
15 taxes payable in 2007 or any subsequent year prior to the freeze
16 termination year on any property annexed under Minnesota
17 Statutes, chapter 414, may not be increased over the city or
18 township tax rate in effect on the property for taxes payable in
19 2006, notwithstanding any law, municipal board order, or
20 ordinance to the contrary. The limit on the annexing city's
21 levy under subdivisions 1 and 2 may be increased in excess of
22 that limit by an amount equal to the net tax capacity of the
23 property annexed times the city or township tax rate in effect
24 on that property for taxes payable in 2006. The levy limit of
25 the city or township from which the property was annexed shall
26 be reduced by the same amount.

27 Subd. 5. [SCHOOL DISTRICT EXCEPTIONS.] (a) For taxes
28 payable in 2007 and subsequent years prior to the freeze
29 termination year, no school district shall certify to the county
30 auditor a property tax levy that exceeds the maximum levy that
31 may be imposed by that district under 2005 S.F. No. 2267, if
32 enacted, except as provided in paragraph (b).

33 (b) A school district that is in statutory operating debt
34 under Minnesota Statutes, section 123B.81, and has an approved
35 plan under Minnesota Statutes, section 123B.83, that includes an
36 increase to its referendum allowance under Minnesota Statutes,

1 section 126C.17, is exempt from the levy freeze on referenda
2 according to this section.

3 Sec. 6. [FREEZE ON LOCAL MATCH REQUIREMENTS.]

4 Notwithstanding any other law to the contrary, the local
5 funding or local match required from any city, town, or county
6 for any state grant or program shall not be increased for
7 calendar year 2007 or any subsequent year prior to the freeze
8 termination year above the dollar amount of the local funding or
9 local match required for the same grant or program in 2006,
10 regardless of the level of state funding provided. Any local
11 match or local funding requirement that first becomes effective
12 after December 31, 2006, for new or changed state grants or
13 programs shall not be effective until the freeze has been
14 terminated for that taxing jurisdiction under section 14.
15 Nothing in this section shall affect the eligibility of a city,
16 town, or county for the receipt of state grants or program funds
17 in 2007 or any subsequent year prior to the freeze termination
18 year, or reduce the amount of state funding a city, town, or
19 county would otherwise receive in 2007 or any subsequent year
20 prior to the freeze termination year if the local match
21 requirements of the state grant or program were met in 2006.

22 Sec. 7. [SUSPENSION OF SALARY AND BUDGET APPEAL
23 AUTHORIZATION.]

24 After March 1, 2006, no county sheriff may exercise the
25 authority granted under Minnesota Statutes, section 387.20,
26 subdivision 7, and no county attorney may exercise the authority
27 granted under Minnesota Statutes, section 388.18, subdivision 6,
28 to the extent that the salary or budget increase sought in the
29 appeal would result in an increase in county expenditures in
30 calendar year 2007 or any subsequent year prior to the freeze
31 termination year.

32 Sec. 8. [SUSPENSION OF PUBLICATION AND HEARING
33 REQUIREMENTS.]

34 A local taxing authority is not required to comply with the
35 public advertisement notice of Minnesota Statutes, section
36 275.065, subdivision 5a, or the public hearing requirement of

1 Minnesota Statutes, section 275.065, subdivision 6, with respect
2 to taxes payable in 2007 and any subsequent year prior to the
3 freeze termination year.

4 Sec. 9. [TAX RATE FREEZE; REDUCTION OF LEVY.]

5 If in the course of determining local tax rates for taxes
6 payable in 2007 or any subsequent year prior to the freeze
7 termination year after reductions for disparity reduction aid
8 under Minnesota Statutes, section 275.08, subdivisions 1c and
9 1d, the county auditor finds the local tax rate exceeds that in
10 effect for taxes payable in 2006, the county auditor shall
11 reduce the local government's levy so that the local tax rate
12 does not exceed that in effect for taxes payable in 2006,
13 adjusted as provided in section 5.

14 Sec. 10. [PENSION LIABILITIES.]

15 Notwithstanding any other law or charter provision to the
16 contrary, no levy for taxes payable in 2007 or any subsequent
17 year prior to the freeze termination year for a local police and
18 fire relief association for the purpose of amortizing an
19 unfunded pension liability may exceed the levy for that purpose
20 for taxes payable in 2006.

21 Sec. 11. [DUTIES OF TOWNSHIP BOARD OF SUPERVISORS.]

22 Notwithstanding Minnesota Statutes, section 365.10, in 2006
23 the township board of supervisors shall adjust the levy and in
24 any subsequent year prior to the freeze termination year, the
25 township board of supervisors may adjust the expenditures of a
26 township below the level authorized by the electors to adjust
27 for any reduction in the previously authorized levy of the
28 township pursuant to section 5.

29 Sec. 12. [PROHIBITION ON NEW OR INCREASED FEES.]

30 After March 1, 2006, no municipality as defined in
31 Minnesota Statutes, section 475.51, or special taxing district
32 as defined in Minnesota Statutes, section 275.066, and no
33 executive branch state agency may impose a new fee or increase
34 the rate or amount of an existing fee. As used in this section,
35 a fee is any charge for goods, services, regulations, or
36 licensure, and includes charges for admission to or for use of

1 public facilities.

2 Sec. 13. [SAVINGS CLAUSE.]

3 Notwithstanding any provision in this article, nothing in
4 this article constitutes an impairment of any obligations,
5 certificates of indebtedness, capital notes, or other debt
6 instruments, including installment purchase contracts or lease
7 purchase agreements, issued before the date of final enactment
8 of this act, by a municipality as defined in Minnesota Statutes,
9 section 469.174, subdivision 6; a school district; or a special
10 taxing district as defined in Minnesota Statutes, section
11 275.066.

12 Sec. 14. [EFFECTIVE DATE; TERMINATION.]

13 (a) This article is effective the day following final
14 enactment and applies to taxes payable in 2007 and subsequent
15 years prior to the termination date provided in paragraph (b),
16 (c), (d), or (e) for the taxing jurisdiction described in each
17 of those paragraphs.

18 (b) For cities and towns, the termination date is the taxes
19 payable year that is the calendar year when local government
20 aids payable to cities under Minnesota Statutes, section
21 477A.013, are sufficient to fully fund the formula without any
22 reduction due to the limitation in Minnesota Statutes, section
23 477A.03.

24 (c) For counties, the termination date is the taxes payable
25 year when the total amount to be paid to all counties under
26 Minnesota Statutes, section 477A.0124, exceeds the amount paid
27 to all counties under Minnesota Statutes 2002, sections 273.138;
28 273.1398, subdivision 2, minus the amount certified under
29 Minnesota Statutes, section 273.1398, subdivision 4a, paragraph
30 (b), for counties in Judicial Districts One, Three, Six, and
31 Ten, and by 25 percent of the amount certified under Minnesota
32 Statutes, section 273.1398, subdivision 4a, paragraph (b), for
33 counties located in Judicial Districts Two and Four; 273.166;
34 477A.0121; and 477A.0122, increased by the rate of increase in
35 the annual implicit price deflator for government consumption
36 expenditures from 2003 to the current year.

1 (d) For school districts, the termination date is the taxes
2 payable year that is the year in which the state provides a real
3 state aid inflationary increase to the basic formula allowance
4 under Minnesota Statutes, section 126C.10, subdivision 2, over
5 the amount paid in the prior year.

6 (e) For special taxing districts, the termination date is
7 the 2009 taxes payable year.

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273.19 LESSEES AND EQUITABLE OWNERS.

Subd. 5. Property used for production of hydro power. Notwithstanding the provisions of subdivision 4, real and personal property used or to be used primarily for the production of hydroelectric or hydromechanical power and leased from the state or a local governmental unit pursuant to section 103G.535 may be exempt from taxation or payments in lieu of taxes.

The exemption from taxation or payments in lieu of taxes provided by this subdivision does not apply to hydroelectric or hydromechanical facilities operated at any time between January 1, 1980 and January 1, 1984.

274.05 AUDITOR'S CERTIFICATES.

Subdivision 1. Auditor's certificate of assessment books. Upon the return of the assessment books under section 274.04, the county auditor shall examine them; and, if found in proper form, shall issue a certificate to the assessor. The certificate must state that the books comply with section 274.04. The assessor shall file the certificate with the clerk of the town. The town board must not pay the assessor for services until the assessor has complied with this section.

Subd. 2. Auditor's certificate of summaries. On receiving the summaries under section 274.04, subdivision 2, the county auditor shall examine them and, if found in proper form, shall issue a certificate to the assessor. The certificate must state that the summaries comply with section 274.04, subdivision 2.

275.15 NOT TO INCREASE LEVIES.

Sections 275.124 to 275.16 shall not authorize, nor be construed as, in any instance, authorizing the levy of total amounts of taxes in any year in excess of the amount allowed by law at the time of the passage of these sections, but shall be considered an additional limitation.

275.61 VOTER APPROVED LEVY; MARKET VALUE; NET TAX CAPACITY CONVERSION.

283.07 TAXES PAID BY MISTAKE ON RAILROAD LANDS.

When it shall be made to appear to the board of county commissioners of any county that any person has heretofore by mistake paid taxes on real estate based on the good faith belief at the time of payment that the person was the owner, in which real estate the person never owned any right, title, or interest, and which real estate had never been sold to any person by such railroad company; but was, at the time of the assessment and payment of such taxes, owned by a railroad company and exempt from taxation, the county commissioners shall certify the facts to the state auditor, and the state auditor shall, if satisfied, upon consultation with the attorney general, that the facts stated by the petitioner requesting reimbursement are true, authorize the refunding to the person who has paid such taxes the full amount so paid, together with interest thereon from the date of such payment, and thereafter the county auditor shall draw an order, for the sum so authorized to be refunded, on the treasurer of such county, to be countersigned and paid as other county orders. The several funds, state, county, town, city, school and other, shall be charged with their several proportions of the amount so refunded.

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289A.26 PAYMENT OF ESTIMATED TAX BY CORPORATIONS.

Subd. 2a. Electronic payments. If the aggregate amount of estimated tax payments made during a calendar year is equal to or exceeds \$20,000, all estimated tax payments in the subsequent calendar year must be paid by electronic means.

289A.60 CIVIL PENALTIES.

Subd. 15. Accelerated payment of June sales tax liability; penalty for underpayment. (a) For payments made after December 31, 2002, and before January 1, 2004, if a vendor is required by law to submit an estimation of June sales tax liabilities and 75 percent payment by a certain date, the vendor shall pay a penalty equal to ten percent of the amount of actual June liability required to be paid in June less the amount remitted in June. The penalty must not be imposed, however, if the amount remitted in June equals the lesser of 75 percent of the preceding May's liability or 75 percent of the average monthly liability for the previous calendar year.

(b) For payments made after December 31, 2003, if a vendor is required by law to submit an estimation of June sales tax liabilities and 85 percent payment by a certain date, the vendor shall pay a penalty equal to ten percent of the amount of actual June liability required to be paid in June less the amount remitted in June. The penalty must not be imposed, however, if the amount remitted in June equals the lesser of 85 percent of the preceding May's liability or 85 percent of the average monthly liability for the previous calendar year.

Subd. 21. Penalty for failure to make payment by electronic means. In addition to other applicable penalties imposed by this section, after notification from the commissioner to the taxpayer that payments are required to be made by electronic means under section 289A.20, subdivision 2, paragraph (e), or 4, paragraph (c), or 289A.26, subdivision 2a, and the payments are remitted by some other means, there is a penalty in the amount of five percent of each payment that should have been remitted electronically. After the commissioner's initial notification to the taxpayer that payments are required to be made by electronic means, the commissioner is not required to notify the taxpayer in subsequent periods if the initial notification specified the amount of tax liability at which a taxpayer is required to remit payments by electronic means. The penalty can be abated under the abatement procedures prescribed in section 270.07, subdivision 6, if the failure to remit the payment electronically is due to reasonable cause.

295.55 PAYMENT OF TAX.

Subd. 4. Electronic payments. A taxpayer with an aggregate tax liability of \$120,000 or more during a fiscal year ending June 30 must remit all liabilities by electronic means in the subsequent calendar year.

295.60 SPECIAL FUR CLOTHING TAX.

Subd. 4. Electronic funds transfer payments. A taxpayer with an aggregate tax liability of \$120,000 or more during a fiscal year ending June 30 must remit all liabilities by electronic means.

297A.61 DEFINITIONS.

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297A.62 SALES TAX IMPOSED; RATES.

Subd. 2. Liquor and beer sales. The rate of the sales tax imposed is nine percent on the gross receipts from retail sales of:

(1) intoxicating liquor, as defined in section 340A.101, subdivision 14; and

(2) 3.2 percent malt liquor, as defined in section 340A.101, subdivision 19, when sold at an on-sale or off-sale municipal liquor store or other establishment licensed to sell any type of intoxicating liquor.

297A.64 RENTAL MOTOR VEHICLE TAX IMPOSED; RATE.

Subdivision 1. Tax imposed. A tax is imposed on the lease or rental in this state for not more than 28 days of a passenger automobile as defined in section 168.011, subdivision 7, a van as defined in section 168.011, subdivision 28, or a pickup truck as defined in section 168.011, subdivision 29. The rate of tax is 6.2 percent of the sales price. The tax applies whether or not the vehicle is licensed in the state.

297A.68 BUSINESS EXEMPTIONS.

297A.71 CONSTRUCTION EXEMPTIONS.

297A.99 LOCAL SALES TAXES.

Subd. 13. Application. This section applies to all local sales taxes that were authorized before, on, or after June 2, 1997.

297E.12 CIVIL PENALTIES.

Subd. 10. Order payments credited. All payments received may be credited first to the oldest liability not secured by a judgment or lien in the discretion of the commissioner of revenue, but in all cases must be credited first to penalties, next to interest, and then to the tax due.

297F.09 RETURNS; PAYMENT OF TAX.

Subd. 7. Electronic payment. A cigarette or tobacco products distributor having a liability of \$120,000 or more during a fiscal year ending June 30 must remit all liabilities in the subsequent calendar year by electronic means.

297G.09 RETURNS; PAYMENT OF TAX.

Subd. 6. Electronic payments. A licensed brewer, importer, or wholesaler having an excise tax liability of \$120,000 or more during a fiscal year ending June 30 must remit all excise tax liabilities in the subsequent calendar year by electronic means.

297I.35 PAYMENT OF TAX.

Subd. 2. Electronic payments. If the aggregate amount of tax and surcharges due under this chapter during a calendar year is equal to or exceeds \$120,000, or if the taxpayer is required to make payment of any other tax to the commissioner by electronic means, then all tax and surcharge payments in the subsequent calendar year must be paid by electronic means.

297I.85 CIVIL PENALTIES.

Subd. 7. Penalty for failure to pay electronically. In addition to other applicable penalties imposed by this section, if the commissioner notifies the taxpayer that payments are required to be made by electronic means, and the payments are made by some other means, a penalty is imposed. The amount of the penalty is equal to five percent of each payment that should have been paid electronically. After the commissioner's initial notification to the taxpayer that payments are required to be made by electronic means, the commissioner is not required

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to notify the taxpayer in subsequent periods if the initial notification specified the amount of tax liability at which a taxpayer is required to remit payments by electronic means. The penalty may be abated under the abatement procedures prescribed in section 270.07, subdivision 6, if the failure to pay electronically is due to reasonable cause.

298.01 MINING OR PRODUCING ORES.

Subd. 3c. Alternative minimum tax. For purposes of calculating the alternative minimum tax under section 290.0921, Minnesota alternative minimum taxable income must be computed under the provisions of subdivisions 3, 3a, and 3b, and the provisions of section 290.0921, except that:

(1) the adjustment for adjusted current earnings under section 56(g) of the Internal Revenue Code of 1986, as amended through December 31, 1996, must be determined using gross income as defined in subdivision 3a; and

(2) the tax preference for depletion under section 57(a)(1) of the Internal Revenue Code of 1986, as amended through December 31, 1996, must be included in alternative minimum taxable income.

Subd. 3d. Alternative minimum tax credit. A credit is allowed against qualified regular tax for qualified alternative minimum tax previously paid. The amount of the credit allowed under this subdivision is determined under section 290.0921, subdivision 8. For purposes of calculating this credit, the following terms have the meanings given:

(a) "Qualified alternative minimum tax" means the amount determined under subdivision 3 and section 290.0921, subdivision 1.

(b) "Qualified regular tax" means the tax imposed under subdivision 3 and section 290.06, subdivision 1.

Subd. 4d. Alternative minimum tax. For purposes of calculating the alternative minimum tax under section 290.0921, Minnesota alternative minimum taxable income must be computed under the provisions of subdivisions 4, 4a, 4b and 4c, and the provisions of section 290.0921, except that:

(1) for purposes of the depreciation adjustments provided by section 56(a)(1) of the Internal Revenue Code of 1986, as amended through December 31, 1996, the basis for depreciable property placed in service is the remaining depreciable basis as defined in subdivision 4c;

(2) the adjustment for adjusted current earnings under section 56(g) of the Internal Revenue Code of 1986, as amended through December 31, 1996, must be determined using gross income as defined in subdivision 4a;

(3) the tax preference for depletion under section 57(a)(1) of the Internal Revenue Code of 1986, as amended through December 31, 1996, must be included in alternative minimum taxable income; and

(4) for purposes of calculating the tax preference for accelerated depreciation or amortization of certain property placed in service before January 1, 1987, under section 57(a)(7) of the Internal Revenue Code of 1986, as amended through December 31, 1996, the deduction allowable for the taxable year shall mean the deduction allowable under subdivision 4c, provided that this modification must not reduce the amount of tax preference to less than zero.

Subd. 4e. Alternative minimum tax credit. A credit is allowed against qualified regular tax for qualified

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alternative minimum tax previously paid. The amount of the credit allowed under this paragraph is determined under section 290.0921, subdivision 8. For purposes of calculating this credit, the following terms have the meanings given:

(1) "Qualified alternative minimum tax" means the amount determined under subdivision 4d and section 290.0921, subdivision 1.

(2) "Qualified regular tax" means the tax imposed under subdivision 4 and section 290.06, subdivision 1.

298.017 DEDUCTIONS.

Subdivision 1. **Deductions not allowed.** For purposes of calculating the net proceeds under section 298.015, the following expenses are not deductible: (1) all sales, marketing, and interest expenses; (2) all insurance expense and taxes, except as specifically provided in this section; (3) all administrative expenses outside of Minnesota; (4) any research expense prior to production; (5) funds set aside during production years to pay for reclamation expenses after production ends; (6) royalty expenses, depletion allowances, and cost of mining land.

Subd. 2. **Deductions allowed.** (a) In calculating the net proceeds for the purpose of determining the tax provided in section 298.015, only those expenses specifically allowed in this subdivision may be deducted from gross proceeds. The carryback or carryforward of deductions shall not be allowed.

(b) Ordinary and necessary expenses actually paid for the mining, production, processing, beneficiation, smelting, or refining of metal or mineral products for:

(1) labor, including wages, salaries, fringe benefits, unemployment and workers' compensation insurance;

(2) machinery, equipment, and supplies, including any sales and use tax paid on it, except that machinery and equipment subject to depreciation shall only be deductible under clause (b)(3);

(3) depreciation as defined and allowed by section 167 of the Internal Revenue Code of 1986, as amended through December 31, 1996;

(4) administrative expenses inside Minnesota; and

(5) reclamation costs actually incurred in Minnesota and paid in a year of production, including the payment of bonds required by the provisions of an environmental permit issued by the state of Minnesota are deductible.

(c) Ordinary and necessary expenses of transporting metal or mineral products are allowed as a deduction if the costs are included in the sale price of the products.

(d) Expenses of exploration, research, or development in this state for the mining and processing of minerals within Minnesota paid in a production year are deductible in the production year.

(e) Expenses of exploration and development in Minnesota incurred prior to production must be amortized and deducted on a straight-line basis over the first five years of production.

473.39 BORROWING MONEY.

Subd. 1f. **Prohibition of certain obligations.** The council may not issue obligations for construction of light rail transit in the Hiawatha corridor.

*From
Hoyer
Meyer*

MINNESOTA
HEALTH & HOUSING
ALLIANCE

PROMOTING EXCELLENCE AND INNOVATION IN OLDER ADULT SERVICES

MHHA Position on Institutions of Purely Public Charity Provision
(House Article 4, Section 6)

CONCERN: The provision, as originally proposed by the Minnesota Department of Revenue (DOR), could create confusion and result in inconsistent application of the *North Star* factors in determining tax exempt status for “assisted living” facilities.

GOAL: Neither broaden nor narrow the exemption from current law and practices, but provide clarifying language to avoid confusion and unintended consequences.

BACKGROUND: Determining the property tax status of “assisted living” facilities has been extremely difficult for both assessors and providers. In 2000, the Minnesota Health & Housing Alliance worked cooperatively with the DOR and others to clarify property tax exemptions for assisted living facilities through the development of a bulletin. The bulletin outlines for assessors what activities must be present in order to satisfy each of the *North Star* factors used to determine exempt status as an Institution of Purely Public Charity (IPPC). Under factor 3 (*whether the recipients of the “charity” are required to pay for the assistance received in whole or in part*) the bulletin states that assisted living facilities must participate in government assistance programs such as Alternative Care Grants (AC), Elderly Waiver (EW), and Group Residential Housing (GRH) to satisfy that factor. The language proposed by the DOR specifically states that these types of government assistance programs are not “gifts or donations,” which are required to satisfy North Star factor 2 (*whether the entity involved is supported by donations and gifts in whole or in part*).

We concur with the DOR that government programs should not be considered gifts or donations. However, assessors and assisted living providers are likely to be confused by a bulletin that requires participation in government assistance programs to satisfy one factor, and a statute that prohibits the consideration of government assistance programs to satisfy another factor.

SOLUTION: We support the Senate position that includes clarifying language developed by the DOR in cooperation with a broad group of older adult services organizations including the Minnesota Health & Housing Alliance, Care Providers of Minnesota and the Good Samaritan Society. “The items described in clauses (1) and (2) may, however, be considered when making other determinations related to an exemption under this subdivision, including, without limitation, for the purpose of determining whether the recipient of housing or housing services is required to pay in whole or in part for the housing.”

*in
Senate
Bill (or
similar)*

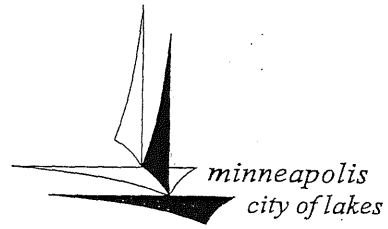
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The Minnesota Health & Housing Alliance is the state affiliate for the American Association of Homes and Services for the Aging and the Assisted Living Federation of America.

DEPARTMENT OF ASSESSOR
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City Assessor

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April 1, 2005

Ms. Jennifer W. Denys
Rider-Bennett Law Firm
33 South Sixth Street Suite 4900
Minneapolis, MN 55402

Re: The Salvation Army / Tax Application for Exempt Status
Property Address: 1421 Yale Place, Mpls., MN
PID 27-029-24-24-0116 (Booth Manor)

Dear Ms. Denys:

The City of Minneapolis has reviewed your application for reclassifying the above referenced property as tax exempt for the 2005 assessment, taxes payable in 2006. It is our opinion, and the opinion of the Hennepin County Attorney's office that the Salvation Army's building at 1421 Yale Place does not qualify for exemption under Minn. Stat. §272.02 subd. 7 as an Institution of public charity. The following statements are a few examples of why our office believes Booth Manor does not meet the statutory requirements for a property tax exemption as an Institute of Public Charity.

- Tenants are subject to eviction for nonpayment of rent.
- There is no benevolent fund for tenants that cannot afford to pay their rent.
- Tenants are required to pay the full monthly rent by the 5th of each month or be subject to a service charge
- Tenants are required to reimburse Booth Manor for lost revenue if the tenant violates the terms of the lease.
- Booth Manor's financial statements indicate a positive cash flow before depreciation and amortization.
- Volunteers at Booth Manor, provide social activities which may add to the quality of life of the tenants at Booth Manor, however these services are not essential for the housing facility.
- Section 8 housing reimbursements are calculated on prevailing market rate rents.

For any questions please call me at 612-673-2483. My e-mail address is:
patrick.todd@ci.minneapolis.mn.us

*Sal. Army does
not manage
bldg.*

Sincerely,

Patrick Todd
Supervisor, Real Estate Assessment

cc: Hennepin County Attorney

COPY

1 moves to amend .. F. No., as follows:

2 Page .., after line .., insert:

3 "Sec. ... Minnesota Statutes 2004, section 272.02, is
4 amended by adding a subdivision to read:

5 Subd. 68. [ELDERLY LIVING FACILITY.] An elderly living
6 facility is exempt from taxation if it meets all of the
7 following requirements:

8 (1) the facility is located in a city of the first class
9 with a population of more than 350,000;

10 (2) the facility is owned and operated by a nonprofit
11 organization;

12 (3) the facility consists of 157 living units;

13 (4) the facility is located across the street from a public
14 park and a community college;

15 (5) the residents of the facility must be at least 62 years
16 of age;

17 (6) the facility provides the residents with social and
18 physical support; and

19 (7) the residents of the facility meet the income test for
20 qualified low-income housing projects under 42(g) of the
21 Internal Revenue Code.

22 Provided that the property continues to meet all of the
23 above criteria, the property is exempt for the term of the
24 facility's financing, as of May 1, 2005, or January 1, 2030,

01/05 3:43 p.m.

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whichever is later."