

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

Prepared by:

House Research and Senate Counsel, Research and Fiscal Analysis

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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	

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Sec.	Article 1: Taxpayer Satisfaction Survey	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>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 scho 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.	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.	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 by 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
		<p>located in Minneapolis must be commenced between January 1, 2004, and December 31, 2007.</p> <p>Effective for taxes payable in 2006, and thereafter.</p>
	<p>No comparable provision.</p>	<p>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.</p> <p>Construction of the proposed facility, which will be located in Cottage Grove (Washington County), must begin between January 1, 2005, and December 31, 2007.</p> <p>Effective payable in 2006, and thereafter.</p>
8	<p>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.</p> <p>Effective for taxes payable in 2006, and thereafter.</p>	<p>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.</p>
9	<p>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.</p> <p>Effective for taxes payable in 2006, and thereafter.</p>	<p>Art. 22, Sec. 8 (TAX3). Same</p>
10	<p>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.</p> <p>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.</p> <p>Subd. 2. Existing plants with increase in nameplate capacity. Provides a partial</p>	<p>No comparable provision.</p>

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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>	No comparable provision.
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>	No comparable provision.
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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	No comparable provision.	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.
15	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.	Art. 8, Sec. 31 (TAX2). Same, except House includes minor technical language on the city authorizing the exclusion.
	No comparable provision.	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

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		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.
16	<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>	No comparable provision.
	No comparable provision.	<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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		<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>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>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> <ul 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> <ul 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.</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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	<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. Reinstates 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>

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	No comparable provision.	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.
	No comparable provision.	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.
25	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.	No comparable provision.
	(See section 26)	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.
26	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	(See Art. 22, Sec. 10 (TAX3))

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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>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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	Effective for property tax statements for taxes payable in 2006 and thereafter.	
	No comparable provision.	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.
	No comparable provision.	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.
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> <ul 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>	No comparable provision.
	No comparable provision.	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

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		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.
29	<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>	No comparable provision.
30	<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>	No comparable provision.
31	<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>	No comparable provision.
32	<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>	No comparable provision.

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	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.	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.
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	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.).	Same provision in S.F 310, passed Senate Floor; currently in House Taxes.
37	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,	Art. 12, Sec. 26 (TAX2). Same except lacks effective date.

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	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>
	No comparable provision.	<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>
	No comparable provision.	<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>
	No comparable provision.	<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>	No comparable provision.

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	Effective for taxes payable in 2006.	
	No comparable provision.	<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>
	No comparable provision.	<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>
	No comparable provision.	<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>

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	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.	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.
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.
	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.	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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	<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>

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	<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>
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>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>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>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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		<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>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>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="211 1795 820 2236"> <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.	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>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>	
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>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>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>
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>
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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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
	No comparable provision	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.
Sec.	Article 4: Department of Revenue Property Taxes	Article 14: Department of Revenue Property Taxes – S.F. 1683
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>	Art. 14, Sec. 2 (TAX2). Same.
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>	Art. 14, Sec. 3 (TAX2). Same.
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>	Art. 14, Sec. 4 (TAX2). Same.
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>	Art. 14, Sec. 5 (TAX2). Same. (House language does not show headnote.)

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	<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>	Art. 14, Sec. 6 (TAX2). Same.
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>Effective for taxes payable in 2004 and thereafter.</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 part for the housing. Effective payable 2004 and thereafter.
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>	Art. 14, Sec. 8 (TAX2). Same.
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>	Art. 14, Sec. 9 (TAX2). Same.
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>	Art. 14, Sec. 10 (TAX2). Same.
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>	Art. 14, Sec. 11 (TAX2). Same.
11	<p>Cross-reference to exemption for housing and redevelopment authority property. Adds a new</p>	Art. 14, Sec. 12 (TAX2). Same.

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	<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>

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	<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>	Art. 14, Sec. 18 (TAX2). Same.
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>	Art. 14, Sec. 19 (TAX2). Same.
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>	Art. 14, Sec. 20 (TAX2). Same.
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>	Art. 14, Sec. 21 (TAX2). Same.
	No comparable provision.	<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>	Art. 14, Sec. 23 (TAX2). Same.

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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>	Art. 14, Sec. 24 (TAX2). Same.
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>	Art. 14, Sec. 25 (TAX2). Same. (House language does not show headnote.)
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>	Art. 14, Sec. 26 (TAX2). Utility and railroad appeals. Substantively the same, but the House language has been recodified.
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>	Art. 14, Sec. 27 (TAX2). Same.
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>	Art. 14, Sec. 28 (TAX2). Same.

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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>

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	<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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		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>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>	Art. 14, Sec. 43 (TAX2). Same.
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>	Art. 18, sec. 13 (TAX2). Same.
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>	Art. 18, sec. 14 (TAX2). Same.
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>	Art. 18, sec. 15 (TAX2). Same.

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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>

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Sec.	Article 4: Department of Revenue Property Taxes	Article 14: Department of Revenue Property Taxes – S.F. 1683
	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.
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	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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Sec.	HOUSE	SENATE
	<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>
5	<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>	No comparable provision
6	<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>	Art. 13, sec. 3 (TAX2). Fractional Year Returns of Unitary Corporations. Same
7	<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. 18, sec. 6 (TAX2). Extension to File Estate Tax Return. Same
8	<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. 1, sec. 1 (TAX1). Withholding on nonresident income. Same
9	<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. 18, sec. 7 (TAX2). Recalculation of Separate Spouse Liability. Same

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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
	Effective for requests for relief made on or after the day following final enactment.	
10	<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>
	No comparable provision	<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>
11	<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>
12	<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>	No comparable provision
13	<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>
	No comparable provision	<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.	HOUSE	SENATE
	<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>
14	<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>of property and \$1 million of payroll outside the United States.</p> <p>Art. 5, sec. 2 (TAX2). Resident status of military personnel. Same for military personnel.</p> <p>No comparable provision</p>
15	<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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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>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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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>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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Sec.	HOUSE	SENATE
	<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>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>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>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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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
		complete all the allocations outlined in Minnesota Statutes, section 16A.152, subdivision 2.
	No comparable provision	Art. 19, sec. 5 (TAX3). Indexing of brackets. provides for indexing of the income tax brackets for tax year 2006 and following years.
19	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. Effective for tax years beginning after December 31, 2004.	Art. 13, sec. 11 (TAX2). Income Taxes Paid to Other States. Same
	No comparable provision	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.
20	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). 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). 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. 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. The credit is available for qualifying expenditures	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).

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Sec.	HOUSE Article 5: Income, Corporate Franchise, and Estate Taxes	SENATE 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
	made after December 31, 2004.	
	No comparable provision	<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>
	No comparable provision	<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>	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>eliminates the “marriage penalty” that results from the income phaseouts under the credit insofar as earned income is concerned.</p>	
<p>23</p>	<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>
<p>24</p>	<p>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.</p>	<p>No comparable provision</p>
<p>25</p>	<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>	<p>No comparable provision</p>
<p>26</p>	<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>	<p>No comparable provision</p>
<p>27</p>	<p>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.</p>	<p>Art. 13, sec. 12 (TAX2). Education Credit Cite to Education Code. Same</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>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													
2005	42,000													
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Sec.	HOUSE	SENATE										
	<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>deductions for AMT are also enacted.</p>										
<p>31</p>	<p>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.</p> <p>Effective for taxes payable in 2004 and thereafter.</p>	<p>Art. 13, sec. 13 (TAX2). Cross Reference to Cooperatives Organized Under Chapter 308B. Same</p>										
	<p>No comparable provision</p>	<p>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.</p> <p>Effective date: For taxable years beginning after December 31, 2004.</p>										
	<p>No comparable provision</p>	<p>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.</p>										
	<p>No comparable provision</p>	<p>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.</p>										
<p>32</p>	<p>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:</p> <table border="1" data-bbox="267 2206 781 2386"> <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> <p>Effective for tax years beginning after December 31, 2006.</p>	Tax year	Sales Percentage	Present law	75%	2007	78%	2008	95%	2009	100%	<p>No comparable provision</p>
Tax year	Sales Percentage											
Present law	75%											
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2008	95%											
2009	100%											
<p>33</p>	<p>Single factor sales apportionment; financial</p>	<p>No comparable provision</p>										

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Sec.	HOUSE	SENATE
	<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>	
34	<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>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>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>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.	HOUSE	SENATE
	<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>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. 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
	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	<p>Additions to federal taxable income for individuals, trusts, and estates. Requires</p>	<p>Art. 2, sec. 2 (TAX1). Additions to taxable income. Same with respect to the new</p>

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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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Sec.	Article 6: Federal Update	Article 2: Federal Update – SF 1209; Article 6: Federal Update – SF 1683
	<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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Sec.	Article 6: Federal Update	Article 2: Federal Update – SF 1209; Article 6: Federal Update – SF 1683
	<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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Sec.	Article 6: Federal Update	Article 2: Federal Update – SF 1209; Article 6: Federal Update – SF 1683
	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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Sec.	Article 6: Federal Update	Article 2: Federal Update – SF 1209; Article 6: Federal Update – SF 1683
	<p>were noted in section 12.</p> <p>Effective for property tax refunds based on household income for 2004 and thereafter.</p>	<p>of 2003.</p> <p>Art. 6, sec. 16 (TAX2). Property Tax Refund Household Income. Same</p>
17	<p>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.</p>	<p>Art. 2, sec. 11 (TAX1). Update of Property Tax Refund chapter. Same with respect to changes resulting from American Jobs Creation Act of 2003.</p> <p>Art. 6, sec. 17 (TAX2). Update References for Property Tax Refund. Similar but Senate updates through December 31, 2004, House through April 15, 2005.</p>
	No comparable provisions	<p>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.</p>
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	<p>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.</p> <p>Effective for contracts entered into after December 31, 2005.</p>	<p>Art. 3. Section 1. (TAX1) Same.</p>
2	<p>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.</p>	<p>Art. 15. Sec. 1. (TAX2) Same.</p>

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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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	<p>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.</p>	
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>	<p>Art. 15. Sec. 11. (TAX2) Same.</p>
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>	<p>Art. 21. Sec. 3. (TAX3) Same</p>
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>	<p>No comparable provision.</p>
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>	<p>Art. 21, sec. 5. (TAX3) Same.</p>
	<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>	<p>Art.12, sec. 15 (TAX2) Same.</p>

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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 product 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 ... 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 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 developm 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, 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 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	<p>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.</p>
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>	

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
	Effective for charges and revenues received after June 30, 2005.	
2	Mortgage registry tax; armory exemption. Provides that the mortgage registry tax does not apply to mortgages on armories. Effective the day following final enactment.	Art. 16, sec. 1 (TAX2). Mortgage Registry Tax Exemption. Same
	No comparable provision	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
	No comparable provision	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.
3	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.	
4	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. Effective for gross revenues received after December 31, 2004.	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.
5	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: <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.	<p style="text-align: center;">Article 8: Special Taxes</p>	<p style="text-align: center;">Article 3: Sales, Use, and Special Taxes – SF 1209; Article 12: Miscellaneous – SF 1683; Article 16: Department of Revenue Special Tax – SF 1683</p>
	<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. 	
<p>6</p>	<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>
<p>7</p>	<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 style="padding-left: 40px;">Subd. 1. Definitions. Defines terms for purposes of the gross receipts tax: commissioner, gross receipts, liquor, liquor retailer, and retail sale.</p> <p style="padding-left: 40px;">Subd. 2. Gross receipts tax imposed.</p>	<p>Art. 3, sec. 2 (TAX1). Liquor Tax. Same</p>

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Sec.	<p style="text-align: center;">Article 8: Special Taxes</p>	<p style="text-align: center;">Article 3: Sales, Use, and Special Taxes – SF 1209; Article 12: Miscellaneous – SF 1683; Article 16: Department of Revenue Special Taxes – SF 1683</p>
	<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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	<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>	
	<p>No comparable provision</p>	<p>Art. 12, sec. 25 (TAX2). Out of State Tobacco Retailers. Requirements for accepting orders for shipping and delivery sales are imposed on tobacco retailers.</p>
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>	<p>Art. 18, sec. 17 (TAX2). Metropolitan Solid Waste Landfill Fee Penalty. Same</p>
	<p>No comparable provision</p>	<p>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.</p>
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>	<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.</p>

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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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	tax, or both. Effective for development agreements approved after the day following final enactment beginning for taxes payable in 2006.	
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>	No provision
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. 	No provision
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>	
	House Public Finance bill is very similar	<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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	<p>House Public Finance bill contains a similar provision</p>	<p>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.</p>
7	<p>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.</p>	<p>Art. 9, sec. 11 (TAX2). Border City Allocations. Same</p>
	<p>No provision</p>	<p>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.</p>
	<p>No provision</p>	<p>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.</p>
	<p>No provision</p>	<p>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.</p>
	<p>No provision</p>	<p>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</p>

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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	<p>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,</p>	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. 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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	<p>subsidy agreement requires paying prevailing wage. Effective retroactive to the start of the JOBZ program.</p>	
13	<p>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.</p> <p>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).</p>	No provision
14	<p>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.</p> <p>Effective the day following final enactment; applies only to qualified businesses with business subsidy agreements fully executed after June 30, 2005.</p>	No provision
15	<p>Repayment obligation. Clarifies that “commissioner” refers to the commissioner of employment and economic development.</p>	S.F. 2276, article 2, section 106
16	<p>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.</p> <p>Effective the day following final enactment.</p>	S.F. 2276, article 2, section 107
17	<p>Remedies. Eliminates the requirement for publishing orders modifying a JOBZ in the State Register and on the Internet.</p> <p>Effective the day following final enactment.</p>	S.F. 2276, article 2, section 108
18	<p>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.</p> <p>Effective retroactively from June 9, 2003.</p>	S.F. 2276, article 2, section 109
19	<p>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.</p>	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 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 for 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>

Sec.	HOUSE Article 10: Tax Shelters	SENATE S.F. 2206, Article 7 (TAX3): Tax Shelter and Voluntary Compliance Initiative
	<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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Sec.	Article 10: Tax Shelters	S.F. 2206, Article 7 (TAX3): Tax Shelter and Voluntary Compliance Initiative
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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Sec.	Article 10: Tax Shelters	S.F. 2206, Article 7 (TAX3): Tax Shelter and Voluntary Compliance Initiative
	<p>These penalties are in addition to any other penalties that may apply.</p>	
<p>9</p>	<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>	<p>No comparable provision</p>
<p>10</p>	<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>	<p>No comparable penalty</p>
<p>11</p>	<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>	<p>No comparable penalty</p>
<p>12</p>	<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. 	<p>No comparable provision</p>

Sec.	HOUSE Article 10: Tax Shelters	SENATE S.F. 2206, Article 7 (TAX3): Tax Shelter and Voluntary Compliance Initiative
	<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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Sec.	Article 10: Tax Shelters	S.F. 2206, Article 7 (TAX3): Tax Shelter and Voluntary Compliance Initiative
	<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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Sec.	Article 10: Tax Shelters	S.F. 2206, Article 7 (TAX3): Tax Shelter and Voluntary Compliance Initiative
	<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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Sec.	Article 11: Miscellaneous	Article 12: Miscellaneous – SF 1683; Article 18: Department of Revenue Miscellaneous – SF 1683; Article 24: Miscellaneous – SF 2206
	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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Sec.	Article 11: Miscellaneous	Article 12: Miscellaneous – SF 1683; Article 18: Department of Revenue Miscellaneous – SF 1683; Article 24: Miscellaneous – SF 2206
	<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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Sec.	Article 11: Miscellaneous	Article 12: Miscellaneous – SF 1683; Article 18: Department of Revenue Miscellaneous – SF 1683; Article 24: Miscellaneous – SF 2206
	convicted of crimes occurring on or after August 1, 2005.	
14	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. Effective the day following final enactment.	Art. 18, sec. 3 (TAX2). Date of Assessment of a Consent Agreement. Same
15	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. Effective for offers submitted after August 31, 2005.	Art. 18, sec. 4 (TAX2). Offer in Compromise Deposit Requirement. Same
16	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.	Art. 18, sec. 5 (TAX2). Transcription of Liens to the Secretary of State. Same
17	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.	Art. 12, sec. 10 (TAX2). Revenue Recapture. Same
18	Political contribution refund, conforming changes. Eliminates a reference to the political contribution refund, which is repealed in section 34.	No comparable provision
19	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.	Art. 12, sec. 11 (TAX2). Cross-reference. Same
20	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. Effective the day following final enactment.	Art. 18, sec. 8 (TAX2). Sending Orders of Assessment by Electronic Mail. Same
21	Political contribution refund, conforming changes. Eliminates a reference to the political	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>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>	<p>No comparable provision</p>
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.	HOUSE Article 11: Miscellaneous	SENATE 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> <ul style="list-style-type: none"> ▶ Minn. Stat. § 10A.322, subd. 4: Refund 	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	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.	
2	Same	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.
3	Same	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.
4	Taconite environmental fund. Requires Iron Range Resources and Rehabilitation Board approval for economic development projects funded with the environmental protection fund.	Art. 11, sec. 16 (TAX2). Fund. Same
5	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.	Art. 8, sec. 57 (TAX 2) same
6	Similar, but does not extend to training and application development services.	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

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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 current ⁷ 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	<p>Competitive bidding exception. Authorizes a housing and redevelopment authority to contract for a public transit facility without using competitive bidding procedures, if:</p> <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 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 rig 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.
		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. 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.
		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
		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.
		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.
		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.
		Sec. 6 (TAX2). Repealer. Repeals provisions that are no longer necessary if section 1 is enacted: <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.
		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.
Sec.	H.F. 2498, Article 3 (as passed by House Taxes Committee)	Senate Article 23: International Economic Development Zone
	H.F. 2498, art. 3, sec. 1 (House public finance bill as passed by Taxes Committee) is similar, but	Sec. 1 (TAX3) Property Tax Exemption. Provides a property tax exemption to a qualified

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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>
	<p>H.F. 2498, art. 3, sec. 13 is different.</p>	<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>

Sec.	HOUSE H.F. 2498, Article 3 (as passed by House Taxes Committee)	SENATE 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.
	<p>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.</p> <p>Effective the day following final enactment.</p>	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.
		<p>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:</p> <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 v 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 that 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 agreement 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.