

Agenda #1

Senator Rest, Moua, Chaudhary, Belanger and Betzold introduced--  
S.F. No. 218: Referred to the Committee on Taxes

1 A bill for an act  
2 relating to taxation; accelerating the income tax  
3 charitable contribution deduction for relief of Indian  
4 Ocean tsunami victims; amending Minnesota Statutes  
5 2004, section 290.01, subdivision 19.

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

7 Section 1. Minnesota Statutes 2004, section 290.01,  
8 subdivision 19, is amended to read:

9 Subd. 19. [NET INCOME.] The term "net income" means the  
10 federal taxable income, as defined in section 63 of the Internal  
11 Revenue Code of 1986, as amended through the date named in this  
12 subdivision, incorporating any elections made by the taxpayer in  
13 accordance with the Internal Revenue Code in determining federal  
14 taxable income for federal income tax purposes, and with the  
15 modifications provided in subdivisions 19a to 19f.

16 In the case of a regulated investment company or a fund  
17 thereof, as defined in section 851(a) or 851(g) of the Internal  
18 Revenue Code, federal taxable income means investment company  
19 taxable income as defined in section 852(b)(2) of the Internal  
20 Revenue Code, except that:

21 (1) the exclusion of net capital gain provided in section  
22 852(b)(2)(A) of the Internal Revenue Code does not apply;

23 (2) the deduction for dividends paid under section  
24 852(b)(2)(D) of the Internal Revenue Code must be applied by  
25 allowing a deduction for capital gain dividends and

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

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

7 The net income of a real estate investment trust as defined  
8 and limited by section 856(a), (b), and (c) of the Internal  
9 Revenue Code means the real estate investment trust taxable  
10 income as defined in section 857(b)(2) of the Internal Revenue  
11 Code.

12 The net income of a designated settlement fund as defined  
13 in section 468B(d) of the Internal Revenue Code means the gross  
14 income as defined in section 468B(b) of the Internal Revenue  
15 Code.

16 The provisions of sections 1113(a), 1117, 1206(a), 1313(a),  
17 1402(a), 1403(a), 1443, 1450, 1501(a), 1605, 1611(a), 1612,  
18 1616, 1617, 1704(1), and 1704(m) of the Small Business Job  
19 Protection Act, Public Law 104-188, the provisions of Public Law  
20 104-117, the provisions of sections 313(a) and (b)(1), 602(a),  
21 913(b), 941, 961, 971, 1001(a) and (b), 1002, 1003, 1012, 1013,  
22 1014, 1061, 1062, 1081, 1084(b), 1086, 1087, 1111(a), 1131(b)  
23 and (c), 1211(b), 1213, 1530(c)(2), 1601(f)(5) and (h), and  
24 1604(d)(1) of the Taxpayer Relief Act of 1997, Public Law  
25 105-34, the provisions of section 6010 of the Internal Revenue  
26 Service Restructuring and Reform Act of 1998, Public Law  
27 105-206, the provisions of section 4003 of the Omnibus  
28 Consolidated and Emergency Supplemental Appropriations Act,  
29 1999, Public Law 105-277, and the provisions of section 318 of  
30 the Consolidated Appropriation Act of 2001, Public Law 106-554,  
31 shall become effective at the time they become effective for  
32 federal purposes.

33 The Internal Revenue Code of 1986, as amended through  
34 December 31, 1996, shall be in effect for taxable years  
35 beginning after December 31, 1996.

36 The provisions of sections 202(a) and (b), 221(a), 225,

1 312, 313, 913(a), 934, 962, 1004, 1005, 1052, 1063, 1084(a) and  
2 (c), 1089, 1112, 1171, 1204, 1271(a) and (b), 1305(a), 1306,  
3 1307, 1308, 1309, 1501(b), 1502(b), 1504(a), 1505, 1527, 1528,  
4 1530, 1601(d), (e), (f), and (i) and 1602(a), (b), (c), and (e)  
5 of the Taxpayer Relief Act of 1997, Public Law 105-34, the  
6 provisions of sections 6004, 6005, 6012, 6013, 6015, 6016, 7002,  
7 and 7003 of the Internal Revenue Service Restructuring and  
8 Reform Act of 1998, Public Law 105-206, the provisions of  
9 section 3001 of the Omnibus Consolidated and Emergency  
10 Supplemental Appropriations Act, 1999, Public Law 105-277, the  
11 provisions of section 3001 of the Miscellaneous Trade and  
12 Technical Corrections Act of 1999, Public Law 106-36, and the  
13 provisions of section 316 of the Consolidated Appropriation Act  
14 of 2001, Public Law 106-554, shall become effective at the time  
15 they become effective for federal purposes.

16 The Internal Revenue Code of 1986, as amended through  
17 December 31, 1997, shall be in effect for taxable years  
18 beginning after December 31, 1997.

19 The provisions of sections 5002, 6009, 6011, and 7001 of  
20 the Internal Revenue Service Restructuring and Reform Act of  
21 1998, Public Law 105-206, the provisions of section 9010 of the  
22 Transportation Equity Act for the 21st Century, Public Law  
23 105-178, the provisions of sections 1004, 4002, and 5301 of the  
24 Omnibus Consolidation and Emergency Supplemental Appropriations  
25 Act, 1999, Public Law 105-277, the provision of section 303 of  
26 the Ricky Ray Hemophilia Relief Fund Act of 1998, Public Law  
27 105-369, the provisions of sections 532, 534, 536, 537, and 538  
28 of the Ticket to Work and Work Incentives Improvement Act of  
29 1999, Public Law 106-170, the provisions of the Installment Tax  
30 Correction Act of 2000, Public Law 106-573, and the provisions  
31 of section 309 of the Consolidated Appropriation Act of 2001,  
32 Public Law 106-554, shall become effective at the time they  
33 become effective for federal purposes.

34 The Internal Revenue Code of 1986, as amended through  
35 December 31, 1998, shall be in effect for taxable years  
36 beginning after December 31, 1998.

1 The provisions of the FSC Repeal and Extraterritorial  
2 Income Exclusion Act of 2000, Public Law 106-519, and the  
3 provision of section 412 of the Job Creation and Worker  
4 Assistance Act of 2002, Public Law 107-147, shall become  
5 effective at the time it became effective for federal purposes.

6 The Internal Revenue Code of 1986, as amended through  
7 December 31, 1999, shall be in effect for taxable years  
8 beginning after December 31, 1999. The provisions of sections  
9 306 and 401 of the Consolidated Appropriation Act of 2001,  
10 Public Law 106-554, and the provision of section 632(b)(2)(A) of  
11 the Economic Growth and Tax Relief Reconciliation Act of 2001,  
12 Public Law 107-16, and provisions of sections 101 and 402 of the  
13 Job Creation and Worker Assistance Act of 2002, Public Law  
14 107-147, shall become effective at the same time it became  
15 effective for federal purposes.

16 The Internal Revenue Code of 1986, as amended through  
17 December 31, 2000, shall be in effect for taxable years  
18 beginning after December 31, 2000. The provisions of sections  
19 659a and 671 of the Economic Growth and Tax Relief  
20 Reconciliation Act of 2001, Public Law 107-16, the provisions of  
21 sections 104, 105, and 111 of the Victims of Terrorism Tax  
22 Relief Act of 2001, Public Law 107-134, and the provisions of  
23 sections 201, 403, 413, and 606 of the Job Creation and Worker  
24 Assistance Act of 2002, Public Law 107-147, shall become  
25 effective at the same time it became effective for federal  
26 purposes.

27 The Internal Revenue Code of 1986, as amended through March  
28 15, 2002, shall be in effect for taxable years beginning after  
29 December 31, 2001.

30 The provisions of sections 101 and 102 of the Victims of  
31 Terrorism Tax Relief Act of 2001, Public Law 107-134, shall  
32 become effective at the same time it becomes effective for  
33 federal purposes.

34 The Internal Revenue Code of 1986, as amended through June  
35 15, 2003, shall be in effect for taxable years beginning after  
36 December 31, 2002. The provisions of section 201 of the Jobs

1 and Growth Tax Relief and Reconciliation Act of 2003, H.R. 2, if  
2 it is enacted into law, are effective at the same time it became  
3 effective for federal purposes. The provisions of the Act of  
4 2005, H.R. 241, to accelerate the income tax benefits for  
5 charitable cash contributions for the relief of victims of the  
6 Indian Ocean tsunami, are effective at the same time it became  
7 effective for federal purposes.

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

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

## Senate Counsel & Research

G-17 STATE CAPITOL  
75 REV. DR. MARTIN LUTHER KING JR. BLVD.  
ST. PAUL, MN 55155-1606  
(651) 296-4791  
FAX (651) 296-7747

JO ANNE ZOFF SELLNER  
DIRECTOR

# Senate

---

## State of Minnesota

### COUNSEL

PETER S. WATTSON  
JOHN C. FULLER  
BONNIE L. BEREZOVSKY  
DANIEL P. MCGOWAN  
KATHLEEN E. PONTIUS  
PATRICIA A. LIEN  
KATHERINE T. CAVANOR  
CHRISTOPHER B. STANG  
KENNETH P. BACKHUS  
CAROL E. BAKER  
JOAN E. WHITE  
THOMAS S. BOTTERN  
ANN MARIE BUTLER

### LEGISLATIVE ANALYSTS

DAVID GIEL  
GREGORY C. KNOPFF  
MATTHEW GROSSER  
DANIEL L. MUELLER  
JACK PAULSON  
CHRIS L. TURNER  
AMY M. VENNEWITZ  
MAJA WEIDMANN

## S.F. No. 218 - Acceleration of Income Tax Benefits for Charitable Cash Contributions for Relief of Indian Ocean Tsunami Victims

**Author:** Senator Ann H. Rest

**Prepared by:** Patricia A. Lien, Senate Counsel (651/296-0558)

**Date:** January 12, 2005



---

**Section 1. Net Income, Charitable Contributions.** Amends Minnesota Statutes, section 290.01, subdivision 19, to conform with the changes to section 170 of the Internal Revenue Code, contained in the Acceleration of Income Tax Benefits for Charitable Cash Contributions for Relief of Indian Ocean Tsunami Victims Act of 2005, Public Law 109-1, enacted January 6, 2005. The Act allows taxpayers who make a charitable contribution in the month of January 2005, for the relief of victims of the December 26, 2004, Indian Ocean tsunami, to claim a charitable contribution deduction on the 2004 income tax return. The contribution must be a cash contribution made to the United States, a State, or a political subdivision or to an organization that meets the requirements of section 501(c)(3). The accelerated deduction is effective at the same time it became effective for federal income tax purposes.

PAL:dv

# MINNESOTA REVENUE

## INDIVIDUAL INCOME TAX CORPORATE FRANCHISE TAX Charitable Contributions for Tsunami Relief

January 11, 2005

	Yes	No
Separate Official Fiscal Note Requested		
<b>Fiscal Impact</b>		
DOR Administrative Costs/Savings		

Department of Revenue  
Analysis of S.F. 218 (Rest)

	<b>Fund Impact</b>				
	<u>F.Y. 2005</u>	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>
			(000's)		
General Fund	(\$40)	\$35	\$0	\$0	\$0

Effective the day following final enactment.

### EXPLANATION OF THE BILL

The bill would adopt the provisions of federal H.R. 241 for the Minnesota individual income and corporate franchise taxes to be effective at the same time as for federal tax purposes. H.R. 241 was signed by the President on January 7, 2005 (Public Law 109-001).

H.R. 241 pertains to cash contributions made for the relief of victims in areas affected by the December 26, 2004, Indian Ocean tsunami for which a charitable contribution deduction is allowable under Section 170 of the Internal Revenue Code. A taxpayer may elect to treat a contribution made in January 2005 as if it had been made on December 31, 2004, and not in January 2005. Therefore, a calendar year taxpayer could elect to take the deduction on their 2004 income tax return rather than on the 2005 return.

### REVENUE ANALYSIS DETAIL

- The option to take the deduction for January 2005 contributions on the 2004 return would be available to two groups of taxpayers: individuals who itemize their deductions and businesses with a tax year ending on December 31<sup>st</sup>.
- Only a portion of taxpayers eligible to take the deduction on the 2004 return would choose to do so. To the extent that taxpayers make the election, there is a potential for a shift of revenue between fiscal years.
- Under current law, taxpayers can adjust their quarterly estimated payments or withholding in 2005 for a deduction they will take on their 2005 return. Taxpayers most likely to make such an adjustment are businesses and higher-income individuals who make a sizable contribution. Therefore, the potential shift due to the proposal is minimized for businesses and higher-income individuals.

January 11, 2005

- Any shift would come primarily from other individuals who itemize deductions. Based on the current version of the House Income Tax Simulation Model, which is consistent with the November 2004 forecast, an estimated 658,000 taxpayers will have a state tax benefit from the itemized deduction for charitable contributions for tax year 2004. If 10% of the 658,000 make an average contribution of \$25 for tsunami victim relief in January 2005 and if 30% of those eligible choose to take the deduction on their 2004 return, the impact at a tax rate of 7% would be about \$35,000. This represents the impact of the deduction that would be shifted from fiscal year 2006 to fiscal year 2005.
- In addition to the shift, some taxpayers may receive a larger tax benefit from taking the deduction in 2004 due to their specific tax situation. Fifteen percent is added to the loss in fiscal year 2005 to reflect this impact.

Note: the Joint Committee on Taxation has not published estimates for the federal legislation and currently has no plans to do so.

Source: Minnesota Department of Revenue  
Tax Research Division  
[http://www.taxes.state.mn.us/taxes/legal\\_policy](http://www.taxes.state.mn.us/taxes/legal_policy)

sf0218/cc



1 Senator ..... moves to amend S.F. No. 0218 as follows:

2 Page 5, line 3, delete "the Act of" and insert "section 1  
3 of the Acceleration of Income Tax Benefits for Charitable Cash  
4 Contributions for Relief of Indian Ocean Tsunami Victims Act of  
5 2005, Public Law 109-1"

6 Page 5, delete lines 4 and 5

7 Page 5, line 6, delete "Indian Ocean tsunami"

# COMMITTEE REPORT - WITH AMENDMENTS

Committee on TAXES

S .F. No. 218

Resolution

Re-referred (from another committee)

**Amendments:**

A1

**Committee recommendation:**

And when so amended the bill do pass.

And when so amended the bill do pass and be placed on the Consent Calendar.

And when so amended the bill do pass and be re-referred to the Committee on

**No recommendation:** And when so amended the bill be  
 (re-referred to the Committee on \_\_\_\_\_)

OR  (reported to the Senate).

11/2/05 (date of committee recommendation)

1 Senator Pogemiller from the Committee on Taxes, to which  
2 was referred

3 S.F. No. 218: A bill for an act relating to taxation;  
4 accelerating the income tax charitable contribution deduction  
5 for relief of Indian Ocean tsunami victims; amending Minnesota  
6 Statutes 2004, section 290.01, subdivision 19.

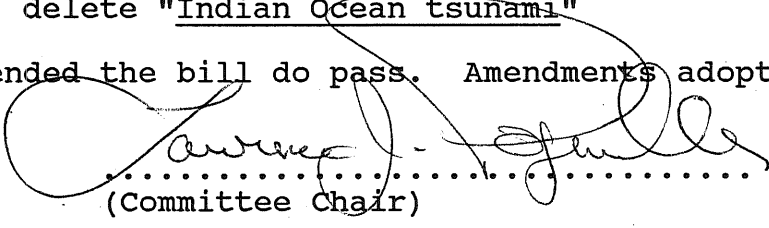
7 Reports the same back with the recommendation that the bill  
8 be amended as follows:

9 Page 5, line 3, delete "the Act of" and insert "section 1  
10 of the Acceleration of Income Tax Benefits for Charitable Cash  
11 Contributions for Relief of Indian Ocean Tsunami Victims Act of  
12 2005, Public Law 109-1"

13 Page 5, delete lines 4 and 5

14 Page 5, line 6, delete "Indian Ocean tsunami"

15 And when so amended the bill do pass. Amendments adopted.  
16 Report adopted.



.....  
(Committee Chair)

January 12, 2005.....  
(Date of Committee recommendation)

--H.R.241--

H.R.241

*One Hundred Ninth Congress*

*of the*

*United States of America*

*AT THE FIRST SESSION*

Begun and held at the City of Washington on Tuesday,  
the fourth day of January, two thousand and five

An Act

To accelerate the income tax benefits for charitable cash contributions for the relief of victims of the Indian Ocean tsunami.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

**SECTION 1. ACCELERATION OF INCOME TAX BENEFITS FOR CHARITABLE CASH CONTRIBUTIONS FOR RELIEF OF INDIAN OCEAN TSUNAMI VICTIMS.**

(a) IN GENERAL- For purposes of section 170 of the Internal Revenue Code of 1986, a taxpayer may treat any contribution described in subsection (b) made in January 2005 as if such contribution was made on December 31, 2004, and not in January 2005.

(b) CONTRIBUTION DESCRIBED- A contribution is described in this subsection if such contribution is a cash contribution made for the relief of victims in areas affected by the December 26, 2004, Indian Ocean tsunami for which a charitable contribution deduction is allowable under section 170 of the Internal Revenue Code of 1986.

Speaker of the House of Representatives.

Vice President of the United States and

President of the Senate.

## Agenda #2

1 A bill for an act

2 relating to taxation; prohibiting increases in  
3 property tax rates for taxes payable in 2006 and  
4 certain subsequent years; prohibiting increases in  
5 local government and state fees; providing  
6 reimbursement to local governments for certain  
7 property tax and fee increases.

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

9 Section 1. [CITATION.]

10 This act may be cited as the "Truth and Fairness in  
11 Taxation Act" (TAFTA) or the "State/Local Fiscal Relations:  
12 Truth in Taxation Act."

13 Sec. 2. [STATEMENT OF PURPOSE.]

14 The legislature finds that the state of Minnesota is  
15 continuing to experience a persistent budget deficit and that  
16 reductions in state spending have resulted in increased burdens  
17 on school districts, counties, cities, and other units of local  
18 government. In order to recognize the implications of  
19 addressing the state budget deficit without increasing tax  
20 rates, and to maintain stability in state and local fiscal  
21 relations, the purpose of this act is to prevent property tax  
22 rate increases and to illuminate the impact of reductions in  
23 revenue to school districts, counties, cities, and other units  
24 of local government.

25 Sec. 3. [BENEFIT RATIO FOR RURAL SERVICE DISTRICTS.]

26 Notwithstanding Minnesota Statutes, section 272.67,

1 subdivision 6, the benefit ratio used for apportioning levies to  
2 a rural service district for taxes payable in 2006 and any  
3 subsequent year prior to the freeze termination year must not be  
4 greater than that in effect for taxes payable in 2005.

5 Sec. 4. [PROHIBITION AGAINST INCURRING NEW DEBT.]

6 Subdivision 1. [ACTIONS PROHIBITED.] After May 31, 2005,  
7 no municipality as defined in Minnesota Statutes, section  
8 475.51, or any special taxing district as defined in Minnesota  
9 Statutes, section 275.066, may sell obligations, certificates of  
10 indebtedness, or capital notes under Minnesota Statutes, section  
11 412.301, chapter 475, or any other law authorizing obligations,  
12 certificates of indebtedness, capital notes, or other debt  
13 instruments, or enter into installment purchase contracts or  
14 lease purchase agreements under Minnesota Statutes, section  
15 465.71, or any other law authorizing installment purchase  
16 contracts or lease purchase agreements, if issuing those debt  
17 instruments or entering into those contracts would require a  
18 levy first becoming payable in 2006 or any subsequent year prior  
19 to the freeze termination year.

20 Subd. 2. [EXCEPTIONS.] This prohibition does not apply to:

21 (1) refunding bonds sold to refund bonds originally sold  
22 before June 1, 2005;

23 (2) obligations for which the amount of the levy first  
24 becoming due in 2006 would not exceed the amount by which the  
25 municipality's total debt service levy for taxes payable in 2006  
26 prior to issuance of those obligations is less than the  
27 municipality's total debt service levy for taxes payable in  
28 2005; or

29 (3) obligations with respect to which the municipality  
30 makes a finding at the time of the issuance of the obligations  
31 that no levy will be required for taxes payable in 2006 or any  
32 subsequent year prior to the freeze termination year or to pay  
33 the debt service on the obligations because sufficient funds are  
34 available from nonproperty tax sources to pay the debt service.

35 As used in clauses (2) and (3), "obligations" includes  
36 certificates of indebtedness, capital notes, or other debt

1 instruments or installment purchase contracts or lease purchase  
2 agreements.

3 Subd. 3. [DATE WHEN BONDS ARE DEEMED SOLD.] For purposes  
4 of this section, bonds will be deemed to have been sold before  
5 June 1, 2005, if:

6 (1) an agreement has been entered into between the  
7 municipality and a purchaser or underwriter for the sale of the  
8 bonds by that date;

9 (2) the issuing municipality is a party to a contract or  
10 letter of understanding entered into before June 1, 2005, with  
11 the federal government or the state government that requires the  
12 municipality to pay for a project, and the project will be  
13 funded with the proceeds of the bonds; or

14 (3) the proceeds of the bonds will be used to fund a  
15 project or acquisition with respect to which the municipality  
16 has entered into a contract with a builder or supplier before  
17 June 1, 2005.

18 Sec. 5. [LEVY LIMITATION FOR TAXES PAYABLE IN 2006 AND  
19 SUBSEQUENT YEARS.]

20 Subdivision 1. [PROPOSED LEVY.] Notwithstanding any other  
21 law to the contrary, for purposes of the certification required  
22 by Minnesota Statutes, section 275.065, subdivision 1, in 2005  
23 and any subsequent year prior to the freeze termination year, no  
24 taxing authority shall certify to the county auditor a proposed  
25 property tax levy or, in the case of a township, a final  
26 property tax levy, greater than the levy certified to the county  
27 auditor pursuant to Minnesota Statutes, section 275.07,  
28 subdivision 1, in the prior year, except as provided in this  
29 section.

30 Subd. 2. [FINAL LEVY.] Notwithstanding any other law to  
31 the contrary, for purposes of the certification required by  
32 Minnesota Statutes, section 275.07, subdivision 1, in 2005 and  
33 any subsequent year prior to the freeze termination year, no  
34 taxing authority shall certify to the county auditor a property  
35 tax levy greater than the amount certified to the county auditor  
36 pursuant to Minnesota Statutes, section 275.07, subdivision 1,

1 in the prior year, except as provided in this section.

2 Subd. 3. [DEBT SERVICE EXCEPTION.] If a levy for taxes  
3 payable in 2006 or any subsequent year prior to the freeze  
4 termination year, for debt service on obligations, certificates  
5 of indebtedness, capital notes, or other debt instruments sold  
6 prior to June 1, 2005, or to make payments on installment  
7 purchase contracts or lease purchase agreements entered into  
8 prior to June 1, 2005, exceeds the levy a taxing authority  
9 certified pursuant to Minnesota Statutes, section 275.07,  
10 subdivision 1, for taxes payable in 2005 for the same purpose,  
11 the excess may be levied notwithstanding the limitations of  
12 subdivisions 1 and 2.

13 Subd. 4. [ANNEXATION EXCEPTION.] The city tax rate for  
14 taxes payable in 2006 or any subsequent year prior to the freeze  
15 termination year on any property annexed under Minnesota  
16 Statutes, chapter 414, may not be increased over the city or  
17 township tax rate in effect on the property for taxes payable in  
18 2005, notwithstanding any law, municipal board order, or  
19 ordinance to the contrary. The limit on the annexing city's  
20 levy under subdivisions 1 and 2 may be increased in excess of  
21 that limit by an amount equal to the net tax capacity of the  
22 property annexed times the city or township tax rate in effect  
23 on that property for taxes payable in 2005. The levy limit of  
24 the city or township from which the property was annexed shall  
25 be reduced by the same amount.

26 Subd. 5. [SCHOOL DISTRICT STATUTORY OPERATING DEBT  
27 EXCEPTION.] A school district that is in statutory operating  
28 debt under Minnesota Statutes, section 123B.81, and has an  
29 approved plan under Minnesota Statutes, section 123B.83 that  
30 includes an increase to its referendum allowance under Minnesota  
31 Statutes, section 126C.17, is exempt from the levy freeze on  
32 referenda according to this section.

33 Sec. 6. [FREEZE ON LOCAL MATCH REQUIREMENTS.]  
34 Notwithstanding any other law to the contrary, the local  
35 funding or local match required from any city, town, or county  
36 for any state grant or program shall not be increased for



1 calendar year 2006 or any subsequent year prior to the freeze  
2 termination year above the dollar amount of the local funding or  
3 local match required for the same grant or program in 2005,  
4 regardless of the level of state funding provided. Any local  
5 match or local funding requirement that first becomes effective  
6 after December 31, 2005, for new or changed state grants or  
7 programs shall not be effective until the freeze has been  
8 terminated for that taxing jurisdiction under section 16.  
9 Nothing in this section shall affect the eligibility of a city,  
10 town, or county for the receipt of state grants or program funds  
11 in 2006 or any subsequent year prior to the freeze termination  
12 year, or reduce the amount of state funding a city, town, or  
13 county would otherwise receive in 2006 or any subsequent year  
14 prior to the freeze termination year if the local match  
15 requirements of the state grant or program were met in 2005.

16 Sec. 7. [SUSPENSION OF SALARY AND BUDGET APPEAL  
17 AUTHORIZATION.]

18 After March 1, 2005, no county sheriff may exercise the  
19 authority granted under Minnesota Statutes, section 387.20,  
20 subdivision 7, and no county attorney may exercise the authority  
21 granted under Minnesota Statutes, section 388.18, subdivision 6,  
22 to the extent that the salary or budget increase sought in the  
23 appeal would result in an increase in county expenditures in  
24 calendar year 2006 or any subsequent year prior to the freeze  
25 termination year.

26 Sec. 8. [SUSPENSION OF PUBLICATION AND HEARING  
27 REQUIREMENTS.]

28 A local taxing authority is not required to comply with the  
29 public advertisement notice of Minnesota Statutes, section  
30 275.065, subdivision 5a, or the public hearing requirement of  
31 Minnesota Statutes, section 275.065, subdivision 6, with respect  
32 to taxes payable in 2006 and any subsequent year prior to the  
33 freeze termination year.

34 Sec. 9. [FISCAL DISPARITIES FREEZE.]

35 Notwithstanding Minnesota Statutes, section 276A.06,  
36 subdivision 2, paragraph (a), or 473F.08, subdivision 2,

1 paragraph (a), the amount to be deducted from a governmental  
2 unit's net tax capacity for taxes payable in 2006 and any  
3 subsequent year prior to the freeze termination year under that  
4 clause must equal the amount deducted for taxes payable in  
5 2005. Notwithstanding Minnesota Statutes, section 276A.06,  
6 subdivision 2, paragraph (b), or 473F.08, subdivision 2,  
7 paragraph (b), the amount to be added to a governmental unit's  
8 net tax capacity for taxes payable in 2006 and any subsequent  
9 year prior to the freeze termination year under that clause must  
10 equal the same amount added for taxes payable in 2005.  
11 Notwithstanding Minnesota Statutes, section 276A.06, subdivision  
12 3, or 473F.08, subdivision 3, the areawide portion of the levy  
13 for each governmental unit must be determined using the local  
14 tax rate for the 2003 levy year. Notwithstanding Minnesota  
15 Statutes, section 276A.06, subdivision 7, or 473F.08,  
16 subdivision 6, the portion of commercial-industrial property  
17 within a municipality subject to the areawide tax rate shall be  
18 computed using the amount determined under Minnesota Statutes,  
19 sections 276A.04 and 276A.05, or 473F.06 and 473F.07, for taxes  
20 payable in 2005.

21 Sec. 10. [TAX RATE FREEZE; REDUCTION OF LEVY.]

22 If in the course of determining local tax rates for taxes  
23 payable in 2006 or any subsequent year prior to the freeze  
24 termination year after reductions for disparity reduction aid  
25 under Minnesota Statutes, section 275.08, subdivisions 1c and  
26 1d, the county auditor finds the local tax rate exceeds that in  
27 effect for taxes payable in 2005, the county auditor shall  
28 reduce the local government's levy so that the local tax rate  
29 does not exceed that in effect for taxes payable in 2005,  
30 adjusted as provided in section 5.

31 Sec. 11. [PENSION LIABILITIES.]

32 Notwithstanding any other law or charter provision to the  
33 contrary, no levy for taxes payable in 2006 or any subsequent  
34 year prior to the freeze termination year for a local police and  
35 fire relief association for the purpose of amortizing an  
36 unfunded pension liability may exceed the levy for that purpose

1 for taxes payable in 2005.

2 Sec. 12. [DUTIES OF TOWNSHIP BOARD OF SUPERVISORS.]

3 Notwithstanding Minnesota Statutes, section 365.10, in 2005  
4 the township board of supervisors shall adjust the levy and in  
5 any subsequent year prior to the freeze termination year, the  
6 township board of supervisors may adjust the expenditures of a  
7 township below the level authorized by the electors to adjust  
8 for any reduction in the previously authorized levy of the  
9 township pursuant to section 5.

10 Sec. 13. [PROHIBITION ON NEW OR INCREASED FEES.]

11 After March 1, 2005, no municipality as defined in  
12 Minnesota Statutes, section 475.51, or special taxing district  
13 as defined in Minnesota Statutes, section 275.066, and no  
14 executive branch state agency may impose a new fee or increase  
15 the rate or amount of an existing fee. As used in this section,  
16 a fee is any charge for goods, services, regulations, or  
17 licensure, and includes charges for admission to or for use of  
18 public facilities.

19 Sec. 14. [REIMBURSEMENT FOR LOCAL PROPERTY TAX AND FEE  
20 INCREASES; APPROPRIATIONS.]

21 Subdivision 1. [GENERALLY.] On August 1, 2005, the state  
22 must make payments to cities, counties, and school districts to  
23 reimburse them for property tax and fee increases attributable  
24 to reductions in state aids as provided in this subdivision.

25 Subd. 2. [CITIES.] Each home rule charter and statutory  
26 city shall receive a payment equal to 20 percent of the sum of  
27 the amounts of aids it received under Minnesota Statutes,  
28 section 477A.013, in each of 2004 and 2005 that is less than the  
29 amount of aid the city was certified to receive in 2003 before  
30 reductions pursuant to laws enacted in 2003, provided that the  
31 reimbursement paid under this section may not exceed the sum of  
32 the amounts by which the city's levies for taxes payable in each  
33 of 2004 and 2005 exceeded its levy for taxes payable in 2003.

34 Subd. 3. [COUNTIES.] Each county shall receive a payment  
35 equal to 20 percent of the sum of the amounts by which the aid  
36 it was certified to receive under Minnesota Statutes 2002,

1 sections 273.138; 273.1398, subdivision 2, minus the amount  
2 certified under Minnesota Statutes, section 273.1398,  
3 subdivision 4a, paragraph (b), for counties in Judicial  
4 Districts One, Three, Six, and Ten, and 25 percent of the amount  
5 certified under Minnesota Statutes, section 273.1398,  
6 subdivision 4a, paragraph (b), for counties located in Judicial  
7 Districts Two and Four; 273.166; 477A.0121; and 477A.0122, in  
8 2003 before reductions pursuant to laws enacted in 2003, is less  
9 than the aids it received in each of 2004 and 2005 under  
10 Minnesota Statutes, section 477A.0124, provided that the  
11 reimbursement paid under this section may not exceed the sum of  
12 the amounts by which the county's levies for taxes payable in  
13 each of 2004 and 2005 exceeded its levy for taxes payable in  
14 2003.

15 Subd. 4. [SCHOOL DISTRICTS.] Each school district shall  
16 receive fee reimbursement revenue for any authorized fees, under  
17 Minnesota Statutes, section 123B.36, that were increased during  
18 fiscal year 2004 and 2005. A school district's fee  
19 reimbursement revenue is equal to the sum of its authorized fees  
20 under Minnesota Statutes, section 123B.36, for each of fiscal  
21 years 2004 and 2005, subtracted from its total authorized fees  
22 for fiscal year 2003, multiplied by .5.

23 Subd. 5. [APPROPRIATIONS.] A sum sufficient to make the  
24 payments required in subdivisions 2 and 3 is appropriated to the  
25 commissioner of revenue, who shall make the payments required  
26 under those subdivisions. A sum sufficient to make the payments  
27 required in subdivision 4 is appropriated to the commissioner of  
28 education, who shall make the payments required under that  
29 subdivision.

30 Sec. 15. [SAVINGS CLAUSE.]

31 Notwithstanding any provision in this act, nothing in this  
32 act constitutes an impairment of any obligations, certificates  
33 of indebtedness, capital notes, or other debt instruments,  
34 including installment purchase contracts or lease purchase  
35 agreements, issued before the date of final enactment of this  
36 act, by a municipality as defined in Minnesota Statutes, section

1 469.174, subdivision 6, a school district, or a special taxing  
2 district as defined in Minnesota Statutes, section 275.066.

3 Sec. 16. [EFFECTIVE DATE; TERMINATION.]

4 (a) This act is effective the day following final  
5 enactment, and applies to taxes payable in 2006 and subsequent  
6 years prior to the termination date provided in paragraph (b),  
7 (c), (d), or (e) for the taxing jurisdiction described in each  
8 of those paragraphs.

9 (b) For cities, the termination date is the taxes payable  
10 year that is the calendar year when local government aids  
11 payable to cities under Minnesota Statutes, section 477A.013,  
12 are sufficient to fully fund the formula, without any reduction  
13 due to the limitation in Minnesota Statutes, section 477A.03.

14 (c) For counties, the termination date is the taxes payable  
15 year when the total amount to be paid to all counties under  
16 Minnesota Statutes, section 477A.0124, exceeds the amount paid  
17 to all counties under Minnesota Statutes, sections 273.138;  
18 273.1398, subdivision 2, minus the amount certified under  
19 Minnesota Statutes, section 273.1398, subdivision 4a, paragraph  
20 (b), for counties in Judicial Districts One, Three, Six, and  
21 Ten, and by 25 percent of the amount certified under Minnesota  
22 Statutes, section 273.1398, subdivision 4a, paragraph (b), for  
23 counties located in Judicial Districts Two and Four; 273.166;  
24 477A.0121; and 477A.0122, increased by the rate of increase in  
25 the annual implicit price deflator for government consumption  
26 expenditures from 2003 to the current year.

27 (d) For school districts, the termination date is the taxes  
28 payable year that is the year in which the state provides a real  
29 state aid inflationary increase to the basic formula allowance  
30 under Minnesota Statutes, section 126C.10, subdivision 2, over  
31 the amount paid in the prior year.

32 (e) For special taxing districts, the termination date is  
33 the 2008 taxes payable year.