

Agenda #2

Senator Moua introduced--

S.F. No. 823: Referred to the Committee on Taxes.

1 A bill for an act

2 relating to financing and operation of state and local

3 government; making technical, policy, clarifying, and

4 administrative changes to certain taxes and tax

5 related provisions, tax-forfeited lands, state debt

6 collection procedures, and sustainable forest

7 incentive programs; conforming tax provisions to

8 certain changes in federal law; changing powers and

9 duties of commissioner of revenue and other state

10 agencies and departments; prohibiting certain local

11 officials from purchasing tax-forfeited lands;

12 providing for population estimates; changing and

13 imposing civil penalties; amending Minnesota Statutes

14 2004, sections 4A.02; 16D.10; 168A.05, subdivision 1a;

15 270.02, subdivision 3; 270.11, subdivision 2; 270.16,

16 subdivision 2; 270.65; 270.67, subdivision 4; 270.69,

17 subdivision 4; 270B.01, subdivision 5; 270B.03,

18 subdivision 1; 272.01, subdivision 2; 272.02,

19 subdivisions 1a, 7, by adding subdivisions; 272.029,

20 subdivisions 4, 6; 273.11, subdivision 8; 273.124,

21 subdivisions 3, 6, 8, 13, 14, 21; 273.1315; 273.19,

22 subdivision 1a; 273.372; 274.014, subdivisions 2, 3;

23 274.14; 275.065, subdivision 1a; 275.07, subdivisions

24 1, 4; 276.04, subdivision 2; 276.112; 276A.01,

25 subdivision 7; 282.016; 282.08; 282.15; 282.21;

26 282.224; 282.301; 287.04; 289A.08, subdivisions 3, 7;

27 289A.18, subdivision 1; 289A.19, subdivision 4;

28 289A.20, subdivisions 2, 4; 289A.31, subdivision 2;

29 289A.37, subdivision 5; 289A.38, subdivisions 6, 7, by

30 adding a subdivision; 289A.40, subdivision 2, by

31 adding subdivisions; 289A.50, subdivision 1a; 289A.60,

32 subdivisions 2a, 6, 11, 13, by adding a subdivision;

33 290.01, subdivisions 19a, 19b, 19c; 290.06,

34 subdivision 22; 290.0674, subdivision 1; 290.0922,

35 subdivision 2; 290.92, subdivision 1; 290A.19;

36 290B.05, subdivision 3; 290C.05; 290C.10; 291.005,

37 subdivision 1; 291.03, subdivision 1; 295.50,

38 subdivision 3, by adding a subdivision; 295.53,

39 subdivision 1; 295.60, subdivision 3; 296A.09, by

40 adding a subdivision; 296A.22, by adding a

41 subdivision; 297A.61, subdivisions 3, 4; 297A.64,

42 subdivision 4; 297A.668, subdivisions 1, 5; 297A.67,

43 subdivision 2; 297A.68, subdivisions 2, 5, 35, 39;

44 297A.99, subdivisions 4, 7, 9; 297E.01, subdivisions

45 5, 7, by adding subdivisions; 297E.02, subdivision 4;

46 297E.06, subdivision 2; 297E.07; 297F.08, subdivision

1 12, by adding a subdivision; 297F.09, subdivisions 1,  
 2 2; 297G.09, by adding a subdivision; 297I.01, by  
 3 adding a subdivision; 297I.05, subdivision 5; 325D.33,  
 4 subdivision 6; 373.45, subdivision 7; 469.1735,  
 5 subdivision 3; 473.843, subdivisions 3, 5; 473F.02,  
 6 subdivision 7; 477A.011, subdivisions 3, 36, 38;  
 7 477A.0124, subdivision 2; Laws 2003, chapter 127,  
 8 article 5, sections 27, 28; Laws 2003, First Special  
 9 Session chapter 21, article 5, section 13; Laws 2003,  
 10 First Special Session chapter 21, article 6, section  
 11 9; proposing coding for new law in Minnesota Statutes,  
 12 chapters 270; 290C; 473; repealing Minnesota Statutes  
 13 2004, sections 273.19, subdivision 5; 274.05; 275.15;  
 14 275.61, subdivision 2; 283.07; 289A.26, subdivision  
 15 2a; 289A.60, subdivision 21; 295.55, subdivision 4;  
 16 295.60, subdivision 4; 297E.12, subdivision 10;  
 17 297F.09, subdivision 7; 297G.09, subdivision 6;  
 18 297I.35, subdivision 2; 469.1794, subdivision 6; Laws  
 19 1975, chapter 287, section 5; Laws 2003, chapter 127,  
 20 article 9, section 9, subdivision 4; Minnesota Rules,  
 21 parts 8093.2000; 8093.3000; 8130.0110, subpart 4;  
 22 8130.0200, subparts 5, 6; 8130.0400, subpart 9;  
 23 8130.1200, subparts 5, 6; 8130.2900; 8130.3100,  
 24 subpart 1; 8130.4000, subparts 1, 2; 8130.4200,  
 25 subpart 1; 8130.4400, subpart 3; 8130.5200; 8130.5600,  
 26 subpart 3; 8130.5800, subpart 5; 8130.7300, subpart 5;  
 27 8130.8800, subpart 4.

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

29 ARTICLE 1

30 INCOME, CORPORATE FRANCHISE, AND ESTATE TAXES

31 Section 1. Minnesota Statutes 2004, section 289A.08,  
 32 subdivision 3, is amended to read:

33 Subd. 3. [CORPORATIONS.] A corporation that is subject to  
 34 the state's jurisdiction to tax under section 290.014,  
 35 subdivision 5, must file a return, except that a foreign  
 36 operating corporation as defined in section 290.01, subdivision  
 37 6b, is not required to file a return. The commissioner shall  
 38 adopt rules for the filing of one return on behalf of the  
 39 members of an affiliated group of corporations that are required  
 40 to file a combined report. All members of an affiliated group  
 41 that are required to file a combined report must file one return  
 42 on behalf of the members of the group under rules adopted by the  
 43 commissioner. If a corporation claims on a return that it has  
 44 paid tax in excess of the amount of taxes lawfully due, that  
 45 corporation must include on that return information necessary  
 46 for payment of the tax in excess of the amount lawfully due by  
 47 electronic means.

48 [EFFECTIVE DATE.] This section is effective for returns  
 49 filed after December 31, 2005.

1           Sec. 2. Minnesota Statutes 2004, section 289A.08,  
2 subdivision 7, is amended to read:

3           Subd. 7. [COMPOSITE INCOME TAX RETURNS FOR NONRESIDENT  
4 PARTNERS, SHAREHOLDERS, AND BENEFICIARIES.] (a) The commissioner  
5 may allow a partnership with nonresident partners to file a  
6 composite return and to pay the tax on behalf of nonresident  
7 partners who have no other Minnesota source income. This  
8 composite return must include the names, addresses, Social  
9 Security numbers, income allocation, and tax liability for the  
10 nonresident partners electing to be covered by the composite  
11 return.

12           (b) The computation of a partner's tax liability must be  
13 determined by multiplying the income allocated to that partner  
14 by the highest rate used to determine the tax liability for  
15 individuals under section 290.06, subdivision 2c. Nonbusiness  
16 deductions, standard deductions, or personal exemptions are not  
17 allowed.

18           (c) The partnership must submit a request to use this  
19 composite return filing method for nonresident partners. The  
20 requesting partnership must file a composite return in the form  
21 prescribed by the commissioner of revenue. The filing of a  
22 composite return is considered a request to use the composite  
23 return filing method.

24           (d) The electing partner must not have any Minnesota source  
25 income other than the income from the partnership and other  
26 electing partnerships. If it is determined that the electing  
27 partner has other Minnesota source income, the inclusion of the  
28 income and tax liability for that partner under this provision  
29 will not constitute a return to satisfy the requirements of  
30 subdivision 1. The tax paid for the individual as part of the  
31 composite return is allowed as a payment of the tax by the  
32 individual on the date on which the composite return payment was  
33 made. If the electing nonresident partner has no other  
34 Minnesota source income, filing of the composite return is a  
35 return for purposes of subdivision 1.

36           (e) This subdivision does not negate the requirement that

1 an individual pay estimated tax if the individual's liability  
2 would exceed the requirements set forth in section 289A.25. A  
3 composite estimate may, however, be filed in a manner similar to  
4 and containing the information required under paragraph (a).

5 (f) If an electing partner's share of the partnership's  
6 gross income from Minnesota sources is less than the filing  
7 requirements for a nonresident under this subdivision, the tax  
8 liability is zero. However, a statement showing the partner's  
9 share of gross income must be included as part of the composite  
10 return.

11 (g) The election provided in this subdivision is not only  
12 available to any a partner other-than who has no other Minnesota  
13 source income and who is either (1) a full-year nonresident  
14 individual who-has-no-other-Minnesota-source-income or (2) a  
15 trust or estate that does not claim a deduction under either  
16 section 651 or 661 of the Internal Revenue Code.

17 (h) A corporation defined in section 290.9725 and its  
18 nonresident shareholders may make an election under this  
19 paragraph. The provisions covering the partnership apply to the  
20 corporation and the provisions applying to the partner apply to  
21 the shareholder.

22 (i) Estates and trusts distributing current income only and  
23 the nonresident individual beneficiaries of the estates or  
24 trusts may make an election under this paragraph. The  
25 provisions covering the partnership apply to the estate or  
26 trust. The provisions applying to the partner apply to the  
27 beneficiary.

28 (j) For the purposes of this subdivision, "income" means  
29 the partner's share of federal adjusted gross income from the  
30 partnership modified by the additions provided in section  
31 290.01, subdivision 19a, clauses (6) and (7), and the  
32 subtractions provided in section 290.01, subdivision 19b, clause  
33 (11), to the extent the amount is assignable or allocable to  
34 Minnesota under section 290.17. The subtraction allowed under  
35 section 290.01, subdivision 19b, clause (11), is only allowed on  
36 the composite tax computation to the extent the electing partner



1 would have been allowed the subtraction.

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

4 Sec. 3. Minnesota Statutes 2004, section 289A.18,  
5 subdivision 1, is amended to read:

6 Subdivision 1. [INDIVIDUAL INCOME, FIDUCIARY INCOME,  
7 CORPORATE FRANCHISE, AND ENTERTAINMENT TAXES; PARTNERSHIP AND S  
8 CORPORATION RETURNS; INFORMATION RETURNS; MINING COMPANY  
9 RETURNS.] The returns required to be made under sections 289A.08  
10 and 289A.12 must be filed at the following times:

11 (1) returns made on the basis of the calendar year must be  
12 filed on April 15 following the close of the calendar year,  
13 except that returns of corporations must be filed on March 15  
14 following the close of the calendar year;

15 (2) returns made on the basis of the fiscal year must be  
16 filed on the 15th day of the fourth month following the close of  
17 the fiscal year, except that returns of corporations must be  
18 filed on the 15th day of the third month following the close of  
19 the fiscal year;

20 (3) returns for a fractional part of a year must be filed  
21 on the 15th day of the fourth month following the end of the  
22 month in which falls the last day of the period for which the  
23 return is made, except that the returns of corporations must be  
24 filed on the 15th day of the third month following the end of  
25 the month tax year of the unitary group in which falls the last  
26 day of the period for which the return is made;

27 (4) in the case of a final return of a decedent for a  
28 fractional part of a year, the return must be filed on the 15th  
29 day of the fourth month following the close of the 12-month  
30 period that began with the first day of that fractional part of  
31 a year;

32 (5) in the case of the return of a cooperative association,  
33 returns must be filed on or before the 15th day of the ninth  
34 month following the close of the taxable year;

35 (6) if a corporation has been divested from a unitary group  
36 and files a return for a fractional part of a year in which it

1 was a member of a unitary business that files a combined report  
2 under section 290.34, subdivision 2, the divested corporation's  
3 return must be filed on the 15th day of the third month  
4 following the close of the common accounting period that  
5 includes the fractional year;

6 (7) returns of entertainment entities must be filed on  
7 April 15 following the close of the calendar year;

8 (8) returns required to be filed under section 289A.08,  
9 subdivision 4, must be filed on the 15th day of the fifth month  
10 following the close of the taxable year;

11 (9) returns of mining companies must be filed on May 1  
12 following the close of the calendar year; and

13 (10) returns required to be filed with the commissioner  
14 under section 289A.12, subdivision 2, 4 to 10, or 14, must be  
15 filed within 30 days after being demanded by the commissioner.

16 [EFFECTIVE DATE.] This section is effective for fractional  
17 years closing after December 31, 2004.

18 Sec. 4. Minnesota Statutes 2004, section 289A.38,  
19 subdivision 7, is amended to read:

20 Subd. 7. [FEDERAL TAX CHANGES.] If the amount of income,  
21 items of tax preference, deductions, or credits for any year of  
22 a taxpayer as reported to the Internal Revenue Service is  
23 changed or corrected by the commissioner of Internal Revenue or  
24 other officer of the United States or other competent authority,  
25 or where a renegotiation of a contract or subcontract with the  
26 United States results in a change in income, items of tax  
27 preference, deductions, credits, or withholding tax, or, in the  
28 case of estate tax, where there are adjustments to the taxable  
29 estate resulting in a change to the credit for state death  
30 taxes, the taxpayer shall report the change or correction or  
31 renegotiation results in writing to the commissioner. The  
32 report must be submitted within 180 days after the final  
33 determination and must be in the form of either an amended  
34 Minnesota estate, withholding tax, corporate franchise tax, or  
35 income tax return conceding the accuracy of the federal  
36 determination or a letter detailing how the federal

1 determination is incorrect or does not change the Minnesota  
 2 tax. An amended Minnesota income tax return must be accompanied  
 3 by an amended property tax refund return, if necessary. A  
 4 taxpayer filing an amended federal tax return must also file a  
 5 copy of the amended return with the commissioner of revenue  
 6 within 180 days after filing the amended return.

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

9 Sec. 5. Minnesota Statutes 2004, section 289A.50,  
 10 subdivision 1a, is amended to read:

11 Subd. 1a. [REFUND FORM.] On or before January 1, 2000, the  
 12 commissioner of revenue shall prepare and make available to  
 13 taxpayers a form for filing claims for refund of taxes paid in  
 14 excess of the amount due. ~~If the commissioner fails to prepare~~  
 15 ~~a form under this subdivision by January 17, 2000, any claims for~~  
 16 ~~refund made after January 17, 2000, and up to ten days after the~~  
 17 ~~form is made available to taxpayers are deemed to be made in~~  
 18 ~~compliance with the requirement of the form.~~ The commissioner  
 19 may <sup>request</sup> require corporate franchise taxpayers claiming a refund of  
 20 corporate franchise taxes paid in excess of the amount lawfully  
 21 due to include on the claim for refund or amended return  
 22 information necessary for payment of the taxes paid in excess of  
 23 taxes lawfully due by electronic means.

24 [EFFECTIVE DATE.] This section is effective for claims for  
 25 refund filed after December 31, 2005.

26 ~~Sec. 6.~~ Minnesota Statutes 2004, section 289A.60,  
 27 subdivision 13, is amended to read:

28 Subd. 13. [PENALTIES FOR TAX RETURN PREPARERS.] (a) If an  
 29 understatement of liability with respect to a return or claim  
 30 for refund is due to a reckless disregard of laws and rules or  
 31 willful attempt in any manner to understate the liability for a  
 32 tax by a person who is a tax return preparer with respect to the  
 33 return or claim, the person shall pay to the commissioner a  
 34 penalty of \$500. If a part of a property tax refund claim is  
 35 excessive due to a reckless disregard or willful attempt in any  
 36 manner to overstate the claim for relief allowed under chapter

1 290A by a person who is a tax refund or return preparer, the  
2 person shall pay to the commissioner a penalty of \$500 with  
3 respect to the claim. These penalties may not be assessed  
4 against the employer of a tax return preparer unless the  
5 employer was actively involved in the reckless disregard or  
6 willful attempt to understate the liability for a tax or to  
7 overstate the claim for refund. These penalties are income tax  
8 liabilities and may be assessed at any time as provided in  
9 section 289A.38, subdivision 5.

10 (b) A civil action in the name of the state of Minnesota  
11 may be commenced to enjoin any person who is a tax return  
12 preparer doing business in this state from further engaging in  
13 any conduct described in paragraph (c). An action under this  
14 paragraph must be brought by the attorney general in the  
15 district court for the judicial district of the tax return  
16 preparer's residence or principal place of business, or in which  
17 the taxpayer with respect to whose tax return the action is  
18 brought resides. The court may exercise its jurisdiction over  
19 the action separate and apart from any other action brought by  
20 the state of Minnesota against the tax return preparer or any  
21 taxpayer.

22 (c) In an action under paragraph (b), if the court finds  
23 that a tax return preparer has:

24 (1) engaged in any conduct subject to a civil penalty under  
25 section 289A.60 or a criminal penalty under section 289A.63;

26 (2) misrepresented the preparer's eligibility to practice  
27 before the Department of Revenue, or otherwise misrepresented  
28 the preparer's experience or education as a tax return preparer;

29 (3) guaranteed the payment of any tax refund or the  
30 allowance of any tax credit; or

31 (4) engaged in any other fraudulent or deceptive conduct  
32 that substantially interferes with the proper administration of  
33 state tax law, and injunctive relief is appropriate to prevent  
34 the recurrence of that conduct,

35 the court may enjoin the person from further engaging in that  
36 conduct.

1 (d) If the court finds that a tax return preparer has  
2 continually or repeatedly engaged in conduct described in  
3 paragraph (c), and that an injunction prohibiting that conduct  
4 would not be sufficient to prevent the person's interference  
5 with the proper administration of state tax laws, the court may  
6 enjoin the person from acting as a tax return preparer. The  
7 court may not enjoin the employer of a tax return preparer for  
8 conduct described in paragraph (c) engaged in by one or more of  
9 the employer's employees unless the employer was also actively  
10 involved in that conduct.

11 (e) For purposes of this subdivision, the term  
12 "understatement of liability" means an understatement of the net  
13 amount payable with respect to a tax imposed by state tax law,  
14 or an overstatement of the net amount creditable or refundable  
15 with respect to a tax. The determination of whether or not  
16 there is an understatement of liability must be made without  
17 regard to any administrative or judicial action involving the  
18 taxpayer. For purposes of this subdivision, the amount  
19 determined for underpayment of estimated tax under either  
20 section 289A.25 or 289A.26 is not considered an understatement  
21 of liability.

22 (f) For purposes of this subdivision, the term  
23 "overstatement of claim" means an overstatement of the net  
24 amount refundable with respect to a claim for property tax  
25 relief provided by chapter 290A. The determination of whether  
26 or not there is an overstatement of a claim must be made without  
27 regard to administrative or judicial action involving the  
28 claimant.

29 (g) For purposes of this section, the term "tax refund or  
30 return preparer" means an individual who prepares for  
31 compensation, or who employs one or more individuals to prepare  
32 for compensation, a return of tax, or a claim for refund of  
33 tax. The preparation of a substantial part of a return or claim  
34 for refund is treated as if it were the preparation of the  
35 entire return or claim for refund. An individual is not  
36 considered a tax return preparer merely because the individual:

1 (1) gives typing, reproducing, or other mechanical  
2 assistance;

3 (2) prepares a return or claim for refund of the employer,  
4 or an officer or employee of the employer, by whom the  
5 individual is regularly and continuously employed;

6 (3) prepares a return or claim for refund of any person as  
7 a fiduciary for that person; or

8 (4) prepares a claim for refund for a taxpayer in response  
9 to a tax order issued to the taxpayer.

10 [EFFECTIVE DATE.] This section is effective for returns  
11 filed after December 31, 2005.

12 Sec. 7. Minnesota Statutes 2004, section 289A.60, is  
13 amended by adding a subdivision to read:

14 Subd. 26. [RESTRICTIONS ON TAXPAYERS WHO IMPROPERLY CLAIM  
15 REFUNDABLE CREDITS.] (a) If a person claims a credit or refund  
16 under section 290.067, 290.0671, 290.0674, or chapter 290A and  
17 the claimed credit or refund is determined to be claimed  
18 fraudulently or with reckless or intentional disregard of the  
19 applicable provisions for the credit or refund, the person is  
20 barred from claiming that credit or refund for the disallowance  
21 period.

22 (b) For the purposes of paragraph (a), the "disallowance  
23 period" is (1) ten taxable years from the taxable year the  
24 credit or refund is claimed if the credit or refund was  
25 fraudulently claimed; and (2) two taxable years from the taxable  
26 year the credit or refund is claimed if the credit or refund was  
27 not fraudulent but was claimed with reckless or intentional  
28 disregard of the applicable provisions.

29 [EFFECTIVE DATE.] This section is effective for credits or  
30 refunds claimed after December 31, 2005.

31 Sec. 8. Minnesota Statutes 2004, section 290.01,  
32 subdivision 19a, is amended to read:

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

36 (1)(i) interest income on obligations of any state other

1 than Minnesota or a political or governmental subdivision,  
2 municipality, or governmental agency or instrumentality of any  
3 state other than Minnesota exempt from federal income taxes  
4 under the Internal Revenue Code or any other federal statute;  
5 and

6 (ii) exempt-interest dividends as defined in section  
7 852(b)(5) of the Internal Revenue Code, except the portion of  
8 the exempt-interest dividends derived from interest income on  
9 obligations of the state of Minnesota or its political or  
10 governmental subdivisions, municipalities, governmental agencies  
11 or instrumentalities, but only if the portion of the  
12 exempt-interest dividends from such Minnesota sources paid to  
13 all shareholders represents 95 percent or more of the  
14 exempt-interest dividends that are paid by the regulated  
15 investment company as defined in section 851(a) of the Internal  
16 Revenue Code, or the fund of the regulated investment company as  
17 defined in section 851(g) of the Internal Revenue Code, making  
18 the payment; and

19 (iii) for the purposes of items (i) and (ii), interest on  
20 obligations of an Indian tribal government described in section  
21 7871(c) of the Internal Revenue Code shall be treated as  
22 interest income on obligations of the state in which the tribe  
23 is located;

24 (2) the amount of income taxes paid or accrued within the  
25 taxable year under this chapter and income the amount of taxes  
26 based on net income paid to any other state or to any province  
27 or territory of Canada, to the extent allowed as a deduction  
28 under section 63(d) of the Internal Revenue Code, but the  
29 addition may not be more than the amount by which the itemized  
30 deductions as allowed under section 63(d) of the Internal  
31 Revenue Code exceeds the amount of the standard deduction as  
32 defined in section 63(c) of the Internal Revenue Code. For the  
33 purpose of this paragraph, the disallowance of itemized  
34 deductions under section 68 of the Internal Revenue Code of  
35 1986, income tax is the last itemized deduction disallowed;

36 (3) the capital gain amount of a lump sum distribution to

1 which the special tax under section 1122(h)(3)(B)(ii) of the Tax  
2 Reform Act of 1986, Public Law 99-514, applies;

3 (4) the amount of income taxes paid or accrued within the  
4 taxable year under this chapter and income taxes based on net  
5 income paid to any other state or any province or territory of  
6 Canada, to the extent allowed as a deduction in determining  
7 federal adjusted gross income. For the purpose of this  
8 paragraph, income taxes do not include the taxes imposed by  
9 sections 290.0922, subdivision 1, paragraph (b), 290.9727,  
10 290.9728, and 290.9729;

11 (5) the amount of expense, interest, or taxes disallowed  
12 pursuant to section 290.10 other than expenses or interest used  
13 in computing net interest income for the subtraction allowed  
14 under subdivision 19b, clause (1);

15 (6) the amount of a partner's pro rata share of net income  
16 which does not flow through to the partner because the  
17 partnership elected to pay the tax on the income under section  
18 6242(a)(2) of the Internal Revenue Code; and

19 (7) 80 percent of the depreciation deduction allowed under  
20 section 168(k) of the Internal Revenue Code. For purposes of  
21 this clause, if the taxpayer has an activity that in the taxable  
22 year generates a deduction for depreciation under section 168(k)  
23 and the activity generates a loss for the taxable year that the  
24 taxpayer is not allowed to claim for the taxable year, "the  
25 depreciation allowed under section 168(k)" for the taxable year  
26 is limited to excess of the depreciation claimed by the activity  
27 under section 168(k) over the amount of the loss from the  
28 activity that is not allowed in the taxable year. In succeeding  
29 taxable years when the losses not allowed in the taxable year  
30 are allowed, the depreciation under section 168(k) is allowed.

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

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

35 Subd. 19b. [SUBTRACTIONS FROM FEDERAL TAXABLE INCOME.] For  
36 individuals, estates, and trusts, there shall be subtracted from



1 federal taxable income:

2 (1) net interest income on obligations of any authority,  
3 commission, or instrumentality of the United States to the  
4 extent includable in taxable income for federal income tax  
5 purposes but exempt from state income tax under the laws of the  
6 United States;

7 (2) if included in federal taxable income, the amount of  
8 any overpayment of income tax to Minnesota or to any other  
9 state, for any previous taxable year, whether the amount is  
10 received as a refund or as a credit to another taxable year's  
11 income tax liability;

12 (3) the amount paid to others, less the amount used to  
13 claim the credit allowed under section 290.0674, not to exceed  
14 \$1,625 for each qualifying child in grades kindergarten to 6 and  
15 \$2,500 for each qualifying child in grades 7 to 12, for tuition,  
16 textbooks, and transportation of each qualifying child in  
17 attending an elementary or secondary school situated in  
18 Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin,  
19 wherein a resident of this state may legally fulfill the state's  
20 compulsory attendance laws, which is not operated for profit,  
21 and which adheres to the provisions of the Civil Rights Act of  
22 1964 and chapter 363A. For the purposes of this clause,  
23 "tuition" includes fees or tuition as defined in section  
24 290.0674, subdivision 1, clause (1). As used in this clause,  
25 "textbooks" includes books and other instructional materials and  
26 equipment purchased or leased for use in elementary and  
27 secondary schools in teaching only those subjects legally and  
28 commonly taught in public elementary and secondary schools in  
29 this state. Equipment expenses qualifying for deduction  
30 includes expenses as defined and limited in section 290.0674,  
31 subdivision 1, clause (3). "Textbooks" does not include  
32 instructional books and materials used in the teaching of  
33 religious tenets, doctrines, or worship, the purpose of which is  
34 to instill such tenets, doctrines, or worship, nor does it  
35 include books or materials for, or transportation to,  
36 extracurricular activities including sporting events, musical or

1 dramatic events, speech activities, driver's education, or  
 2 similar programs. For purposes of the subtraction provided by  
 3 this clause, "qualifying child" has the meaning given in section  
 4 32(c)(3) of the Internal Revenue Code;

5 (4) income as provided under section 290.0802;

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

9 ~~(6) to the extent included in federal taxable income,~~  
 10 ~~postservice benefits for youth community service under section~~  
 11 ~~124B.42 for volunteer service under United States Code, title~~  
 12 ~~42, sections 12601 to 12604;~~

13 ~~(7)~~ to the extent not deducted in determining federal  
 14 taxable income by an individual who does not itemize deductions  
 15 for federal income tax purposes for the taxable year, an amount  
 16 equal to 50 percent of the excess of charitable contributions  
 17 allowable as a deduction for the taxable year under section  
 18 170(a) of the Internal Revenue Code over \$500;

19 ~~(8)~~ (7) for taxable years beginning before January 1, 2008,  
 20 the amount of the federal small ethanol producer credit allowed  
 21 under section 40(a)(3) of the Internal Revenue Code which is  
 22 included in gross income under section 87 of the Internal  
 23 Revenue Code;

24 ~~(9)~~ (8) for individuals who are allowed a federal foreign  
 25 tax credit for taxes that do not qualify for a credit under  
 26 section 290.06, subdivision 22, an amount equal to the carryover  
 27 of subnational foreign taxes for the taxable year, but not to  
 28 exceed the total subnational foreign taxes reported in claiming  
 29 the foreign tax credit. For purposes of this clause, "federal  
 30 foreign tax credit" means the credit allowed under section 27 of  
 31 the Internal Revenue Code, and "carryover of subnational foreign  
 32 taxes" equals the carryover allowed under section 904(c) of the  
 33 Internal Revenue Code minus national level foreign taxes to the  
 34 extent they exceed the federal foreign tax credit;

35 ~~(10)~~ (9) in each of the five tax years immediately  
 36 following the tax year in which an addition is required under

1 subdivision 19a, clause (7), or 19c, clause (16), in the case of  
2 a shareholder of a corporation that is an S corporation, an  
3 amount equal to one-fifth of the delayed depreciation. For  
4 purposes of this clause, "delayed depreciation" means the amount  
5 of the addition made by the taxpayer under subdivision 19a,  
6 clause (7), or subdivision 19c, clause (16), in the case of a  
7 shareholder of an S corporation, minus the positive value of any  
8 net operating loss under section 172 of the Internal Revenue  
9 Code generated for the tax year of the addition. The resulting  
10 delayed depreciation cannot be less than zero; and

11 ~~{++}~~ (10) job opportunity building zone income as provided  
12 under section 469.316.

13 [EFFECTIVE DATE.] The amendment to clause (9) is effective  
14 retroactively for tax years beginning after December 31, 2001.  
15 The rest of this section is effective for the tax years  
16 beginning after December 31, 2004.

17 Sec. 10. Minnesota Statutes 2004, section 290.01,  
18 subdivision 19c, is amended to read:

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

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

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

36 (3) exempt-interest dividends received as defined in

1 section 852(b)(5) of the Internal Revenue Code;

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

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

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

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

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

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

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

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

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

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

36 ~~(14)~~ (13) the amount of net income excluded under section

1 114 of the Internal Revenue Code;

2 ~~(15)~~ (14) any increase in subpart F income, as defined in  
3 section 952(a) of the Internal Revenue Code, for the taxable  
4 year when subpart F income is calculated without regard to the  
5 provisions of section 614 of Public Law 107-147; and

6 ~~(16)~~ (15) 80 percent of the depreciation deduction allowed  
7 under section 168(k)(1)(A) and (k)(4)(A) of the Internal Revenue  
8 Code. For purposes of this clause, if the taxpayer has an  
9 activity that in the taxable year generates a deduction for  
10 depreciation under section 168(k)(1)(A) and (k)(4)(A) and the  
11 activity generates a loss for the taxable year that the taxpayer  
12 is not allowed to claim for the taxable year, "the depreciation  
13 allowed under section 168(k)(1)(A) and (k)(4)(A)" for the  
14 taxable year is limited to excess of the depreciation claimed by  
15 the activity under section 168(k)(1)(A) and (k)(4)(A) over the  
16 amount of the loss from the activity that is not allowed in the  
17 taxable year. In succeeding taxable years when the losses not  
18 allowed in the taxable year are allowed, the depreciation under  
19 section 168(k)(1)(A) and (k)(4)(A) is allowed.

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

22 Sec. 11. Minnesota Statutes 2004, section 290.06,  
23 subdivision 22, is amended to read:

24 Subd. 22. [CREDIT FOR TAXES PAID TO ANOTHER STATE.] (a) A  
25 taxpayer who is liable for taxes based on ~~or-measured-by~~ net  
26 income to another state, as provided in paragraphs (b) through  
27 (f), upon income allocated or apportioned to Minnesota, is  
28 entitled to a credit for the tax paid to another state if the  
29 tax is actually paid in the taxable year or a subsequent taxable  
30 year. A taxpayer who is a resident of this state pursuant to  
31 section 290.01, subdivision 7, ~~clause-(2)~~ paragraph (b), and who  
32 is subject to income tax as a resident in the state of the  
33 individual's domicile is not allowed this credit unless the  
34 state of domicile does not allow a similar credit.

35 (b) For an individual, estate, or trust, the credit is  
36 determined by multiplying the tax payable under this chapter by

1 the ratio derived by dividing the income subject to tax in the  
2 other state that is also subject to tax in Minnesota while a  
3 resident of Minnesota by the taxpayer's federal adjusted gross  
4 income, as defined in section 62 of the Internal Revenue Code,  
5 modified by the addition required by section 290.01, subdivision  
6 19a, clause (1), and the subtraction allowed by section 290.01,  
7 subdivision 19b, clause (1), to the extent the income is  
8 allocated or assigned to Minnesota under sections 290.081 and  
9 290.17.

10 (c) If the taxpayer is an athletic team that apportions all  
11 of its income under section 290.17, subdivision 5, the credit is  
12 determined by multiplying the tax payable under this chapter by  
13 the ratio derived from dividing the total net income subject to  
14 tax in the other state by the taxpayer's Minnesota taxable  
15 income.

16 (d) The credit determined under paragraph (b) or (c) shall  
17 not exceed the amount of tax so paid to the other state on the  
18 gross income earned within the other state subject to tax under  
19 this chapter, nor shall the allowance of the credit reduce the  
20 taxes paid under this chapter to an amount less than what would  
21 be assessed if such income amount was excluded from taxable net  
22 income.

23 (e) In the case of the tax assessed on a lump sum  
24 distribution under section 290.032, the credit allowed under  
25 paragraph (a) is the tax assessed by the other state on the lump  
26 sum distribution that is also subject to tax under section  
27 290.032, and shall not exceed the tax assessed under section  
28 290.032. To the extent the total lump sum distribution defined  
29 in section 290.032, subdivision 1, includes lump sum  
30 distributions received in prior years or is all or in part an  
31 annuity contract, the reduction to the tax on the lump sum  
32 distribution allowed under section 290.032, subdivision 2,  
33 includes tax paid to another state that is properly apportioned  
34 to that distribution.

35 (f) If a Minnesota resident reported an item of income to  
36 Minnesota and is assessed tax in such other state on that same

1 income after the Minnesota statute of limitations has expired,  
2 the taxpayer shall receive a credit for that year under  
3 paragraph (a), notwithstanding any statute of limitations to the  
4 contrary. The claim for the credit must be submitted within one  
5 year from the date the taxes were paid to the other state. The  
6 taxpayer must submit sufficient proof to show entitlement to a  
7 credit.

8 (g) For the purposes of this subdivision, a resident  
9 shareholder of a corporation treated as an "S" corporation under  
10 section 290.9725, must be considered to have paid a tax imposed  
11 on the shareholder in an amount equal to the shareholder's pro  
12 rata share of any net income tax paid by the S corporation to  
13 another state. For the purposes of the preceding sentence, the  
14 term "net income tax" means any tax imposed on or measured by a  
15 corporation's net income.

16 (h) For the purposes of this subdivision, a resident  
17 partner of an entity taxed as a partnership under the Internal  
18 Revenue Code must be considered to have paid a tax imposed on  
19 the partner in an amount equal to the partner's pro rata share  
20 of any net income tax paid by the partnership to another state.  
21 For purposes of the preceding sentence, the term "net income"  
22 tax means any tax imposed on or measured by a partnership's net  
23 income.

24 (i) For the purposes of this subdivision, "another state":

25 (1) includes:

26 (i) the District of Columbia; and

27 (ii) a province or territory of Canada; but

28 (2) excludes Puerto Rico and the several territories

29 organized by Congress.

30 (j) The limitations on the credit in paragraphs (b), (c),  
31 and (d), are imposed on a state by state basis.

32 (k) For a tax imposed by a province or territory of Canada,  
33 the tax for purposes of this subdivision is the excess of the  
34 tax over the amount of the foreign tax credit allowed under  
35 section 27 of the Internal Revenue Code. In determining the  
36 amount of the foreign tax credit allowed, the net income taxes

1 imposed by Canada on the income are deducted first. Any  
 2 remaining amount of the allowable foreign tax credit reduces the  
 3 provincial or territorial tax that qualifies for the credit  
 4 under this subdivision.

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

7 Sec. 12. Minnesota Statutes 2004, section 290.0674,  
 8 subdivision 1, is amended to read:

9 Subdivision 1. [CREDIT ALLOWED.] An individual is allowed  
 10 a credit against the tax imposed by this chapter in an amount  
 11 equal to 75 percent of the amount paid for education-related  
 12 expenses for a qualifying child in kindergarten through grade  
 13 12. For purposes of this section, "education-related expenses"  
 14 means:

15 (1) fees or tuition for instruction by an instructor under  
 16 section 120A.22, subdivision 10, clause (1), (2), (3), (4), or  
 17 (5), or a member of the Minnesota Music Teachers Association,  
 18 and who is not a lineal ancestor or sibling of the dependent for  
 19 instruction outside the regular school day or school year,  
 20 including tutoring, driver's education offered as part of school  
 21 curriculum, regardless of whether it is taken from a public or  
 22 private entity or summer camps, in grade or age appropriate  
 23 curricula that supplement curricula and instruction available  
 24 during the regular school year, that assists a dependent to  
 25 improve knowledge of core curriculum areas or to expand  
 26 knowledge and skills under the ~~graduation-rule-under-section~~  
 27 ~~120B.027-paragraph-(e)-clauses-(1)-to-(7)-(9)-and-(10)~~  
 28 required academic standards under section 120B.021, subdivision  
 29 1, and the elective standard under section 120B.022, subdivision  
 30 1, clause (2), and that do not include the teaching of religious  
 31 tenets, doctrines, or worship, the purpose of which is to  
 32 instill such tenets, doctrines, or worship;

33 (2) expenses for textbooks, including books and other  
 34 instructional materials and equipment purchased or leased for  
 35 use in elementary and secondary schools in teaching only those  
 36 subjects legally and commonly taught in public elementary and



1 secondary schools in this state. "Textbooks" does not include  
 2 instructional books and materials used in the teaching of  
 3 religious tenets, doctrines, or worship, the purpose of which is  
 4 to instill such tenets, doctrines, or worship, nor does it  
 5 include books or materials for extracurricular activities  
 6 including sporting events, musical or dramatic events, speech  
 7 activities, driver's education, or similar programs;

8 (3) a maximum expense of \$200 per family for personal  
 9 computer hardware, excluding single purpose processors, and  
 10 educational software that assists a dependent to improve  
 11 knowledge of core curriculum areas or to expand knowledge and  
 12 skills under the ~~graduation-rule-under-section-120B.02~~ required  
 13 academic standards under section 120B.021, subdivision 1, and  
 14 the elective standard under section 120B.022, subdivision 1,  
 15 clause (2), purchased for use in the taxpayer's home and not  
 16 used in a trade or business regardless of whether the computer  
 17 is required by the dependent's school; and

18 (4) the amount paid to others for transportation of a  
 19 qualifying child attending an elementary or secondary school  
 20 situated in Minnesota, North Dakota, South Dakota, Iowa, or  
 21 Wisconsin, wherein a resident of this state may legally fulfill  
 22 the state's compulsory attendance laws, which is not operated  
 23 for profit, and which adheres to the provisions of the Civil  
 24 Rights Act of 1964 and chapter 363A.

25 For purposes of this section, "qualifying child" has the  
 26 meaning given in section 32(c)(3) of the Internal Revenue Code.

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

29 Sec. 13. Minnesota Statutes 2004, section 290.0922,  
 30 subdivision 2, is amended to read:

31 Subd. 2. [EXEMPTIONS.] The following entities are exempt  
 32 from the tax imposed by this section:

- 33 (1) corporations exempt from tax under section 290.05;  
 34 (2) real estate investment trusts;  
 35 (3) regulated investment companies or a fund thereof; and  
 36 (4) entities having a valid election in effect under

1 section 860D(b) of the Internal Revenue Code;

2 (5) town and farmers' mutual insurance companies;

3 (6) cooperatives organized under chapter 308A or 308B that  
4 provide housing exclusively to persons age 55 and over and are  
5 classified as homesteads under section 273.124, subdivision 3;  
6 and

7 (7) an entity, if for the taxable year all of its property  
8 is located in a job opportunity building zone designated under  
9 section 469.314 and all of its payroll is a job opportunity  
10 building zone payroll under section 469.310.

11 Entities not specifically exempted by this subdivision are  
12 subject to tax under this section, notwithstanding section  
13 290.05.

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

16 Sec. 14. Minnesota Statutes 2004, section 291.005,  
17 subdivision 1, is amended to read:

18 Subdivision 1. [SCOPE.] Unless the context otherwise  
19 clearly requires, the following terms used in this chapter shall  
20 have the following meanings:

21 (1) "Federal gross estate" means the gross estate of a  
22 decedent as valued and otherwise determined for federal estate  
23 tax purposes by federal taxing authorities pursuant to the  
24 provisions of the Internal Revenue Code.

25 (2) "Minnesota gross estate" means the federal gross estate  
26 of a decedent after (a) excluding therefrom any property  
27 included therein which has its situs outside Minnesota, and (b)  
28 including therein any property omitted from the federal gross  
29 estate which is includable therein, has its situs in Minnesota,  
30 and was not disclosed to federal taxing authorities.

31 (3) "Personal representative" means the executor,  
32 administrator or other person appointed by the court to  
33 administer and dispose of the property of the decedent. If  
34 there is no executor, administrator or other person appointed,  
35 qualified, and acting within this state, then any person in  
36 actual or constructive possession of any property having a situs

1 in this state which is included in the federal gross estate of  
2 the decedent shall be deemed to be a personal representative to  
3 the extent of the property and the Minnesota estate tax due with  
4 respect to the property.

5 (4) "Resident decedent" means an individual whose domicile  
6 at the time of death was in Minnesota.

7 (5) "Nonresident decedent" means an individual whose  
8 domicile at the time of death was not in Minnesota.

9 (6) "Situs of property" means, with respect to real  
10 property, the state or country in which it is located; with  
11 respect to tangible personal property, the state or country in  
12 which it was normally kept or located at the time of the  
13 decedent's death; and with respect to intangible personal  
14 property, the state or country in which the decedent was  
15 domiciled at death.

16 (7) "Commissioner" means the commissioner of revenue or any  
17 person to whom the commissioner has delegated functions under  
18 this chapter.

19 (8) "Internal Revenue Code" means the United States  
20 Internal Revenue Code of 1986, as amended through December 31,  
21 ~~2002~~ 2004.

22 (9) "Minnesota adjusted taxable estate" means federal  
23 adjusted taxable estate as defined by section 2011(b)(3) of the  
24 Internal Revenue Code, increased by the amount of deduction for  
25 state death taxes allowed under section 2058 of the Internal  
26 Revenue Code.

27 [EFFECTIVE DATE.] This section is effective for estates of  
28 decedents dying after December 31, 2004.

29 Sec. 15. Minnesota Statutes 2004, section 291.03,  
30 subdivision 1, is amended to read:

31 Subdivision 1. [TAX AMOUNT.] The tax imposed shall be an  
32 amount equal to the proportion of the maximum credit for state  
33 death taxes computed under section 2011 of the Internal Revenue  
34 Code, as amended through December 31, 2000, ~~for-state-death~~  
35 ~~taxes~~ but using Minnesota adjusted taxable estate instead of  
36 federal adjusted taxable estate, as the Minnesota gross estate

1 bears to the value of the federal gross estate. The tax  
 2 determined under this paragraph shall not be greater than the  
 3 ~~federal-estate-tax~~ amount computed by applying the rates and  
 4 brackets under section 2001(c) of the Internal Revenue Code  
 5 ~~after-the-allowance-of~~ to the Minnesota adjusted gross estate  
 6 and subtracting the federal credits credit allowed under section  
 7 2010 of the Internal Revenue Code of 1986, as amended through  
 8 December 31, 2000. For the purposes of this section, expenses  
 9 which are deducted for federal income tax purposes under section  
 10 642(g) of the Internal Revenue Code as amended through December  
 11 31, 2002, are not allowable in computing the tax under this  
 12 chapter.

13 [EFFECTIVE DATE.] This section is effective for estates of  
 14 decedents dying after December 31, 2004.

15 Sec. 16. [REPEALER.]

16 Minnesota Rules, parts 8093.2000 and 8093.3000, are  
 17 repealed effective the day following final enactment.

## 18 ARTICLE 2

### 19 PROPERTY TAXES

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

22 4A.02 [STATE DEMOGRAPHER.]

23 (a) The director shall appoint a state demographer. The  
 24 demographer must be professionally competent in demography and  
 25 must possess demonstrated ability based upon past performance.

26 (b) The demographer shall:

27 (1) continuously gather and develop demographic data  
 28 relevant to the state;

29 (2) design and test methods of research and data  
 30 collection;

31 (3) periodically prepare population projections for the  
 32 state and designated regions and periodically prepare  
 33 projections for each county or other political subdivision of  
 34 the state as necessary to carry out the purposes of this  
 35 section;

36 (4) review, comment on, and prepare analysis of population

1 estimates and projections made by state agencies, political  
2 subdivisions, other states, federal agencies, or nongovernmental  
3 persons, institutions, or commissions;

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

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

13 (7) by January 1 of each year, issue a report to the  
14 legislature containing an analysis of the demographic  
15 implications of the annual population study and population  
16 projections;

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

22 (9) prepare an estimate of population and of the number of  
23 households for each governmental subdivision for which the  
24 Metropolitan Council does not prepare an annual estimate, and  
25 convey the estimates to the governing body of each political  
26 subdivision by May June 1 of each year;

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

31 (11) prepare, for any purpose for which a population  
32 estimate is required by law or needed to implement a law, a  
33 population estimate of a municipality or town whose population  
34 is affected by action under section 379.02 or 414.01,  
35 subdivision 14; and

36 (12) prepare an estimate of average household size for each

1 statutory or home rule charter city with a population of 2,500  
2 or more by May June 1 of each year.

3 (c) A governing body may challenge an estimate made under  
4 paragraph (b) by filing their specific objections in writing  
5 with the state demographer by June ~~10~~ 24. If the challenge does  
6 not result in an acceptable estimate ~~by June-24~~, the governing  
7 body may have a special census conducted by the United States  
8 Bureau of the Census. The political subdivision must notify the  
9 state demographer by July 1 of its intent to have the special  
10 census conducted. The political subdivision must bear all costs  
11 of the special census. Results of the special census must be  
12 received by the state demographer by the next April 15 to be  
13 used in that year's May June 1 estimate to the political  
14 subdivision under paragraph (b).

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

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

20 Sec. 2. Minnesota Statutes 2004, section 168A.05,  
21 subdivision 1a, is amended to read:

22 Subd. 1a. [MANUFACTURED HOME; STATEMENT OF PROPERTY TAX  
23 PAYMENT.] In the case of a manufactured home as defined in  
24 section 327.31, subdivision 6, the department shall not issue a  
25 certificate of title unless the application under section  
26 168A.04 is accompanied with a statement from the county auditor  
27 or county treasurer where the manufactured home is presently  
28 located, stating that all manufactured home personal property  
29 taxes levied on the unit in the name of the current owner at the  
30 time of transfer have been paid. For this purpose, manufactured  
31 home personal property taxes are treated as levied on January 1  
32 of the payable year.

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

35 Sec. 3. Minnesota Statutes 2004, section 270.11,  
36 subdivision 2, is amended to read:

1 Subd. 2. [COUNTY ASSESSOR'S REPORTS OF ASSESSMENT FILED  
2 WITH COMMISSIONER.] Each county assessor shall file by April 1  
3 with the commissioner of revenue a copy of the abstract that  
4 will be acted upon by the local and county boards of review.  
5 The abstract must list the real and personal property in the  
6 county itemized by assessment districts. The assessor of each  
7 county in the state shall file with the commissioner, within ten  
8 working days following final action of the local board of review  
9 or equalization and within five days following final action of  
10 the county board of equalization, any changes made by the local  
11 or county board. The information must be filed in the manner  
12 prescribed by the commissioner. It must be accompanied by a  
13 printed or typewritten copy of the proceedings of the  
14 appropriate board.

15 The final abstract of assessments after adjustments by the  
16 State Board of Equalization and inclusion of any omitted  
17 property shall be submitted to the commissioner of revenue on or  
18 before September 1 of each calendar year. The final abstract  
19 must separately report the captured tax capacity of tax  
20 increment financing districts under section 469.177, subdivision  
21 2, the metropolitan-revenue areawide net tax capacity  
22 contribution value values determined under section sections  
23 276A.05, subdivision 1, and 473F.07, subdivision 1, and the  
24 value subject to the power line credit under section 273.42.

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

27 Sec. 4. Minnesota Statutes 2004, section 270.16,  
28 subdivision 2, is amended to read:

29 Subd. 2. [FAILURE TO APPRAISE.] When an assessor has  
30 failed to properly appraise at least one-quarter one-fifth of  
31 the parcels of property in a district or county as provided in  
32 section 273.01, the commissioner of revenue shall appoint a  
33 special assessor and deputy assessor as necessary and cause a  
34 reappraisal to be made of the property due for reassessment in  
35 accordance with law.

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

1 following final enactment.

2 Sec. 5. Minnesota Statutes 2004, section 272.01,  
3 subdivision 2, is amended to read:

4 Subd. 2. (a) When any real or personal property which is  
5 exempt from ad valorem taxes, and taxes in lieu thereof, is  
6 leased, loaned, or otherwise made available and used by a  
7 private individual, association, or corporation in connection  
8 with a business conducted for profit, there shall be imposed a  
9 tax, for the privilege of so using or possessing such real or  
10 personal property, in the same amount and to the same extent as  
11 though the lessee or user was the owner of such property.

12 (b) The tax imposed by this subdivision shall not apply to:

13 (1) property leased or used as a concession in or relative  
14 to the use in whole or part of a public park, market,  
15 fairgrounds, port authority, economic development authority  
16 established under chapter 469, municipal auditorium, municipal  
17 parking facility, municipal museum, or municipal stadium;

18 (2) property of an airport owned by a city, town, county,  
19 or group thereof which is:

20 (i) leased to or used by any person or entity including a  
21 fixed base operator; and

22 (ii) used as a hangar for the storage or repair of aircraft  
23 or to provide aviation goods, services, or facilities to the  
24 airport or general public;

25 the exception from taxation provided in this clause does not  
26 apply to:

27 (i) property located at an airport owned or operated by the  
28 Metropolitan Airports Commission or by a city of over 50,000  
29 population according to the most recent federal census or such a  
30 city's airport authority;

31 (ii) hangars leased by a private individual, association,  
32 or corporation in connection with a business conducted for  
33 profit other than an aviation-related business; or

34 (iii) facilities leased by a private individual,  
35 association, or corporation in connection with a business for  
36 profit, that consists of a major jet engine repair facility



1 financed, in whole or part, with the proceeds of state bonds and  
2 located in a tax increment financing district;

3 (3) property constituting or used as a public pedestrian  
4 ramp or concourse in connection with a public airport; or

5 (4) property constituting or used as a passenger check-in  
6 area or ticket sale counter, boarding area, or luggage claim  
7 area in connection with a public airport but not the airports  
8 owned or operated by the Metropolitan Airports Commission or  
9 cities of over 50,000 population or an airport authority  
10 therein. Real estate owned by a municipality in connection with  
11 the operation of a public airport and leased or used for  
12 agricultural purposes is not exempt;

13 (5) property leased, loaned, or otherwise made available to  
14 a private individual, corporation, or association under a  
15 cooperative farming agreement made pursuant to section 97A.135;  
16 or

17 (6) property leased, loaned, or otherwise made available to  
18 a private individual, corporation, or association under section  
19 272.68, subdivision 4.

20 (c) Taxes imposed by this subdivision are payable as in the  
21 case of personal property taxes and shall be assessed to the  
22 lessees or users of real or personal property in the same manner  
23 as taxes assessed to owners of real or personal property, except  
24 that such taxes shall not become a lien against the property.  
25 When due, the taxes shall constitute a debt due from the lessee  
26 or user to the state, township, city, county, and school  
27 district for which the taxes were assessed and shall be  
28 collected in the same manner as personal property taxes. If  
29 property subject to the tax imposed by this subdivision is  
30 leased or used jointly by two or more persons, each lessee or  
31 user shall be jointly and severally liable for payment of the  
32 tax.

33 (d) The tax on real property of the state or any of its  
34 political subdivisions that is leased by a private individual,  
35 association, or corporation and becomes taxable under this  
36 subdivision or other provision of law must be assessed and

1 collected as a personal property assessment. The taxes do not  
2 become a lien against the real property.

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

5 Sec. 6. Minnesota Statutes 2004, section 272.02,  
6 subdivision 1a, is amended to read:

7 Subd. 1a. [LIMITATIONS ON EXEMPTIONS.] The exemptions  
8 granted by subdivision 1 are subject to the limits contained in  
9 the other subdivisions of this section, section 272.025, or  
10 ~~273.13, subdivision 25, paragraph (c), clause (1) or (2), or~~  
11 paragraph (d), clause (2) and all other provisions of applicable  
12 law.

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

15 Sec. 7. Minnesota Statutes 2004, section 272.02,  
16 subdivision 7, is amended to read:

17 Subd. 7. [INSTITUTIONS OF PUBLIC CHARITY.] Institutions of  
18 purely public charity are exempt ~~except parcels of property~~  
19 ~~containing structures and the structures described in section~~  
20 ~~273.13, subdivision 25, paragraph (e), other than those that~~  
21 ~~qualify for exemption under subdivision 26.~~ In determining  
22 whether rental housing property qualifies for exemption under  
23 this subdivision, the following are not gifts or donations to  
24 the owner of the rental housing:

25 (1) rent assistance provided by the government to or on  
26 behalf of tenants, and

27 (2) financing assistance or tax credits provided by the  
28 government to the owner on condition that specific units or a  
29 specific quantity of units be set aside for persons or families  
30 with certain income characteristics.

31 [EFFECTIVE DATE.] This section is effective for taxes  
32 payable in 2004 and thereafter.

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

35 Subd. 68. [PROPERTY SUBJECT TO TACONITE PRODUCTION TAX OR  
36 NET PROCEEDS TAX.] (a) Real and personal property described in

1 section 298.25 is exempt to the extent the tax on taconite and  
2 iron sulphides under section 298.24 is described in section  
3 298.25 as being in lieu of other taxes on such property. This  
4 exemption applies for taxes payable in each year that the tax  
5 under section 298.24 is payable with respect to such property.

6 (b) Deposits of mineral, metal, or energy resources the  
7 mining of which is subject to taxation under section 298.015 are  
8 exempt. This exemption applies for taxes payable in each year  
9 that the tax under section 298.015 is payable with respect to  
10 such property.

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

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

15 Subd. 69. [RELIGIOUS CORPORATIONS.] Personal and real  
16 property that a religious corporation, formed under section  
17 317A.909, necessarily uses for a religious purpose is exempt to  
18 the extent provided in section 317A.909, subdivision 3.

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

21 Sec. 10. Minnesota Statutes 2004, section 272.02, is  
22 amended by adding a subdivision to read:

23 Subd. 70. [CHILDREN'S HOMES.] Personal and real property  
24 owned by a corporation formed under section 317A.907 is exempt  
25 to the extent provided in section 317A.907, subdivision 7.

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

28 Sec. 11. Minnesota Statutes 2004, section 272.02, is  
29 amended by adding a subdivision to read:

30 Subd. 71. [HOUSING AND REDEVELOPMENT AUTHORITY AND TRIBAL  
31 HOUSING AUTHORITY PROPERTY.] Property owned by a housing and  
32 redevelopment authority described in chapter 469, or by a  
33 designated housing authority described in section 469.040,  
34 subdivision 5, is exempt to the extent provided in chapter 469.

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

1 Sec. 12. Minnesota Statutes 2004, section 272.02, is  
2 amended by adding a subdivision to read:

3 Subd. 72. [PROPERTY OF HOUSING AND REDEVELOPMENT  
4 AUTHORITIES.] Property of projects of housing and redevelopment  
5 authorities are exempt to the extent permitted by sections  
6 469.042, subdivision 1, and 469.043, subdivisions 2 and 5.

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

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

11 Subd. 73. [PROPERTY OF REGIONAL RAIL AUTHORITY.] Property  
12 of a regional rail authority as defined in chapter 398A is  
13 exempt to the extent permitted by section 398A.05.

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

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

18 Subd. 74. [SPIRIT MOUNTAIN RECREATION AREA  
19 AUTHORITY.] Property owned by the Spirit Mountain Recreation  
20 Area Authority is exempt from taxation to the extent provided in  
21 Laws 1973, chapter 327, section 6.

22 Sec. 15. Minnesota Statutes 2004, section 272.02, is  
23 amended by adding a subdivision to read:

24 Subd. 75. [INSTALLED CAPACITY DEFINED.] For purposes of  
25 this section, the term "installed capacity" means generator  
26 nameplate capacity.

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

29 Sec. 16. Minnesota Statutes 2004, section 272.029,  
30 subdivision 4, is amended to read:

31 Subd. 4. [REPORTS.] (a) An owner of a wind energy  
32 conversion system subject to tax under subdivision 3 shall file  
33 a report with the commissioner of revenue annually on or before  
34 March February 1 detailing the amount of electricity in  
35 kilowatt-hours that was produced by the wind energy conversion  
36 system for the previous calendar year. The commissioner shall

1 prescribe the form of the report. The report must contain the  
2 information required by the commissioner to determine the tax  
3 due to each county under this section for the current year. If  
4 an owner of a wind energy conversion system subject to taxation  
5 under this section fails to file the report by the due date, the  
6 commissioner of revenue shall determine the tax based upon the  
7 nameplate capacity of the system multiplied by a capacity factor  
8 of 40 percent.

9 (b) On or before ~~March-31~~ February 28, the commissioner of  
10 revenue shall notify the owner of the wind energy conversion  
11 systems of the tax due to each county for the current year and  
12 shall certify to the county auditor of each county in which the  
13 systems are located the tax due from each owner for the current  
14 year.

15 [EFFECTIVE DATE.] This section is effective for reports and  
16 certifications due in 2006 and thereafter.

17 Sec. 17. Minnesota Statutes 2004, section 272.029,  
18 subdivision 6, is amended to read:

19 Subd. 6. [DISTRIBUTION OF REVENUES.] Revenues from the  
20 taxes imposed under subdivision 5 must be part of the settlement  
21 between the county treasurer and the county auditor under  
22 section 276.09. The revenue must be distributed by the county  
23 auditor or the county treasurer to ~~all~~ local taxing  
24 jurisdictions in which the wind energy conversion system is  
25 located, as follows: beginning with distributions in 2006, 80  
26 percent to counties; 14 percent to cities and townships; and six  
27 percent to school districts; and for distributions occurring in  
28 2004 and 2005 in the same proportion that each of the local  
29 taxing jurisdiction's current year's net tax capacity based tax  
30 rate is to the current year's total local net tax capacity based  
31 rate.

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

34 Sec. 18. Minnesota Statutes 2004, section 273.11,  
35 subdivision 8, is amended to read:

36 Subd. 8. [LIMITED EQUITY COOPERATIVE APARTMENTS.] For the

1 purposes of this subdivision, the terms defined in this  
2 subdivision have the meanings given them.

3 A "limited equity cooperative" is a corporation organized  
4 under chapter 308A or 308B, which has as its primary purpose the  
5 provision of housing and related services to its members which  
6 meets one of the following criteria with respect to the income  
7 of its members: (1) a minimum of 75 percent of members must  
8 have incomes at or less than 90 percent of area median income,  
9 (2) a minimum of 40 percent of members must have incomes at or  
10 less than 60 percent of area median income, or (3) a minimum of  
11 20 percent of members must have incomes at or less than 50  
12 percent of area median income. For purposes of this clause,  
13 "member income" shall mean the income of a member existing at  
14 the time the member acquires cooperative membership, and median  
15 income shall mean the St. Paul-Minneapolis metropolitan area  
16 median income as determined by the United States Department of  
17 Housing and Urban Development. It must also meet the following  
18 requirements:

19 (a) The articles of incorporation set the sale price of  
20 occupancy entitling cooperative shares or memberships at no more  
21 than a transfer value determined as provided in the articles.  
22 That value may not exceed the sum of the following:

23 (1) the consideration paid for the membership or shares by  
24 the first occupant of the unit, as shown in the records of the  
25 corporation;

26 (2) the fair market value, as shown in the records of the  
27 corporation, of any improvements to the real property that were  
28 installed at the sole expense of the member with the prior  
29 approval of the board of directors;

30 (3) accumulated interest, or an inflation allowance not to  
31 exceed the greater of a ten percent annual noncompounded  
32 increase on the consideration paid for the membership or share  
33 by the first occupant of the unit, or the amount that would have  
34 been paid on that consideration if interest had been paid on it  
35 at the rate of the percentage increase in the revised Consumer  
36 Price Index for All Urban Consumers for the Minneapolis-St. Paul

1 metropolitan area prepared by the United States Department of  
2 Labor, provided that the amount determined pursuant to this  
3 clause may not exceed \$500 for each year or fraction of a year  
4 the membership or share was owned; plus

5 (4) real property capital contributions shown in the  
6 records of the corporation to have been paid by the transferor  
7 member and previous holders of the same membership, or of  
8 separate memberships that had entitled occupancy to the unit of  
9 the member involved. These contributions include contributions  
10 to a corporate reserve account the use of which is restricted to  
11 real property improvements or acquisitions, contributions to the  
12 corporation which are used for real property improvements or  
13 acquisitions, and the amount of principal amortized by the  
14 corporation on its indebtedness due to the financing of real  
15 property acquisition or improvement or the averaging of  
16 principal paid by the corporation over the term of its real  
17 property-related indebtedness.

18 (b) The articles of incorporation require that the board of  
19 directors limit the purchase price of stock or membership  
20 interests for new member-occupants or resident shareholders to  
21 an amount which does not exceed the transfer value for the  
22 membership or stock as defined in clause (a).

23 (c) The articles of incorporation require that the total  
24 distribution out of capital to a member shall not exceed that  
25 transfer value.

26 (d) The articles of incorporation require that upon  
27 liquidation of the corporation any assets remaining after  
28 retirement of corporate debts and distribution to members will  
29 be conveyed to a charitable organization described in section  
30 501(c)(3) of the Internal Revenue Code of 1986, as amended  
31 through December 31, 1992, or a public agency.

32 A "limited equity cooperative apartment" is a dwelling unit  
33 owned by a limited equity cooperative.

34 "Occupancy entitling cooperative share or membership" is  
35 the ownership interest in a cooperative organization which  
36 entitles the holder to an exclusive right to occupy a dwelling

1 unit owned or leased by the cooperative.

2 For purposes of taxation, the assessor shall value a unit  
3 owned by a limited equity cooperative at the lesser of its  
4 market value or the value determined by capitalizing the net  
5 operating income of a comparable apartment operated on a rental  
6 basis at the capitalization rate used in valuing comparable  
7 buildings that are not limited equity cooperatives. If a  
8 cooperative fails to operate in accordance with the provisions  
9 of clauses (a) to (d), the property shall be subject to  
10 additional property taxes in the amount of the difference  
11 between the taxes determined in accordance with this subdivision  
12 for the last ten years that the property had been assessed  
13 pursuant to this subdivision and the amount that would have been  
14 paid if the provisions of this subdivision had not applied to  
15 it. The additional taxes, plus interest at the rate specified  
16 in section 549.09, shall be extended against the property on the  
17 tax list for the current year.

18 [EFFECTIVE DATE.] This section is effective for taxes  
19 payable in 2004 and thereafter.

20 Sec. 19. Minnesota Statutes 2004, section 273.124,  
21 subdivision 3, is amended to read:

22 Subd. 3. [COOPERATIVES AND CHARITABLE CORPORATIONS;  
23 HOMESTEAD AND OTHER PROPERTY.] (a) When property is owned by a  
24 corporation or association organized under chapter 308A or 308B,  
25 and each person who owns a share or shares in the corporation or  
26 association is entitled to occupy a building on the property, or  
27 a unit within a building on the property, the corporation or  
28 association may claim homestead treatment for each dwelling, or  
29 for each unit in the case of a building containing several  
30 dwelling units, or for the part of the value of the building  
31 occupied by a shareholder. Each building or unit must be  
32 designated by legal description or number. The net tax capacity  
33 of each building or unit that qualifies for assessment as a  
34 homestead under this subdivision must include not more than  
35 one-half acre of land, if platted, nor more than 80 acres if  
36 unplatted. The net tax capacity of the property is the sum of



1 the net tax capacities of each of the respective buildings or  
2 units comprising the property, including the net tax capacity of  
3 each unit's or building's proportionate share of the land and  
4 any common buildings. To qualify for the treatment provided by  
5 this subdivision, the corporation or association must be wholly  
6 owned by persons having a right to occupy a building or unit  
7 owned by the corporation or association. A charitable  
8 corporation organized under the laws of Minnesota and not  
9 otherwise exempt thereunder with no outstanding stock qualifies  
10 for homestead treatment with respect to member residents of the  
11 dwelling units who have purchased and hold residential  
12 participation warrants entitling them to occupy the units.

13 (b) To the extent provided in paragraph (a), a cooperative  
14 or corporation organized under chapter 308A may obtain separate  
15 assessment and valuation, and separate property tax statements  
16 for each residential homestead, residential nonhomestead, or for  
17 each seasonal residential recreational building or unit not used  
18 for commercial purposes. The appropriate class rates under  
19 section 273.13 shall be applicable as if each building or unit  
20 were a separate tax parcel; provided, however, that the tax  
21 parcel which exists at the time the cooperative or corporation  
22 makes application under this subdivision shall be a single  
23 parcel for purposes of property taxes or the enforcement and  
24 collection thereof, other than as provided in paragraph (a) or  
25 this paragraph.

26 (c) A member of a corporation or association may initially  
27 obtain the separate assessment and valuation and separate  
28 property tax statements, as provided in paragraph (b), by  
29 applying to the assessor by June 30 of the assessment year.

30 (d) When a building, or dwelling units within a building,  
31 no longer qualify under paragraph (a) or (b), the current owner  
32 must notify the assessor within 30 days. Failure to notify the  
33 assessor within 30 days shall result in the loss of benefits  
34 under paragraph (a) or (b) for taxes payable in the year that  
35 the failure is discovered. For these purposes, "benefits under  
36 paragraph (a) or (b)" means the difference in the net tax

1 capacity of the building or units which no longer qualify as  
2 computed under paragraph (a) or (b) and as computed under the  
3 otherwise applicable law, times the local tax rate applicable to  
4 the building for that taxes payable year. Upon discovery of a  
5 failure to notify, the assessor shall inform the auditor of the  
6 difference in net tax capacity for the building or buildings in  
7 which units no longer qualify, and the auditor shall calculate  
8 the benefits under paragraph (a) or (b). Such amount, plus a  
9 penalty equal to 100 percent of that amount, shall then be  
10 demanded of the building's owner. The property owner may appeal  
11 the county's determination by serving copies of a petition for  
12 review with county officials as provided in section 278.01 and  
13 filing a proof of service as provided in section 278.01 with the  
14 Minnesota Tax Court within 60 days of the date of the notice  
15 from the county. The appeal shall be governed by the Tax Court  
16 procedures provided in chapter 271, for cases relating to the  
17 tax laws as defined in section 271.01, subdivision 5;  
18 disregarding sections 273.125, subdivision 5, and 278.03, but  
19 including section 278.05, subdivision 2. If the amount of the  
20 benefits under paragraph (a) or (b) and penalty are not paid  
21 within 60 days, and if no appeal has been filed, the county  
22 auditor shall certify the amount of the benefit and penalty to  
23 the succeeding year's tax list to be collected as part of the  
24 property taxes on the affected property.

25 [EFFECTIVE DATE.] This section is effective for taxes  
26 payable in 2004 and thereafter.

27 Sec. 20. Minnesota Statutes 2004, section 273.124,  
28 subdivision 6, is amended to read:

29 Subd. 6. [LEASEHOLD COOPERATIVES.] When one or more  
30 dwellings or one or more buildings which each contain several  
31 dwelling units is owned by a nonprofit corporation subject to  
32 the provisions of chapter 317A and qualifying under section  
33 501(c)(3) or 501(c)(4) of the Internal Revenue Code of 1986, as  
34 amended through December 31, 1990, or a limited partnership  
35 which corporation or partnership operates the property in  
36 conjunction with a cooperative association, and has received

1 public financing, homestead treatment may be claimed by the  
2 cooperative association on behalf of the members of the  
3 cooperative for each dwelling unit occupied by a member of the  
4 cooperative. The cooperative association must provide the  
5 assessor with the Social Security numbers of those members. To  
6 qualify for the treatment provided by this subdivision, the  
7 following conditions must be met:

8 (a) the cooperative association must be organized under  
9 chapter 308A or 308B and all voting members of the board of  
10 directors must be resident tenants of the cooperative and must  
11 be elected by the resident tenants of the cooperative;

12 (b) the cooperative association must have a lease for  
13 occupancy of the property for a term of at least 20 years, which  
14 permits the cooperative association, while not in default on the  
15 lease, to participate materially in the management of the  
16 property, including material participation in establishing  
17 budgets, setting rent levels, and hiring and supervising a  
18 management agent;

19 (c) to the extent permitted under state or federal law, the  
20 cooperative association must have a right under a written  
21 agreement with the owner to purchase the property if the owner  
22 proposes to sell it; if the cooperative association does not  
23 purchase the property it is offered for sale, the owner may not  
24 subsequently sell the property to another purchaser at a price  
25 lower than the price at which it was offered for sale to the  
26 cooperative association unless the cooperative association  
27 approves the sale;

28 (d) a minimum of 40 percent of the cooperative  
29 association's members must have incomes at or less than 60  
30 percent of area median gross income as determined by the United  
31 States Secretary of Housing and Urban Development under section  
32 142(d)(2)(B) of the Internal Revenue Code of 1986, as amended  
33 through December 31, 1991. For purposes of this clause, "member  
34 income" means the income of a member existing at the time the  
35 member acquires cooperative membership;

36 (e) if a limited partnership owns the property, it must

1 include as the managing general partner a nonprofit organization  
2 operating under the provisions of chapter 317A and qualifying  
3 under section 501(c)(3) or 501(c)(4) of the Internal Revenue  
4 Code of 1986, as amended through December 31, 1990, and the  
5 limited partnership agreement must provide that the managing  
6 general partner have sufficient powers so that it materially  
7 participates in the management and control of the limited  
8 partnership;

9 (f) prior to becoming a member of a leasehold cooperative  
10 described in this subdivision, a person must have received  
11 notice that (1) describes leasehold cooperative property in  
12 plain language, including but not limited to the effects of  
13 classification under this subdivision on rents, property taxes  
14 and tax credits or refunds, and operating expenses, and (2)  
15 states that copies of the articles of incorporation and bylaws  
16 of the cooperative association, the lease between the owner and  
17 the cooperative association, a sample sublease between the  
18 cooperative association and a tenant, and, if the owner is a  
19 partnership, a copy of the limited partnership agreement, can be  
20 obtained upon written request at no charge from the owner, and  
21 the owner must send or deliver the materials within seven days  
22 after receiving any request;

23 (g) if a dwelling unit of a building was occupied on the  
24 60th day prior to the date on which the unit became leasehold  
25 cooperative property described in this subdivision, the notice  
26 described in paragraph (f) must have been sent by first class  
27 mail to the occupant of the unit at least 60 days prior to the  
28 date on which the unit became leasehold cooperative property.  
29 For purposes of the notice under this paragraph, the copies of  
30 the documents referred to in paragraph (f) may be in proposed  
31 version, provided that any subsequent material alteration of  
32 those documents made after the occupant has requested a copy  
33 shall be disclosed to any occupant who has requested a copy of  
34 the document. Copies of the articles of incorporation and  
35 certificate of limited partnership shall be filed with the  
36 secretary of state after the expiration of the 60-day period

1 unless the change to leasehold cooperative status does not  
2 proceed;

3 (h) the county attorney of the county in which the property  
4 is located must certify to the assessor that the property meets  
5 the requirements of this subdivision;

6 (i) the public financing received must be from at least one  
7 of the following sources:

8 (1) tax increment financing proceeds used for the  
9 acquisition or rehabilitation of the building or interest rate  
10 write-downs relating to the acquisition of the building;

11 (2) government issued bonds exempt from taxes under section  
12 103 of the Internal Revenue Code of 1986, as amended through  
13 December 31, 1991, the proceeds of which are used for the  
14 acquisition or rehabilitation of the building;

15 (3) programs under section 221(d)(3), 202, or 236, of Title  
16 II of the National Housing Act;

17 (4) rental housing program funds under Section 8 of the  
18 United States Housing Act of 1937 or the market rate family  
19 graduated payment mortgage program funds administered by the  
20 Minnesota Housing Finance Agency that are used for the  
21 acquisition or rehabilitation of the building;

22 (5) low-income housing credit under section 42 of the  
23 Internal Revenue Code of 1986, as amended through December 31,  
24 1991;

25 (6) public financing provided by a local government used  
26 for the acquisition or rehabilitation of the building, including  
27 grants or loans from (i) federal community development block  
28 grants; (ii) HOME block grants; or (iii) residential rental  
29 bonds issued under chapter 474A; or

30 (7) other rental housing program funds provided by the  
31 Minnesota Housing Finance Agency for the acquisition or  
32 rehabilitation of the building;

33 (j) at the time of the initial request for homestead  
34 classification or of any transfer of ownership of the property,  
35 the governing body of the municipality in which the property is  
36 located must hold a public hearing and make the following

1 findings:

2 (1) that the granting of the homestead treatment of the  
3 apartment's units will facilitate safe, clean, affordable  
4 housing for the cooperative members that would otherwise not be  
5 available absent the homestead designation;

6 (2) that the owner has presented information satisfactory  
7 to the governing body showing that the savings garnered from the  
8 homestead designation of the units will be used to reduce  
9 tenant's rents or provide a level of furnishing or maintenance  
10 not possible absent the designation; and

11 (3) that the requirements of paragraphs (b), (d), and (i)  
12 have been met.

13 Homestead treatment must be afforded to units occupied by  
14 members of the cooperative association and the units must be  
15 assessed as provided in subdivision 3, provided that any unit  
16 not so occupied shall be classified and assessed pursuant to the  
17 appropriate class. No more than three acres of land may, for  
18 assessment purposes, be included with each dwelling unit that  
19 qualifies for homestead treatment under this subdivision.

20 When dwelling units no longer qualify under this  
21 subdivision, the current owner must notify the assessor within  
22 60 days. Failure to notify the assessor within 60 days shall  
23 result in the loss of benefits under this subdivision for taxes  
24 payable in the year that the failure is discovered. For these  
25 purposes, "benefits under this subdivision" means the difference  
26 in the net tax capacity of the units which no longer qualify as  
27 computed under this subdivision and as computed under the  
28 otherwise applicable law, times the local tax rate applicable to  
29 the building for that taxes payable year. Upon discovery of a  
30 failure to notify, the assessor shall inform the auditor of the  
31 difference in net tax capacity for the building or buildings in  
32 which units no longer qualify, and the auditor shall calculate  
33 the benefits under this subdivision. Such amount, plus a  
34 penalty equal to 100 percent of that amount, shall then be  
35 demanded of the building's owner. The property owner may appeal  
36 the county's determination by serving copies of a petition for

1 review with county officials as provided in section 278.01 and  
 2 filing a proof of service as provided in section 278.01 with the  
 3 Minnesota Tax Court within 60 days of the date of the notice  
 4 from the county. The appeal shall be governed by the Tax Court  
 5 procedures provided in chapter 271, for cases relating to the  
 6 tax laws as defined in section 271.01, subdivision 5;  
 7 disregarding sections 273.125, subdivision 5, and 278.03, but  
 8 including section 278.05, subdivision 2. If the amount of the  
 9 benefits under this subdivision and penalty are not paid within  
 10 60 days, and if no appeal has been filed, the county auditor  
 11 shall certify the amount of the benefit and penalty to the  
 12 succeeding year's tax list to be collected as part of the  
 13 property taxes on the affected buildings.

14 [EFFECTIVE DATE.] This section is effective for taxes  
 15 payable in 2004 and thereafter.

16 Sec. 21. Minnesota Statutes 2004, section 273.124,  
 17 subdivision 8, is amended to read:

18 Subd. 8. [~~HOMESTEAD OWNED BY OR LEASED TO FAMILY FARM~~  
 19 ~~CORPORATION, JOINT FARM VENTURE, LIMITED LIABILITY COMPANY, OR~~  
 20 ~~PARTNERSHIP.] (a) Each family farm corporation~~;~~each joint  
 21 family farm venture~~;~~and each limited liability company~~;~~and  
 22 each or partnership operating which operates a family farm; is  
 23 entitled to class 1b under section 273.13, subdivision 22,  
 24 paragraph (b), or class 2a assessment for one homestead occupied  
 25 by a shareholder, member, or partner thereof who is residing on  
 26 the land, and actively engaged in farming of the land owned by  
 27 the family farm corporation, joint family farm venture, limited  
 28 liability company, or partnership ~~operating-a-family-farm.~~  
 29 Homestead treatment applies even if legal title to the property  
 30 is in the name of the family farm corporation, joint family farm  
 31 venture, limited liability company, or partnership ~~operating-the~~  
 32 ~~family-farm~~, and not in the name of the person residing on it.~~

33 "Family farm corporation," "family farm," and "partnership  
 34 operating a family farm" have the meanings given in section  
 35 500.24, except that the number of allowable shareholders,  
 36 members, or partners under this subdivision shall not exceed

1 12. "Limited liability company" has the meaning contained in  
2 sections 322B.03, subdivision 28, and 500.24, subdivision 2,  
3 paragraphs (l) and (m). "Joint family farm venture" means a  
4 cooperative agreement among two or more farm enterprises  
5 authorized to operate a family farm under section 500.24.

6 (b) In addition to property specified in paragraph (a), any  
7 other residences owned by family farm corporations, joint family  
8 farm ventures, limited liability companies, or partnerships  
9 ~~operating-a-family-farm~~ described in paragraph (a) which are  
10 located on agricultural land and occupied as homesteads by its  
11 shareholders, members, or partners who are actively engaged in  
12 farming on behalf of that corporation, joint farm venture,  
13 limited liability company, or partnership must also be assessed  
14 as class 2a property or as class 1b property under section  
15 273.13.

16 (c) Agricultural property that is owned by a member,  
17 partner, or shareholder of a family farm corporation or joint  
18 family farm venture, limited liability company operating a  
19 family farm, or by a partnership operating a family farm and  
20 leased to the family farm corporation, limited liability  
21 company, ~~or partnership operating-a-family-farm~~, or joint farm  
22 venture, as defined in paragraph (a), is eligible for  
23 classification as class 1b or class 2a under section 273.13, if  
24 the owner is actually residing on the property, and is actually  
25 engaged in farming the land on behalf of that corporation, joint  
26 farm venture, limited liability company, or partnership. This  
27 paragraph applies without regard to any legal possession rights  
28 of the family farm corporation, joint family farm venture,  
29 limited liability company, or partnership ~~operating-a-family~~  
30 ~~farm~~ under the lease.

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

33 Sec. 22. Minnesota Statutes 2004, section 273.124,  
34 subdivision 13, is amended to read:

35 Subd. 13. [HOMESTEAD APPLICATION.] (a) A person who meets  
36 the homestead requirements under subdivision 1 must file a



1 homestead application with the county assessor to initially  
2 obtain homestead classification.

3 (b) On or before January 2, 1993, each county assessor  
4 shall mail a homestead application to the owner of each parcel  
5 of property within the county which was classified as homestead  
6 for the 1992 assessment year. The format and contents of a  
7 uniform homestead application shall be prescribed by the  
8 commissioner of revenue. The commissioner shall consult with  
9 the chairs of the house and senate tax committees on the  
10 contents of the homestead application form. The application  
11 must clearly inform the taxpayer that this application must be  
12 signed by all owners who occupy the property or by the  
13 qualifying relative and returned to the county assessor in order  
14 for the property to continue receiving homestead treatment. The  
15 envelope containing the homestead application shall clearly  
16 identify its contents and alert the taxpayer of its necessary  
17 immediate response.

18 (c) Every property owner applying for homestead  
19 classification must furnish to the county assessor the Social  
20 Security number of each occupant who is listed as an owner of  
21 the property on the deed of record, the name and address of each  
22 owner who does not occupy the property, and the name and Social  
23 Security number of each owner's spouse who occupies the  
24 property. The application must be signed by each owner who  
25 occupies the property and by each owner's spouse who occupies  
26 the property, or, in the case of property that qualifies as a  
27 homestead under subdivision 1, paragraph (c), by the qualifying  
28 relative.

29 If a property owner occupies a homestead, the property  
30 owner's spouse may not claim another property as a homestead  
31 unless the property owner and the property owner's spouse file  
32 with the assessor an affidavit or other proof required by the  
33 assessor stating that the property qualifies as a homestead  
34 under subdivision 1, paragraph (e).

35 Owners or spouses occupying residences owned by their  
36 spouses and previously occupied with the other spouse, either of

1 whom fail to include the other spouse's name and Social Security  
2 number on the homestead application or provide the affidavits or  
3 other proof requested, will be deemed to have elected to receive  
4 only partial homestead treatment of their residence. The  
5 remainder of the residence will be classified as nonhomestead  
6 residential. When an owner or spouse's name and Social Security  
7 number appear on homestead applications for two separate  
8 residences and only one application is signed, the owner or  
9 spouse will be deemed to have elected to homestead the residence  
10 for which the application was signed.

11 The Social Security numbers or affidavits or other proofs  
12 of the property owners and spouses are private data on  
13 individuals as defined by section 13.02, subdivision 12, but,  
14 notwithstanding that section, the private data may be disclosed  
15 to the commissioner of revenue, or, for purposes of proceeding  
16 under the Revenue Recapture Act to recover personal property  
17 taxes owing, to the county treasurer.

18 (d) If residential real estate is occupied and used for  
19 purposes of a homestead by a relative of the owner and qualifies  
20 for a homestead under subdivision 1, paragraph (c), in order for  
21 the property to receive homestead status, a homestead  
22 application must be filed with the assessor. The Social  
23 Security number of each relative occupying the property and the  
24 Social Security number of each owner who is related to an  
25 occupant of the property shall be required on the homestead  
26 application filed under this subdivision. If a different  
27 relative of the owner subsequently occupies the property, the  
28 owner of the property must notify the assessor within 30 days of  
29 the change in occupancy. The Social Security number of a  
30 relative occupying the property is private data on individuals  
31 as defined by section 13.02, subdivision 12, but may be  
32 disclosed to the commissioner of revenue.

33 (e) The homestead application shall also notify the  
34 property owners that the application filed under this section  
35 will not be mailed annually and that if the property is granted  
36 homestead status for the 1993 assessment, or any assessment year

1 thereafter, that same property shall remain classified as  
2 homestead until the property is sold or transferred to another  
3 person, or the owners, the spouse of the owner, or the relatives  
4 no longer use the property as their homestead. Upon the sale or  
5 transfer of the homestead property, a certificate of value must  
6 be timely filed with the county auditor as provided under  
7 section 272.115. Failure to notify the assessor within 30 days  
8 that the property has been sold, transferred, or that the owner,  
9 the spouse of the owner, or the relative is no longer occupying  
10 the property as a homestead, shall result in (i) a requirement  
11 to repay homestead benefits related to assessment dates after  
12 the ownership or occupancy change, except for years for which a  
13 new and valid homestead application was effective, and limited  
14 to benefits for taxes payable in the current year and the five  
15 prior years; (ii) the penalty provided under this-subdivision  
16 paragraph (h) for each of the same years, if applicable; and  
17 (iii) the property will lose its current homestead status for  
18 the current assessment year unless a new homestead application  
19 is effective for that assessment. The provisions of section  
20 273.02 with regard to property erroneously classified as a  
21 homestead do not apply. The person to be notified of the  
22 reimbursement requirement and of the penalty under the  
23 procedures in paragraph (h) is the owner who sold or transferred  
24 the property or whose relative is no longer occupying the  
25 property as a homestead.

26 (f) If the homestead application is not returned within 30  
27 days, the county will send a second application to the present  
28 owners of record. The notice of proposed property taxes  
29 prepared under section 275.065, subdivision 3, shall reflect the  
30 property's classification. Beginning with assessment year 1993  
31 for all properties, if a homestead application has not been  
32 filed with the county by December 15, the assessor shall  
33 classify the property as nonhomestead for the current assessment  
34 year for taxes payable in the following year, provided that the  
35 owner may be entitled to receive the homestead classification by  
36 proper application under section 375.192.

1 (g) At the request of the commissioner, each county must  
2 give the commissioner a list that includes the name and Social  
3 Security number of each property owner and the property owner's  
4 spouse occupying the property, or relative of a property owner,  
5 applying for homestead classification under this subdivision.  
6 The commissioner shall use the information provided on the lists  
7 as appropriate under the law, including for the detection of  
8 improper claims by owners, or relatives of owners, under chapter  
9 290A.

10 (h) ~~If the commissioner a city or county assessor finds~~  
11 ~~that a property owner may be claiming a fraudulent~~ is receiving  
12 homestead benefits that are not allowable under the law,  
13 ~~the commissioner shall notify the appropriate counties. Within~~  
14 ~~90 days of the notification, the county assessor shall~~  
15 ~~investigate to determine if the homestead classification was~~  
16 ~~properly claimed. If the property owner does not qualify, the~~  
17 county assessor shall notify the county auditor who will  
18 determine the amount of homestead benefits that had been  
19 improperly allowed for taxes payable in the current year and in  
20 each of the five prior years. For the purpose of this section,  
21 "homestead benefits" means the tax reduction resulting from the  
22 classification as a homestead under section 273.13, the taconite  
23 homestead credit under section 273.135, the residential  
24 homestead and agricultural homestead credits under section  
25 273.1384, and the supplemental homestead credit under section  
26 273.1391.

27 The county auditor shall send a notice to the person who  
28 owned the affected property at the time the homestead  
29 application related to the improper homestead was filed,  
30 demanding reimbursement of the homestead benefits not allowable  
31 under the law for taxes payable in the current year and the five  
32 prior years. The notice shall demand reimbursement of those  
33 homestead benefits, plus a penalty equal to 100 either:

34 (i) ten percent of the homestead benefits if the owner  
35 acted with negligent or intentional disregard of the applicable  
36 tax laws and rules but without intent to defraud; or

1       (ii) 50 percent of the homestead benefits if the owner  
2 fraudulently attempted in any manner to evade or defeat the  
3 proper tax.

4       If the penalty provided in this paragraph is imposed and  
5 the assessor becomes aware that the property is improperly  
6 classified as a homestead for the current assessment year, the  
7 assessor shall reclassify the property for that assessment, and  
8 the provisions of section 273.02 with regard to property  
9 erroneously classified as a homestead do not apply.

10       A penalty under this section may be abated under section  
11 375.192 upon a determination that the owner exercised ordinary  
12 care and that the improper classification occurred for reasons  
13 beyond the owner's control. The person notified may appeal the  
14 county's determination by serving copies of a petition for  
15 review with county officials as provided in section 278.01 and  
16 filing proof of service as provided in section 278.01 with the  
17 Minnesota Tax Court within 60 days of the date of the notice  
18 from the county. Procedurally, the appeal is governed by the  
19 provisions in chapter 271 which apply to the appeal of a  
20 property tax assessment or levy, but without requiring any  
21 prepayment of the amount in controversy. If the amount of  
22 homestead benefits and penalty is not paid within 60 days, and  
23 if no appeal has been filed, the county auditor shall certify  
24 the amount of taxes and penalty to the county treasurer. The  
25 county treasurer will add interest to the unpaid homestead  
26 benefits and penalty amounts at the rate provided in section  
27 279.03 for real property taxes becoming delinquent in the  
28 calendar year during which the amount remains unpaid. Interest  
29 may be assessed for the period beginning 60 days after demand  
30 for payment was made.

31       If the person notified is the current owner of the  
32 property, the treasurer may add the total amount of homestead  
33 benefits, penalty, interest, and costs to the ad valorem taxes  
34 otherwise payable on the property by including the amounts on  
35 the property tax statements under section 276.04, subdivision  
36 3. The amounts added under this paragraph to the ad valorem

1 taxes shall include interest accrued through December 31 of the  
2 year preceding the taxes payable year for which the amounts are  
3 first added. These amounts, when added to the property tax  
4 statement, become subject to all the laws for the enforcement of  
5 real or personal property taxes for that year, and for any  
6 subsequent year.

7 If the person notified is not the current owner of the  
8 property, the treasurer may collect the amounts due under the  
9 Revenue Recapture Act in chapter 270A, or use any of the powers  
10 granted in sections 277.20 and 277.21 without exclusion, to  
11 enforce payment of the homestead benefits, penalty, interest,  
12 and costs, as if those amounts were delinquent tax obligations  
13 of the person who owned the property at the time the application  
14 related to the improperly allowed homestead was filed. The  
15 treasurer may relieve a prior owner of personal liability for  
16 the homestead benefits, penalty, interest, and costs, and  
17 instead extend those amounts on the tax lists against the  
18 property as provided in this paragraph to the extent that the  
19 current owner agrees in writing. On all demands, billings,  
20 property tax statements, and related correspondence, the county  
21 must list and state separately the amounts of homestead  
22 benefits, penalty, interest and costs being demanded, billed or  
23 assessed.

24 (i) Any amount of homestead benefits recovered by the  
25 county from the property owner shall be distributed to the  
26 county, city or town, and school district where the property is  
27 located in the same proportion that each taxing district's levy  
28 was to the total of the three taxing districts' levy for the  
29 current year. Any amount recovered attributable to taconite  
30 homestead credit shall be transmitted to the St. Louis County  
31 auditor to be deposited in the taconite property tax relief  
32 account. Any amount recovered that is attributable to  
33 supplemental homestead credit is to be transmitted to the  
34 commissioner of revenue for deposit in the general fund of the  
35 state treasury. The total amount of penalty collected must be  
36 deposited in the county general fund.

1 (j) If a property owner has applied for more than one  
 2 homestead and the county assessors cannot determine which  
 3 property should be classified as homestead, the county assessors  
 4 will refer the information to the commissioner. The  
 5 commissioner shall make the determination and notify the  
 6 counties within 60 days.

7 (k) In addition to lists of homestead properties, the  
 8 commissioner may ask the counties to furnish lists of all  
 9 properties and the record owners. The Social Security numbers  
 10 and federal identification numbers that are maintained by a  
 11 county or city assessor for property tax administration  
 12 purposes, and that may appear on the lists retain their  
 13 classification as private or nonpublic data; but may be viewed,  
 14 accessed, and used by the county auditor or treasurer of the  
 15 same county for the limited purpose of assisting the  
 16 commissioner in the preparation of microdata samples under  
 17 section 270.0681.

18 (l) On or before April 30 each year, each county must  
 19 provide the commissioner with the following data for each parcel  
 20 of homestead property by electronic means as defined in section  
 21 289A.02, subdivision 8:

22 (i) the property identification number assigned to the  
 23 parcel for purposes of taxes payable in the current year;

24 (ii) the name and Social Security number of each property  
 25 owner and property owner's spouse, as shown on the tax rolls for  
 26 the current and the prior assessment year;

27 (iii) the classification of the property under section  
 28 273.13 for taxes payable in the current year and in the prior  
 29 year;

30 (iv) an indication of whether the property was classified  
 31 as a homestead for taxes payable in the current year or for  
 32 taxes payable in the prior year because of occupancy by a  
 33 relative of the owner or by a spouse of a relative;

34 (v) the property taxes payable as defined in section  
 35 290A.03, subdivision 13, for the current year and the prior  
 36 year;

1 (vi) the market value of improvements to the property first  
2 assessed for tax purposes for taxes payable in the current year;

3 (vii) the assessor's estimated market value assigned to the  
4 property for taxes payable in the current year and the prior  
5 year;

6 (viii) the taxable market value assigned to the property  
7 for taxes payable in the current year and the prior year;

8 (ix) whether there are delinquent property taxes owing on  
9 the homestead;

10 (x) the unique taxing district in which the property is  
11 located; and

12 (xi) such other information as the commissioner decides is  
13 necessary.

14 The commissioner shall use the information provided on the  
15 lists as appropriate under the law, including for the detection  
16 of improper claims by owners, or relatives of owners, under  
17 chapter 290A.

18 [EFFECTIVE DATE.] This section is generally effective July  
19 1, 2005, and thereafter, except the changes in paragraphs (e)  
20 and (h) are effective only for notices initially sent out under  
21 those paragraphs on or after July 1, 2005.

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

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

25 (a) For purposes of this subdivision, the term "farmable land"  
26 means agricultural land that can be farmed. It includes  
27 tillable land and pasture land. Farmable land does not include  
28 land that is enrolled in the Reinvest in Minnesota Resources Law  
29 under sections 103F.501 to 103F.531, the federal Conservation  
30 Reserve Program as contained in Public Law 99-198 or the  
31 Conservation Reserve Enhancement Program.

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

35 (1) the parcel on which the house is located is contiguous  
36 on at least two sides to (i) agricultural land, (ii) land owned



1 or administered by the United States Fish and Wildlife Service,  
2 or (iii) land administered by the Department of Natural  
3 Resources on which in lieu taxes are paid under sections 477A.11  
4 to 477A.14;

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

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

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

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

22 ~~(b)~~ (c)(i) Agricultural property consisting of at least 40  
23 acres shall be classified as the owner's homestead, to the same  
24 extent as other agricultural homestead property, if all of the  
25 following criteria are met:

26 (1) the owner, the owner's spouse, or the son or daughter  
27 of the owner or owner's spouse, is actively farming the  
28 agricultural property, either on the person's own behalf as an  
29 individual or on behalf of a partnership operating a family  
30 farm, family farm corporation, joint family farm venture, or  
31 limited liability company of which the person is a partner,  
32 shareholder, or member;

33 (2) both the owner of the agricultural property and the  
34 person who is actively farming the agricultural property under  
35 clause (1), are Minnesota residents;

36 (3) neither the owner nor the spouse of the owner claims

1 another agricultural homestead in Minnesota; and

2 (4) neither the owner nor the person actively farming the  
3 property lives farther than four townships or cities, or a  
4 combination of four townships or cities, from the agricultural  
5 property, except that if the owner or the owner's spouse is  
6 required to live in employer-provided housing, the owner or  
7 owner's spouse, whichever is actively farming the agricultural  
8 property, may live more than four townships or cities, or  
9 combination of four townships or cities from the agricultural  
10 property; and

11 (5) agricultural lands are eligible for inclusion under  
12 this paragraph only if more than 50 percent of the farmable land  
13 is being farmed by the qualified applicant.

14 The relationship under this paragraph may be either by  
15 blood or marriage.

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

20 (iii) Property containing the residence of an owner who  
21 owns qualified property under clause (i) shall be classified as  
22 part of the owner's agricultural homestead, if that property is  
23 also used for noncommercial storage or drying of agricultural  
24 crops.

25 ~~(e)~~ (d) Noncontiguous land shall be included as part of a  
26 homestead under section 273.13, subdivision 23, paragraph (a),  
27 only if the homestead is classified as class 2a and the detached  
28 land is located in the same township or city, or not farther  
29 than four townships or cities or combination thereof from the  
30 homestead. Any taxpayer of these noncontiguous lands must  
31 notify the county assessor that the noncontiguous land is part  
32 of the taxpayer's homestead, and, if the homestead is located in  
33 another county, the taxpayer must also notify the assessor of  
34 the other county.

35 ~~(d)~~ (e) Agricultural land used for purposes of a homestead  
36 and actively farmed by a person holding a vested remainder

1 interest in it must be classified as a homestead under section  
2 273.13, subdivision 23, paragraph (a). If agricultural land is  
3 classified class 2a, any other dwellings on the land used for  
4 purposes of a homestead by persons holding vested remainder  
5 interests who are actively engaged in farming the property, and  
6 up to one acre of the land surrounding each homestead and  
7 reasonably necessary for the use of the dwelling as a home, must  
8 also be assessed class 2a.

9 ~~(e)~~ (f) Agricultural land and buildings that were class 2a  
10 homestead property under section 273.13, subdivision 23,  
11 paragraph (a), for the 1997 assessment shall remain classified  
12 as agricultural homesteads for subsequent assessments if:

13 (1) the property owner abandoned the homestead dwelling  
14 located on the agricultural homestead as a result of the April  
15 1997 floods;

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

18 (3) the agricultural land and buildings remain under the  
19 same ownership for the current assessment year as existed for  
20 the 1997 assessment year and continue to be used for  
21 agricultural purposes;

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

25 (5) the owner notifies the county assessor that the  
26 relocation was due to the 1997 floods, and the owner furnishes  
27 the assessor any information deemed necessary by the assessor in  
28 verifying the change in dwelling. Further notifications to the  
29 assessor are not required if the property continues to meet all  
30 the requirements in this paragraph and any dwellings on the  
31 agricultural land remain uninhabited.

32 ~~(f)~~ (g) Agricultural land and buildings that were class 2a  
33 homestead property under section 273.13, subdivision 23,  
34 paragraph (a), for the 1998 assessment shall remain classified  
35 agricultural homesteads for subsequent assessments if:

36 (1) the property owner abandoned the homestead dwelling

1 located on the agricultural homestead as a result of damage  
2 caused by a March 29, 1998, tornado;

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

5 (3) the agricultural land and buildings remain under the  
6 same ownership for the current assessment year as existed for  
7 the 1998 assessment year;

8 (4) the dwelling occupied by the owner is located in this  
9 state and is within 50 miles of one of the parcels of  
10 agricultural land that is owned by the taxpayer; and

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

20 ~~(g)~~ (h) Agricultural property consisting of at least 40  
21 acres of a family farm corporation, joint family farm venture,  
22 family farm limited liability company, or partnership operating  
23 a family farm as described under subdivision 8 shall be  
24 classified homestead, to the same extent as other agricultural  
25 homestead property, if all of the following criteria are met:

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

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

30 (3) neither that shareholder, member, or partner, nor the  
31 spouse of that shareholder, member, or partner claims another  
32 agricultural homestead in Minnesota; and

33 (4) that shareholder, member, or partner does not live  
34 farther than four townships or cities, or a combination of four  
35 townships or cities, from the agricultural property; and

36 (5) agricultural lands are eligible for inclusion under

1 this paragraph only if more than 50 percent of the farmable land  
2 is being farmed by the qualified applicant.

3 Homestead treatment applies under this paragraph for  
4 property leased to a family farm corporation, joint farm  
5 venture, limited liability company, or partnership operating a  
6 family farm if legal title to the property is in the name of an  
7 individual who is a member, shareholder, or partner in the  
8 entity.

9 ~~(h)~~ (i) To be eligible for the special agricultural  
10 homestead under this subdivision, an initial full application  
11 must be submitted to the county assessor where the property is  
12 located. Owners and the persons who are actively farming the  
13 property shall be required to complete only a one-page  
14 abbreviated version of the application in each subsequent year  
15 provided that none of the following items have changed since the  
16 initial application:

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

19 (2) the owners and the persons actively farming the  
20 property continue to live within the four townships or city  
21 criteria and are Minnesota residents;

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

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

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

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

29 The owners and any persons who are actively farming the  
30 property must include the appropriate Social Security numbers,  
31 and sign and date the application. If any of the specified  
32 information has changed since the full application was filed,  
33 the owner must notify the assessor, and must complete a new  
34 application to determine if the property continues to qualify  
35 for the special agricultural homestead. The commissioner of  
36 revenue shall prepare a standard reapplication form for use by

1 the assessors.

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

4 Sec. 24. Minnesota Statutes 2004, section 273.124,  
5 subdivision 21, is amended to read:

6 Subd. 21. [TRUST PROPERTY; HOMESTEAD.] Real property held  
7 by a trustee under a trust is eligible for classification as  
8 homestead property if:

9 (1) the grantor or surviving spouse of the grantor of the  
10 trust occupies and uses the property as a homestead;

11 (2) a relative or surviving relative of the grantor who  
12 meets the requirements of subdivision 1, paragraph (c), in the  
13 case of residential real estate; or subdivision 1, paragraph  
14 (d), in the case of agricultural property, occupies and uses the  
15 property as a homestead;

16 (3) a family farm corporation, joint farm venture, limited  
17 liability company, or partnership operating a family farm rents  
18 the property held by a trustee under a trust, and the grantor,  
19 the spouse of the grantor, or the son or daughter of the  
20 grantor, who is also a shareholder, member, or partner of the  
21 corporation, joint farm venture, limited liability company, or  
22 partnership occupies and uses the property as a homestead, and  
23 or is actively farming the property on behalf of the  
24 corporation, joint farm venture, limited liability company, or  
25 partnership; or

26 (4) a person who has received homestead classification for  
27 property taxes payable in 2000 on the basis of an unqualified  
28 legal right under the terms of the trust agreement to occupy the  
29 property as that person's homestead and who continues to use the  
30 property as a homestead or a person who received the homestead  
31 classification for taxes payable in 2005 under clause (3) who  
32 does not qualify under clause (3) for taxes payable in 2006 or  
33 thereafter but who continues to qualify under clause (3) as it  
34 existed for taxes payable in 2005.

35 For purposes of this subdivision, "grantor" is defined as  
36 the person creating or establishing a testamentary, inter Vivos,

1 revocable or irrevocable trust by written instrument or through  
2 the exercise of a power of appointment.

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

5 Sec. 25. Minnesota Statutes 2004, section 273.1315, is  
6 amended to read:

7 273.1315 [CERTIFICATION OF 1B PROPERTY.]

8 Any property owner seeking classification and assessment of  
9 the owner's homestead as class 1b property pursuant to section  
10 273.13, subdivision 22, paragraph (b), shall file with the  
11 commissioner of revenue a 1b homestead declaration, on a form  
12 prescribed by the commissioner. The declaration shall contain  
13 the following information:

14 (a) the information necessary to verify that on or before  
15 June 30 of the filing year, the property owner or the owner's  
16 spouse satisfies the requirements of section 273.13, subdivision  
17 22, paragraph (b), for 1b classification; and

18 (b) any additional information prescribed by the  
19 commissioner.

20 The declaration must be filed on or before October 1 to be  
21 effective for property taxes payable during the succeeding  
22 calendar year. The declaration and any supplementary  
23 information received from the property owner pursuant to this  
24 section shall be subject to chapter 270B. If approved by the  
25 commissioner, the declaration remains in effect until the  
26 property no longer qualifies under section 273.13, subdivision  
27 22, paragraph (b). Failure to notify the commissioner within 30  
28 days that the property no longer qualifies under that paragraph  
29 because of a sale, change in occupancy, or change in the status  
30 or condition of an occupant shall result in the penalty provided  
31 in section 273.124, subdivision 13, computed on the basis of the  
32 class 1b benefits for the property, and the property shall lose  
33 its current class 1b classification.

34 The commissioner shall provide to the assessor on or before  
35 November 1 a listing of the parcels of property qualifying for  
36 1b classification.

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

3        Sec. 26. Minnesota Statutes 2004, section 273.19,  
 4        subdivision 1a, is amended to read:

5        Subd. 1a. For purposes of this section, a lease includes  
 6        any agreement, except a cooperative farming agreement pursuant  
 7        to section 97A.135, subdivision 3, or a lease executed pursuant  
 8        to section 272.68, subdivision 4, permitting a nonexempt person  
 9        or entity to use the property, regardless of whether the  
 10       agreement is characterized as a lease. A lease has a "term of  
 11       at least one year" if the term is for a period of less than one  
 12       year and the lease permits the parties to renew the lease  
 13       without requiring that similar terms for leasing the property  
 14       will be offered to other applicants or bidders through a  
 15       competitive bidding or other form of offer to potential lessees  
 16       or users.

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

19       Sec. 27. Minnesota Statutes 2004, section 273.372, is  
 20       amended to read:

21       273.372 [PROCEEDINGS AND APPEALS; UTILITY OR RAILROAD  
 22       VALUATIONS.]

23       ~~An appeal by a utility or railroad company concerning the~~  
 24       ~~exemption, valuation, or classification of property for which~~  
 25       ~~the commissioner of revenue has provided the city or county~~  
 26       ~~assessor with valuations by order, or for which the commissioner~~  
 27       ~~has recommended values to the city or county assessor, must be~~  
 28       ~~brought against the commissioner in Tax Court or in district~~  
 29       ~~court of the county where the property is located, and not~~  
 30       ~~against the county or taxing district where the property is~~  
 31       ~~located.~~ Subdivision 1. [SCOPE.] This section governs judicial  
 32       review of a claim that public utility property or railroad  
 33       operating property has been partially, unfairly, or unequally  
 34       assessed, or assessed at a valuation greater than its real or  
 35       actual value, or that the property is exempt. However, this  
 36       section applies only to property described in sections 273.33,



1 273.35, and 273.37, and only if the net tax capacity has not  
2 been changed from that provided to the city or a county by the  
3 commissioner. If the net tax capacity being appealed is not the  
4 net tax capacity established by the commissioner through order  
5 or recommendation, or if the petition claims that the tax levied  
6 against the parcel is illegal, in whole or in part, or if the  
7 petition claims the tax has been paid, the action must be  
8 brought under chapter 278 without regard to this section in each  
9 county where the property is located and proper service must be  
10 made upon the local officials specified in section 278.01,  
11 subdivision 1.

12 Subd. 2. [CONTENTS AND FILING OF PETITION.] In all cases  
13 under this section, the petition must be served on the  
14 commissioner and must be filed with the Tax Court in Ramsey  
15 County. In all cases under this section that directly challenge  
16 an order of the commissioner, the petition must include all the  
17 parcels encompassed by that order which the petitioner claims  
18 have been partially, unfairly, or unequally assessed, assessed  
19 at a valuation greater than their real or actual value, or are  
20 exempt. In all cases under this section not directly  
21 challenging a commissioner's order, the petition must include  
22 either all the utility parcels or all the railroad parcels in  
23 the state in which the petitioner claims an interest and which  
24 the petitioner claims have been partially, unfairly, or  
25 unequally assessed, assessed at a valuation greater than their  
26 real or actual value, or are exempt.

27 Subd. 3. [APPLICABILITY OF OTHER LAWS.] If the appeal to  
28 court is-from governed by this section directly challenges an  
29 order of the commissioner, it the appeal must be brought under  
30 chapter 271, except that when the provisions of this section  
31 conflict with chapter 271, this section prevails. If the an  
32 appeal governed by this section is from the exemption,  
33 valuation, classification, or tax that results from  
34 implementation of the a commissioner's order or recommendation,  
35 it must be brought under the provisions of chapter 278, and-the  
36 provisions-in-that-chapter-apply, except that service shall be

1 on the commissioner only and not on the county local officials  
 2 specified in section 278.01, subdivision 1, and if any other  
 3 provision of this section conflicts with chapter 278, this  
 4 section prevails.

5 ~~This provision applies to the property described in~~  
 6 ~~sections 273.33, 273.35, 273.36, and 273.37, but only if the~~  
 7 ~~appealed values have remained unchanged from those provided to~~  
 8 ~~the city or county by the commissioner. If the exemption,~~  
 9 ~~valuation, or classification being appealed has been changed by~~  
 10 ~~the city or county, then the action must be brought under~~  
 11 ~~chapter 278 in the county where the property is located and~~  
 12 ~~proper service must be made upon the county officials as~~  
 13 ~~specified in section 278.01, subdivision 1.~~

14 Subd. 4. [NOTICE.] Upon filing of any appeal by a utility  
 15 company or railroad against the commissioner under this section,  
 16 the commissioner shall give notice by first class mail to each  
 17 county which would be affected by the appeal.

18 Subd. 5. [ADMINISTRATIVE APPEALS.] Companies that submit  
 19 the reports under section 270.82 or 273.371 by the date  
 20 specified in that section, or by the date specified by the  
 21 commissioner in an extension, may appeal administratively to the  
 22 commissioner ~~under the procedures in section 270.11, subdivision~~  
 23 ~~6, prior to bringing an action in Tax Court or in district~~  
 24 ~~court, however, instituting an administrative appeal with the~~  
 25 ~~commissioner does not change or modify the deadline in section~~  
 26 ~~271.06 for appealing an order of the commissioner in Tax Court~~  
 27 ~~or the deadline in section 278.01 for filing a property tax~~  
 28 ~~claim or objection in Tax Court or district court.~~

29 [EFFECTIVE DATE.] This section is effective for petitions  
 30 served and filed on or after September 1, 2005.

31 Sec. 28. Minnesota Statutes 2004, section 274.014,  
 32 subdivision 2, is amended to read:

33 Subd. 2. [APPEALS AND EQUALIZATION COURSE.] By no later  
 34 than ~~January 1,~~ Beginning in 2006, and each year thereafter,  
 35 there must be at least one member at each meeting of a local  
 36 board of appeal and equalization who has attended an appeals and

1 equalization course developed or approved by the commissioner  
2 within the last four years, as certified by the commissioner.  
3 The course may be offered in conjunction with a meeting of the  
4 Minnesota League of Cities or the Minnesota Association of  
5 Townships. The course content must include, but need not be  
6 limited to, a review of the handbook developed by the  
7 commissioner under subdivision 1.

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

10 Sec. 29. Minnesota Statutes 2004, section 274.014,  
11 subdivision 3, is amended to read:

12 Subd. 3. [PROOF OF COMPLIANCE; TRANSFER OF DUTIES.] (a)  
13 Any city or town that ~~does-not~~ conducts local boards of appeal  
14 and equalization meetings must provide proof to the county  
15 assessor by December 1, 2006, and each year thereafter, that it  
16 is in compliance with the requirements of subdivision 2~~7~~-and  
17 ~~that-it-had.~~ Beginning in 2006, this notice must also verify  
18 that there was a quorum of voting members at each meeting of the  
19 board of appeal and equalization in the ~~prior~~ current year~~7~~. A  
20 city or town that does not comply with these requirements is  
21 deemed to have transferred its board of appeal and equalization  
22 powers to the county ~~under-section-274-017-subdivision-37~~  
23 for beginning with the following year's assessment and  
24 continuing unless the powers are reinstated under paragraph (c).

25 (b) The county shall notify the taxpayers when the board of  
26 appeal and equalization for a city or town has been transferred  
27 to the county under this subdivision and, prior to the meeting  
28 time of the county board of equalization, the county shall make  
29 available to those taxpayers a procedure for a review of the  
30 assessments, including, but not limited to, open book meetings.  
31 This alternate review process shall take place in April and May.

32 (c) A local board whose powers are transferred to the  
33 county under this subdivision may be reinstated by resolution of  
34 the governing body of the city or town and upon proof of  
35 compliance with the requirements of subdivision 2. The  
36 resolution and proofs must be provided to the county assessor by

1 December 1 in order to be effective for the following year's  
2 assessment.

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

5 Sec. 30. Minnesota Statutes 2004, section 274.14, is  
6 amended to read:

7 274.14 [LENGTH OF SESSION; RECORD.]

8 ~~The county board of equalization or the special board of~~  
9 ~~equalization appointed by it shall meet during the last ten~~  
10 ~~meeting days in June. For this purpose, "meeting days" are~~  
11 ~~defined as any day of the week excluding Saturday and Sunday.~~

12 The board may meet on any ten consecutive meeting days in June,  
13 after the second Friday in June, if. The actual meeting dates

14 ~~are~~ must be contained on the valuation notices mailed to each  
15 property owner in the county ~~under~~ as provided in section

16 273.121. For this purpose, "meeting days" is defined as any day  
17 of the week excluding Saturday and Sunday. No action taken by

18 the county board of review after June 30 is valid, except for  
19 corrections permitted in sections 273.01 and 274.01. The county

20 auditor shall keep an accurate record of the proceedings and  
21 orders of the board. The record must be published like other

22 proceedings of county commissioners. A copy of the published  
23 record must be sent to the commissioner of revenue, with the

24 abstract of assessment required by section 274.16.

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

27 Sec. 31. Minnesota Statutes 2004, section 275.065,  
28 subdivision 1a, is amended to read:

29 Subd. 1a. [OVERLAPPING JURISDICTIONS.] In the case of a  
30 taxing authority lying in two or more counties, the home county  
31 auditor shall certify the proposed levy and the proposed local  
32 tax rate to the other county auditor by ~~September 20~~ October 5.

33 The home county auditor must estimate the levy or rate in

34 preparing the notices required in subdivision 3, if the other  
35 county has not certified the appropriate information. If

36 requested by the home county auditor, the other county auditor

1 must furnish an estimate to the home county auditor.

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

4 Sec. 32. Minnesota Statutes 2004, section 275.07,  
5 subdivision 1, is amended to read:

6 Subdivision 1. [CERTIFICATION OF LEVY.] (a) Except as  
7 provided under paragraph (b), the taxes voted by cities,  
8 counties, school districts, and special districts shall be  
9 certified by the proper authorities to the county auditor on or  
10 before five working days after December 20 in each year. A town  
11 must certify the levy adopted by the town board to the county  
12 auditor by September 15 each year. If the town board modifies  
13 the levy at a special town meeting after September 15, the town  
14 board must recertify its levy to the county auditor on or before  
15 five working days after December 20. ~~The taxes certified shall~~  
16 ~~be reduced by the county auditor by the aid received under~~  
17 ~~section 273.1398, subdivision 3.~~ If a city, town, county,  
18 school district, or special district fails to certify its levy  
19 by that date, its levy shall be the amount levied by it for the  
20 preceding year.

21 (b)(i) The taxes voted by counties under sections 103B.241,  
22 103B.245, and 103B.251 shall be separately certified by the  
23 county to the county auditor on or before five working days  
24 after December 20 in each year. The taxes certified shall not  
25 be reduced by the county auditor by the aid received under  
26 section 273.1398, subdivision 3. If a county fails to certify  
27 its levy by that date, its levy shall be the amount levied by it  
28 for the preceding year.

29 (ii) For purposes of the proposed property tax notice under  
30 section 275.065 and the property tax statement under section  
31 276.04, for the first year in which the county implements the  
32 provisions of this paragraph, the county auditor shall reduce  
33 the county's levy for the preceding year to reflect any amount  
34 levied for water management purposes under clause (i) included  
35 in the county's levy.

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

1 following final enactment.

2 Sec. 33. Minnesota Statutes 2004, section 275.07,  
3 subdivision 4, is amended to read:

4 Subd. 4. [REPORT TO COMMISSIONER.] (a) On or before  
5 October 8 of each year, the county auditor shall report to the  
6 commissioner of revenue the proposed levy certified by local  
7 units of government under section 275.065, subdivision 1. If  
8 any taxing authorities have notified the county auditor that  
9 they are in the process of negotiating an agreement for sharing,  
10 merging, or consolidating services but that when the proposed  
11 levy was certified under section 275.065, subdivision 1c, the  
12 agreement was not yet finalized, the county auditor shall supply  
13 that information to the commissioner when filing the report  
14 under this section and shall recertify the affected levies as  
15 soon as practical after October 10.

16 (b) On or before January 15 of each year, the county  
17 auditor shall report to the commissioner of revenue the final  
18 levy certified by local units of government under subdivision 1.

19 (c) The levies must be reported in the manner prescribed by  
20 the commissioner. ~~The reports must show a total levy and the~~  
21 ~~amount of each special levy.~~

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

24 Sec. 34. Minnesota Statutes 2004, section 276.04,  
25 subdivision 2, is amended to read:

26 Subd. 2. [CONTENTS OF TAX STATEMENTS.] (a) The treasurer  
27 shall provide for the printing of the tax statements. The  
28 commissioner of revenue shall prescribe the form of the property  
29 tax statement and its contents. The statement must contain a  
30 tabulated statement of the dollar amount due to each taxing  
31 authority and the amount of the state tax from the parcel of  
32 real property for which a particular tax statement is prepared.  
33 The dollar amounts attributable to the county, the state tax,  
34 the voter approved school tax, the other local school tax, the  
35 township or municipality, and the total of the metropolitan  
36 special taxing districts as defined in section 275.065,

1 subdivision 3, paragraph (i), must be separately stated. The  
2 amounts due all other special taxing districts, if any, may be  
3 aggregated. If the county levy under this paragraph includes an  
4 amount for a lake improvement district as defined under sections  
5 103B.501 to 103B.581, the amount attributable for that purpose  
6 must be separately stated from the remaining county levy  
7 amount. The amount of the tax on homesteads qualifying under  
8 the senior citizens' property tax deferral program under chapter  
9 290B is the total amount of property tax before subtraction of  
10 the deferred property tax amount. The amount of the tax on  
11 contamination value imposed under sections 270.91 to 270.98, if  
12 any, must also be separately stated. The dollar amounts,  
13 including the dollar amount of any special assessments, may be  
14 rounded to the nearest even whole dollar. For purposes of this  
15 section whole odd-numbered dollars may be adjusted to the next  
16 higher even-numbered dollar. The amount of market value  
17 excluded under section 273.11, subdivision 16, if any, must also  
18 be listed on the tax statement.

19 (b) The property tax statements for manufactured homes and  
20 sectional structures taxed as personal property shall contain  
21 the same information that is required on the tax statements for  
22 real property.

23 (c) Real and personal property tax statements must contain  
24 the following information in the order given in this paragraph.  
25 The information must contain the current year tax information in  
26 the right column with the corresponding information for the  
27 previous year in a column on the left:

28 (1) the property's estimated market value under section  
29 273.11, subdivision 1;

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

32 (3) the property's gross tax, calculated by adding the  
33 property's total property tax to the sum of the aids enumerated  
34 in clause (4);

35 (4) a total of the following aids:

36 (i) education aids payable under chapters 122A, 123A, 123B,

1 124D, 125A, 126C, and 127A;

2 (ii) local government aids for cities, towns, and counties  
3 under ~~chapter-477A~~ sections 477A.011 to 477A.014; and

4 (iii) disparity reduction aid under section 273.1398;

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

7 (6) any credits received under sections 273.119; 273.123;  
8 273.135; 273.1391; 273.1398, subdivision 4; 469.171; and  
9 473H.10, except that the amount of credit received under section  
10 273.135 must be separately stated and identified as "taconite  
11 tax relief"; and

12 (7) the net tax payable in the manner required in paragraph  
13 (a).

14 (d) If the county uses envelopes for mailing property tax  
15 statements and if the county agrees, a taxing district may  
16 include a notice with the property tax statement notifying  
17 taxpayers when the taxing district will begin its budget  
18 deliberations for the current year, and encouraging taxpayers to  
19 attend the hearings. If the county allows notices to be  
20 included in the envelope containing the property tax statement,  
21 and if more than one taxing district relative to a given  
22 property decides to include a notice with the tax statement, the  
23 county treasurer or auditor must coordinate the process and may  
24 combine the information on a single announcement.

25 The commissioner of revenue shall certify to the county  
26 auditor the actual or estimated aids enumerated in clause (4)  
27 that local governments will receive in the following year. The  
28 commissioner must certify this amount by January 1 of each year.

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

31 Sec. 35. Minnesota Statutes 2004, section 276.112, is  
32 amended to read:

33 276.112 [STATE PROPERTY TAXES; COUNTY TREASURER.]

34 On or before January 25 each year, for the period ending  
35 December 31 of the prior year, and on or before June 29 28 each  
36 year, for the period ending on the most recent settlement day



1 determined in section 276.09, and on or before December 2 each  
 2 year, for the period ending November 20, the county treasurer  
 3 must make full settlement with the county auditor according to  
 4 sections 276.09, 276.10, and 276.111 for all receipts of state  
 5 property taxes levied under section 275.025, and must transmit  
 6 those receipts to the commissioner of revenue by electronic  
 7 means.

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

10 Sec. 36. Minnesota Statutes 2004, section 276A.01,  
 11 subdivision 7, is amended to read:

12 Subd. 7. [POPULATION.] "Population" means the most recent  
 13 estimate of the population of a municipality made by the state  
 14 demographer and filed with the commissioner of revenue as of  
 15 July ± 15 of the year in which a municipality's distribution net  
 16 tax capacity is calculated. The state demographer shall  
 17 annually estimate the population of each municipality and, in  
 18 the case of a municipality which is located partly within and  
 19 partly without the area, the proportion of the total which  
 20 resides within the area, and shall file the estimates with the  
 21 commissioner of revenue.

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

24 Sec. 37. Minnesota Statutes 2004, section 282.016, is  
 25 amended to read:

26 282.016 [PROHIBITED PURCHASERS.]

27 No (a) A county auditor, county treasurer, county attorney,  
 28 court administrator of the district court, or county assessor  
 29 or, supervisor of assessments, or deputy or clerk or an employee  
 30 of such officer, and no a commissioner for tax-forfeited lands  
 31 or an assistant to such commissioner may, must not become a  
 32 purchaser, either personally or as an agent or attorney for  
 33 another person, of the properties offered for sale under the  
 34 provisions of this chapter, either personally, or as agent or  
 35 attorney for any other person, except that in the county for  
 36 which the person performs duties.

1        (b) Notwithstanding paragraph (a), such officer, deputy,  
 2 ~~court-administrator clerk, or~~ employee or commissioner for  
 3 tax-forfeited lands or assistant to such commissioner may (1)  
 4 purchase lands owned by that official at the time the state  
 5 became the absolute owner thereof or (2) bid upon and purchase  
 6 forfeited property offered for sale under the alternate sale  
 7 procedure described in section 282.01, subdivision 7a.

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

10        Sec. 38. Minnesota Statutes 2004, section 282.08, is  
 11 amended to read:

12        282.08 [APPORTIONMENT OF PROCEEDS TO TAXING DISTRICTS.]

13        The net proceeds from the sale or rental of any parcel of  
 14 forfeited land, or from the sale of products from the forfeited  
 15 land, must be apportioned by the county auditor to the taxing  
 16 districts interested in the land, as follows:

17        ~~(1) the amounts necessary to pay the state general tax levy~~  
 18 ~~against the parcel for taxes payable in the year for which the~~  
 19 ~~tax judgment was entered, and for each subsequent payable year~~  
 20 ~~up to and including the year of forfeiture, must be apportioned~~  
 21 ~~to the state;~~

22        ~~(2)~~ the portion required to pay any amounts included in the  
 23 appraised value under section 282.01, subdivision 3, as  
 24 representing increased value due to any public improvement made  
 25 after forfeiture of the parcel to the state, but not exceeding  
 26 the amount certified by the clerk of the municipality must be  
 27 apportioned to the municipal subdivision entitled to it;

28        ~~(3)~~ (2) the portion required to pay any amount included in  
 29 the appraised value under section 282.019, subdivision 5,  
 30 representing increased value due to response actions taken after  
 31 forfeiture of the parcel to the state, but not exceeding the  
 32 amount of expenses certified by the Pollution Control Agency or  
 33 the commissioner of agriculture, must be apportioned to the  
 34 agency or the commissioner of agriculture and deposited in the  
 35 fund from which the expenses were paid;

36        ~~(4)~~ (3) the portion of the remainder required to discharge

1 any special assessment chargeable against the parcel for  
2 drainage or other purpose whether due or deferred at the time of  
3 forfeiture, must be apportioned to the municipal subdivision  
4 entitled to it; and

5 ~~(5)~~ (4) any balance must be apportioned as follows:

6 (i) The county board may annually by resolution set aside  
7 no more than 30 percent of the receipts remaining to be used for  
8 timber development on tax-forfeited land and dedicated memorial  
9 forests, to be expended under the supervision of the county  
10 board. It must be expended only on projects approved by the  
11 commissioner of natural resources.

12 (ii) The county board may annually by resolution set aside  
13 no more than 20 percent of the receipts remaining to be used for  
14 the acquisition and maintenance of county parks or recreational  
15 areas as defined in sections 398.31 to 398.36, to be expended  
16 under the supervision of the county board.

17 (iii) Any balance remaining must be apportioned as  
18 follows: county, 40 percent; town or city, 20 percent; and  
19 school district, 40 percent, provided, however, that in  
20 unorganized territory that portion which would have accrued to  
21 the township must be administered by the county board of  
22 commissioners.

23 [EFFECTIVE DATE.] This section is effective the day  
24 following final enactment for state general tax levy amounts  
25 payable in 2004 and thereafter.

26 Sec. 39. Minnesota Statutes 2004, section 282.15, is  
27 amended to read:

28 282.15 [SALES OF FORFEITED AGRICULTURAL LANDS.]

29 The sale shall be conducted by the auditor of the county in  
30 which the parcels lie. The parcels shall be sold to the highest  
31 bidder but not for less than the appraised value. The sales  
32 shall be for cash or on the following terms: The appraised  
33 value of all merchantable timber on agricultural lands shall be  
34 paid for in full at the date of sale. At least 15 percent of  
35 the purchase price of the land shall be paid in cash at the time  
36 of purchase. The balance shall be paid in not more than 20

1 equal annual installments, with interest at a rate equal to the  
2 rate in effect at the time under section 549.09 on the unpaid  
3 balance each year. Both principal and interest are due and  
4 payable on December 31 each year following that in which the  
5 purchase was made. The purchaser may pay any number of  
6 installments of principal and interest on or before their due  
7 date. When the sale is on terms other than for cash in full,  
8 the purchaser shall receive from the county auditor a contract  
9 for deed, in a form prescribed by the attorney general. The  
10 county auditor shall make a report to the commissioner of  
11 natural resources not more than 30 days after each public sale  
12 showing the lands sold at the sales, and submit a copy of each  
13 contract of sale.

14 All lands sold pursuant to this section ~~shall, on the~~  
15 ~~second-day-of-January-following-the-date-of-the-sale,~~ must be  
16 restored to the tax rolls and become subject to taxation in the  
17 same manner as they were assessed and taxed before becoming the  
18 absolute property of the state for the assessment year  
19 determined under section 272.02, subdivision 38, paragraph (c).

20 [EFFECTIVE DATE.] This section is effective for sales  
21 occurring on or after July 1, 2005.

22 Sec. 40. Minnesota Statutes 2004, section 282.21, is  
23 amended to read:

24 282.21 [FORM OF CONVEYANCE.]

25 When any sale has been made under sections 282.14 to  
26 282.22, upon payment in full of the purchase price, appropriate  
27 conveyance in fee in such form as may be prescribed by the  
28 attorney general shall be issued by the commissioner of finance  
29 to the purchaser or the purchaser's assigns and this conveyance  
30 shall have the force and effect of a patent from the state.

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

33 Sec. 41. Minnesota Statutes 2004, section 282.224, is  
34 amended to read:

35 282.224 [FORM OF CONVEYANCE.]

36 When any sale has been made under sections 282.221 to

1 282.226, upon payment in full of the purchase price, appropriate  
2 conveyance in fee, in such form as may be prescribed by the  
3 attorney general, shall be issued by the commissioner of natural  
4 resources to the purchaser or the purchaser's assignee, and the  
5 conveyance shall have the force and effect of a patent from the  
6 state.

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

9 Sec. 42. Minnesota Statutes 2004, section 282.301, is  
10 amended to read:

11 282.301 [RECEIPTS FOR PAYMENTS.]

12 When any sale has been made under sections 282.012 and  
13 282.241 to 282.324, the purchaser shall receive from the county  
14 auditor at the time of repurchase a receipt, in such form as may  
15 be prescribed by the attorney general. When the purchase price  
16 of a parcel of land shall be paid in full, the following facts  
17 shall be certified by the county auditor to the commissioner of  
18 revenue of the state of Minnesota: the description of land, the  
19 date of sale, the name of the purchaser or the purchaser's  
20 assignee, and the date when the final installment of the  
21 purchase price was paid. Upon payment in full of the purchase  
22 price, the purchaser or the assignee shall receive a quitclaim  
23 deed from the state, to be executed by the commissioner of  
24 revenue. The deed must be sent to the county auditor who shall  
25 have it recorded before it is forwarded to the purchaser.  
26 Failure to make any payment herein required shall constitute  
27 default and upon such default and cancellation in accord with  
28 section 282.40, the right, title and interest of the purchaser  
29 or the purchaser's heirs, representatives, or assigns in such  
30 parcel shall terminate.

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

33 Sec. 43. Minnesota Statutes 2004, section 290A.19, is  
34 amended to read:

35 290A.19 [OWNER OR MANAGING AGENT TO FURNISH RENT  
36 CERTIFICATE.]

1       (a) The owner or managing agent of any property for which  
2 rent is paid for occupancy as a homestead must furnish a  
3 certificate of rent paid to a person who is a renter on December  
4 31, in the form prescribed by the commissioner. If the renter  
5 moves before December 31, the owner or managing agent may give  
6 the certificate to the renter at the time of moving, or mail the  
7 certificate to the forwarding address if an address has been  
8 provided by the renter. The certificate must be made available  
9 to the renter before February 1 of the year following the year  
10 in which the rent was paid. The owner or managing agent must  
11 retain a duplicate of each certificate or an equivalent record  
12 showing the same information for a period of three years. The  
13 duplicate or other record must be made available to the  
14 commissioner upon request. For the purposes of this section,  
15 "owner" includes a park owner as defined under section 327C.01,  
16 subdivision 6, and "property" includes a lot as defined under  
17 section 327C.01, subdivision 3.

18       (b) The commissioner may require the owner or managing  
19 agent to file a copy of the certificate of rent paid with the  
20 commissioner by April 15 of the year following the year in which  
21 the rent was paid. The copy must be submitted to the  
22 commissioner by electronic means as that term is defined in  
23 section 289A.02, subdivision 8. This paragraph does not apply  
24 to any owner or managing agent that is required to issue fewer  
25 than 100 certificates based on rent paid in 2006, fewer than 25  
26 certificates based on rent paid in 2007, or fewer than five  
27 certificates based on rent paid in 2008 or thereafter.

28       [EFFECTIVE DATE.] This section is effective for  
29 certificates of rent paid that are issued for rent paid after  
30 December 31, 2005.

31       Sec. 44. Minnesota Statutes 2004, section 290B.05,  
32 subdivision 3, is amended to read:

33       Subd. 3. [CALCULATION OF DEFERRED PROPERTY TAX AMOUNT.]

34 When final property tax amounts for the following year have been  
35 determined, the county auditor shall calculate the "deferred  
36 property tax amount." The deferred property tax amount is equal

1 to the lesser of (1) the maximum allowable deferral for the  
 2 year; or (2) the difference between (i) the total amount of  
 3 property taxes and special assessments levied upon the  
 4 qualifying homestead by all taxing jurisdictions and (ii) the  
 5 maximum property tax amount. ~~Any special assessments levied by~~  
 6 ~~any local unit of government must not be included in the total~~  
 7 ~~tax used to calculate the deferred tax amount.~~ For this purpose  
 8 "special assessments" includes any assessment, fee, or other  
 9 charge that may by law, and which does, appear on the property  
 10 tax statement for the property for collection under the laws  
 11 applicable to the enforcement of real estate taxes. Any tax  
 12 attributable to new improvements made to the property after the  
 13 initial application has been approved under section 290B.04,  
 14 subdivision 2, must be excluded when determining any subsequent  
 15 deferred property tax amount. The county auditor shall  
 16 annually, on or before April 15, certify to the commissioner of  
 17 revenue the property tax deferral amounts determined under this  
 18 subdivision by property and by owner.

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

21 Sec. 45. Minnesota Statutes 2004, section 373.45,  
 22 subdivision 7, is amended to read:

23 Subd. 7. [AID REDUCTION FOR REPAYMENT.] (a) Except as  
 24 provided in paragraph (b), the commissioner may reduce, by the  
 25 amount paid by the state under this section on behalf of the  
 26 county, plus the interest due on the state payments, the  
 27 ~~following aids payable to the county:~~

28 ~~(1) homestead and agricultural credit aid and disparity~~  
 29 ~~reduction aid payable under section 273.1398;~~

30 ~~(2) county criminal justice aid payable under section~~  
 31 ~~477A.0121; and~~

32 ~~(3) family preservation aid payable under section 477A.0122~~  
 33 county program aid under section 477A.0124.

34 The amount of any aid reduction reverts from the appropriate  
 35 account to the state general fund.

36 (b) If, after review of the financial situation of the

1 county, the authority advises the commissioner that a total  
2 reduction of the aids would cause an undue hardship on the  
3 county, the authority, with the approval of the commissioner,  
4 may establish a different schedule for reduction of aids to  
5 repay the state. The amount of aids to be reduced are decreased  
6 by any amounts repaid to the state by the county from other  
7 revenue sources.

8 [EFFECTIVE DATE.] This section is effective for aid payable  
9 in 2005 and thereafter.

10 Sec. 46. Minnesota Statutes 2004, section 469.1735,  
11 subdivision 3, is amended to read:

12 Subd. 3. [TRANSFER AUTHORITY FOR PROPERTY TAX.] (a) A city  
13 may elect to use all or part of its allocation under subdivision  
14 2 to reimburse the city or county or both for property tax  
15 reductions under section 272.0212. To elect this option, the  
16 city must notify the commissioner of revenue by October 1 of  
17 each calendar year of the amount of the property tax  
18 reductions for which it seeks reimbursements for taxes payable  
19 during the following current year and the governmental units to  
20 which the amounts will be paid. The commissioner may require  
21 the city to provide information substantiating the amount of the  
22 reductions granted or any other information necessary to  
23 administer this provision. The commissioner shall pay the  
24 reimbursements by December 26 of the taxes payable year. Any  
25 amount transferred under this authority reduces the amount of  
26 tax credit certificates available under subdivisions 1 and 2.

27 (b) The amount elected by the city under paragraph (a) is  
28 appropriated to the commissioner of revenue from the general  
29 fund to reimburse the city or county for tax reductions under  
30 section 272.0212. The amount appropriated may not exceed the  
31 maximum amounts allocated to a city under subdivision 2,  
32 paragraph (b), less the amount of certificates issued by the  
33 city under subdivision 1, and is available until expended.

34 [EFFECTIVE DATE.] This section is effective for  
35 reimbursements of taxes payable in 2005 and thereafter.

36 Sec. 47. [473.24] [POPULATION ESTIMATES.]



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

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

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

31       Sec. 48. Minnesota Statutes 2004, section 473F.02,  
32 subdivision 7, is amended to read:

33       Subd. 7. [POPULATION.] "Population" means the most recent  
34 estimate of the population of a municipality made by the  
35 Metropolitan Council under section 473.24 and filed with the  
36 commissioner of revenue as of July ± 15 of the year in which a

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

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

10 Sec. 49. Minnesota Statutes 2004, section 477A.011,  
 11 subdivision 3, is amended to read:

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

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

32 Sec. 50. Minnesota Statutes 2004, section 477A.011,  
 33 subdivision 36, is amended to read:

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

36 (b) The city aid base for any city with a population less

1 than 500 is increased by \$40,000 for aids payable in calendar  
2 year 1995 and thereafter, and the maximum amount of total aid it  
3 may receive under section 477A.013, subdivision 9, paragraph  
4 (c), is also increased by \$40,000 for aids payable in calendar  
5 year 1995 only, provided that:

6 (i) the average total tax capacity rate for taxes payable  
7 in 1995 exceeds 200 percent;

8 (ii) the city portion of the tax capacity rate exceeds 100  
9 percent; and

10 (iii) its city aid base is less than \$60 per capita.

11 (c) The city aid base for a city is increased by \$20,000 in  
12 1998 and thereafter and the maximum amount of total aid it may  
13 receive under section 477A.013, subdivision 9, paragraph (c), is  
14 also increased by \$20,000 in calendar year 1998 only, provided  
15 that:

16 (i) the city has a population in 1994 of 2,500 or more;

17 (ii) the city is located in a county, outside of the  
18 metropolitan area, which contains a city of the first class;

19 (iii) the city's net tax capacity used in calculating its  
20 1996 aid under section 477A.013 is less than \$400 per capita;  
21 and

22 (iv) at least four percent of the total net tax capacity,  
23 for taxes payable in 1996, of property located in the city is  
24 classified as railroad property.

25 (d) The city aid base for a city is increased by \$200,000  
26 in 1999 and thereafter and the maximum amount of total aid it  
27 may receive under section 477A.013, subdivision 9, paragraph  
28 (c), is also increased by \$200,000 in calendar year 1999 only,  
29 provided that:

30 (i) the city was incorporated as a statutory city after  
31 December 1, 1993;

32 (ii) its city aid base does not exceed \$5,600; and

33 (iii) the city had a population in 1996 of 5,000 or more.

34 (e) The city aid base for a city is increased by \$450,000  
35 in 1999 to 2008 and the maximum amount of total aid it may  
36 receive under section 477A.013, subdivision 9, paragraph (c), is

1 also increased by \$450,000 in calendar year 1999 only, provided  
2 that:

3 (i) the city had a population in 1996 of at least 50,000;

4 (ii) its population had increased by at least 40 percent in  
5 the ten-year period ending in 1996; and

6 (iii) its city's net tax capacity for aids payable in 1998  
7 is less than \$700 per capita.

8 ~~(f) Beginning in 2004, the city aid base for a city is~~  
9 ~~equal to the sum of its city aid base in 2003 and the amount of~~  
10 ~~additional aid it was certified to receive under section 477A.06~~  
11 ~~in 2003. For 2004 only, the maximum amount of total aid a city~~  
12 ~~may receive under section 477A.013, subdivision 9, paragraph~~  
13 ~~(c), is also increased by the amount it was certified to receive~~  
14 ~~under section 477A.06 in 2003.~~

15 (g) The city aid base for a city is increased by \$150,000  
16 for aids payable in 2000 and thereafter, and the maximum amount  
17 of total aid it may receive under section 477A.013, subdivision  
18 9, paragraph (c), is also increased by \$150,000 in calendar year  
19 2000 only, provided that:

20 (1) the city has a population that is greater than 1,000  
21 and less than 2,500;

22 (2) its commercial and industrial percentage for aids  
23 payable in 1999 is greater than 45 percent; and

24 (3) the total market value of all commercial and industrial  
25 property in the city for assessment year 1999 is at least 15  
26 percent less than the total market value of all commercial and  
27 industrial property in the city for assessment year 1998.

28 (h) (g) The city aid base for a city is increased by  
29 \$200,000 in 2000 and thereafter, and the maximum amount of total  
30 aid it may receive under section 477A.013, subdivision 9,  
31 paragraph (c), is also increased by \$200,000 in calendar year  
32 2000 only, provided that:

33 (1) the city had a population in 1997 of 2,500 or more;

34 (2) the net tax capacity of the city used in calculating  
35 its 1999 aid under section 477A.013 is less than \$650 per  
36 capita;

1 (3) the pre-1940 housing percentage of the city used in  
2 calculating 1999 aid under section 477A.013 is greater than 12  
3 percent;

4 (4) the 1999 local government aid of the city under section  
5 477A.013 is less than 20 percent of the amount that the formula  
6 aid of the city would have been if the need increase percentage  
7 was 100 percent; and

8 (5) the city aid base of the city used in calculating aid  
9 under section 477A.013 is less than \$7 per capita.

10 ~~(f)~~ (h) The city aid base for a city is increased by  
11 \$102,000 in 2000 and thereafter, and the maximum amount of total  
12 aid it may receive under section 477A.013, subdivision 9,  
13 paragraph (c), is also increased by \$102,000 in calendar year  
14 2000 only, provided that:

15 (1) the city has a population in 1997 of 2,000 or more;

16 (2) the net tax capacity of the city used in calculating  
17 its 1999 aid under section 477A.013 is less than \$455 per  
18 capita;

19 (3) the net levy of the city used in calculating 1999 aid  
20 under section 477A.013 is greater than \$195 per capita; and

21 (4) the 1999 local government aid of the city under section  
22 477A.013 is less than 38 percent of the amount that the formula  
23 aid of the city would have been if the need increase percentage  
24 was 100 percent.

25 ~~(g)~~ (i) The city aid base for a city is increased by  
26 \$32,000 in 2001 and thereafter, and the maximum amount of total  
27 aid it may receive under section 477A.013, subdivision 9,  
28 paragraph (c), is also increased by \$32,000 in calendar year  
29 2001 only, provided that:

30 (1) the city has a population in 1998 that is greater than  
31 200 but less than 500;

32 (2) the city's revenue need used in calculating aids  
33 payable in 2000 was greater than \$200 per capita;

34 (3) the city net tax capacity for the city used in  
35 calculating aids available in 2000 was equal to or less than  
36 \$200 per capita;

1 (4) the city aid base of the city used in calculating aid  
2 under section 477A.013 is less than \$65 per capita; and

3 (5) the city's formula aid for aids payable in 2000 was  
4 greater than zero.

5 ~~(k)~~ (j) The city aid base for a city is increased by \$7,200  
6 in 2001 and thereafter, and the maximum amount of total aid it  
7 may receive under section 477A.013, subdivision 9, paragraph  
8 (c), is also increased by \$7,200 in calendar year 2001 only,  
9 provided that:

10 (1) the city had a population in 1998 that is greater than  
11 200 but less than 500;

12 (2) the city's commercial industrial percentage used in  
13 calculating aids payable in 2000 was less than ten percent;

14 (3) more than 25 percent of the city's population was 60  
15 years old or older according to the 1990 census;

16 (4) the city aid base of the city used in calculating aid  
17 under section 477A.013 is less than \$15 per capita; and

18 (5) the city's formula aid for aids payable in 2000 was  
19 greater than zero.

20 ~~(l)~~ (k) The city aid base for a city is increased by  
21 \$45,000 in 2001 and thereafter and by an additional \$50,000 in  
22 calendar years 2002 to 2011, and the maximum amount of total aid  
23 it may receive under section 477A.013, subdivision 9, paragraph  
24 (c), is also increased by \$45,000 in calendar year 2001 only,  
25 and by \$50,000 in calendar year 2002 only, provided that:

26 (1) the net tax capacity of the city used in calculating  
27 its 2000 aid under section 477A.013 is less than \$810 per  
28 capita;

29 (2) the population of the city declined more than two  
30 percent between 1988 and 1998;

31 (3) the net levy of the city used in calculating 2000 aid  
32 under section 477A.013 is greater than \$240 per capita; and

33 (4) the city received less than \$36 per capita in aid under  
34 section 477A.013, subdivision 9, for aids payable in 2000.

35 ~~(m)~~ (l) The city aid base for a city with a population of  
36 10,000 or more which is located outside of the seven-county

1 metropolitan area is increased in 2002 and thereafter, and the  
2 maximum amount of total aid it may receive under section  
3 477A.013, subdivision 9, paragraph (b) or (c), is also increased  
4 in calendar year 2002 only, by an amount equal to the lesser of:

5 (1)(i) the total population of the city, as determined by  
6 the United States Bureau of the Census, in the 2000 census, (ii)  
7 minus 5,000, (iii) times 60; or

8 (2) \$2,500,000.

9 ~~(n)~~ (m) The city aid base is increased by \$50,000 in 2002  
10 and thereafter, and the maximum amount of total aid it may  
11 receive under section 477A.013, subdivision 9, paragraph (c), is  
12 also increased by \$50,000 in calendar year 2002 only, provided  
13 that:

14 (1) the city is located in the seven-county metropolitan  
15 area;

16 (2) its population in 2000 is between 10,000 and 20,000;  
17 and

18 (3) its commercial industrial percentage, as calculated for  
19 city aid payable in 2001, was greater than 25 percent.

20 ~~(o)~~ (n) The city aid base for a city is increased by  
21 \$150,000 in calendar years 2002 to 2011 and the maximum amount  
22 of total aid it may receive under section 477A.013, subdivision  
23 9, paragraph (c), is also increased by \$150,000 in calendar year  
24 2002 only, provided that:

25 (1) the city had a population of at least 3,000 but no more  
26 than 4,000 in 1999;

27 (2) its home county is located within the seven-county  
28 metropolitan area;

29 (3) its pre-1940 housing percentage is less than 15  
30 percent; and

31 (4) its city net tax capacity per capita for taxes payable  
32 in 2000 is less than \$900 per capita.

33 ~~(p)~~ (o) The city aid base for a city is increased by  
34 \$200,000 beginning in calendar year 2003 and the maximum amount  
35 of total aid it may receive under section 477A.013, subdivision  
36 9, paragraph (c), is also increased by \$200,000 in calendar year

1 2003 only, provided that the city qualified for an increase in  
2 homestead and agricultural credit aid under Laws 1995, chapter  
3 264, article 8, section 18.

4 ~~(q)~~ (p) The city aid base for a city is increased by  
5 \$200,000 in 2004 only and the maximum amount of total aid it may  
6 receive under section 477A.013, subdivision 9, is also increased  
7 by \$200,000 in calendar year 2004 only, if the city is the site  
8 of a nuclear dry cask storage facility.

9 ~~(r)~~ (q) The city aid base for a city is increased by  
10 \$10,000 in 2004 and thereafter and the maximum total aid it may  
11 receive under section 477A.013, subdivision 9, is also increased  
12 by \$10,000 in calendar year 2004 only, if the city was included  
13 in a federal major disaster designation issued on April 1, 1998,  
14 and its pre-1940 housing stock was decreased by more than 40  
15 percent between 1990 and 2000.

16 [EFFECTIVE DATE.] This section is effective beginning with  
17 aids payable in 2004.

18 Sec. 51. Minnesota Statutes 2004, section 477A.011,  
19 subdivision 38, is amended to read:

20 Subd. 38. [HOUSEHOLD SIZE.] "Household size" means the  
21 average number of persons per household in the jurisdiction as  
22 most recently estimated and reported by the state  
23 demographer and Metropolitan Council as of July ~~±~~ 15 of the aid  
24 calculation year. A revision to an estimate or enumeration is  
25 effective for these purposes only if it is certified to the  
26 commissioner on or before July 15 of the aid calculation year.  
27 Clerical errors in the certification or use of estimates and  
28 counts established as of July 15 in the aid calculation year are  
29 subject to correction within the time periods allowed under  
30 section 477A.014.

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

33 Sec. 52. Minnesota Statutes 2004, section 477A.0124,  
34 subdivision 2, is amended to read:

35 Subd. 2. [DEFINITIONS.] (a) For the purposes of this  
36 section, the following terms have the meanings given them.



1 (b) "County program aid" means the sum of "county need aid,"  
2 "county tax base equalization aid," and "county transition aid."

3 (c) "Age-adjusted population" means a county's population  
4 multiplied by the county age index.

5 (d) "County age index" means the percentage of the  
6 population over age 65 within the county divided by the  
7 percentage of the population over age 65 within the state,  
8 except that the age index for any county may not be greater than  
9 1.8 nor less than 0.8.

10 (e) "Population over age 65" means the population over age  
11 65 established as of July ± 15 in an aid calculation year by the  
12 most recent federal census, by a special census conducted under  
13 contract with the United States Bureau of the Census, by a  
14 population estimate made by the Metropolitan Council, or by a  
15 population estimate of the state demographer made pursuant to  
16 section 4A.02, whichever is the most recent as to the stated  
17 date of the count or estimate for the preceding calendar  
18 year and which has been certified to the commissioner of revenue  
19 on or before July 15 of the aid calculation year. A revision to  
20 an estimate or count is effective for these purposes only if  
21 certified to the commissioner on or before July 15 of the aid  
22 calculation year. Clerical errors in the certification or use  
23 of estimates and counts established as of July 15 in the aid  
24 calculation year are subject to correction within the time  
25 periods allowed under section 477A.014.

26 (f) "Part I crimes" means the three-year average annual  
27 number of Part I crimes reported for each county by the  
28 Department of Public Safety for the most recent years available.  
29 By July 1 of each year, the commissioner of public safety shall  
30 certify to the commissioner of revenue the number of Part I  
31 crimes reported for each county for the three most recent  
32 calendar years available.

33 (g) "Households receiving food stamps" means the average  
34 monthly number of households receiving food stamps for the three  
35 most recent years for which data is available. By July 1 of  
36 each year, the commissioner of human services must certify to

1 the commissioner of revenue the average monthly number of  
 2 households in the state and in each county that receive food  
 3 stamps, for the three most recent calendar years available.

4 (h) "County net tax capacity" means the net tax capacity of  
 5 the county, computed analogously to city net tax capacity under  
 6 section 477A.011, subdivision 20.

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

9 Sec. 53. Laws 2003, chapter 127, article 5, section 27,  
 10 the effective date, is amended to read:

11 [EFFECTIVE DATE.] This section is effective for taxes  
 12 payable-in-2004-and-thereafter distributions occurring on or  
 13 after June 10, 2003.

14 Sec. 54. Laws 2003, chapter 127, article 5, section 28,  
 15 the effective date, is amended to read:

16 [EFFECTIVE DATE.] This section is effective for taxes  
 17 payable-in-2004-and-thereafter distributions occurring on or  
 18 after June 10, 2003.

19 Sec. 55. Laws 2003, First Special Session chapter 21,  
 20 article 5, section 13, is amended to read:

21 Sec. 13. [2004 CITY AID REDUCTIONS.]

22 The commissioner of revenue shall compute an aid reduction  
 23 amount for 2004 for each city as provided in this section.

24 The initial aid reduction amount for each city is the  
 25 amount by which the city's aid distribution under Minnesota  
 26 Statutes, section 477A.013, and related provisions payable in  
 27 2003 exceeds the city's 2004 distribution under those provisions.

28 The minimum aid reduction amount for a city is the amount  
 29 of its reduction in 2003 under section 12. If a city receives  
 30 an increase to its city aid base under Minnesota Statutes,  
 31 section 477A.011, subdivision 36, its minimum aid reduction is  
 32 reduced by an equal amount.

33 The maximum aid reduction amount for a city is an amount  
 34 equal to 14 percent of the city's total 2004 levy plus aid  
 35 revenue base, except that if the city has a city net tax  
 36 capacity for aids payable in 2004, as defined in Minnesota

1 Statutes, section 477A.011, subdivision 20, of \$700 per capita  
2 or less, the maximum aid reduction shall not exceed an amount  
3 equal to 13 percent of the city's total 2004 levy plus aid  
4 revenue base.

5 If the initial aid reduction amount for a city is less than  
6 the minimum aid reduction amount for that city, the final aid  
7 reduction amount for the city is the sum of the initial aid  
8 reduction amount and the lesser of the amount of the city's  
9 payable 2004 reimbursement under Minnesota Statutes, section  
10 273.1384, or the difference between the minimum and initial aid  
11 reduction amounts for the city, and the amount of the final aid  
12 reduction in excess of the initial aid reduction is deducted  
13 from the city's reimbursements pursuant to Minnesota Statutes,  
14 section 273.1384.

15 If the initial aid reduction amount for a city is greater  
16 than the maximum aid reduction amount for the city, the city  
17 receives an additional distribution under this section equal to  
18 the result of subtracting the maximum aid reduction amount from  
19 the initial aid reduction amount. This distribution shall be  
20 paid in equal installments in 2004 on the dates specified in  
21 Minnesota Statutes, section 477A.015. The amount necessary for  
22 these additional distributions is appropriated to the  
23 commissioner of revenue from the general fund in fiscal year  
24 2005.

25 ~~The initial aid reduction is applied to the city's~~  
26 ~~distribution pursuant to Minnesota Statutes, section 477A.013,~~  
27 ~~and any aid reduction in excess of the initial aid reduction is~~  
28 ~~applied to the city's reimbursements pursuant to Minnesota~~  
29 ~~Statutes, section 273.1384.~~

30 To the extent that sufficient information is available on  
31 each payment date in 2004, the commissioner of revenue shall pay  
32 the reimbursements reduced under this section in equal  
33 installments on the payment dates provided in law.

34 [EFFECTIVE DATE.] This section is effective for aids  
35 payable in 2004.

36 Sec. 56. Laws 2003, First Special Session chapter 21,

1 article 6, section 9, is amended to read:

2 Sec. 9. [DEFINITIONS.]

3 (a) For purposes of sections 9 to 15, the following terms  
4 have the meanings given them in this section.

5 (b) The 2003 and 2004 "levy plus aid revenue base" for a  
6 county is the sum of that county's certified property tax levy  
7 for taxes payable in 2003, plus the sum of the amounts the  
8 county was certified to receive in the designated calendar year  
9 as:

10 (1) homestead and agricultural credit aid under Minnesota  
11 Statutes, section 273.1398, subdivision 2, plus any additional  
12 aid under section 16, minus the amount calculated under section  
13 273.1398, subdivision 4a, paragraph (b), for counties in  
14 judicial districts one, three, six, and ten, and 25 percent of  
15 the amount calculated under section 273.1398, subdivision 4a,  
16 paragraph (b), for counties in judicial districts two and four;

17 (2) the amount of county manufactured home homestead and  
18 agricultural credit aid computed for the county for payment in  
19 2003 under section 273.166;

20 (3) criminal justice aid under Minnesota Statutes, section  
21 477A.0121;

22 (4) family preservation aid under Minnesota Statutes,  
23 section 477A.0122;

24 (5) taconite aids under Minnesota Statutes, sections 298.28  
25 and 298.282, including any aid which was required to be placed  
26 in a special fund for expenditure in the next succeeding year;  
27 and

28 (6) county program aid under section 477A.0124, exclusive  
29 of the attached machinery aid component.

30 [EFFECTIVE DATE.] This section is effective for aids  
31 payable in 2004.

32 Sec. 57. [LINCOLN AND PIPESTONE COUNTIES; TOWN LEVY  
33 ADJUSTMENT FOR WIND ENERGY PRODUCTION TAX.]

34 Notwithstanding the deadlines in Minnesota Statutes,  
35 section 275.07, towns located in Lincoln or Pipestone County are  
36 authorized to adjust their payable 2004 levy for all or a

1 portion of their estimated wind energy production tax amounts  
2 for 2004, as computed by the commissioner of revenue from  
3 reports filed under Minnesota Statutes, section 272.029,  
4 subdivision 4. The Lincoln and Pipestone County auditors may  
5 adjust the payable 2004 levy certifications under Minnesota  
6 Statutes, section 275.07, subdivision 1, based upon the towns  
7 that have recertified their levies under this section by March  
8 15, 2004.

9 [EFFECTIVE DATE.] This section is effective for taxes  
10 payable in 2004.

11 Sec. 58. [REPEALER.]

12 (a) Minnesota Statutes 2004, sections 273.19, subdivision  
13 5; 274.05; 275.15; 275.61, subdivision 2; and 283.07, are  
14 repealed effective the day following final enactment.

15 (b) Minnesota Statutes 2004, section 469.1794, subdivision  
16 6, is repealed effective the day following final enactment and  
17 applies to districts for which the request for certification was  
18 made on, before, or after August 1, 1979, and before August 1,  
19 2001.

20 (c) Laws 1975, chapter 287, section 5, and Laws 2003,  
21 chapter 127, article 9, section 9, subdivision 4, are repealed  
22 effective without local approval for taxes payable in 2006 and  
23 thereafter.

24 ARTICLE 3

25 SALES AND USE TAXES

26 Section 1. Minnesota Statutes 2004, section 289A.38,  
27 subdivision 6, is amended to read:

28 Subd. 6. [OMISSION IN EXCESS OF 25 PERCENT.] Additional  
29 taxes may be assessed within 6-1/2 years after the due date of  
30 the return or the date the return was filed, whichever is later,  
31 if:

32 (1) the taxpayer omits from gross income an amount properly  
33 includable in it that is in excess of 25 percent of the amount  
34 of gross income stated in the return;

35 (2) the taxpayer omits from a sales, use, or withholding  
36 tax return an amount of taxes in excess of 25 percent of the

1 taxes reported in the return; or

2 (3) the taxpayer omits from the gross estate assets in  
3 excess of 25 percent of the gross estate reported in the return.

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

6 Sec. 2. Minnesota Statutes 2004, section 289A.38, is  
7 amended by adding a subdivision to read:

8 Subd. 15. [PURCHASER FILED REFUND CLAIMS.] If a purchaser  
9 refund claim is filed under section 289A.50, subdivision 2a, and  
10 the basis for the claim is that the purchaser was improperly  
11 charged tax on an improvement to real property or on the  
12 purchase of nontaxable services, sales or use tax may be  
13 assessed for the cost of materials used to make the real  
14 property improvement or to perform the nontaxable service. The  
15 assessment may be made against the person making the improvement  
16 to real property or the sale of nontaxable services, within the  
17 period prescribed in subdivision 1, or within one year after the  
18 date of the refund order, whichever is later.

19 [EFFECTIVE DATE.] This section is effective for purchaser  
20 refund claims filed on or after July 1, 2005.

21 Sec. 3. Minnesota Statutes 2004, section 289A.40,  
22 subdivision 2, is amended to read:

23 Subd. 2. [BAD DEBT LOSS.] If a claim relates to an  
24 overpayment because of a failure to deduct a loss due to a bad  
25 debt or to a security becoming worthless, the claim is  
26 considered timely if filed within seven years from the date  
27 prescribed for the filing of the return. A claim relating to an  
28 overpayment of taxes under chapter 297A must be filed within  
29 3-1/2 years from the date prescribed for filing the return, plus  
30 any extensions granted for filing the return, but only if filed  
31 within the extended time. The refund or credit is limited to  
32 the amount of overpayment attributable to the loss. "Bad debt"  
33 for purposes of this subdivision, has the same meaning as that  
34 term is used in United States Code, title 26, section 166,  
35 except that for a claim relating to an overpayment of taxes  
36 under chapter 297A the following are excluded from the

1 calculation of bad debt: financing charges or interest; sales  
2 or use taxes charged on the purchase price; uncollectible  
3 amounts on property that remain in the possession of the seller  
4 until the full purchase price is paid; expenses incurred in  
5 attempting to collect any debt; and repossessed property.

6 [EFFECTIVE DATE.] For claims relating to an overpayment of  
7 taxes under chapter 297A, this section is effective for sales  
8 and purchases made on or after January 1, 2004; for all other  
9 bad debts or claims, this section is effective on or after July  
10 1, 2003.

11 Sec. 4. Minnesota Statutes 2004, section 289A.40, is  
12 amended by adding a subdivision to read:

13 Subd. 4. [PURCHASER FILED REFUND CLAIMS.] A claim for  
14 refund of taxes paid on a transaction not subject to tax under  
15 chapter 297A, where the purchaser may apply directly to the  
16 commissioner under section 289A.50, subdivision 2a, must be  
17 filed within 3-1/2 years from the 20th day of the month  
18 following the month of the invoice date for the purchase.

19 [EFFECTIVE DATE.] This section is effective for claims  
20 filed on or after the day following final enactment.

21 Sec. 5. Minnesota Statutes 2004, section 289A.40, is  
22 amended by adding a subdivision to read:

23 Subd. 5. [CAPITAL EQUIPMENT REFUND CLAIMS.] A claim for  
24 refund for taxes paid under chapter 297A on capital equipment  
25 must be filed within 3-1/2 years from the 20th day of the month  
26 following the month of the invoice date for the purchase of the  
27 capital equipment. A claim for refund for taxes imposed on  
28 capital equipment under section 297A.63 must be filed within  
29 3-1/2 years from the date prescribed for filing the return, or  
30 one year from the date of an order assessing tax under section  
31 289A.37, subdivision 1, upon payment in full of the tax,  
32 penalties, and interest shown on the order, whichever period  
33 expires later.

34 [EFFECTIVE DATE.] This section is effective for claims  
35 filed on or after the day following final enactment.

36 Sec. 6. Minnesota Statutes 2004, section 297A.61,

1 subdivision 3, is amended to read:

2 Subd. 3. [SALE AND PURCHASE.] (a) "Sale" and "purchase"  
3 include, but are not limited to, each of the transactions listed  
4 in this subdivision.

5 (b) Sale and purchase include:

6 (1) any transfer of title or possession, or both, of  
7 tangible personal property, whether absolutely or conditionally,  
8 for a consideration in money or by exchange or barter; and

9 (2) the leasing of or the granting of a license to use or  
10 consume, for a consideration in money or by exchange or barter,  
11 tangible personal property, other than a manufactured home used  
12 for residential purposes for a continuous period of 30 days or  
13 more.

14 (c) Sale and purchase include the production, fabrication,  
15 printing, or processing of tangible personal property for a  
16 consideration for consumers who furnish either directly or  
17 indirectly the materials used in the production, fabrication,  
18 printing, or processing.

19 (d) Sale and purchase include the preparing for a  
20 consideration of food. Notwithstanding section 297A.67,  
21 subdivision 2, taxable food includes, but is not limited to, the  
22 following:

23 (1) prepared food sold by the retailer;

24 (2) soft drinks;

25 (3) candy; and

26 (4) dietary supplements; and

27 (5) all food sold through vending machines.

28 (e) A sale and a purchase includes the furnishing for a  
29 consideration of electricity, gas, water, or steam for use or  
30 consumption within this state.

31 (f) A sale and a purchase includes the transfer for a  
32 consideration of prewritten computer software whether delivered  
33 electronically, by load and leave, or otherwise.

34 (g) A sale and a purchase includes the furnishing for a  
35 consideration of the following services:

36 (1) the privilege of admission to places of amusement,



1 recreational areas, or athletic events, and the making available  
2 of amusement devices, tanning facilities, reducing salons, steam  
3 baths, turkish baths, health clubs, and spas or athletic  
4 facilities;

5 (2) lodging and related services by a hotel, rooming house,  
6 resort, campground, motel, or trailer camp and the granting of  
7 any similar license to use real property in a specific facility,  
8 other than the renting or leasing of it for a continuous period  
9 of 30 days or more under an enforceable written agreement that  
10 may not be terminated without prior notice;

11 (3) nonresidential parking services, whether on a  
12 contractual, hourly, or other periodic basis, except for parking  
13 at a meter;

14 (4) the granting of membership in a club, association, or  
15 other organization if:

16 (i) the club, association, or other organization makes  
17 available for the use of its members sports and athletic  
18 facilities, without regard to whether a separate charge is  
19 assessed for use of the facilities; and

20 (ii) use of the sports and athletic facility is not made  
21 available to the general public on the same basis as it is made  
22 available to members.

23 Granting of membership means both onetime initiation fees and  
24 periodic membership dues. Sports and athletic facilities  
25 include golf courses; tennis, racquetball, handball, and squash  
26 courts; basketball and volleyball facilities; running tracks;  
27 exercise equipment; swimming pools; and other similar athletic  
28 or sports facilities;

29 (5) delivery of aggregate materials and concrete block by a  
30 third party if the delivery would be subject to the sales tax if  
31 provided by the seller of the aggregate material or concrete  
32 block; and

33 (6) services as provided in this clause:

34 (i) laundry and dry cleaning services including cleaning,  
35 pressing, repairing, altering, and storing clothes, linen  
36 services and supply, cleaning and blocking hats, and carpet,

1 drapery, upholstery, and industrial cleaning. Laundry and dry  
2 cleaning services do not include services provided by coin  
3 operated facilities operated by the customer;

4 (ii) motor vehicle washing, waxing, and cleaning services,  
5 including services provided by coin operated facilities operated  
6 by the customer, and rustproofing, undercoating, and towing of  
7 motor vehicles;

8 (iii) building and residential cleaning, maintenance, and  
9 disinfecting and exterminating services;

10 (iv) detective, security, burglar, fire alarm, and armored  
11 car services; but not including services performed within the  
12 jurisdiction they serve by off-duty licensed peace officers as  
13 defined in section 626.84, subdivision 1, or services provided  
14 by a nonprofit organization for monitoring and electronic  
15 surveillance of persons placed on in-home detention pursuant to  
16 court order or under the direction of the Minnesota Department  
17 of Corrections;

18 (v) pet grooming services;

19 (vi) lawn care, fertilizing, mowing, spraying and sprigging  
20 services; garden planting and maintenance; tree, bush, and shrub  
21 pruning, bracing, spraying, and surgery; indoor plant care;  
22 tree, bush, shrub, and stump removal; and tree trimming for  
23 public utility lines. Services performed under a construction  
24 contract for the installation of shrubbery, plants, sod, trees,  
25 bushes, and similar items are not taxable;

26 (vii) massages, except when provided by a licensed health  
27 care facility or professional or upon written referral from a  
28 licensed health care facility or professional for treatment of  
29 illness, injury, or disease; and

30 (viii) the furnishing of lodging, board, and care services  
31 for animals in kennels and other similar arrangements, but  
32 excluding veterinary and horse boarding services.

33 In applying the provisions of this chapter, the terms  
34 "tangible personal property" and "sales at retail" include  
35 taxable services listed in clause (6), items (i) to (vi) and  
36 (viii), and the provision of these taxable services, unless

1 specifically provided otherwise. Services performed by an  
2 employee for an employer are not taxable. Services performed by  
3 a partnership or association for another partnership or  
4 association are not taxable if one of the entities owns or  
5 controls more than 80 percent of the voting power of the equity  
6 interest in the other entity. Services performed between  
7 members of an affiliated group of corporations are not taxable.  
8 For purposes of the preceding sentence, "affiliated group of  
9 corporations" includes those entities that would be classified  
10 as members of an affiliated group under United States Code,  
11 title 26, section 1504, and that are eligible to file a  
12 consolidated tax return for federal income tax purposes.

13 (h) A sale and a purchase includes the furnishing for a  
14 consideration of tangible personal property or taxable services  
15 by the United States or any of its agencies or  
16 instrumentalities, or the state of Minnesota, its agencies,  
17 instrumentalities, or political subdivisions.

18 (i) A sale and a purchase includes the furnishing for a  
19 consideration of telecommunications services, including cable  
20 television services and direct satellite services.  
21 Telecommunications services are taxed to the extent allowed  
22 under federal law.

23 (j) A sale and a purchase includes the furnishing for a  
24 consideration of installation if the installation charges would  
25 be subject to the sales tax if the installation were provided by  
26 the seller of the item being installed.

27 (k) A sale and a purchase includes the rental of a vehicle  
28 by a motor vehicle dealer to a customer when (1) the vehicle is  
29 rented by the customer for a consideration, or (2) the motor  
30 vehicle dealer is reimbursed pursuant to a service contract as  
31 defined in section 65B.29, subdivision 1, clause (1).

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

34 Sec. 7. Minnesota Statutes 2004, section 297A.61,  
35 subdivision 4, is amended to read:

36 Subd. 4. [RETAIL SALE.] (a) A "retail sale" means any

1 sale, lease, or rental for any purpose, other than resale,  
2 sublease, or subrent of items by the purchaser in the normal  
3 course of business as defined in subdivision 21.

4 (b) A sale of property used by the owner only by leasing it  
5 to others or by holding it in an effort to lease it, and put to  
6 no use by the owner other than resale after the lease or effort  
7 to lease, is a sale of property for resale.

8 (c) A sale of master computer software that is purchased  
9 and used to make copies for sale or lease is a sale of property  
10 for resale.

11 (d) A sale of building materials, supplies, and equipment  
12 to owners, contractors, subcontractors, or builders for the  
13 erection of buildings or the alteration, repair, or improvement  
14 of real property is a retail sale in whatever quantity sold,  
15 whether the sale is for purposes of resale in the form of real  
16 property or otherwise.

17 (e) A sale of carpeting, linoleum, or similar floor  
18 covering to a person who provides for installation of the floor  
19 covering is a retail sale and not a sale for resale since a sale  
20 of floor covering which includes installation is a contract for  
21 the improvement of real property.

22 (f) A sale of shrubbery, plants, sod, trees, and similar  
23 items to a person who provides for installation of the items is  
24 a retail sale and not a sale for resale since a sale of  
25 shrubbery, plants, sod, trees, and similar items that includes  
26 installation is a contract for the improvement of real property.

27 (g) A sale of tangible personal property that is awarded as  
28 prizes is a retail sale and is not considered a sale of property  
29 for resale.

30 (h) A sale of tangible personal property utilized or  
31 employed in the furnishing or providing of services under  
32 subdivision 3, paragraph (g), clause (1), including, but not  
33 limited to, property given as promotional items, is a retail  
34 sale and is not considered a sale of property for resale.

35 (i) A sale of tangible personal property used in conducting  
36 lawful gambling under chapter 349 or the state lottery under

1 chapter 349A, including, but not limited to, property given as  
2 promotional items, is a retail sale and is not considered a sale  
3 of property for resale.

4 (j) A sale of machines, equipment, or devices that are used  
5 to furnish, provide, or dispense goods or services, including,  
6 but not limited to, coin-operated devices, is a retail sale and  
7 is not considered a sale of property for resale.

8 (k) In the case of a lease, a retail sale occurs when an  
9 obligation to make a lease payment becomes due under the terms  
10 of the agreement or the trade practices of the lessor.

11 (l) In the case of a conditional sales contract, a retail  
12 sale occurs upon the transfer of title or possession of the  
13 tangible personal property.

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

16 Sec. 8. Minnesota Statutes 2004, section 297A.64,  
17 subdivision 4, is amended to read:

18 Subd. 4. [EXEMPTIONS.] (a) The tax and the fee imposed by  
19 this section do not apply to a lease or rental of (1) a vehicle  
20 to be used by the lessee to provide a licensed taxi service; (2)  
21 a hearse or limousine used in connection with a burial or  
22 funeral service; or (3) a van designed or adapted primarily for  
23 transporting property rather than passengers. The tax and the  
24 fee imposed under this section do not apply when the lease or  
25 rental of a vehicle is exempt from the tax imposed under section  
26 297A.62, subdivision 1.

27 (b) The lessor may elect not to charge the fee imposed in  
28 subdivision 2 if in the previous calendar year the lessor had no  
29 more than 20 vehicles available for lease that would have been  
30 subject to tax under this section, or no more than \$50,000 in  
31 gross receipts that would have been subject to tax under this  
32 section.

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

35 Sec. 9. Minnesota Statutes 2004, section 297A.668,  
36 subdivision 1, is amended to read:

1 Subdivision 1. [ APPLICABILITY.] The provisions of this  
2 section apply regardless of the characterization of a product as  
3 tangible personal property, a digital good, or a service; but do  
4 not apply to telecommunications services, or the sales of motor  
5 vehicles, ~~watercraft, aircraft, modular homes, manufactured~~  
6 ~~homes, or mobile homes.~~ These provisions only apply to  
7 determine a seller's obligation to pay or collect and remit a  
8 sales or use tax with respect to the seller's sale of a  
9 product. These provisions do not affect the obligation of a  
10 seller as purchaser to remit tax on the use of the product.

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

13 Sec. 10. Minnesota Statutes 2004, section 297A.668,  
14 subdivision 5, is amended to read:

15 Subd. 5. [TRANSPORTATION EQUIPMENT.] (a) The retail sale,  
16 including lease or rental, of transportation equipment shall be  
17 sourced the same as a retail sale in accordance with the  
18 provisions of subdivision 2, notwithstanding the exclusion of  
19 lease or rental in subdivision 2.

20 (b) "Transportation equipment" means any of the following:

21 (1) locomotives and railcars that are utilized for the  
22 carriage of persons or property in interstate commerce; and/or

23 (2) trucks and truck-tractors with a gross vehicle weight  
24 rating (GVWR) of 10,001 pounds or greater, trailers,  
25 semitrailers, or passenger buses that are:

26 (i) registered through the international registration plan;  
27 and

28 (ii) operated under authority of a carrier authorized and  
29 certified by the United States Department of Transportation or  
30 another federal authority to engage in the carriage of persons  
31 or property in interstate commerce;

32 (3) aircraft that are operated by air carriers authorized  
33 and certificated by the United States Department of  
34 Transportation or another federal or a foreign authority to  
35 engage in the carriage of persons or property in interstate  
36 commerce; or

1       (4) containers designed for use on and component parts  
2 attached or secured on the transportation equipment described in  
3 items (1) through (3).

4       [EFFECTIVE DATE.] This section is effective for sales and  
5 purchases made on or after January 1, 2004.

6       Sec. 11. Minnesota Statutes 2004, section 297A.67,  
7 subdivision 2, is amended to read:

8       Subd. 2. [FOOD AND FOOD INGREDIENTS.] Except as otherwise  
9 provided in this subdivision, food and food ingredients are  
10 exempt. For purposes of this subdivision, "food" and "food  
11 ingredients" mean substances, whether in liquid, concentrated,  
12 solid, frozen, dried, or dehydrated form, that are sold for  
13 ingestion or chewing by humans and are consumed for their taste  
14 or nutritional value. Food and food ingredients exempt under  
15 this subdivision do not include candy, soft drinks, food sold  
16 through vending machines, dietary supplements, and prepared  
17 foods. Food and food ingredients do not include alcoholic  
18 beverages, ~~dietary supplements,~~ and tobacco. For purposes of  
19 this subdivision, "alcoholic beverages" means beverages that are  
20 suitable for human consumption and contain one-half of one  
21 percent or more of alcohol by volume. For purposes of this  
22 subdivision, "tobacco" means cigarettes, cigars, chewing or pipe  
23 tobacco, or any other item that contains tobacco. For purposes  
24 of this subdivision, "dietary supplements" means any product,  
25 other than tobacco, intended to supplement the diet that:

26       (1) contains one or more of the following dietary  
27 ingredients:

28       (i) a vitamin;

29       (ii) a mineral;

30       (iii) an herb or other botanical;

31       (iv) an amino acid;

32       (v) a dietary substance for use by humans to supplement the  
33 diet by increasing the total dietary intake; and

34       (vi) a concentrate, metabolite, constituent, extract, or  
35 combination of any ingredient described in items (i) to (v);

36       (2) is intended for ingestion in tablet, capsule, powder,

1 softgel, gelcap, or liquid form, or if not intended for  
2 ingestion in such form, is not represented as conventional food  
3 and is not represented for use as a sole item of a meal or of  
4 the diet; and

5 (3) is required to be labeled as a dietary supplement,  
6 identifiable by the supplement facts box found on the label and  
7 as required pursuant to Code of Federal Regulations, title 21,  
8 section 101.36.

9 [EFFECTIVE DATE.] This section is effective for sales made  
10 on or after the day following final enactment.

11 Sec. 12. Minnesota Statutes 2004, section 297A.68,  
12 subdivision 2, is amended to read:

13 Subd. 2. [MATERIALS CONSUMED IN INDUSTRIAL PRODUCTION.]

14 (a) Materials stored, used, or consumed in industrial production  
15 of personal property intended to be sold ultimately at retail  
16 are exempt, whether or not the item so used becomes an  
17 ingredient or constituent part of the property produced.

18 Materials that qualify for this exemption include, but are not  
19 limited to, the following:

20 (1) chemicals, including chemicals used for cleaning food  
21 processing machinery and equipment;

22 (2) materials, including chemicals, fuels, and electricity  
23 purchased by persons engaged in industrial production to treat  
24 waste generated as a result of the production process;

25 (3) fuels, electricity, gas, and steam used or consumed in  
26 the production process, except that electricity, gas, or steam  
27 used for space heating, cooling, or lighting is exempt if (i) it  
28 is in excess of the average climate control or lighting for the  
29 production area, and (ii) it is necessary to produce that  
30 particular product;

31 (4) petroleum products and lubricants;

32 (5) packaging materials, including returnable containers  
33 used in packaging food and beverage products;

34 (6) accessory tools, equipment, and other items that are  
35 separate detachable units with an ordinary useful life of less  
36 than 12 months used in producing a direct effect upon the



1 product; and

2 (7) the following materials, tools, and equipment used in  
3 metalcasting: crucibles, thermocouple protection sheaths and  
4 tubes, stalk tubes, refractory materials, molten metal filters  
5 and filter boxes, degassing lances, and base blocks.

6 (b) This exemption does not include:

7 (1) machinery, equipment, implements, tools, accessories,  
8 appliances, contrivances and furniture and fixtures, except  
9 those listed in paragraph (a), clause (6); and

10 (2) petroleum and special fuels used in producing or  
11 generating power for propelling ready-mixed concrete trucks on  
12 the public highways of this state.

13 (c) Industrial production includes, but is not limited to,  
14 research, development, design or production of any tangible  
15 personal property, manufacturing, processing (other than by  
16 restaurants and consumers) of agricultural products (whether  
17 vegetable or animal), commercial fishing, refining, smelting,  
18 reducing, brewing, distilling, printing, mining, quarrying,  
19 lumbering, generating electricity, the production of road  
20 building materials, and the research, development, design, or  
21 production of computer software. Industrial production does not  
22 include painting, cleaning, repairing or similar processing of  
23 property except as part of the original manufacturing process.  
24 Industrial production does not include the furnishing of  
25 services listed in section 297A.61, subdivision 3, paragraph  
26 (g), clause (6), items (i) to (vi) and (viii).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

13 (7) machinery and equipment used by restaurants in the  
14 furnishing, preparing, or serving of prepared foods as defined  
15 in section 297A.61, subdivision 31;

16 (8) machinery and equipment used to furnish the services  
17 listed in section 297A.61, subdivision 3, paragraph (g), clause  
18 (6), items (i) to (vi) and (viii); or

19 (9) any other item that is not essential to the integrated  
20 process of manufacturing, fabricating, mining, or refining.

21 (d) For purposes of this subdivision:

22 (1) "Equipment" means independent devices or tools separate  
23 from machinery but essential to an integrated production  
24 process, including computers and computer software, used in  
25 operating, controlling, or regulating machinery and equipment;  
26 and any subunit or assembly comprising a component of any  
27 machinery or accessory or attachment parts of machinery, such as  
28 tools, dies, jigs, patterns, and molds.

29 (2) "Fabricating" means to make, build, create, produce, or  
30 assemble components or property to work in a new or different  
31 manner.

32 (3) "Integrated production process" means a process or  
33 series of operations through which tangible personal property is  
34 manufactured, fabricated, mined, or refined. For purposes of  
35 this clause, (i) manufacturing begins with the removal of raw  
36 materials from inventory and ends when the last process prior to

1 loading for shipment has been completed; (ii) fabricating begins  
2 with the removal from storage or inventory of the property to be  
3 assembled, processed, altered, or modified and ends with the  
4 creation or production of the new or changed product; (iii)  
5 mining begins with the removal of overburden from the site of  
6 the ores, minerals, stone, peat deposit, or surface materials  
7 and ends when the last process before stockpiling is completed;  
8 and (iv) refining begins with the removal from inventory or  
9 storage of a natural resource and ends with the conversion of  
10 the item to its completed form.

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

17 (5) "Machinery and equipment used for pollution control"  
18 means machinery and equipment used solely to eliminate, prevent,  
19 or reduce pollution resulting from an activity described in  
20 paragraph (a).

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

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

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

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

35 (10) "Refining" means the process of converting a natural  
36 resource to an intermediate or finished product, including the

1 treatment of water to be sold at retail.

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

4 Sec. 14. Minnesota Statutes 2004, section 297A.68,  
5 subdivision 35, is amended to read:

6 Subd. 35. [TELECOMMUNICATIONS EQUIPMENT.] (a)

7 Telecommunications machinery and equipment purchased or leased  
8 for use directly by a telecommunications service provider  
9 primarily in the provision of telecommunications services that  
10 are ultimately to be sold at retail are exempt, regardless of  
11 whether purchased by the owner, a contractor, or a subcontractor.

12 (b) For purposes of this subdivision, "telecommunications  
13 machinery and equipment" includes, but is not limited to:

14 (1) machinery, equipment, and fixtures utilized in  
15 receiving, initiating, amplifying, processing, transmitting,  
16 retransmitting, recording, switching, or monitoring  
17 telecommunications services, such as computers, transformers,  
18 amplifiers, routers, bridges, repeaters, multiplexers, and other  
19 items performing comparable functions;

20 (2) machinery, equipment, and fixtures used in the  
21 transportation of telecommunications services, radio  
22 transmitters and receivers, satellite equipment, microwave  
23 equipment, and other transporting media, but not wire, cable,  
24 fiber, poles, or conduit;

25 (3) ancillary machinery, equipment, and fixtures that  
26 regulate, control, protect, or enable the machinery in clauses  
27 (1) and (2) to accomplish its intended function, such as  
28 auxiliary power supply, test equipment, towers, heating,  
29 ventilating, and air conditioning equipment necessary to the  
30 operation of the telecommunications equipment; and software  
31 necessary to the operation of the telecommunications equipment;  
32 and

33 (4) repair and replacement parts, including accessories,  
34 whether purchased as spare parts, repair parts, or as upgrades  
35 or modifications to qualified machinery or equipment.

36 (c) For purposes of this subdivision, "telecommunications

1 services" means telecommunications services as defined in  
2 section 297A.61, subdivision 24, paragraph paragraphs (a), only  
3 (c), and (d).

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

6 Sec. 15. Minnesota Statutes 2004, section 297A.68,  
7 subdivision 39, is amended to read:

8 Subd. 39. [PREEXISTING BIDS OR CONTRACTS.] (a) The sale of  
9 tangible personal property or services is exempt from tax or a  
10 tax rate increase for a period of six months from the effective  
11 date of the law change that results in the imposition of the tax  
12 or the tax rate increase under this chapter if:

13 (1) the act imposing the tax or increasing the tax rate  
14 does not have transitional effective date language for existing  
15 construction contracts and construction bids; and

16 (2) the requirements of paragraph (b) are met.

17 (b) A sale is tax exempt under paragraph (a) if it meets  
18 the requirements of either clause (1) or (2):

19 (1) For a construction contract:

20 (i) the goods or services sold must be used for the  
21 performance of a bona fide written lump sum or fixed price  
22 construction contract;

23 (ii) the contract must be entered into before the date the  
24 goods or services become subject to the sales tax or the tax  
25 rate was increased;

26 (iii) the contract must not provide for allocation of  
27 future taxes; and

28 (iv) for each qualifying contract the contractor must give  
29 the seller documentation of the contract on which an exemption  
30 is to be claimed.

31 (2) For a construction bid:

32 (i) the goods or services sold must be used pursuant to an  
33 obligation of a bid or bids;

34 (ii) the bid or bids must be submitted and accepted before  
35 the date the goods or services became subject to the sales  
36 tax or the tax rate was increased;

1 (iii) the bid or bids must not be able to be withdrawn,  
2 modified, or changed without forfeiting a bond; and

3 (iv) for each qualifying bid, the contractor must give the  
4 seller documentation of the bid on which an exemption is to be  
5 claimed.

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

8 Sec. 16. Minnesota Statutes 2004, section 297A.99,  
9 subdivision 4, is amended to read:

10 Subd. 4. [TAX BASE.] (a) The tax applies to sales taxable  
11 under this chapter that occur within the political subdivision.

12 (b) Taxable goods or services are subject to a political  
13 subdivision's sales tax, if they are performed-either-

14 ~~(1)-within-the-political-subdivision,-or~~

15 ~~(2)-partly-within-and-partly-without-the-political~~

16 ~~subdivision-and-more-of-the-service-is-performed-within-the~~

17 ~~political-subdivision,-based-on-the-cost-of-performance~~ sourced  
18 to the political subdivision pursuant to section 297A.668.

19 [EFFECTIVE DATE.] This section is effective for sales made  
20 on or after January 1, 2004.

21 Sec. 17. Minnesota Statutes 2004, section 297A.99,  
22 subdivision 7, is amended to read:

23 Subd. 7. [EXEMPTIONS.] (a) All goods or services that are  
24 otherwise exempt from taxation under this chapter are exempt  
25 from a political subdivision's tax.

26 (b) The gross receipts from the sale of tangible personal  
27 property that meets the requirement requirements of section  
28 297A.68, subdivision subdivisions 11, 15, and 16 are exempt,  
29 except the qualification test applies based on the boundaries of  
30 the political subdivision instead of the state of Minnesota.

31 (c) All mobile transportation equipment, and parts and  
32 accessories attached to or to be attached to the equipment are  
33 exempt, if purchased by a holder of a motor carrier direct pay  
34 permit under section 297A.90.

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

1           Sec. 18. Minnesota Statutes 2004, section 297A.99,  
2 subdivision 9, is amended to read:

3           Subd. 9. [ENFORCEMENT; COLLECTION; AND ADMINISTRATION.]

4           (a) The commissioner of revenue shall collect the taxes subject  
5 to this section. The commissioner may collect the tax with the  
6 state sales and use tax. All taxes under this section are  
7 subject to the same penalties, interest, and enforcement  
8 provisions as apply to the state sales and use tax.

9           (b) A request for a refund of state sales tax paid in  
10 excess of the amount of tax legally due includes a request for a  
11 refund of the political subdivision taxes paid on the goods or  
12 services. The commissioner shall refund to the taxpayer the  
13 full amount of the political subdivision taxes paid on exempt  
14 sales or use.

15           (c) A political subdivision shall incur a legal debt to the  
16 state for refunds of local sales taxes made by the commissioner  
17 after a tax has terminated when the amount of the refunds  
18 exceeds the amount of local sales taxes collected for but not  
19 remitted to the political subdivision. The commissioner of  
20 revenue shall deduct the amount of the debt from the next  
21 payment scheduled to be made to the political subdivision under  
22 section 273.1384, 273.1398, or sections 477A.011 to 477A.014.  
23 The commissioner shall deposit the money in the state treasury  
24 and credit it to the general fund.

25           [EFFECTIVE DATE.] This section is effective for all refunds  
26 made on or after the day following final enactment.

27           Sec. 19. [REPEALER.]

28           Minnesota Rules, parts 8130.0110, subpart 4; 8130.0200,  
29 subparts 5 and 6; 8130.0400, subpart 9; 8130.1200, subparts 5  
30 and 6; 8130.2900; 8130.3100, subpart 1; 8130.4000, subparts 1  
31 and 2; 8130.4200, subpart 1; 8130.4400, subpart 3; 8130.5200;  
32 8130.5600, subpart 3; 8130.5800, subpart 5; 8130.7300, subpart  
33 5; and 8130.8800, subpart 4, are repealed.

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

36

ARTICLE 4



## 1 SPECIAL TAXES

2 Section 1. Minnesota Statutes 2004, section 287.04, is  
3 amended to read:

## 4 287.04 [EXEMPTIONS.]

5 The tax imposed by section 287.035 does not apply to:

6 (a) A decree of marriage dissolution or an instrument made  
7 pursuant to it.

8 (b) A mortgage given to correct a misdescription of the  
9 mortgaged property.

10 (c) A mortgage or other instrument that adds additional  
11 security for the same debt for which mortgage registry tax has  
12 been paid.

13 (d) A contract for the conveyance of any interest in real  
14 property, including a contract for deed.

15 (e) A mortgage secured by real property subject to the  
16 minerals production tax of sections 298.24 to 298.28.

17 (f) The principal amount of a mortgage loan made under a  
18 low and moderate income or other affordable housing program, if  
19 the mortgagee is a federal, state, or local government agency.

20 (g) Mortgages granted by fraternal benefit societies  
21 subject to section 64B.24.

22 (h) A mortgage amendment or extension, as defined in  
23 section 287.01.

24 (i) An agricultural mortgage if the proceeds of the loan  
25 secured by the mortgage are used to acquire or improve real  
26 property classified under section 273.13, subdivision 23,  
27 paragraph (a), or (b), clause (1), (2), or (3).

28 (j) A mortgage on an armory building as set forth in  
29 section 193.147.

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

32 Sec. 2. Minnesota Statutes 2004, section 295.50, is  
33 amended by adding a subdivision to read:

34 Subd. 1a. [BLOOD COMPONENTS.] "Blood components" means the  
35 parts of the blood that are separated from blood by physical or  
36 mechanical means and are intended for transfusion. Blood

1 components do not include blood derivatives.

2 [EFFECTIVE DATE.] This section is effective for gross  
3 revenues received after December 31, 2004.

4 Sec. 3. Minnesota Statutes 2004, section 295.50,  
5 subdivision 3, is amended to read:

6 Subd. 3. [GROSS REVENUES.] "Gross revenues" are total  
7 amounts received in money or otherwise by:

8 (1) a hospital for patient services;

9 (2) a surgical center for patient services;

10 (3) a health care provider, other than a staff model health  
11 carrier, for patient services;

12 (4) a wholesale drug distributor for sale or distribution  
13 of legend drugs that are delivered in Minnesota by the wholesale  
14 drug distributor, by common carrier, or by mail, unless the  
15 legend drugs are delivered to another wholesale drug distributor  
16 who sells legend drugs exclusively at wholesale. Legend drugs  
17 do not include nutritional products as defined in Minnesota  
18 Rules, part 9505.0325, and blood and blood components; and

19 (5) a staff model health plan company as gross premiums for  
20 enrollees, co-payments, deductibles, coinsurance, and fees for  
21 patient services.

22 [EFFECTIVE DATE.] This section is effective for gross  
23 revenues received after December 31, 2004.

24 Sec. 4. Minnesota Statutes 2004, section 295.53,  
25 subdivision 1, is amended to read:

26 Subdivision 1. [EXEMPTIONS.] (a) The following payments  
27 are excluded from the gross revenues subject to the hospital,  
28 surgical center, or health care provider taxes under sections  
29 295.50 to 295.59:

30 (1) payments received for services provided under the  
31 Medicare program, including payments received from the  
32 government, and organizations governed by sections 1833 and 1876  
33 of title XVIII of the federal Social Security Act, United States  
34 Code, title 42, section 1395, and enrollee deductibles,  
35 coinsurance, and co-payments, whether paid by the Medicare  
36 enrollee or by a Medicare supplemental coverage as defined in

1 section 62A.011, subdivision 3, clause (10), or by Medicaid  
2 payments under title XIX of the federal Social Security Act.

3 Payments for services not covered by Medicare are taxable;

4 (2) payments received for home health care services;

5 (3) payments received from hospitals or surgical centers  
6 for goods and services on which liability for tax is imposed  
7 under section 295.52 or the source of funds for the payment is  
8 exempt under clause (1), (7), (10), or (14);

9 (4) payments received from health care providers for goods  
10 and services on which liability for tax is imposed under this  
11 chapter or the source of funds for the payment is exempt under  
12 clause (1), (7), (10), or (14);

13 (5) amounts paid for legend drugs, other than nutritional  
14 products and blood and blood components, to a wholesale drug  
15 distributor who is subject to tax under section 295.52,  
16 subdivision 3, reduced by reimbursements received for legend  
17 drugs otherwise exempt under this chapter;

18 (6) payments received by a health care provider or the  
19 wholly owned subsidiary of a health care provider for care  
20 provided outside Minnesota;

21 (7) payments received from the chemical dependency fund  
22 under chapter 254B;

23 (8) payments received in the nature of charitable donations  
24 that are not designated for providing patient services to a  
25 specific individual or group;

26 (9) payments received for providing patient services  
27 incurred through a formal program of health care research  
28 conducted in conformity with federal regulations governing  
29 research on human subjects. Payments received from patients or  
30 from other persons paying on behalf of the patients are subject  
31 to tax;

32 (10) payments received from any governmental agency for  
33 services benefiting the public, not including payments made by  
34 the government in its capacity as an employer or insurer or  
35 payments made by the government for services provided under  
36 general assistance medical care, the MinnesotaCare program, or

1 the medical assistance program governed by title XIX of the  
2 federal Social Security Act, United States Code, title 42,  
3 sections 1396 to 1396v;

4 (11) government payments received by the commissioner of  
5 human services for state-operated services;

6 (12) payments received by a health care provider for  
7 hearing aids and related equipment or prescription eyewear  
8 delivered outside of Minnesota;

9 (13) payments received by an educational institution from  
10 student tuition, student activity fees, health care service  
11 fees, government appropriations, donations, or grants, and for  
12 services identified in and provided under an individualized  
13 education plan as defined in section 256B.0625 or Code of  
14 Federal Regulations, chapter 34, section 300.340(a). Fee for  
15 service payments and payments for extended coverage are taxable;  
16 and

17 (14) payments received under the federal Employees Health  
18 Benefits Act, United States Code, title 5, section 8909(f), as  
19 amended by the Omnibus Reconciliation Act of 1990. Enrollee  
20 deductibles, coinsurance, and co-payments are subject to tax.

21 (b) Payments received by wholesale drug distributors for  
22 legend drugs sold directly to veterinarians or veterinary bulk  
23 purchasing organizations are excluded from the gross revenues  
24 subject to the wholesale drug distributor tax under sections  
25 295.50 to 295.59.

26 [EFFECTIVE DATE.] The change made to paragraph (a), clause  
27 (5), of this section is effective for amounts paid for blood and  
28 blood components after December 31, 2004. The change made to  
29 paragraph (a), clause (14), of this section is effective for  
30 enrollee deductibles, coinsurance, and co-payments received  
31 under the federal Employees Health Benefits Act on or after the  
32 day following final enactment.

33 Sec. 5. Minnesota Statutes 2004, section 295.60,  
34 subdivision 3, is amended to read:

35 Subd. 3. [PAYMENT.] (a) Each furrier shall make estimated  
36 payments of the taxes for the calendar year in quarterly

1 installments to the commissioner by April 15, July 15, October  
2 15, and January 15 of the following calendar year.

3 (b) Estimated tax payments are not required if:

4 (1) the tax for the current calendar year is less than  
5 \$500; or

6 (2) the tax for the previous calendar year is less than  
7 \$500, if the taxpayer had a tax liability and was doing business  
8 the entire year.

9 (c) Underpayment of estimated installments bear interest at  
10 the rate specified in section 270.75, from the due date of the  
11 payment until paid or until the due date of the annual return,  
12 whichever comes first. An underpayment of an estimated  
13 installment is the difference between the amount paid and the  
14 lesser of (1) 90-percent-of-one-quarter-of-the-tax-for-the  
15 calendar-year the tax for the actual gross revenues received  
16 during the quarter, or (2) one-quarter of the total tax for the  
17 previous calendar year if the taxpayer had a tax liability and  
18 was doing business the entire year.

19 [EFFECTIVE DATE.] This section is effective for gross  
20 revenues received after December 31, 2004.

21 Sec. 6. Minnesota Statutes 2004, section 296A.09, is  
22 amended by adding a subdivision to read:

23 Subd. 6. [EXEMPTIONS.] The provisions of subdivisions 1  
24 and 2 do not apply to aviation gasoline or jet fuel purchased by  
25 an ambulance service licensed under chapter 144E.

26 [EFFECTIVE DATE.] This section is effective for purchases  
27 made on or after July 1, 2005.

28 Sec. 7. Minnesota Statutes 2004, section 296A.22, is  
29 amended by adding a subdivision to read:

30 Subd. 9. [ABATEMENT OF PENALTY.] (a) The commissioner may  
31 by written order abate any penalty imposed under this section,  
32 if in the commissioner's opinion there is reasonable cause to do  
33 so.

34 (b) A request for abatement of penalty must be filed with  
35 the commissioner within 60 days of the date the notice stating  
36 that a penalty has been imposed was mailed to the taxpayer's

1 last known address.

2 (c) If the commissioner issues an order denying a request  
3 for abatement of penalty, the taxpayer may file an  
4 administrative appeal as provided in section 296A.25 or appeal  
5 to Tax Court as provided in section 271.06. If the commissioner  
6 does not issue an order on the abatement request within 60 days  
7 from the date the request is received, the taxpayer may appeal  
8 to Tax Court as provided in section 271.06.

9 [EFFECTIVE DATE.] This section is effective for penalties  
10 imposed on or after the day following final enactment.

11 Sec. 8. Minnesota Statutes 2004, section 297E.01,  
12 subdivision 5, is amended to read:

13 Subd. 5. [DISTRIBUTOR.] "Distributor" means a distributor  
14 as defined in section 349.12, subdivision 11, or a person or  
15 linked bingo game provider who markets, sells, or provides  
16 gambling product to a person or entity for resale or use at the  
17 retail level.

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

20 Sec. 9. Minnesota Statutes 2004, section 297E.01,  
21 subdivision 7, is amended to read:

22 Subd. 7. [GAMBLING PRODUCT.] "Gambling product" means  
23 bingo hard cards, bingo paper~~7~~-er sheets, or linked bingo paper  
24 sheets; pull-tabs; tipboards; paddletickets and paddleticket  
25 cards; raffle tickets; or any other ticket, card, board,  
26 placard, device, or token that represents a chance, for which  
27 consideration is paid, to win a prize.

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

30 Sec. 10. Minnesota Statutes 2004, section 297E.01, is  
31 amended by adding a subdivision to read:

32 Subd. 9a. [LINKED BINGO GAME.] "Linked bingo game" means a  
33 bingo game played at two or more locations where licensed  
34 organizations are authorized to conduct bingo, when there is a  
35 common prize pool and a common selection of numbers or symbols  
36 conducted at one location, and when the results of the selection

1 are transmitted to all participating locations by satellite,  
2 telephone, or other means by a linked bingo game provider.

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

5 Sec. 11. Minnesota Statutes 2004, section 297E.01, is  
6 amended by adding a subdivision to read:

7 Subd. 9b. [LINKED BINGO GAME PROVIDER.] "Linked bingo game  
8 provider" means any person who provides the means to link bingo  
9 prizes in a linked bingo game, who provides linked bingo paper  
10 sheets to the participating organizations, who provides linked  
11 bingo prize management, and who provides the linked bingo game  
12 system.

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

15 Sec. 12. Minnesota Statutes 2004, section 297E.06,  
16 subdivision 2, is amended to read:

17 Subd. 2. [BUSINESS RECORDS.] An organization shall  
18 maintain records supporting the gambling activity reported to  
19 the commissioner. Records include, but are not limited to, the  
20 following items:

21 (1) all winning and unsold tickets, cards, or stubs for  
22 pull-tab, tipboard, paddlewheel, and raffle games;

23 (2) all reports and statements, including checker's  
24 records, for each bingo occasion;

25 (3) all cash journals and ledgers, deposit slips, register  
26 tapes, and bank statements supporting gambling activity  
27 receipts;

28 (4) all invoices that represent purchases of gambling  
29 product;

30 (5) all canceled checks or copies of substitute checks as  
31 defined in Public Law 108-100, section 3, check recorders,  
32 journals and ledgers, vouchers, invoices, bank statements, and  
33 other documents supporting gambling activity expenditures; and

34 (6) all organizational meeting minutes.

35 All records required to be kept by this section must be  
36 preserved by the organization for at least 3-1/2 years and may

1 be inspected by the commissioner of revenue at any reasonable  
2 time without notice or a search warrant.

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

4 Sec. 13. Minnesota Statutes 2004, section 297E.07, is  
5 amended to read:

6 297E.07 [INSPECTION RIGHTS.]

7 At any reasonable time, without notice and without a search  
8 warrant, the commissioner may enter a place of business of a  
9 manufacturer, distributor, ~~or~~ organization, or linked bingo game  
10 provider; any site from which pull-tabs or tipboards or other  
11 gambling equipment or gambling product are being manufactured,  
12 stored, or sold; or any site at which lawful gambling is being  
13 conducted, and inspect the premises, books, records, and other  
14 documents required to be kept under this chapter to determine  
15 whether or not this chapter is being fully complied with. If  
16 the commissioner is denied free access to or is hindered or  
17 interfered with in making an inspection of the place of  
18 business, books, or records, the permit of the distributor may  
19 be revoked by the commissioner, and the license of the  
20 manufacturer, the distributor, ~~or~~ the organization, or linked  
21 bingo game provider may be revoked by the board.

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

24 Sec. 14. Minnesota Statutes 2004, section 297F.08,  
25 subdivision 12, is amended to read:

26 Subd. 12. [CIGARETTES IN INTERSTATE COMMERCE.] (a) A  
27 person may not transport or cause to be transported from this  
28 state cigarettes for sale in another state without first  
29 affixing to the cigarettes the stamp required by the state in  
30 which the cigarettes are to be sold or paying any other excise  
31 tax on the cigarettes imposed by the state in which the  
32 cigarettes are to be sold.

33 (b) A person may not affix to cigarettes the stamp required  
34 by another state or pay any other excise tax on the cigarettes  
35 imposed by another state if the other state prohibits stamps  
36 from being affixed to the cigarettes, prohibits the payment of



1 any other excise tax on the cigarettes, or prohibits the sale of  
2 the cigarettes.

3 (c) Not later than 15 days after the end of each calendar  
4 quarter, a person who transports or causes to be transported  
5 from this state cigarettes for sale in another state shall  
6 submit to the commissioner a report identifying the quantity and  
7 style of each brand of the cigarettes transported or caused to  
8 be transported in the preceding calendar quarter, and the name  
9 and address of each recipient of the cigarettes. This reporting  
10 requirement only applies to cigarettes manufactured by companies  
11 that are not original or subsequent participating manufacturers  
12 in the Master Settlement Agreement with other states.

13 (d) For purposes of this section, "person" has the meaning  
14 given in section 297F.01, subdivision 12. Person does not  
15 include any common or contract carrier, or public warehouse that  
16 is not owned, in whole or in part, directly or indirectly by  
17 such person, and does not include a manufacturer that has  
18 entered-into is an original or subsequent participating  
19 manufacturer in the Master Settlement Agreement with other  
20 states.

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

23 Sec. 15. Minnesota Statutes 2004, section 297F.08, is  
24 amended by adding a subdivision to read:

25 Subd. 12. [BOND.] The commissioner may require the  
26 furnishing of a corporate surety bond or a certified check in an  
27 amount suitable to guarantee payment of the tax stamps purchased  
28 by a distributor. The bond or certified check may be required  
29 when the commissioner determines that a distributor is (1)  
30 delinquent in the filing of any return required under this  
31 chapter, or (2) delinquent in the payment of any uncontested tax  
32 liability under this chapter. The distributor shall furnish the  
33 bond or certified check for a period of two years, after which,  
34 if the distributor has not been delinquent in the filing of any  
35 returns required under this chapter, or delinquent in the paying  
36 of any tax under this chapter, a bond or certified check is no

1 longer required. The commissioner at any time may apply the  
2 bond or certified check to any unpaid taxes or fees, including  
3 interest and penalties, owed to the department by the  
4 distributor.

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

7 Sec. 16. Minnesota Statutes 2004, section 297F.09,  
8 subdivision 1, is amended to read:

9 Subdivision 1. [MONTHLY RETURN; CIGARETTE DISTRIBUTOR.] On  
10 or before the 18th day of each calendar month, a distributor  
11 with a place of business in this state shall file a return with  
12 the commissioner showing the quantity of cigarettes manufactured  
13 or brought in from outside the state or purchased during the  
14 preceding calendar month and the quantity of cigarettes sold or  
15 otherwise disposed of in this state and outside this state  
16 during that month. A licensed distributor outside this state  
17 shall in like manner file a return showing the quantity of  
18 cigarettes shipped or transported into this state during the  
19 preceding calendar month. Returns must be made in the form and  
20 manner prescribed by the commissioner and must contain any other  
21 information required by the commissioner. The return must be  
22 accompanied by a remittance for the full unpaid tax liability  
23 shown by it. ~~The return for the May liability and 85 percent of~~  
24 ~~the estimated June liability is due on the date payment of the~~  
25 ~~tax is due.~~ For distributors subject to the accelerated tax  
26 payment requirements in subdivision 10, the return for the May  
27 liability is due two business days before June 30th of the year  
28 and the return for the June liability is due on or before August  
29 18th of the year.

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

32 Sec. 17. Minnesota Statutes 2004, section 297F.09,  
33 subdivision 2, is amended to read:

34 Subd. 2. [MONTHLY RETURN; TOBACCO PRODUCTS DISTRIBUTOR.]  
35 On or before the 18th day of each calendar month, a distributor  
36 with a place of business in this state shall file a return with

1 the commissioner showing the quantity and wholesale sales price  
2 of each tobacco product:

3 (1) brought, or caused to be brought, into this state for  
4 sale; and

5 (2) made, manufactured, or fabricated in this state for  
6 sale in this state, during the preceding calendar month.

7 Every licensed distributor outside this state shall in like  
8 manner file a return showing the quantity and wholesale sales  
9 price of each tobacco product shipped or transported to  
10 retailers in this state to be sold by those retailers, during  
11 the preceding calendar month. Returns must be made in the form  
12 and manner prescribed by the commissioner and must contain any  
13 other information required by the commissioner. The return must  
14 be accompanied by a remittance for the full tax liability  
15 shown. ~~The return for the May liability and 85 percent of the~~  
16 ~~estimated June liability is due on the date payment of the tax~~  
17 ~~is due.~~ For distributors subject to the accelerated tax payment  
18 requirements in subdivision 10, the return for the May liability  
19 is due two business days before June 30th of the year and the  
20 return for the June liability is due on or before August 18th of  
21 the year.

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

24 Sec. 18. Minnesota Statutes 2004, section 297G.09, is  
25 amended by adding a subdivision to read:

26 Subd. 9. [QUARTERLY AND ANNUAL PAYMENTS AND RETURNS.] (a)  
27 If a manufacturer, wholesaler, brewer, or importer has an  
28 average liquor tax liability equal to or less than \$500 per  
29 month in any quarter of a calendar year, and has substantially  
30 complied with the state tax laws during the preceding four  
31 calendar quarters, the manufacturer, wholesaler, brewer, or  
32 importer may request authorization to file and pay the taxes  
33 quarterly in subsequent calendar quarters. The authorization  
34 remains in effect during the period in which the manufacturer's,  
35 wholesaler's, brewer's, or importer's quarterly returns reflect  
36 liquor tax liabilities of less than \$1,500 and there is

1 continued compliance with state tax laws.

2 (b) If a manufacturer, wholesaler, brewer, or importer has  
3 an average liquor tax liability equal to or less than \$100 per  
4 month during a calendar year, and has substantially complied  
5 with the state tax laws during that period, the manufacturer,  
6 wholesaler, brewer, or importer may request authorization to  
7 file and pay the taxes annually in subsequent years. The  
8 authorization remains in effect during the period in which the  
9 manufacturer's, wholesaler's, brewer's, or importer's annual  
10 returns reflect liquor tax liabilities of less than \$1,200 and  
11 there is continued compliance with state tax laws.

12 (c) The commissioner may also grant quarterly or annual  
13 filing and payment authorizations to manufacturers, wholesalers,  
14 brewers, or importers if the commissioner concludes that the  
15 manufacturer's, wholesaler's, brewer's, or importer's future tax  
16 liabilities will be less than the monthly totals identified in  
17 paragraphs (a) and (b). An authorization granted under this  
18 paragraph is subject to the same conditions as an authorization  
19 granted under paragraphs (a) and (b).

20 (d) The annual tax return and payments must be filed and  
21 paid on or before the 18th day of January following the calendar  
22 year. The quarterly returns and payments must be filed and paid  
23 on or before April 18 for the quarter ending March 31, on or  
24 before July 18 for the quarter ending June 30, on or before  
25 October 18 for the quarter ending September 30, and on or before  
26 January 18 for the quarter ending December 31.

27 [EFFECTIVE DATE.] This section is effective for tax returns  
28 and payments due on or after January 1, 2006.

29 Sec. 19. Minnesota Statutes 2004, section 297I.01, is  
30 amended by adding a subdivision to read:

31 Subd. 13a. [REINSURANCE.] "Reinsurance" is insurance  
32 whereby an insurance company, for a consideration, agrees to  
33 indemnify another insurance company against all or part of the  
34 loss which the latter may sustain under the policy or policies  
35 which it has issued.

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

1 following final enactment.

2 Sec. 20. Minnesota Statutes 2004, section 297I.05,  
3 subdivision 5, is amended to read:

4 Subd. 5. [HEALTH MAINTENANCE ORGANIZATIONS, NONPROFIT  
5 HEALTH SERVICE PLAN CORPORATIONS, AND COMMUNITY INTEGRATED  
6 SERVICE NETWORKS.] (a) ~~Health-maintenance-organizations,  
7 community-integrated-service-networks,-and-nonprofit-health-care  
8 service-plan-corporations-are-exempt-from-the-tax-imposed-under  
9 this-section-for-premiums-received-in-calendar-years-2001-to  
10 2003-~~

11 ~~(b)-For-calendar-years-after-2003,~~ A tax is imposed on  
12 health maintenance organizations, community integrated service  
13 networks, and nonprofit health care service plan corporations.  
14 The rate of tax is equal to one percent of gross premiums less  
15 return premiums on all direct business received by the  
16 organization, network, or corporation or its agents in  
17 Minnesota, in cash or otherwise, in the calendar year.

18 ~~(c)-In-approving-the-premium-rates-as-required-in-sections  
19 62B.08,-subdivision-8,-and-62A.65,-subdivision-3,-the  
20 commissioners-of-health-and-commerce-shall-ensure-that-any  
21 exemption-from-tax-as-described-in-paragraph-(a)-is-reflected-in  
22 the-premium-rate-~~

23 ~~(d)~~ (b) The commissioner shall deposit all revenues,  
24 including penalties and interest, collected under this chapter  
25 from health maintenance organizations, community integrated  
26 service networks, and nonprofit health service plan corporations  
27 in the health care access fund. Refunds of overpayments of tax  
28 imposed by this subdivision must be paid from the health care  
29 access fund. There is annually appropriated from the health  
30 care access fund to the commissioner the amount necessary to  
31 make any refunds of the tax imposed under this subdivision.

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

33 Sec. 21. [REPEALER.]

34 Minnesota Statutes 2004, section 297E.12, subdivision 10,  
35 is repealed effective the day following final enactment.

36 ARTICLE 5

## ELECTRONIC PAYMENTS

Section 1. [270.772] [MINIMUM DOLLAR REQUIREMENT FOR ELECTRONIC PAYMENT OF TAXES AND FEES.]

(a) Except as provided in paragraph (b), payments of every tax, fee, or surcharge administered by and payable to the commissioner in a calendar year, including deposits and estimated payments, must be remitted electronically if the liability of the taxpayer or payer for the tax, fee, or surcharge is:

(1) \$20,000 or more in the preceding fiscal year ending June 30, 2005; and

(2) \$10,000 or more in the preceding fiscal year ending June 30, 2006, and preceding fiscal years thereafter.

(b) This section does not apply to individual income, estate, fiduciary, and airflight property taxes, and it does not apply to any law requiring all payments for a specific type of tax, fee, or surcharge, or from a specific group of taxpayers or payers, to be made electronically regardless of dollar amount.

Sec. 2. Minnesota Statutes 2004, section 289A.20, subdivision 2, is amended to read:

Subd. 2. [WITHHOLDING FROM WAGES, ENTERTAINER WITHHOLDING, WITHHOLDING FROM PAYMENTS TO OUT-OF-STATE CONTRACTORS, AND WITHHOLDING BY PARTNERSHIPS AND SMALL BUSINESS CORPORATIONS.]

(a) A tax required to be deducted and withheld during the quarterly period must be paid on or before the last day of the month following the close of the quarterly period, unless an earlier time for payment is provided. A tax required to be deducted and withheld from compensation of an entertainer and from a payment to an out-of-state contractor must be paid on or before the date the return for such tax must be filed under section 289A.18, subdivision 2. Taxes required to be deducted and withheld by partnerships and S corporations must be paid on or before the date the return must be filed under section 289A.18, subdivision 2.

(b) An employer who, during the previous quarter, withheld more than \$1,500 of tax under section 290.92, subdivision 2a or

1 3, or 290.923, subdivision 2, must deposit tax withheld under  
2 those sections with the commissioner within the time allowed to  
3 deposit the employer's federal withheld employment taxes under  
4 Code of Federal Regulations, title 26, section 31.6302-1, as  
5 amended through December 31, 2001, without regard to the safe  
6 harbor or de minimis rules in subparagraph (f) or the one-day  
7 rule in subsection (c), clause (3). Taxpayers must submit a  
8 copy of their federal notice of deposit status to the  
9 commissioner upon request by the commissioner.

10 (c) The commissioner may prescribe by rule other return  
11 periods or deposit requirements. In prescribing the reporting  
12 period, the commissioner may classify payors according to the  
13 amount of their tax liability and may adopt an appropriate  
14 reporting period for the class that the commissioner judges to  
15 be consistent with efficient tax collection. In no event will  
16 the duration of the reporting period be more than one year.

17 (d) If less than the correct amount of tax is paid to the  
18 commissioner, proper adjustments with respect to both the tax  
19 and the amount to be deducted must be made, without interest, in  
20 the manner and at the times the commissioner prescribes. If the  
21 underpayment cannot be adjusted, the amount of the underpayment  
22 will be assessed and collected in the manner and at the times  
23 the commissioner prescribes.

24 ~~(e) If the aggregate amount of the tax withheld during a~~  
25 ~~fiscal year ending June 30 under section 290.92, subdivision 2a~~  
26 ~~or 37 is equal to or exceeds the amounts established for~~  
27 ~~remitting federal withheld taxes pursuant to the regulations~~  
28 ~~promulgated under section 6302(h) of the Internal Revenue Code,~~  
29 ~~the employer must remit each required deposit for wages paid in~~  
30 ~~the subsequent calendar year by electronic means.~~

31 {f} A third-party bulk filer as defined in section 290.92,  
32 subdivision 30, paragraph (a), clause (2), who remits  
33 withholding deposits must remit all deposits by electronic means  
34 as provided in paragraph (e), regardless of the aggregate amount  
35 of tax withheld during a fiscal year for all of the employers.

36 Sec. 3. Minnesota Statutes 2004, section 289A.20,

1 subdivision 4, is amended to read:

2 Subd. 4. [SALES AND USE TAX.] (a) The taxes imposed by  
3 chapter 297A are due and payable to the commissioner monthly on  
4 or before the 20th day of the month following the month in which  
5 the taxable event occurred, or following another reporting  
6 period as the commissioner prescribes or as allowed under  
7 section 289A.18, subdivision 4, paragraph (f) or (g), except  
8 that use taxes due on an annual use tax return as provided under  
9 section 289A.11, subdivision 1, are payable by April 15  
10 following the close of the calendar year.

11 (b) A vendor having a liability of \$120,000 or more during  
12 a fiscal year ending June 30 must remit the June liability for  
13 the next year in the following manner:

14 (1) Two business days before June 30 of the year, the  
15 vendor must remit 85 percent of the estimated June liability to  
16 the commissioner.

17 (2) On or before August 20 of the year, the vendor must pay  
18 any additional amount of tax not remitted in June.

19 ~~(c) A vendor having a liability of \$120,000 or more during~~  
20 ~~a fiscal year ending June 30 must remit all liabilities on~~  
21 ~~returns due for periods beginning in the subsequent calendar~~  
22 ~~year by electronic means on or before the 20th day of the month~~  
23 ~~following the month in which the taxable event occurred, or on~~  
24 ~~or before the 20th day of the month following the month in which~~  
25 ~~the sale is reported under section 289A.18, subdivision 4,~~  
26 ~~except for 85 percent of the estimated June liability, which is~~  
27 ~~due two business days before June 30. The remaining amount of~~  
28 ~~the June liability is due on August 20.~~

29 Sec. 4. Minnesota Statutes 2004, section 297E.02,  
30 subdivision 4, is amended to read:

31 Subd. 4. [PULL-TAB AND TIPBOARD TAX.] (a) A tax is imposed  
32 on the sale of each deal of pull-tabs and tipboards sold by a  
33 distributor. The rate of the tax is 1.7 percent of the ideal  
34 gross of the pull-tab or tipboard deal. The sales tax imposed  
35 by chapter 297A on the sale of the pull-tabs and tipboards by  
36 the distributor is imposed on the retail sales price less the



1 tax imposed by this subdivision. The retail sale of pull-tabs  
2 or tipboards by the organization is exempt from taxes imposed by  
3 chapter 297A and is exempt from all local taxes and license fees  
4 except a fee authorized under section 349.16, subdivision 8.

5 (b) The liability for the tax imposed by this section is  
6 incurred when the pull-tabs and tipboards are delivered by the  
7 distributor to the customer or to a common or contract carrier  
8 for delivery to the customer, or when received by the customer's  
9 authorized representative at the distributor's place of  
10 business, regardless of the distributor's method of accounting  
11 or the terms of the sale.

12 The tax imposed by this subdivision is imposed on all sales  
13 of pull-tabs and tipboards, except the following:

14 (1) sales to the governing body of an Indian tribal  
15 organization for use on an Indian reservation;

16 (2) sales to distributors licensed under the laws of  
17 another state or of a province of Canada, as long as all  
18 statutory and regulatory requirements are met in the other state  
19 or province;

20 (3) sales of promotional tickets as defined in section  
21 349.12; and

22 (4) pull-tabs and tipboards sold to an organization that  
23 sells pull-tabs and tipboards under the exemption from licensing  
24 in section 349.166, subdivision 2. A distributor shall require  
25 an organization conducting exempt gambling to show proof of its  
26 exempt status before making a tax-exempt sale of pull-tabs or  
27 tipboards to the organization. A distributor shall identify, on  
28 all reports submitted to the commissioner, all sales of  
29 pull-tabs and tipboards that are exempt from tax under this  
30 subdivision.

31 ~~(c) A distributor having a liability of \$120,000 or more~~  
32 ~~during a fiscal year ending June 30 must remit all liabilities~~  
33 ~~in the subsequent calendar year by electronic means.~~

34 (d) Any customer who purchases deals of pull-tabs or  
35 tipboards from a distributor may file an annual claim for a  
36 refund or credit of taxes paid pursuant to this subdivision for

1 unsold pull-tab and tipboard tickets. The claim must be filed  
 2 with the commissioner on a form prescribed by the commissioner  
 3 by March 20 of the year following the calendar year for which  
 4 the refund is claimed. The refund must be filed as part of the  
 5 customer's February monthly return. The refund or credit is  
 6 equal to 1.7 percent of the face value of the unsold pull-tab or  
 7 tipboard tickets, provided that the refund or credit will be  
 8 1.75 percent of the face value of the unsold pull-tab or  
 9 tipboard tickets for claims for a refund or credit of taxes  
 10 filed on the February 2001 monthly return. The refund claimed  
 11 will be applied as a credit against tax owing under this chapter  
 12 on the February monthly return. If the refund claimed exceeds  
 13 the tax owing on the February monthly return, that amount will  
 14 be refunded. The amount refunded will bear interest pursuant to  
 15 section 270.76 from 90 days after the claim is filed.

16 Sec. 5. Minnesota Statutes 2004, section 473.843,  
 17 subdivision 3, is amended to read:

18 Subd. 3. [PAYMENT OF FEE.] On or before the 20th day of  
 19 each month each operator shall pay the fee due under this  
 20 section for the previous month, using a form provided by the  
 21 commissioner of revenue.

22 ~~An operator having a fee of \$120,000 or more during a~~  
 23 ~~fiscal year ending June 30 must pay all fees in the subsequent~~  
 24 ~~calendar year by electronic means.~~

25 Sec. 6. [REPEALER.]

26 Minnesota Statutes 2004, sections 289A.26, subdivision 2a;  
 27 289A.60, subdivision 21; 295.55, subdivision 4; 295.60,  
 28 subdivision 4; 297F.09, subdivision 7; 297G.09, subdivision 6;  
 29 and 297I.35, subdivision 2, are repealed.

30 Sec. 7. [EFFECTIVE DATE.]

31 This article is effective for payments due in calendar year  
 32 2006, and in calendar years thereafter, based upon liabilities  
 33 incurred in the fiscal year ending June 30, 2005, and in fiscal  
 34 years thereafter.

35

ARTICLE 6

36

MISCELLANEOUS

1 Section 1. Minnesota Statutes 2004, section 16D.10, is  
2 amended to read:

3 16D.10 [CASE REVIEWER.]

4 Subdivision 1. [DUTIES.] The commissioner shall make a  
5 case reviewer available to debtors. The reviewer must be  
6 available to answer a debtor's questions concerning the  
7 collection process and to review the collection activity taken.  
8 If the reviewer reasonably believes that the particular action  
9 being taken is unreasonable or unfair, the reviewer may make  
10 recommendations to the commissioner in regard to the collection  
11 action.

12 Subd. 2. [AUTHORITY TO ISSUE DEBTOR ASSISTANCE ORDER.] On  
13 application filed by a debtor with the case reviewer, in the  
14 form, manner, and in the time prescribed by the commissioner,  
15 and after thorough investigation, the case reviewer may issue a  
16 debtor assistance order if, in the determination of the case  
17 reviewer, the manner in which the state debt collection laws are  
18 being administered is creating or will create an unjust and  
19 inequitable result for the debtor. Debtor assistance orders are  
20 governed by the provisions relating to taxpayer assistance  
21 orders under section 270.273.

22 Subd. 3. [TRANSFER OF DUTIES TO TAXPAYER RIGHTS ADVOCATE.]  
23 All duties and authority of the case reviewer under subdivisions  
24 1 and 2 are transferred to the taxpayer rights advocate.

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

27 Sec. 2. Minnesota Statutes 2004, section 270.02,  
28 subdivision 3, is amended to read:

29 Subd. 3. [POWERS, ORGANIZATION, ASSISTANTS.] Subject to  
30 the provisions of this chapter and other applicable laws the  
31 commissioner shall have power to organize the department with  
32 such divisions and other agencies as the commissioner deems  
33 necessary and to appoint one deputy commissioner, a department  
34 secretary, directors of divisions, and such other officers,  
35 employees, and agents as the commissioner may deem necessary to  
36 discharge the functions of the department, define the duties of

1 such officers, employees, and agents, and delegate to them any  
2 of the commissioner's powers or duties, subject to the  
3 commissioner's control and under such conditions as the  
4 commissioner may prescribe. Appointments to exercise delegated  
5 power to sign documents which require the signature of the  
6 commissioner or a delegate by law shall be by written order  
7 filed with the secretary of state. The delegations of authority  
8 granted by the commissioner remain in effect until revoked by  
9 the commissioner or a successor commissioner.

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

12 Sec. 3. Minnesota Statutes 2004, section 270.65, is  
13 amended to read:

14 270.65 [DATE OF ASSESSMENT; DEFINITION.]

15 For purposes of taxes administered by the commissioner, the  
16 term "date of assessment" means the date a liability reported on  
17 a return was entered into the records of the commissioner or the  
18 date a return should have been filed, whichever is later; or, in  
19 the case of taxes determined by the commissioner, "date of  
20 assessment" means the date of the order assessing taxes or date  
21 of the return made by the commissioner; or, in the case of an  
22 amended return filed by the taxpayer, the assessment date is the  
23 date additional liability reported on the return, if any, was  
24 entered into the records of the commissioner; or, in the case of  
25 a consent agreement signed by the taxpayer under section 270.67,  
26 subdivision 3, the assessment date is the notice date shown on  
27 the agreement; or, in the case of a check from a taxpayer that  
28 is dishonored and results in an erroneous refund being given to  
29 the taxpayer, remittance of the check is deemed to be an  
30 assessment and the "date of assessment" is the date the check  
31 was received by the commissioner.

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

34 Sec. 4. Minnesota Statutes 2004, section 270.67,  
35 subdivision 4, is amended to read:

36 Subd. 4. [OFFER-IN-COMPROMISE AND INSTALLMENT PAYMENT

1 PROGRAM.] (a) In implementing the authority provided in  
2 subdivision 2 or in sections 8.30 and 16D.15 to accept offers of  
3 installment payments or offers-in-compromise of tax liabilities,  
4 the commissioner of revenue shall prescribe guidelines for  
5 employees of the Department of Revenue to determine whether an  
6 offer-in-compromise or an offer to make installment payments is  
7 adequate and should be accepted to resolve a dispute. In  
8 prescribing the guidelines, the commissioner shall develop and  
9 publish schedules of national and local allowances designed to  
10 provide that taxpayers entering into a compromise or payment  
11 agreement have an adequate means to provide for basic living  
12 expenses. The guidelines must provide that the taxpayer's  
13 ownership interest in a motor vehicle, to the extent of the  
14 value allowed in section 550.37, will not be considered as an  
15 asset; in the case of an offer related to a joint tax liability  
16 of spouses, that value of two motor vehicles must be excluded.  
17 The guidelines must provide that employees of the department  
18 shall determine, on the basis of the facts and circumstances of  
19 each taxpayer, whether the use of the schedules is appropriate  
20 and that employees must not use the schedules to the extent the  
21 use would result in the taxpayer not having adequate means to  
22 provide for basic living expenses. The guidelines must provide  
23 that:

24 (1) an employee of the department shall not reject an  
25 offer-in-compromise or an offer to make installment payments  
26 from a low-income taxpayer solely on the basis of the amount of  
27 the offer; and

28 (2) in the case of an offer-in-compromise which relates  
29 only to issues of liability of the taxpayer:

30 (i) the offer must not be rejected solely because the  
31 commissioner is unable to locate the taxpayer's return or return  
32 information for verification of the liability; and

33 (ii) the taxpayer shall not be required to provide an  
34 audited, reviewed, or compiled financial statement.

35 (b) The commissioner shall establish procedures:

36 (1) that require presentation of a counteroffer or a

1 written rejection of the offer by the commissioner if the amount  
2 offered by the taxpayer in an offer-in-compromise or an offer to  
3 make installment payments is not accepted by the commissioner;

4 (2) for an administrative review of any written rejection  
5 of a proposed offer-in-compromise or installment agreement made  
6 by a taxpayer under this section before the rejection is  
7 communicated to the taxpayer;

8 (3) that allow a taxpayer to request reconsideration of any  
9 written rejection of the offer or agreement to the commissioner  
10 of revenue to determine whether the rejection is reasonable and  
11 appropriate under the circumstances; and

12 (4) that provide for notification to the taxpayer when an  
13 offer-in-compromise has been accepted, and issuance of  
14 certificates of release of any liens imposed under section  
15 270.69 related to the liability which is the subject of the  
16 compromise.

17 (c) Each compromise proposal must be accompanied by a  
18 nonrefundable payment of \$250. If the compromise proposal is  
19 accepted, the payment must be applied to the accepted compromise  
20 amount. If the compromise is rejected, the payment must be  
21 applied to the outstanding tax debts of the taxpayer pursuant to  
22 section 270.652. In cases of financial hardship, upon  
23 presentation of information establishing an inability to make  
24 the \$250 payment, the commissioner may waive this requirement.

25 [EFFECTIVE DATE.] This section is effective for offers in  
26 compromise submitted after August 31, 2005.

27 Sec. 5. Minnesota Statutes 2004, section 270.69,  
28 subdivision 4, is amended to read:

29 Subd. 4. [PERIOD OF LIMITATIONS.] The lien imposed by this  
30 section shall, notwithstanding any other provision of law to the  
31 contrary, be enforceable from the time the lien arises and for  
32 ten years from the date of filing the notice of lien, which must  
33 be filed by the commissioner within five years after the date of  
34 assessment of the tax or final administrative or judicial  
35 determination of the assessment. A notice of lien filed in one  
36 county may be transcribed to the secretary of state or to any

1 other county within ten years after the date of its filing, but  
 2 the transcription shall not extend the period during which the  
 3 lien is enforceable. A notice of lien may be renewed by the  
 4 commissioner before the expiration of the ten-year period for an  
 5 additional ten years. The taxpayer must receive written notice  
 6 of the renewal.

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

9 Sec. 6. Minnesota Statutes 2004, section 270B.01,  
 10 subdivision 5, is amended to read:

11 Subd. 5. [TAXPAYER IDENTITY.] "Taxpayer identity" means  
 12 the name of a person with respect to whom a return is filed, or  
 13 the person's mailing address, or the person's taxpayer  
 14 identifying number. "Taxpayer identity" does not include the  
 15 state taxpayer identifying number of a business entity, which is  
 16 classified as public data.

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

19 Sec. 7. Minnesota Statutes 2004, section 270B.03,  
 20 subdivision 1, is amended to read:

21 Subdivision 1. [WHO MAY INSPECT.] Returns and return  
 22 information must, on request, be made open to inspection by or  
 23 disclosure to the data subject. The request must be made in  
 24 writing or in accordance with written procedures of the chief  
 25 disclosure officer of the department that have been approved by  
 26 the commissioner to establish the identification of the person  
 27 making the request as the data subject. For purposes of this  
 28 chapter, the following are the data subject:

29 (1) in the case of an individual return, that individual;

30 (2) in the case of an income tax return filed jointly,  
 31 either of the individuals with respect to whom the return is  
 32 filed;

33 ~~(3) in-the-case-of-a-partnership-return,-any-person-who-was~~  
 34 ~~a-member-of-the-partnership-during-any-part-of-the-period~~  
 35 ~~covered-by-the-return;~~

36 ~~(4)-in-the-case-of-the-return-of-a-corporation-or-its~~

1 subsidiary:

2 ~~(i) any person designated by resolution of the board of~~  
3 ~~directors or other similar governing body;~~

4 ~~(ii) any officer or employee of the corporation upon~~  
5 ~~written request signed by any officer and attested to by the~~  
6 ~~secretary or another officer;~~

7 ~~(iii) any bona fide shareholder of record owning one~~  
8 ~~percent or more of the outstanding stock of the corporation;~~

9 ~~(iv) if the corporation is a corporation that has made an~~  
10 ~~election under section 1362 of the Internal Revenue Code of~~  
11 ~~1986, as amended through December 31, 1988, any person who was a~~  
12 ~~shareholder during any part of the period covered by the return~~  
13 ~~during which an election was in effect; or~~

14 ~~(v) if the corporation has been dissolved, any person~~  
15 ~~authorized by state law to act for the corporation or any person~~  
16 ~~who would have been authorized if the corporation had not been~~  
17 ~~dissolved in the case of a return filed by a business entity, an~~  
18 ~~officer of a corporation, a shareholder owning more than one~~  
19 ~~percent of the stock, or any shareholder of an S corporation; a~~  
20 ~~general partner in a partnership; the owner of a sole~~  
21 ~~proprietorship; a member or manager of a limited liability~~  
22 ~~company; a participant in a joint venture; the individual who~~  
23 ~~signed the return on behalf of the business entity; or an~~  
24 ~~employee who is responsible for handling the tax matters of the~~  
25 ~~business entity, such as the tax manager, bookkeeper, or~~  
26 ~~managing agent;~~

27 ~~(5) (4) in the case of an estate return:~~

28 ~~(i) the personal representative or trustee of the estate;~~  
29 ~~and~~

30 ~~(ii) any beneficiary of the estate as shown on the federal~~  
31 ~~estate tax return;~~

32 ~~(6) (5) in the case of a trust return:~~

33 ~~(i) the trustee or trustees, jointly or separately; and~~

34 ~~(ii) any beneficiary of the trust as shown in the trust~~  
35 ~~instrument;~~

36 ~~(7) (6) if liability has been assessed to a transferee~~



1 under section 289A.31, subdivision 3, the transferee is the data  
 2 subject with regard to the returns and return information  
 3 relating to the assessed liability;

4 ~~(8)~~ (7) in the case of an Indian tribal government or an  
 5 Indian tribal government-owned entity,

6 (i) the chair of the tribal government, or

7 (ii) any person authorized by the tribal government; and

8 ~~(9)~~ (8) in the case of a successor as defined in section  
 9 270.102, subdivision 1, paragraph (b), the successor is the data  
 10 subject and information may be disclosed as provided by section  
 11 270.102, subdivision 4.

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

14 Sec. 8. Minnesota Statutes 2004, section 289A.19,  
 15 subdivision 4, is amended to read:

16 Subd. 4. ~~[ESTATE TAX RETURNS.] When-in-the-commissioner's~~  
 17 ~~judgment-good-cause-exists,-the-commissioner-may-extend-the-time~~  
 18 ~~for-filing-an-estate-tax-return-for-not-more-than-six-months.~~  
 19 When an extension to file the federal estate tax return has been  
 20 granted under section 6081 of the Internal Revenue Code, the  
 21 time for filing the estate tax return is extended for that  
 22 period. If the estate requests an extension to file an estate  
 23 tax return within the time provided in section 289A.18,  
 24 subdivision 3, the commissioner shall extend the time for filing  
 25 the estate tax return for six months.

26 [EFFECTIVE DATE.] This section is effective for estates of  
 27 decedents dying after December 31, 2004.

28 Sec. 9. Minnesota Statutes 2004, section 289A.31,  
 29 subdivision 2, is amended to read:

30 Subd. 2. [JOINT INCOME TAX RETURNS.] (a) If a joint income  
 31 tax return is made by a husband and wife, the liability for the  
 32 tax is joint and several. A spouse who qualifies for relief  
 33 from a liability attributable to an underpayment under section  
 34 6015(b) of the Internal Revenue Code is relieved of the state  
 35 income tax liability on the underpayment.

36 (b) In the case of individuals who were a husband and wife

1 prior to the dissolution of their marriage or their legal  
2 separation, or prior to the death of one of the individuals, for  
3 tax liabilities reported on a joint or combined return, the  
4 liability of each person is limited to the proportion of the tax  
5 due on the return that equals that person's proportion of the  
6 total tax due if the husband and wife filed separate returns for  
7 the taxable year. This provision is effective only when the  
8 commissioner receives written notice of the marriage  
9 dissolution, legal separation, or death of a spouse from the  
10 husband or wife. No refund may be claimed by an ex-spouse,  
11 legally separated or widowed spouse for any taxes paid more than  
12 60 days before receipt by the commissioner of the written notice.

13 (c) A request for calculation of separate liability  
14 pursuant to paragraph (b) for taxes reported on a return must be  
15 made within six years after the due date of the return. For  
16 calculation of separate liability for taxes assessed by the  
17 commissioner under section 289A.35 or 289A.37, the request must  
18 be made within six years after the date of assessment. The  
19 commissioner is not required to calculate separate liability if  
20 the remaining unpaid liability for which recalculation is  
21 requested is \$100 or less.

22 [EFFECTIVE DATE.] This section is effective for requests  
23 for relief made on or after the day following final enactment.

24 Sec. 10. Minnesota Statutes 2004, section 289A.37,  
25 subdivision 5, is amended to read:

26 Subd. 5. [SUFFICIENCY OF NOTICE.] An order of assessment,  
27 sent postage prepaid by United States mail to the taxpayer at  
28 the taxpayer's last known address, or sent by electronic mail to  
29 the taxpayer's last known electronic mailing address as provided  
30 for in section 325L.08, is sufficient even if the taxpayer is  
31 deceased or is under a legal disability, or, in the case of a  
32 corporation, has terminated its existence, unless the department  
33 has been provided with a new address by a party authorized to  
34 receive notices of assessment.

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

1 Sec. 11. Minnesota Statutes 2004, section 289A.60,  
2 subdivision 2a, is amended to read:

3 Subd. 2a. [PENALTIES FOR EXTENDED DELINQUENCY.] (a) If an  
4 individual income tax is not paid within 180 days after the date  
5 of filing of a return or, in the case of taxes assessed by the  
6 commissioner, within 180 days after the assessment date or, if  
7 appealed, within 180 days after final resolution of the appeal,  
8 an extended delinquency penalty of five percent of the tax  
9 remaining unpaid is added to the amount due.

10 (b) If a ~~corporate-franchise, fiduciary-income, mining~~  
11 ~~company, estate, partnership, S-corporation, or nonresident~~  
12 ~~entertainer~~ tax return is not filed within 30 days after written  
13 demand for the filing of a delinquent return, an extended  
14 delinquency penalty of five percent of the tax not paid prior to  
15 the demand ~~is added to the tax, or in the case of an individual~~  
16 ~~income tax return, a minimum penalty of \$100 or the five percent~~  
17 ~~penalty~~ is imposed, whichever amount is greater.

18 [EFFECTIVE DATE.] This section is effective for returns  
19 originally due on or after August 1, 2005.

20 Sec. 12. Minnesota Statutes 2004, section 289A.60,  
21 subdivision 6, is amended to read:

22 Subd. 6. [PENALTY FOR FAILURE TO FILE, FALSE OR FRAUDULENT  
23 RETURN, EVASION.] If a person, with intent to evade or defeat a  
24 tax or payment of tax, fails to file a return, files a false or  
25 fraudulent return, or attempts in any other manner to evade or  
26 defeat a tax or payment of tax, there is imposed on the person a  
27 penalty equal to 50 percent of the tax, less amounts paid by the  
28 person on the basis of the false or fraudulent return, if any,  
29 due for the period to which the return related.

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

32 Sec. 13. Minnesota Statutes 2004, section 289A.60,  
33 subdivision 11, is amended to read:

34 Subd. 11. [PENALTIES RELATING TO INFORMATION REPORTS,  
35 WITHHOLDING.] (a) When a person required under section 289A.09,  
36 subdivision 2, to give a statement to an employee or payee and a

1 duplicate statement to the commissioner, or to give a  
2 reconciliation of the statements and quarterly returns to the  
3 commissioner, gives a false or fraudulent statement to an  
4 employee or payee or a false or fraudulent duplicate statement  
5 or reconciliation of statements and quarterly returns to the  
6 commissioner, or fails to give a statement or the reconciliation  
7 in the manner, when due, and showing the information required by  
8 section 289A.09, subdivision 2, or rules prescribed by the  
9 commissioner under that section, that person is liable for a  
10 penalty of \$50 for an act or failure to act. The total amount  
11 imposed on the delinquent person for failures during a calendar  
12 year must not exceed \$25,000.

13 (b) In addition to any other penalty provided by law, an  
14 employee who gives a withholding exemption certificate or a  
15 residency affidavit to an employer that ~~the-employee-has-reason~~  
16 ~~to-know-contains-a-materially-incorrect-statement~~ decreases the  
17 amount withheld under section 290.92 and as of the time the  
18 certificate or affidavit was given to the employer there was no  
19 reasonable basis for the statements in the certificate or  
20 affidavit is liable to the commissioner of revenue for a penalty  
21 of \$500 for each instance.

22 (c) In addition to any other penalty provided by law, an  
23 employer who fails to submit a copy of a withholding exemption  
24 certificate or a residency affidavit required by section 290.92,  
25 subdivision 5a, clause (1)(a), (1)(b), or (2) is liable to the  
26 commissioner of revenue for a penalty of \$50 for each instance.

27 (d) An employer or payor who fails to file an application  
28 for a withholding account number, as required by section 290.92,  
29 subdivision 24, is liable to the commissioner for a penalty of  
30 \$100.

31 [EFFECTIVE DATE.] This section is effective for  
32 certificates and affidavits given to employers after December  
33 31, 2005.

34 Sec. 14. Minnesota Statutes 2004, section 290.92,  
35 subdivision 1, is amended to read:

36 Subdivision 1. [DEFINITIONS.] (1) [WAGES.] For purposes

1 of this section, the term "wages" means the same as that term is  
2 defined in section 3401(a) and (f) of the Internal Revenue Code.

3 (2) [PAYROLL PERIOD.] For purposes of this section the  
4 term "payroll period" means a period for which a payment of  
5 wages is ordinarily made to the employee by the employee's  
6 employer, and the term "miscellaneous payroll period" means a  
7 payroll period other than a daily, weekly, biweekly,  
8 semimonthly, monthly, quarterly, semiannual, or annual payroll  
9 period.

10 (3) [EMPLOYEE.] For purposes of this section the term  
11 "employee" means any resident individual performing services for  
12 an employer, either within or without, or both within and  
13 without the state of Minnesota, and every nonresident individual  
14 performing services within the state of Minnesota, the  
15 performance of which services constitute, establish, and  
16 determine the relationship between the parties as that of  
17 employer and employee. As used in the preceding sentence, the  
18 term "employee" includes an officer of a corporation, and an  
19 officer, employee, or elected official of the United States, a  
20 state, or any political subdivision thereof, or the District of  
21 Columbia, or any agency or instrumentality of any one or more of  
22 the foregoing.

23 (4) [EMPLOYER.] For purposes of this section the term  
24 "employer" means any person, including individuals, fiduciaries,  
25 estates, trusts, partnerships, limited liability companies, and  
26 corporations transacting business in or deriving any income from  
27 sources within the state of Minnesota for whom an individual  
28 performs or performed any service, of whatever nature, as the  
29 employee of such person, except that if the person for whom the  
30 individual performs or performed the services does not have  
31 legal control of the payment of the wages for such services, the  
32 term "employer," except for purposes of paragraph (1), means the  
33 person having legal control of the payment of such wages. As  
34 used in the preceding sentence, the term "employer" includes any  
35 corporation, individual, estate, trust, or organization which is  
36 exempt from taxation under section 290.05 and further includes,

1 but is not limited to, officers of corporations who have legal  
2 control, either individually or jointly with another or others,  
3 of the payment of the wages.

4 (5) [NUMBER OF WITHHOLDING EXEMPTIONS CLAIMED.] For  
5 purposes of this section, the term "number of withholding  
6 exemptions claimed" means the number of withholding exemptions  
7 claimed in a withholding exemption certificate in effect under  
8 subdivision 5, except that if no such certificate is in effect,  
9 the number of withholding exemptions claimed shall be considered  
10 to be zero.

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

13 Sec. 15. Minnesota Statutes 2004, section 290C.05, is  
14 amended to read:

15 290C.05 [ANNUAL CERTIFICATION.]

16 On or before July 1 of each year, beginning with the year  
17 after the claimant has received an approved application, the  
18 commissioner shall send each claimant enrolled under the  
19 sustainable forest incentive program a certification form. The  
20 claimant must sign the certification, attesting that the  
21 requirements and conditions for continued enrollment in the  
22 program are currently being met, and must return the signed  
23 certification form to the commissioner by August 15 of that same  
24 year. ~~Failure to~~ If the claimant does not return an annual  
25 certification form by the due date ~~shall result in removal of~~  
26 ~~the lands from the provisions of the sustainable forest~~  
27 ~~incentive program, and the imposition of any applicable removal~~  
28 ~~penalty,~~ the provisions in section 290C.11 apply. ~~The claimant~~  
29 ~~may appeal the removal and any associated penalty according to~~  
30 ~~the procedures and within the time allowed under this chapter.~~

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

33 Sec. 16. [290C.055] [LENGTH OF COVENANT.]

34 The covenant remains in effect for a minimum of eight  
35 years. If land is removed from the program before it has been  
36 enrolled for four years, the covenant remains in effect for

1 eight years from the date recorded.

2 If land that has been enrolled for four years or more is  
3 removed from the program for any reason, there is a waiting  
4 period before the covenant terminates. The covenant terminates  
5 on January 1 of the fifth calendar year that begins after the  
6 date that:

7 (1) the commissioner receives notification from the  
8 claimant that the claimant wishes to remove the land from the  
9 program under section 290C.10; or

10 (2) the date that the land is removed from the program  
11 under section 290C.11.

12 Notwithstanding the other provisions of this section, the  
13 covenant is terminated at the same time that the land is removed  
14 from the program due to acquisition of title or possession for a  
15 public purpose under section 290C.10.

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

18 Sec. 17. Minnesota Statutes 2004, section 290C.10, is  
19 amended to read:

20 290C.10 [WITHDRAWAL PROCEDURES.]

21 An approved claimant under the sustainable forest incentive  
22 program for a minimum of four years may notify the commissioner  
23 of the intent to terminate enrollment. Within 90 days of  
24 receipt of notice to terminate enrollment, the commissioner  
25 shall inform the claimant in writing, acknowledging receipt of  
26 this notice and indicating the effective date of termination  
27 from the sustainable forest incentive program. Termination of  
28 enrollment in the sustainable forest incentive program occurs on  
29 January 1 of the fifth calendar year that begins after receipt  
30 by the commissioner of the termination notice. After the  
31 commissioner issues an effective date of termination, a claimant  
32 wishing to continue the land's enrollment in the sustainable  
33 forest incentive program beyond the termination date must apply  
34 for enrollment as prescribed in section 290C.04. A claimant who  
35 withdraws a parcel of land from this program may not reenroll  
36 the parcel for a period of three years. Within 90 days after

1 the termination date, the commissioner shall execute and  
2 acknowledge a document releasing the land from the covenant  
3 required under this chapter. The document must be mailed to the  
4 claimant and is entitled to be recorded. The commissioner may  
5 allow early withdrawal from the Sustainable Forest Incentive Act  
6 without penalty in-cases-of-condemnation when the state of  
7 Minnesota, any local government unit, or any other entity which  
8 has the right of eminent domain acquires title or possession to  
9 the land for a public purpose notwithstanding the provisions of  
10 this section. In the case of such acquisition, the commissioner  
11 shall execute and acknowledge a document releasing the land  
12 acquired by the state, local government unit, or other entity  
13 from the covenant. All other enrolled land must remain in the  
14 program.

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

17 Sec. 18. Minnesota Statutes 2004, section 325D.33,  
18 subdivision 6, is amended to read:

19 Subd. 6. [VIOLATIONS.] If the commissioner determines that  
20 a distributor is violating any provision of this chapter, the  
21 commissioner must give the distributor a written warning  
22 explaining the violation and an explanation of what must be done  
23 to comply with this chapter. Within ten days of issuance of the  
24 warning, the distributor must notify the commissioner that the  
25 distributor has complied with the commissioner's recommendation  
26 or request that the commissioner set the issue for a hearing  
27 pursuant to chapter 14. If a hearing is requested, the hearing  
28 shall be scheduled within 20 days of the request and the  
29 recommendation of the administrative law judge shall be issued  
30 within five working days of the close of the hearing. The  
31 commissioner's final determination shall be issued within five  
32 working days of the receipt of the administrative law judge's  
33 recommendation. If the commissioner's final determination is  
34 adverse to the distributor and the distributor does not comply  
35 within ten days of receipt of the commissioner's final  
36 determination, the commissioner may order the distributor to



1 immediately cease the stamping of cigarettes. As soon as  
 2 practicable after the order, the commissioner must remove the  
 3 meter and any unapplied cigarette stamps from the premises of  
 4 the distributor.

5 If within ten days of issuance of the written warning the  
 6 distributor has not complied with the commissioner's  
 7 recommendation or requested a hearing, the commissioner may  
 8 order the distributor to immediately cease the stamping of  
 9 cigarettes and remove the meter and unapplied stamps from the  
 10 distributor's premises.

11 ~~If within any 12-month period, the commissioner has issued~~  
 12 ~~three written warnings to any distributor, even if the~~  
 13 ~~distributor has complied within ten days, the commissioner shall~~  
 14 ~~notify the distributor of the commissioner's intent to revoke~~  
 15 ~~the distributor's license for a continuing course of conduct~~  
 16 ~~contrary to this chapter. For purposes of this paragraph, a~~  
 17 ~~written warning that was ultimately resolved by removal of the~~  
 18 ~~warning by the commissioner is not deemed to be a warning. The~~  
 19 ~~commissioner must notify the distributor of the date and time of~~  
 20 ~~a hearing pursuant to chapter 14 at least 20 days before the~~  
 21 ~~hearing is held. The hearing must provide an opportunity for~~  
 22 ~~the distributor to show cause why the license should not be~~  
 23 ~~revoked. If the commissioner revokes a distributor's license,~~  
 24 ~~the commissioner shall not issue a new license to that~~  
 25 ~~distributor for 180 days.~~

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

28 Sec. 19. Minnesota Statutes 2004, section 473.843,  
 29 subdivision 5, is amended to read:

30 Subd. 5. [PENALTIES; ENFORCEMENT.] The audit, penalty, and  
 31 enforcement provisions applicable to corporate franchise taxes  
 32 imposed under chapter 290 apply to the fees imposed under this  
 33 section. The commissioner of revenue shall administer the  
 34 provisions.

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

Article 1 INCOME, CORPORATE FRANCHISE, AND ESTATE TAXES.....	page 2
Article 2 PROPERTY TAXES.....	page 24
Article 3 SALES AND USE TAXES.....	page 89
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Article 5 ELECTRONIC PAYMENTS.....	page 121
Article 6 MISCELLANEOUS.....	page 126

APPENDIX  
Repealed Minnesota Statutes for 05-0008

**273.19 LESSEES AND EQUITABLE OWNERS.**

Subd. 5. Property used for production of hydro power. Notwithstanding the provisions of subdivision 4, real and personal property used or to be used primarily for the production of hydroelectric or hydromechanical power and leased from the state or a local governmental unit pursuant to section 103G.535 may be exempt from taxation or payments in lieu of taxes.

The exemption from taxation or payments in lieu of taxes provided by this subdivision does not apply to hydroelectric or hydromechanical facilities operated at any time between January 1, 1980 and January 1, 1984.

**274.05 AUDITOR'S CERTIFICATES.**

Subdivision 1. Auditor's certificate of assessment books. Upon the return of the assessment books under section 274.04, the county auditor shall examine them; and, if found in proper form, shall issue a certificate to the assessor. The certificate must state that the books comply with section 274.04. The assessor shall file the certificate with the clerk of the town. The town board must not pay the assessor for services until the assessor has complied with this section.

Subd. 2. Auditor's certificate of summaries. On receiving the summaries under section 274.04, subdivision 2, the county auditor shall examine them and, if found in proper form, shall issue a certificate to the assessor. The certificate must state that the summaries comply with section 274.04, subdivision 2.

**275.15 NOT TO INCREASE LEVIES.**

Sections 275.124 to 275.16 shall not authorize, nor be construed as, in any instance, authorizing the levy of total amounts of taxes in any year in excess of the amount allowed by law at the time of the passage of these sections, but shall be considered an additional limitation.

**275.61 VOTER APPROVED LEVY; MARKET VALUE; NET TAX CAPACITY CONVERSION.**

**283.07 TAXES PAID BY MISTAKE ON RAILROAD LANDS.**

When it shall be made to appear to the board of county commissioners of any county that any person has heretofore by mistake paid taxes on real estate based on the good faith belief at the time of payment that the person was the owner, in which real estate the person never owned any right, title, or interest, and which real estate had never been sold to any person by such railroad company; but was, at the time of the assessment and payment of such taxes, owned by a railroad company and exempt from taxation, the county commissioners shall certify the facts to the state auditor, and the state auditor shall, if satisfied, upon consultation with the attorney general, that the facts stated by the petitioner requesting reimbursement are true, authorize the refunding to the person who has paid such taxes the full amount so paid, together with interest thereon from the date of such payment, and thereafter the county auditor shall draw an order, for the sum so authorized to be refunded, on the treasurer of such county, to be countersigned and paid as other county orders. The several funds, state, county, town, city, school and other, shall be charged with their several proportions of the amount so refunded.

APPENDIX  
Repealed Minnesota Statutes for 05-0008

**289A.26 PAYMENT OF ESTIMATED TAX BY CORPORATIONS.**

Subd. 2a. **Electronic payments.** If the aggregate amount of estimated tax payments made during a calendar year is equal to or exceeds \$20,000, all estimated tax payments in the subsequent calendar year must be paid by electronic means.

**289A.60 CIVIL PENALTIES.**

Subd. 21. **Penalty for failure to make payment by electronic means.** In addition to other applicable penalties imposed by this section, after notification from the commissioner to the taxpayer that payments are required to be made by electronic means under section 289A.20, subdivision 2, paragraph (e), or 4, paragraph (c), or 289A.26, subdivision 2a, and the payments are remitted by some other means, there is a penalty in the amount of five percent of each payment that should have been remitted electronically. After the commissioner's initial notification to the taxpayer that payments are required to be made by electronic means, the commissioner is not required to notify the taxpayer in subsequent periods if the initial notification specified the amount of tax liability at which a taxpayer is required to remit payments by electronic means. The penalty can be abated under the abatement procedures prescribed in section 270.07, subdivision 6, if the failure to remit the payment electronically is due to reasonable cause.

**295.55 PAYMENT OF TAX.**

Subd. 4. **Electronic payments.** A taxpayer with an aggregate tax liability of \$120,000 or more during a fiscal year ending June 30 must remit all liabilities by electronic means in the subsequent calendar year.

**295.60 SPECIAL FUR CLOTHING TAX.**

Subd. 4. **Electronic funds transfer payments.** A taxpayer with an aggregate tax liability of \$120,000 or more during a fiscal year ending June 30 must remit all liabilities by electronic means.

**297E.12 CIVIL PENALTIES.**

Subd. 10. **Order payments credited.** All payments received may be credited first to the oldest liability not secured by a judgment or lien in the discretion of the commissioner of revenue, but in all cases must be credited first to penalties, next to interest, and then to the tax due.

**297F.09 RETURNS; PAYMENT OF TAX.**

Subd. 7. **Electronic payment.** A cigarette or tobacco products distributor having a liability of \$120,000 or more during a fiscal year ending June 30 must remit all liabilities in the subsequent calendar year by electronic means.

**297G.09 RETURNS; PAYMENT OF TAX.**

Subd. 6. **Electronic payments.** A licensed brewer, importer, or wholesaler having an excise tax liability of \$120,000 or more during a fiscal year ending June 30 must remit all excise tax liabilities in the subsequent calendar year by electronic means.

**297I.35 PAYMENT OF TAX.**

Subd. 2. **Electronic payments.** If the aggregate amount of tax and surcharges due under this chapter during a calendar year is equal to or exceeds \$120,000, or if the taxpayer is required to make payment of any other tax to the commissioner by electronic means, then all tax and surcharge payments in the subsequent calendar year must be paid by electronic means.

APPENDIX  
Repealed Minnesota Statutes for 05-0008

**469.1794 DURATION EXTENSION TO OFFSET DEFICITS.**

Subd. 6. Commissioner authority. (a) If the municipality determines that the extension permitted under subdivision 5 will not provide sufficient revenue to pay in full the amount of qualifying obligations, the municipality may apply to the commissioner of revenue for an additional duration extension. The commissioner may authorize an extension of the duration of the district of up to two years after determining that:

(1) the insufficiency of revenues to pay the qualifying obligations, which will be offset by the additional extension of the duration limit, result from (i) the changes in the class rates and (ii) elimination of the state-determined general education property tax levy under Laws 2001, First Special Session chapter 5;

(2) the municipality has or is transferring all available increments from other preexisting districts and after August 1, 2001, has not entered into new obligations or authorized new spending that reduced the amount of those increments that are available for transfer to pay qualifying obligations; and

(3) increases in increments over the term of the district are unlikely to eliminate the insufficiency.

(b) The commissioner may:

(1) establish the form of and time for applications under this subdivision; and

(2) require the municipality to provide the information that the commissioner determines is necessary or useful in evaluating the application.

(c) This subdivision does not apply to a district if the authority has made an election under subdivision 5, paragraph (c).

# 2005 REVENUE DEPARTMENT BILL SUMMARY

## MINNESOTA REVENUE

Bill Date: January 10, 2005 (Rev. No. 05-0008)  
Summary Date: February 18, 2005

Appeals and Legal Services Division  
600 North Robert Street  
Saint Paul, Minnesota 55146-2220

- |   |
|---|
| <p>* Indicates a technical proposal.</p> <p># Indicates a proposal that is the same or similar to an item in the proposed 2005 Senate Tax Bill.</p> |
|---|

### ARTICLE 1: INDIVIDUAL INCOME AND CORPORATE FRANCHISE TAX

**Section 1. Electronic Payment of Refunds.** Amends Minn. Stat. § 289A.08, subd. 3, to require corporations to include information on a return that is necessary for the commissioner to make the payment of the excess taxes paid by electronic means. Effective for returns filed after December 31, 2005.

**Section 2. Bonus Depreciation Included on Composite Returns Filed by Partnerships, "S" Corporations, and Trusts for Nonresident Individual or Trust Partners, Shareholders or Beneficiaries.** Amends Minn. Stat. § 289A.08, subd. 7, to allow a trust which is a partner, shareholder, or beneficiary to be included on a composite return which fulfills the Minnesota income filing requirement of the nonresident owner for the flow-through income. Further, this section clarifies that the bonus depreciation addition coming from the flow-through entity is included on the Minnesota composite return. Finally, this section provides that a subtraction for bonus depreciation can be taken on the composite return to the extent the owner would have been entitled to the subtraction had the owner filed their own Minnesota return. Effective for tax years beginning after December 31, 2004.

**Section 3. Fractional Year Returns of Unitary Corporations.** Amends Minn. Stat. § 289A.18, subd. 1, to permit the filing of a fractional year return of a corporate member of a unitary group of corporations on the same date as the unitary group's corporate return is due. Effective for fractional years closing after December 31, 2004.

\* **Section 4. Federal Tax Changes.** Amends Minn. Stat. § 289A.38, subd. 7, to include corporate franchise tax returns among the returns that must be filed by a taxpayer when the taxpayer is notified of federal returns. The amendment corrects an oversight, as the operative provisions in the first sentence of the section clearly apply to corporate franchise taxpayers. Effective the day following final enactment.

**Section 5. Electronic Payment of Refunds.** Amends Minn. Stat. § 289A.50, subd. 1a, to require corporations to include information on a claim for refund that is necessary for the commissioner to make the payment of the refund by electronic means. Effective for claims for refund filed after December 31, 2005.

~~**Section 6. Preparer Penalty.**~~ Amends Minn. Stat. § 289A.60, subd. 13, to change the standard for imposing a \$500 penalty on a paid tax return preparer who prepares a return that understates the tax or overstates a credit. Currently, the penalty is imposed if the preparer willfully attempts to understate the tax or overstate a credit. Under the change, the penalty will be imposed if the

preparer either willfully or with reckless disregard attempts to understate the tax or overstate the credit. Effective for returns submitted after December 31, 2005.

**Section 7. Penalty for Improperly Claiming a Refundable Credit.** Adds a new penalty to Minn. Stat. § 289A.60 which bars an individual from claiming a refundable credit in succeeding tax years if a working family credit, dependent care credit, education credit, or property tax refund is fraudulently claimed or claimed with reckless or intentional disregard of the law. If the taxpayer fraudulently claims the credit, the taxpayer is barred from claiming that credit for the next ten years. If the credit is claimed by the taxpayer with reckless or intentional disregard, the taxpayer is barred from claiming that credit for the succeeding two years. Effective for credits or refunds claimed after December 31, 2005.

**\* Section 8. Addition for Expenses for Income Taxable Federally but Not by Minnesota.** Amends Minn. Stat. § 290.01, subd. 19a, to provide that the addition for expenses attributable to interest on U.S. obligations is not required under this section. Instead the expenses are netted from the gross interest in computing the subtraction for U.S. interest in a change proposed in the next section. This section also changes the language describing "income taxes paid to another state" to be more consistent with other provisions in Minn. Stat. ch. 290. Effective for tax years beginning after December 31, 2004.

**\* Section 9. Obsolete Youth Works post Service Subtraction Eliminated: Bonus Depreciation Subtraction Modification.** Amends Minn. Stat. § 290.01, subd. 19b, to eliminate the subtraction from federal taxable income for post service benefits which are no longer paid (last benefit available was paid in 2002) to volunteer workers in the federal Youth Community Service program. Also the subtraction for individuals who have had to add-back federal bonus depreciation is modified to allow individuals who are owners of stock of a "C" corporation which added back bonus depreciation and has now converted to an "S" corporation to claim a pro rata share of the corporation's remaining bonus depreciation subtraction. Finally, this section provides that the subtraction for interest on U.S. government obligations is the net interest rather than the gross interest. The addition in Minn. Stat. § 290.01, subd. 19a(5) for expenses attributable to income Minnesota does not tax is also changed to prevent the double counting of these expenses. The elimination of the Youth Works subtraction and subtraction for U.S. interest income is effective for tax years beginning after December 31, 2004. The change to the bonus depreciation subtraction is retroactively effective to tax years beginning after December 31, 2001.

**Section 10. Corporations; Additions to Federal Taxable Income.** Deletes Minn. Stat. § 290.01, subd. 19c(12), because by the terms of the federal law the environmental tax was effective for tax years beginning after December 31, 1986, and before January 1, 1996. The tax addition has had no effect for tax years beginning after December 31, 1995. Effective the day following final enactment. Amends Minn. Stat. § 290.01, subd. 19c(15), to cite particularly the subdivisions of Internal Revenue Code § 168 that allow the depreciation deduction that is the subject of the Minnesota additions to federal taxable income. Effective the day following final enactment.

**\* # Section 11. Income Taxes Paid to Other States.** Amends Minn. Stat. § 290.06, subd. 22, to make the language describing income taxes paid to another state more consistent within Minn. Stat. ch. 290. Section 17 also corrects the cite to Minn. Stat. § 290.01, subd. 7 (definition of resident) in the credit for taxes paid another state caused by 2001 legislation which changed the paragraphs in Minn. Stat. § 290.01, subd. 7. Effective for tax years beginning after December 31, 2004.

\* **Section 12. Education Credit Cite to Education Code.** Amends Minn. Stat. § 290.0674, subd. 1, to change the cite in the education credit to the list of curriculum areas of study for which fees for instruction qualify for the education credit. The changes are needed because 2003 education legislation changed where the list is found in Minn. Stat. ch. 120B from 120B.02 to 120B.021 and 120B.022. Effective for tax years beginning after December 31, 2004.

\* **Section 13. Cross Reference to Cooperatives Organized under Minn. Stat. ch. 308B.** Amends Minn. Stat. §290.0922, subd. 2 to update a cross reference for purposes of corporate franchise tax to be the same regardless of whether the coops are organized under Minn. Stat. ch. 308A or the new Minn. Stat. ch. 308B. For purposes of this statute, it is immaterial whether a coop is organized under Minn. Stat. chs. 308A or 308B. Effective for taxes payable in 2004 and thereafter.

\* **Sections 14 and 15. Estate Tax Computation and Deduction for State Death Taxes.** Amends Minn. Stat. §§ 291.005, subd. 1 and 291.03, subd. 1 to provide that in computing the Minnesota estate tax which is based on "federal taxable estate" the "federal taxable estate" is adjusted for the Minnesota computation by not allowing a deduction for the state death taxes incurred by the estate. State death taxes become deductible in computing the federal taxable estate beginning with estates of decedents dying after December 31, 2004. This Minnesota change prevents a circular computation of both the federal and Minnesota taxes. Effective for estates of decedents dying after December 31, 2004.

\* **# Section 16. Repealer.** Repeals Minnesota Rules parts 8093.2000 and 8093.3000. Part 8093.2000, Contents of Declaration of Estimated Tax, was promulgated to give guidance for corporate taxpayers subject to the estimated tax provisions of Minn. Stat. § 290.931. Minn. Stat. § 290.931 has been replaced by Minn. Stat. § 289A.26 which clearly sets forth requirements for corporations computing estimated tax.

\* **# Part 8093.3000, Extension of Time for Filing Declarations by Corporations,** was promulgated pursuant to Minn. Stat. § 290.932, subd. 4, which permitted the commissioner to grant a reasonable extension of time for filing a declaration of estimated tax. This subdivision of the statute was repealed in 1990.

## ARTICLE 2: PROPERTY TAX

**# Sections 1, 36, 47, 48, 49, 51, and 52. Population Estimates.** Amends Minn. Stat. § 4A.02 and enacts the new section 473.24, to provide procedures and revised dates by which the Metropolitan Council and State Demographer must annually produce estimates of population and household size for cities, towns, and counties. Amends Minn. Stat. §§ 276A.01, subd. 7, and 473F.02, subd. 7, to specify that the annual population estimates used for purposes of the fiscal disparities programs are the estimates produced according to the new amended § 4A.02 or § 473.24. Amends § 477A.011, subds. 3 and 38, to specify that the annual population and household estimates used for purposes of the local government aid program for cities under § 477A.013 are the estimates produced according to the amended § 4A.02 or the new § 473.24. Amends Minn. Stat. § 477A.0124, subd. 2, relating to county program aid, for the same reasons. Sets July 15 (was July 1) as the new cut-off date for when the estimates become final for these purposes. Effective the day following final enactment.

\* **# Section 2. Manufactured Homes Personal Property Taxes.** Amends Minn. Stat. § 168A.05, subd. 1a, to clarify the requirement added in 2003 that certain outstanding personal property tax



amounts must be paid for a purchaser to obtain a new certificate of title for a manufactured home. The 2003 change requires "taxes levied on the unit in the name of (the seller)" to be paid prior to issuing a new certificate. The proposed changes will clarify that these include taxes payable in the current year. Effective the day following final enactment.

\* **Section 3. Reporting Range Area Fiscal Disparities Values.** Amends Minn. Stat. § 270.11, subd. 2, to specify that the assessment abstracts submitted to the commissioner of revenue include the range area fiscal disparities contribution values, rather than continuing to collect this data under the commissioner's general power to specify the information needed from local officials. Effective the day following final enactment.

\* **Section 4. Quintile Assessments.** Amends Minn. Stat. § 270.16 subd. 2 to refer to one-fifth of the parcels rather than one-fourth. In 2003 when Minn. Stat. § 273.01 was amended to require at least one-fifth of parcels listed to be appraised each year rather than one-fourth, other statutes referring to a quartile assessment were amended to refer to a quintile assessment, and this section was inadvertently omitted. Effective the day following final enactment.

\* **# Sections 5, 8, 9, 10, 11, 12, 13, 14, and 26. Cross References to Existing Property Tax Exemptions.** Several new subdivisions which cross reference existing property tax exemptions found in other statutes are added to Minn. Stat. §§ 272.02, 272.01, subd. 2, and 273.19, subd. 1a. The exemptions deal with leased housing and redevelopment authority property, cooperative farming agreements, property subject to taconite production tax or net proceeds tax, religious corporations, children's homes, housing and redevelopment authority property, tribal housing authority property, redevelopment projects, property owned by the Spirit Mountain Recreation Area authority and property of regional rail authorities. These are cross references to existing laws and do not create new exemptions. All cross references are effective the day following final enactment.

\* **# Sections 6 and 7. Institutions of Purely Public Charity.** Amends Minn. Stat. §§ 272.02, subd. 1a and 272.02, subd. 7, to remove obsolete references to repealed provisions and to insert statements which clarify that government rent assistance and government contract payments are not donations or gifts for the purposes of this exemption. Section 6 is effective the day following final enactment, and Section 7 is effective for taxes payable in 2004 and thereafter.

\* **Section 15. Definition of Installed Capacity.** Amends Minn. Stat. § 272.02 by adding a new subdivision which defines "installed capacity" as "generator nameplate capacity" for purposes of determining qualification for utility personal property exemptions. Generator nameplate capacity is a standard definition used in the electric generator industry. Effective the day following final capacity.

\* **# Section 16. Annual Reporting Dates for Wind Energy Production Tax (WEPT).** Amends Minn. Stat. § 272.029, subd. 4, to move up annual reporting dates for WEPT from March 1 to February 1. Earlier filing of production reports from owners of these systems will allow the deadline for the Department of Revenue to notify companies and counties to be moved up from March 31 to February 28. The earlier notification of current year tax amounts will help townships to better anticipate WEPT revenues for the following year when adopting levies in March. Effective for reports and certifications due in 2006 and thereafter.

**# Section 17. New Distribution Formula for Wind Energy Production Tax (WEPT).** Amends Minn. Stat. § 272.029, subd. 6. The current statute distributes WEPT revenues in the same

proportion as current year tax rates and includes the state in the distribution. The change would use set percentages of 80% to counties, 14% to cities/townships, and 6% to school districts beginning with distribution in 2006. The proposal also clarifies that beginning with distributions in 2004 and 2005 the state is not included in the distribution. Effective the day following final enactment.

**\* Sections 18, 19, and 20. Cross References to Cooperatives Organized under Minn. Stat. ch. 308B.** Amends Minn. Stat. §§ 273.11, subd. 8, 273.124, subd. 3, and 273.124, subd. 6 to update cross references to allow property classification/homestead exemption eligibility for coops to be the same regardless of whether the coops are organized under Minn. Stat. ch. 308A or the new Minn. Stat. ch. 308B. For purposes of these statutes, it is immaterial whether a coop is organized under Minn. Stat. chs. 308A or 308B. Effective for taxes payable in 2004 and thereafter.

**\* # Sections 21 and 24. Agricultural Homesteads for Entity-Owned Land.** Amends Minn. Stat. § 273.124, subd. 8, by clarifying that in order to receive an agricultural homestead classification under this subdivision, limited liability companies must operate a "family farm" as defined in Minn. Stat. § 500.24. Effective the day following final enactment. Amends Minn. Stat. § 273.124, subd. 21(3) allowing certain trust-held property to qualify for the homestead classification. It will now be a requirement under this clause that the person actively farming the trust-held land be a qualified relative of the person who created the trust. Effective for taxes payable in 2006 and thereafter.

**Section 22. Homestead Penalties and Property Tax Refund Information.** Amends Minn. Stat. § 273.124, subd. 13, to change the penalty amounts associated with the existing "failure-to-notify" homestead penalty and the existing penalty for fraudulent homesteads. Also adds a new penalty for homestead benefits obtained or retained through taxpayer negligence. Effective for penalty determinations made on or after July 1, 2005. Also adds a new paragraph to this statute requiring the counties to provide the commissioner with certain information by electronic means on or before April 30 each year, beginning in 2006. This information can be used to verify the accuracy of homeowner property tax refund claims under Minn. Stat. ch. 290A.

**\* Section 23. Agricultural Homesteads and "Actively Farming."** Amends Minn. Stat. § 273.124, subd. 14, which provides that agricultural land of 40 acres or more that is actively farmed by its owner (or a qualifying relative) is eligible for agricultural homestead treatment. The amendments provide that this treatment is available if the owner, the owner's spouse or the son or daughter of the owner's spouse is actively farming over 50 per cent of the farmable land. The amendment adds a definition of "farmable land." Effective the day following final enactment.

**\* Section 25. Determination Dates for the Blind/Disabled Homestead Classification.** Amends Minn. Stat. § 273.1315 to provide that an applicant's blind or disabled status must be established by July 1 of the assessment year in order for the property to be eligible for this classification. Effective the day following final enactment.

**Section 27. Utility and Railroad Appeals.** Amends Minn. Stat. § 273.372 to clarify two procedural matters for Tax Court appeals of property taxes involving state-assessed utility and railroad properties: (1) The case must be brought against the commissioner of revenue in Ramsey county; and (2) There must be one petition that includes all parcels in the state owned by the petitioner for which the petitioner claims the value or tax is incorrect. Effective for petitions filed on or after September 1, 2005.

**\* # Sections 28 and 29. Local Boards of Appeal and Equalization.** Amends Minn. Stat. § 274.014, subs. 2 and 3, to clarify that local boards of equalization and review have until the meeting dates in 2006 to achieve training requirements related to that year, and to provide that the annual December 1 deadline for documenting attainment of training and quorum requirements relates to meeting the requirements of the current year rather than the prior year. Also clarifies that these requirements for local boards began in calendar year 2005. Effective the day following final enactment.

**\* # Section 30. County Board Meeting Dates.** Amends Minn. Stat. § 274.14 to delete obsolete language. Current law states that the County Board of Equalization may meet on any ten consecutive meeting days in June after the second Friday in June “if the actual meeting dates are contained on the valuation notices.” Actual meeting dates are now required to be on the valuation notices, so the stricken language, limiting the Board meetings to the last ten business days of June, is superfluous. Effective the day following final enactment.

**\* # Section 31. Date to Certify Levies and Tax Rates.** Amends Minn. Stat. § 275.065, subd. 1a, to change the date by which county auditors must certify levy and tax rate information to other county auditors with respect to taxing jurisdictions that cross county boundaries. Current law sets this date at September 20. This is not workable because school districts do not certify their levies until September 30. The proposal changes the date to October 5. Effective the day following final enactment.

**\* # Section 32. Disparity Reduction Aid Levy Adjustment.** Amends Minn. Stat. § 275.07, subd. 1, to remove duplicative language. Minn. Stat. § 275.07, subd. 1, reduces the levy for Disparity Reduction Aid (“DRA”), and Minn. Stat. § 275.08, subd. 1c, makes the same adjustment to tax rates. The levy-reduction language is stricken because the purpose of DRA is to reduce the disparity in local tax rates, not levies. Effective the day following final enactment.

**\* # Section 33. Reporting Special Levies on Surveys.** Amends Minn. Stat. § 275.07, subd. 4, to allow the commissioner to exclude special levy information from the information reported on the levy surveys required under this statute. Effective the day following final enactment.

**\* Section 34. State Aids Shown on Property Tax Statements.** Amends Minn. Stat. § 276.04, subd. 2(c)(4) to update the state aid amounts to be listed on the statement as those the state pays to reduce property taxes. References to “HACA” were previously eliminated, following the repeal of that aid in 2003. However, the remaining reference to aids under all of Minn. Stat. ch. 477A is over inclusive and is being changed to reference only the aids provided under §§ 477A.011 to 477A.014. The aids provided in that range of statutes include: (i) local government aid for cities under § 477A.013; and, (ii) county program aid under § 477A.0124. Effective the day following final enactment.

**\* # Section 35. Transmittal of State Property Tax Levy Receipts.** Amends Minn. Stat. § 276.112 to require that county treasurers transmit the state’s share of property tax receipts from the first half of the year, on or before June 28, rather than on or before June 29. This is necessary to insure that property taxes are transmitted to the state within the fiscal year of receipt by the county, even during years in which the deadline falls on a Saturday. Effective the day following final enactment.

**\* # Section 37. Tax Forfeited Property; Prohibited Purchasers.** Amends Minn. Stat. § 282.016

to clarify that the prohibitions in this statute preventing county auditors, treasurers, court administrators, assessors, and the other county officers and employees from purchasing tax forfeited land only apply to tax forfeited land in the county for which they perform duties. Effective the day following final enactment.

**Section 38. Apportionment of Forfeited Tax Sale Fund Net Proceeds.** Amends Minn. Stat. § 282.08 to change the annual apportionment of net proceeds in each county's forfeited tax sale fund. Under a provision enacted in 2003, the first claim on net proceeds in the fund are the amounts necessary – if any - to pay the state general property tax levies (payable in 2004 and thereafter) on any parcel that was sold or rented-out during the year. This amendment eliminates the state's share. Effective the day following final enactment for state general tax levy amounts payable in 2004 and thereafter.

**Section 39. Taxability of Certain Forfeited Lands Upon Sale.** Amends Minn. Stat. § 282.15. Under this statute, when tax-forfeited lands located in one of the reforestation areas created in 1931 or 1933 are classified by the county board as suitable for agricultural use, such lands become taxable for the next assessment year following the sale. This conflicts with the general provisions in Minn. Stat. § 272.02, subd. 38(c), under which all other tax-forfeited lands become taxable for the current assessment year when sold. Minn. Stat. § 282.15 is being made to conform to § 272.02, subd. 38(c). Effective for sales occurring on or after July 1, 2005.

**\* # Sections 40, 41, and 42. Tax Forfeited Land; Duties of the Commissioner of Finance, Natural Resources and Revenue.** Amends Minn. Stat. §§ 282.21, 282.224 and 282.301 to clarify the duties of the commissioners of finance, natural resources, and revenue with respect to issuing a conveyance for tax forfeited land under Minn. Stat. ch. 282. Effective the day following final enactment.

**Section 43. Electronic Filing of Certificates of Rent Paid.** Amends Minn. Stat. § 290A.19 to require owners or managing agents to submit through electronic means to the commissioner of revenue a copy of each certificate of rent paid by April 15 of the year following the year in which the rent was paid. The changes apply to owners or managing agents who issue 100 or more certificates for rent paid in 2006, 25 or more certificates for rent paid in 2007, and 5 or more certificates based on rent paid in 2008 or thereafter. Effective beginning with certificates issued for rent paid in 2006.

**Section 44. Senior Citizens' Property Tax Deferral Program.** Amends Minn. Stat. § 290B.05, subd. 3, to allow a deferral of any amount billed on the property tax statement for the property, subject to the existing dollar amount limitations of the program. Effective for amounts deferred in 2006 and thereafter.

**\* Section 45. State May Guarantee County Building Debt.** Amends Minn. Stat. § 373.45, subd. 7, to change the state aid payments to counties that may be off-set if the state pays a debt service obligation on behalf of the county under this program. References to (i) homestead and agricultural credit aid ("HACA"); (ii) county criminal justice aid; and, (iii) family preservation aid for counties are replaced by references to county program aid under Minn. Stat. § 477A.0124. Effective for aid payable in 2005 and thereafter.

**Section 46. Border City Development Zone Property Tax Reimbursements.** Amends Minn. Stat. § 469.1735, subd. 3, to change the date by which city officials must certify the amount of its

tax credit allocation that it wishes to use to reimburse the county and/or city for property tax reductions granted under the program. The current deadline is October 1 of the assessment year. The new deadline will be October 1 of the taxes payable year. The payment date for the reimbursements (December 26 of the taxes payable year) will remain the same. Effective for reimbursements of taxes payable in 2005 and thereafter.

**\* # Sections 50, 55 and 56. 2003 Tax Act Changes.** The following are clean up provisions related to the 2003 tax act. Amends Minn. Stat. § 477A.011, subd. 36, to clarify the “city aid base” definition under the “local government aid” program for cities. Amends 2003 Minn. Laws, 1<sup>st</sup> Spec. Sess., ch. 21, art. 5, sec. 13, to clarify city aid reductions for 2004. Amends 2003 Minn. Laws, 1<sup>st</sup> Spec. Sess., ch. 21, art. 6, sec. 9, to clarify county aid reductions for 2004. Section 50 is effective for aids payable in 2004 and thereafter, and sections 55 and 56 are effective for aids payable in 2004.

**Sections 53 and 54. Property Tax Proceeds to State by Electronic Funds Transfer.** Amends the effective dates for 2003 Minn. Laws, ch. 127, art. 5, sections 27 and 28, to make those effective dates consistent with the effective date for section 29 of that act. These sections deal with the transmission of property tax collections to the state by electronic funds transfer. No specific effective dates are provided, therefore, these two sections will take effect on either July 1 or August 1, 2005 according to the provisions of Minn. Stat. § 645.02.

**\* # Section 57. Authority for Townships in Lincoln and Pipestone Counties to Change 2004 Tax Levies.** Provides an uncodified provision which retroactively authorizes changes made to 2004 tax levies by three townships in Lincoln and Pipestone Counties to reflect Wind Energy Production Tax (WEPT) revenues. Effective for taxes payable in 2004.

**# Section 58. Repealer.**

**\* # Repeals Minn. Stat. §§ 273.19, subd. 5, 274.05, 275.15, 275.61, subd. 2, and 283.07** because they are obsolete. Effective the day following final enactment.

Repeals Minn. Stat. § 469.1794, subd. 6. Minn. Stat. § 469.1794 allows up to a four-year duration extension for tax increment financing (“TIF”) districts that existed prior to August 1, 2001; and which now have deficits, as defined in the section, due to the 2001 property tax reforms. Subdivision 6 allows up to an additional two-year duration extension conditioned on approval by the commissioner of revenue. Effective the day following final enactment for those districts eligible under Minn. Stat. § 469.1794.

**# Repeals 2003 Minn. Laws, ch. 127, art. 9, sec. 9, subd. 4, and 1975 Minn. Laws, ch. 287, sec. 5,** to eliminate the option for the Alexandria Lake Area sanitary sewer district and the recently created Central Lakes Region sanitary sewer district to levy property taxes on an alternative tax base that includes only 25% of the net tax capacity of agricultural property. Effective without local approval for taxes payable in 2006 and thereafter.

### ARTICLE 3: SALES AND USE TAX

**# Section 1. Omission of Use Tax.** Amends Minn. Stat. § 289A.38, subd. 6, to clarify that if a taxpayer omits an amount in excess of 25 percent from a use tax return, the period for assessing additional taxes is extended to 6½ years. Currently the statute only references sales and

withholding tax returns. Effective the day following final enactment.

**Section 2. Time Limitation for Assessments.** Amends Minn. Stat. § 289A.38, by adding a subdivision that extends the time for the commissioner to make an assessment when a purchaser refund claim is filed for tax improperly paid on an improvement to realty or on the purchase of nontaxable services. Currently the tax must be assessed on the seller within 3½ years of the sale but this provision would provide that the assessment may be made within 3½ years of the sale or within one year after the date of the refund order, whichever is later. Effective for purchaser refund claims filed on or after July 1, 2005.

\* # **Section 3. Definition of “Bad Debt.”** Amends Minn. Stat. § 289A.40, subd. 2, to clarify that while the definition of “bad debt,” for purposes of refund claims that relate to overpayment attributable to a loss from a bad debt, in general has the same meaning as used federally, the exclusions listed are only for claims relating to an overpayment of taxes under Minn. Stat. ch. 297A. The definition of “bad debt” passed during the 2003 legislative session as part of the Streamlined Sales Tax project, and is effective for “sales and purchases made on or after January 1, 2004.” Arguably, however, the definition of bad debt, with exclusions, is effective on or after July 1, 2003 for taxes other than sales tax. Therefore, the effective date of this section is on or after January 1, 2004, for sales tax, and on or after July 1, 2003, for all other taxes.

**Sections 4 and 5. Time Limitation on Refund Claims.** Amends Minn. Stat. § 289A.40, by adding subdivisions that provide that capital equipment and purchaser refund claims must be filed within 3½ years from the 20<sup>th</sup> day of the month following the month of the invoice date of the purchase. Effective for refund claims filed on or after the day following final enactment.

\* **Section 6. Sale and Purchase.** Amends Minn. Stat. § 297A.61, subd. 3, to clarify that dietary supplements are a taxable food item. This provision also clarifies that lodging is exempt if a person has a written agreement to stay in a specific facility for a continuous period of 30 days or more and the agreement requires a prior notice to terminate the agreement. Effective the day following final enactment.

\* **Section 7. Purchases for Resale.** Amends Minn. Stat. § 297A.61, subd. 4, to provide that items purchased for resale must be purchased to be resold, subleased or sub rented in the regular course of business of the purchaser. The normal course of business is defined in Minn. Stat. § 297A.61, subd. 21, as activities that demonstrate a commercial continuity or consistency of making sales or services for the purpose of attaining profit or producing income. Effective the day following final enactment.

\* **Section 8. Vehicle Rental Tax and Fee.** 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 rental motor vehicle tax and fee. Effective the day following final enactment.

\* # **Section 9. Sourcing of Watercraft, Aircraft, Modular Homes, Manufactured Homes, or Mobile Homes.** Amends Minn. Stat. § 297A.668, subd. 1, to clarify that this section covers the sourcing for watercraft, aircraft, modular homes, manufactured homes, or mobile homes. While the Streamlined Sales Tax Agreement provides that member states are not required to apply the sourcing rules to these items, Minnesota does so. Effective the day following final enactment.

\* # **Section 10. Sourcing of Transportation Equipment Purchases.** Amends Minn. Stat.

§ 297A.668, subd. 5, the sourcing and definition of transportation equipment, to include “aircraft that are operated by air carriers” that transport “persons or property in interstate commerce” and “containers designed for use on and component parts attached or secured on” the transportation equipment listed. These items are included in the definition of transportation equipment in the Streamlined Sales Tax Agreement, and were inadvertently omitted from the 2003 legislation. This section is effective for sales and purchases made on or after January 1, 2004, to be consistent with the effective date of the language from the 2003 legislative session.

**\* Section 11. Dietary Supplements.** Amends Minn. Stat. § 297A.67, subd. 2, to clarify that dietary supplements are a food or food ingredient but that they are not an exempt food or food ingredient. Effective for sales made on or after the day following final enactment.

**\* # Section 12. Industrial Production.** Amends Minn. Stat. § 297A.68, subd. 2, to clarify that materials and supplies used or consumed in providing services added to the sales tax base in 1987 do not qualify for the industrial production exemption. The amendment would clarify that these services are not considered to be tangible personal property for purposes of this exemption. Effective the day following final enactment.

**# Section 13. Capital Equipment.** Amends Minn. Stat. § 297A.68, subd. 5, to clarify that machinery and equipment used in providing services added to the sales tax base in 1987 and machinery and equipment used primarily in the furnishing, preparing, and serving of prepared food by restaurants does not qualify as capital equipment. This amendment would clarify that these services and prepared foods are not considered to be tangible personal property for purposes of this exemption. The amendment also corrects a reference to equipment used primarily in providing online data retrieval services that was inadvertently omitted during recodification. The provision corrects an inadvertent 2003 legislative drafting error and clarifies that repair parts for ready-mixed concrete trucks qualify as capital equipment. Both the purchase and lease of ready-mixed concrete trucks are currently exempt from sales tax. Effective the day following final enactment.

**\* Section 14. Telecommunications Equipment.** Amends Minn. Stat. § 297A.68, subd. 35, to clarify that the exemption for telecommunications equipment does not apply to machinery and equipment used to provide the services in paragraph (c) of section 297A.61, subdivision 24, which are specifically listed as not being included within the definition of telecommunications services. Effective the day following final enactment.

**# Section 15. Preexisting Construction Contracts and Bids.** Amends Minn. Stat. § 297A.68, subd. 39, to provide that transition period for preexisting construction contracts and construction bids also applies to tax rate increases in addition to sales tax base changes. Effective the day following final enactment.

**\* Section 16. Local Sales Tax Sourcing.** Amends Minn. Stat. § 297A.99, subd. 4, to provide that sourcing provisions for general local sales taxes are the same as the sourcing provisions that apply to the state general sales tax. Effective for sales made on or after January 1, 2004.

**Section 17. Local Sales Tax Exemptions.** Amends Minn. Stat. § 297A.99, subd. 7, to provide that there is exemption from local sales taxes for advertising materials and packing materials that are placed in the U.S. Mail for delivery outside the local jurisdiction, given to a common carrier for delivery outside the local jurisdiction or delivered outside the local jurisdiction in the seller’s vehicle. This provision would make the exemption for local sales tax consistent with the exemption

for the state sales tax which exempts advertising materials and packing materials when they are delivered outside Minnesota. Effective the day following final enactment.

**Section 18. 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 jurisdiction, the commissioner may offset the jurisdiction's local government aids 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.

\* # **Section 19. Repeal of Obsolete Sales and Use Tax Rules.** Repeals the following sales and use tax rules that are obsolete or that merely duplicate statutory language: Minnesota Rules, parts 8130.0110, subp. 4; 8130.0200, subps. 5 and 6; 8130.0400, subp. 9; 8130.1200, subps. 5 and 6; 8130.2900; 8130.3100, subp. 1; 8130.4000, subps. 1 and 2; 8130.4200, subp. 1; 8130.4400, subp. 3; 8130.5200; 8130.5600, subp. 3; 8130.5800, subp. 5; 8130.7300, subp. 5; and 8130.8800, subp. 4. Effective the day following final enactment.

#### ARTICLE 4: SPECIAL TAXES

##### Mortgage Registry Tax

\* # **Section 1. Mortgage Registry Tax Exemption.** Amends Minn. Stat. § 287.04 which sets forth exemptions to the mortgage registry tax to reference Minn. Stat. § 193.147 which deals with armories. Effective the day following final enactment.

##### MinnesotaCare

**Sections 2, 3 and 4. Blood and Blood Components.** Adds a new subdivision to Minn. Stat. § 295.50 defining "blood components." The amendment clarifies that only blood components, not blood derivatives, are exempt from the tax on legend drugs. Blood derivatives are derived from blood, plasma, or serum through a chemical manufacturing process. This change is consistent with Minn. Stat. § 151.44(a)(9) which excludes blood and blood components, not blood derivatives, from the definition of wholesale drug distribution. Effective for gross revenues received after December 31, 2004.

\* **Section 4. FEHBA Co-payments.** Amends Minn. Stat. § 295.53, subd. 1(a)(14) to clarify that enrollee deductibles, coinsurance, and co-payments are subject to the MinnesotaCare tax. Payments received under the Federal Employees Health Benefits Act (FEHBA) remain exempt from tax. Effective for enrollee deductibles, co-insurance, and co-payments received on or after the day following final enactment.

##### Fur Tax

**Section 5. Fur Tax.** Amends Minn. Stat. § 295.60, subd. 3 to allow estimated payments to be made based on the actual gross revenues received during the quarter. Under current law, taxpayers are required to make equal quarterly estimated payments based on 90% of the current year liability or 100% of the previous year liability. Effective for gross revenues received after December 31, 2004.



## **Petroleum Taxes**

**Section 6. Aviation Fuel Tax Exemption for Ambulance Service.** Amends Minn. Stat. § 296A.09 by adding a new subdivision to provide an exemption for ambulance service from the aviation fuel tax. There already are exemptions set forth in Minn. Stat. §§ 296A.07 and 296A.08 from gasoline and special fuel tax for ambulance service licensed under Minn. Stat. ch. 144E. Effective for purchases made on or after July 1, 2005.

\* **Section 7. Petroleum Tax Penalty Abatement.** Amends Minn. Stat. § 296A.22 by adding a new subdivision to provide general penalty abatement authority and a time frame for making appeals of penalty abatement denials. This section is effective for penalties imposed on or after the day following final enactment.

## **Gambling Tax**

As a result of the 2003 legislative session, linked bingo game provisions were added to Minn. Stat. ch. 349 which contains the regulatory provisions of the Minnesota Gambling Control Board. The revenue department is proposing that consistent changes be made to Minn. Stat. ch. 297E which contains the lawful gambling tax provisions.

\* **Section 8. Distributor.** Amends Minn. Stat. § 297E.01, subd. 5, which contains a definition of distributor to include a linked bingo game provider which will have the effect of requiring reporting of sales of gambling product. Effective the day following final enactment.

\* **Section 9. Gambling Product.** Amends Minn. Stat. § 297E.01, subd. 7, which contains a definition of gambling product to include linked bingo paper sheets. Effective the day following final enactment.

\* **Section 10. Linked Bingo Game.** Amends Minn. Stat. § 297E.01, by adding a new subdivision 9a, to define linked bingo game. Effective the day following final enactment.

\* **Section 11. Linked Bingo Game Provider.** Amends Minn. Stat. § 297E.01 by adding a new subd. 9b to define linked bingo game provider. Effective the day following final enactment.

\* **Section 12. Business Records.** Amends Minn. Stat. § 297E.06 subd. 2 which defines business records for lawful gambling taxes to provide that business records include copies of new electronic checks. See Public Law 108-100, section 3, signed October 28, 2003. Effective July 1, 2005.

\* **Section 13. Inspection Rights.** Amends Minn. Stat. § 297E.07 to give the commissioner of revenue the authority to inspect the place of business of a linked bingo game provider and the authority to inspect the books, records, and other documents required to be kept by this chapter. Effective the day following final enactment.

## **Cigarette Tax**

\* **Section 14. Cigarettes in Interstate Commerce.** Amends Minn. Stat. § 297F.08, subd. 12, to clarify that the reports are only required in relation to cigarettes manufactured by companies that are not original or subsequent participating manufacturers in the Master Settlement Agreement with other states. Effective the day following final enactment.

**Section 15. Bond Requirement.** Amends Minn. Stat. § 297F.08 by adding a new subdivision to provide authority to require a bond from cigarette distributors. Effective the day following final enactment.

\* # **Section 16. Cigarette Tax Return; June Acceleration.** Amends Minn. Stat. § 297F.09, subd. 1, regarding acceleration to clarify the return due dates for those distributors subject to the accelerated payment requirements. Effective the day following final enactment.

\* # **Section 17. Tobacco Products Tax Return; June Acceleration.** Amends Minn. Stat. § 297F.09, subd. 2, regarding acceleration to clarify the return due dates for those distributors subject to the accelerated payment requirements. Effective the day following final enactment.

### **Liquor Taxes**

**Section 18. Quarterly or Annual Returns and Payments.** Amends Minn. Stat. § 297G.09 to allow for quarterly or annual rather than monthly liquor tax returns and payments in certain situations. Effective for tax returns and payments due on or after January 1, 2006.

### **Insurance Taxes**

\* # **Section 19. Reinsurance.** Amends Minn. Stat. § 297I.01, by adding a new subdivision 13a, to define reinsurance. Effective the day following final enactment.

\* # **Section 20. Health Maintenance Organizations, Nonprofit Health Service Plan Corporations, and Community Integrated Service Networks.** Amends Minn. Stat. § 297I.05, subd. 5, to delete obsolete language and to clarify that the insurance premiums tax is imposed on all direct business received by the organization, network, or corporation or its agents in Minnesota, in cash or otherwise. This change was recommended by the Revisor's Office. It restores language that was inadvertently omitted from the law following separate changes made in the 2000 insurance tax recodification bill and the 2000 Omnibus tax bill. Effective January 1, 2005.

### **Repealer**

\* # **Section 21. Repealer.** Repeals a lawful gambling tax provision set forth in Minn. Stat. § 297E.12, subd. 10, dealing with allocation of payments since Minn. Stat. § 270.652 already deals with allocation of payments. Effective the day following final enactment.

## **ARTICLE 5: ELECTRONIC PAYMENTS**

**# Sections 1 to 7. Uniform Dollar Threshold for Paying Taxes, Fees, and Surcharges Electronically.** This article enacts a new Minn. Stat. § 270.772 establishing a uniform tax liability threshold of \$10,000 or more per year before a taxpayer is required to make payments electronically for that tax type in the following year. Applies to all tax types that currently utilize a dollar threshold. Individual income, estate, fiduciary, and airflight property taxes are excluded. Occupation taxes and gambling taxes from organizations conducting lawful gaming, tax types not previously included, will now be paid electronically. All the existing threshold requirements in the various tax statutes are repealed. The threshold is phased in over a period of two years, starting with \$20,000 for 2006 and \$10,000 for 2007. Effective for payments due in calendar year 2006 and

thereafter, based upon liabilities incurred in the fiscal year ending June 30, 2005, and in fiscal years thereafter.

## ARTICLE 6: MISCELLANEOUS

**# Section 1. Taxpayer Rights Advocate Assumes Duties of Case Reviewer.** Amends Minn. Stat. § 16D.10 to transfer the duties of the case reviewer for the collection of non-tax debts to the taxpayer rights advocate, and authorizes the advocate to issue debtor assistance orders if the advocate determines that the manner in which the state debt collection laws are being administered will create an unjust and inequitable result for the debtor. Effective the day following final enactment.

**# Section 2. Delegations of Authority.** Amends Minn. Stat. § 270.02, subd. 3, to provide that the delegations of authority granted by one commissioner of revenue remain in effect until revoked by that commissioner or a successor commissioner. Effective the day following final enactment.

**\* # Section 3. Date of Assessment of a Consent Agreement.** Amends Minn. Stat. § 270.65 by adding language to the date of assessment statute that in the case of a consent agreement under Minn. Stat. § 270.67, subd. 3, when the taxpayer is agreeing to a change in tax as the result of an audit, the date of assessment is the notice date shown on the consent form signed by the taxpayer. Effective the day following final enactment.

**Section 4. Offer in Compromise Deposit Requirement.** Minn. Stat. § 270.67, subd. 4 is amended to provide that taxpayers making compromise proposals pursuant to the section must submit a nonrefundable deposit of \$250.00 when making the proposal. The deposit will be applied to the compromise amount if the compromise is accepted and to the taxpayer's tax debts if the compromise is rejected. There is a provision for waiver of the deposit requirement in cases of financial hardship. The amendment is effective for offers submitted after August 31, 2005.

**# Section 5. Transcription of Liens to the Secretary of State.** Amends Minn. Stat. § 270.69, subd. 4, to provide that state tax liens filed in a county may be transcribed to the secretary of state. Effective the day following final enactment.

**Section 6. Business Tax Identification Numbers Made Public.** Amends Minn. Stat. § 270B.01, subd. 5, to reclassify business tax identification numbers from nonpublic data to public data. Effective the day following final enactment.

**Section 7. Disclosure of Tax Information to Business Entities.** Amends Minn. Stat. § 270B.03, subd. 1, to clarify that in the case of a corporation, partnership, sole proprietorship, or other type of business entity (such as a limited liability company), the data subject is an officer, partner, owner, or member of the business entity, the individual who signed the tax return for the business entity, or an employee of the business entity who is responsible for dealing with its tax matters. Effective the day following final enactment.

**\* # Section 8. Extension to File Estate Tax Return.** Amends Minn. Stat. § 289A.19, subd. 4, to change the extension to file a Minnesota estate tax return from an extension based on reasonable cause to an automatic extension upon a timely request. Effective for estates of decedents dying after December 31, 2004.

**# Section 9. Recalculation of Separate Spouse Liability.** Amends Minn. Stat. § 289A.31, subd. 2, to provide that the commissioner need not recalculate separate liability for an ex-spouse where the tax period was first due six years or more before the date of the request or where the remaining unpaid liability to recalculate is \$100 or less. Effective for requests for relief made on or after day following final enactment.

**\* # Section 10. Sending Orders of Assessment by Electronic Mail.** Amends Minn. Stat. § 289A.37, subd. 5, by providing that notice of an order of assessment can be sent by electronic mail to the taxpayer's electronic mailing address, as set forth in the Uniform Electronic Transactions Act. Effective the day following final enactment.

**Section 11. Penalty for Extended Delinquency.** Amends Minn. Stat. § 289A.60, subd. 2a, to provide that for any tax covered by Minn. Stat. ch. 289A, a penalty will be imposed for failure to file a tax return within 30 days after a written demand for filing the return is given to the taxpayer. The penalty shall be five percent of the tax not paid prior to the demand for filing the return or \$100, whichever amount is greater. Effective for returns originally due on or after August 1, 2005.

**\* # Section 12. Civil Fraud Penalty.** Amends Minn. Stat. § 289A.60, subd. 6, to clarify that the imposition and calculation of the 50 percent civil fraud penalty is the same for someone who fails to file a return with intent to evade tax as it is for someone who files a fraudulent return. Effective the day following final enactment.

**Section 13. Penalty for Submitting Incorrect Employee Withholding Exemption Certificate to Employer.** Amends Minn. Stat. § 289A.60, subd. 11 to modify the standard for imposing the \$500 penalty on an employee giving an employer an incorrect withholding tax exemption certificate. Currently, the penalty is imposed if the employee has reason to know the certificate contains a materially incorrect statement. Under the change the penalty would be imposed if the employee has no reasonable basis for the statement. This change would make the Minnesota standard for imposing the penalty parallel to the standard for imposing the federal penalty. Effective for certificates filed after December 31, 2005.

**\* # Section 14. Personal Liability Standard for Withholding Tax.** Amends Minn. Stat. § 290.92, subd. 1(4), to clarify the definition of employer in the withholding tax law to mean someone who has control, rather than "legal" control, over the payment of wages, so that both legal and actual control are covered. This makes the personal liability standard in the withholding tax statute consistent with the general standard of personal liability for trust taxes as set forth in Minn. Stat. § 270.101. Effective the day following final enactment.

**\* # Section 15. Annual Certification.** Amends Minn. Stat. § 290C.05 to clarify how claimants who fail to send in the annual certification by the due date, are treated. Adds a cross reference to Minn. Stat. § 290C.11 (penalties). Current language requires that land be removed from the program immediately upon failure to return the annual certification by the due date. This language makes it clear that failure to return an annual certification is treated the same way as any other program violation. The change codifies current practice, which is not to immediately remove the claimant from the program. Effective the day following final enactment.

**\* # Section 16. Length of the Covenant.** Amends Minn. Stat. ch. 290C by adding a new section to make the chapter easier to understand by dealing with the length of the covenant in one section. As currently provided in Minn. Stat. §§ 290C.04 and 290C.10 the covenant remains in effect for a

minimum of 8 years, unless an exception applies. The new section explains how the 4-year waiting period in Minn. Stat. § 290C.10 functions and explains how to determine when the covenant ends. Effective the day following final enactment.

**\* # Section 17. Acquisition of Land for a Public Purpose.** Amends Minn. Stat. § 290C.10 to allow early withdrawal of land from the program if a government entity or any other entity that has the power of eminent domain acquires title or possession for a public purpose. The proposed change also clarifies that when land is acquired in this manner, only the land acquired is removed from the program and land not so acquired remains in the program. The current language allows early withdrawal from the program “in cases of condemnation for a public purpose”. Effective the day following final enactment.

**\* # Section 18. Unfair Cigarette Sales Act.** Amends Minn. Stat. § 325D.33, subd. 6, which is part of the Unfair Cigarette Sales Act, to repeal language authorizing revocation of licenses since this is under the commissioner of revenue’s authority not the department of commerce. Effective the day following final enactment.

**\* # Section 19. Metropolitan Solid Waste Landfill Fee Penalty.** Amends Minn. Stat. § 473.843, subd. 5, to clarify that the penalty provisions related to the metropolitan solid waste landfill fee are those applicable to the corporate franchise taxes. This is similar to the change recently enacted to the hazardous waste generator tax. Effective the day following final enactment.

# MINNESOTA - REVENUE

## Department Tax Bill

February 7, 2005

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

Department of Revenue  
Analysis of H.F. 657 (Krinkie)/ S.F. 823 (Moua)

	<b>Fund Impact</b>			
	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>
	(000's)			
Senior Citizens' Property Tax Deferral – Include Special Assessments (starting 2006)	\$0	(\$19)	(\$25)	(\$32)
Fur Tax – Change Basis for Quarterly Payments (1/1/06)	(\$25)	\$0	\$0	\$0
Liquor Excise Taxes – Smaller Amounts Paid Quarterly or Annually Instead of Monthly (1/1/06)	(\$25)	\$0	\$0	\$0
<b>General Fund Total</b>	(\$50)	(\$19)	(\$25)	(\$32)
Aviation Fuel Excise Tax Exemption for Air Ambulances (7/1/05)	(\$15)	(\$15)	(\$15)	(\$15)
<b>State Airports Fund Total</b>	(\$15)	(\$15)	(\$15)	(\$15)

### EXPLANATION OF THE BILL

A section-by-section summary of the bill is attached.

### REVENUE ANALYSIS DETAIL

#### *Senior Citizens' Property Tax Deferral – Include Special Assessments*

- There were 100 applicants enrolled in the program in 2003. Enrollment is estimated to increase 25% annually during the forecast period.
- It is estimated that special assessments and other fees, charges, or taxes eligible to be deferred would average \$92 and would increase 2.5% annually.
- The payment for the deferred taxes from the general fund to the county occurs on August 31<sup>st</sup>, so the proposal would impact fiscal years 2007 and thereafter.

*Fur Tax – Change Basis for Quarterly Payments*

- The estimate was based on projected FY 2006 collections according to the November 2004 forecast. The change would cause a one-time revenue loss because of an initial year shift in tax payments.
- The change would affect the 25 furriers who pay the tax.

*Liquor Excise Taxes – Smaller Amounts Paid Quarterly or Annually Instead of Monthly*

- The change would cause two months of receipts to be shifted forward into the next fiscal year for the new quarterly filers. Similarly, the change would cause five months of receipts to be shifted forward into the next fiscal year for the new annual filers.
- Information from the Special Taxes Division is that there are currently 29 filers who pay less than \$500 per month in a quarter. These 29 filers have an average monthly tax of \$230. Further, there are 69 filers who pay less than \$100 per month during the calendar year. These 69 filers have an average monthly tax of \$30.

*Aviation Fuel Excise Tax Exemption for Air Ambulances*

- According to the Emergency Medical Services Regulatory Board, there are 7 air ambulance services registered in Minnesota.
- Information available from the Special Taxes Division indicates that revenue from the 5¢ per gallon excise tax on air ambulances is about \$15,000 annually.
- It is assumed that air ambulance service miles would stay at about the same level for the forecast period.

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)

A

1 Senator ..... moves to amend S.F. No. 823 as follows:

2 Page 10, delete section 7

3 Page 30, after line 30, insert:

4 "The items described in clauses (1) and (2) may, however, be  
5 considered when making other determinations related to an  
6 exemption under this subdivision, including, without limitation,  
7 for the purpose of determining whether the recipient of housing  
8 or housing services is required to pay in whole or in part for  
9 the housing."

10 Page 49, line 10, delete "may" and insert "shall"

11 Page 49, line 11, delete everything after "the"

12 Page 49, line 12, delete everything before "improper" and  
13 delete everything after "classification"

14 Page 49, line 13, delete everything before the period and  
15 insert "was due to reasonable cause"

16 Pages 52 to 58, delete section 23

17 Page 74, line 23, delete everything after the period

18 Page 74, delete lines 24 to 27 and insert "This paragraph  
19 does not apply to any owner or managing agent that is required  
20 to issue certificates to renters of fewer than 100 units."

21 Page 77, line 2, delete "and of population over age 65" and  
22 after "each" insert "county,"

23 Page 77, line 3, after "city" insert a comma

24 Page 77, line 4, before "average" insert "the number of  
25 households and"

26 Page 77, line 5, after "more," insert "and an estimate of  
27 population over age 65 for each county in the metropolitan area,"

28 Page 77, line 6, after the first "each" insert "county,"  
29 and after "city" insert a comma

30 Pages 131 to 133, delete sections 6 and 7

31 Renumber the sections in sequence and correct the internal  
32 references

33 Amend the title accordingly