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Senate

State of Minnesota

S.F. No. XXXX - Tax III Bill Summary

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**Article 1
Individual Income Tax**

Section 1. Additions to Federal Taxable Income. Updates the standard deduction allowed to married joint filers by eliminating the requirement that a portion of the deduction claimed for federal income tax purposes be added back to the computation of taxable income for state income tax purposes.

Section 2. Dairy Investment Credit. Provides a dairy investment credit for amounts expended for expenses incurred for qualifying investments in dairy operations. Qualifying expenditures are defined to mean expenses incurred for acquisition, construction, or improvement of buildings or facilities, or the acquisition of equipment used for dairy animal housing, confinement, feeding, milk production, and waste management. For qualifying expenditures up to \$500,000, the credit is equal to ten percent of the expenditures. The percentage of the applicable credit is reduced by one percent for each additional \$100,000 of expenditures, so that for expenditures between \$900,000 and \$1,000,000, the credit is \$74,000, plus one percent of the amount of qualifying expenditures between \$900,000 and \$1,000,000. For investments of \$1,000,000 or more, the credit is \$75,000. If the credit exceeds the taxpayer's tax liability, the excess may be carried to each of the 15 succeeding taxable years. The total credit for all claimants is limited to \$900,000 in 2005, \$2,000,000 in 2006, \$3,500,000 in 2007, and \$4,000,000 in 2008 and subsequent years. The Commissioner of Agriculture will issue certificates to allow claimants to take the credit. Claims that exceed the annual limit will be eligible for the credit the following year.

Section 3. Education Credit. Extends the education tax credit to include tuition expenses for a child attending an elementary or secondary school in Minnesota or the surrounding states.

Section 4. Deferred Payment of Compensation. Extends state taxation of compensation earned in Minnesota by a Minnesota resident but which is received by the recipient when the recipient was not a resident of the state for any part of the taxable year in which the wages are received.

Article 2 Corporate Franchise Tax

Section 1. Foreign Operating Corporation. Modifies the definition of a foreign operating corporation by requiring that the average of the percentages of its property and payrolls assigned to locations outside of the United States is 80 percent or greater, and it has at least \$2 million of property and \$1 million of payroll outside the United States.

Section 2. Foreign Royalty Deduction. Repeals the foreign royalty subtraction currently available to an FOC or foreign corporation.

Section 3. Dividends Received Deduction. Disallows a dividend received deduction from an FOC if the deemed dividend includes dividends, interest, royalties, or capital gains

Article 3 Sales Tax

Section 1. Exempt Meals. Adds to the list of meals which are exempt from sales tax those which are purchased for and served exclusively to children under the age of 14 (or 16 if disabled), and who are attending a child care or early childhood education program if purchased by a nonprofit child care facility that is otherwise tax-exempt and that primarily serves families with income no greater than 250 percent of the federal poverty guidelines. The meals must be prepared at the site of the child care facility. This provision is retroactive to sales after December 31, 1997.

Sections 2 and 4. Solar Energy Exemption. Provides a sales tax exemption for solar energy systems and does not extend the exemption currently available to energy efficient products. Strikes the sunset on this subdivision.

Section 3. Hydroelectric Generating Facility. Exempts materials and supplies used or consumed in the construction of a hydroelectric generating facility that utilizes two turbine generators at a dam site existing on March 31, 1994, and is located on land within 1500 feet of a 13.8 kilovolt distribution circuit, and is eligible to receive a renewable energy production incentive payment. This section is effective for sales made after December 31, 2004, and before December 31, 2007.

Section 5. Mower County. Authorizes Mower County to impose sales and use tax of up to one-half of one percent. The proceeds of the tax must be used to pay the cost associated with a criminal justice center for Mower County. This facility would be used for jail, law enforcement, dispatch, courts, court administration, correctional services, and county attorney functions. The county is authorized to issue bonds to finance the cost of this project. The issuance is not subject to a referendum, nor to the requirement that the debt service be levied against the referendum market value. The taxes would expire when the county board determines that sufficient revenues have been raised to pay for the project or at an earlier time determined by the county.

Section 6. Worthington Sales Tax. Authorizes the city of Worthington to impose a sales and use tax at a rate of up to one-half of one percent. The sales tax is subject to approval by the voters at the next general election or at a special election held before January 1, 2006. The city is also authorized to impose an excise tax of up to \$20 per motor vehicle purchased from a person engaged in the business of selling motor vehicles at retail within the city. The revenues from the taxes are required to be used to pay for the cost of a multipurpose city facility which would include meeting rooms, a swimming pool, a senior citizens center, and to renovate the Memorial Auditorium. If the voters approve imposition of the tax, then the city is authorized to issue up to \$7,800,000 in bonds to pay for the cost of the improvements that may be financed by the tax proceeds. An additional referendum on the issuance of the bonds is not required. This bond issuance is exempt from the requirements that the levy for debt must be levied against the referendum market value of property in the city. The debt is not included in the municipal debt limitation and any levy of taxes to pay the debt service is not subject to any levy limitation. The tax will expire at the earlier of ten years or the time when the city council determines that the revenue from the taxes is sufficient to pay for the project financed by this tax.

Article 4 Property Tax and Aids

Section 1. Hydroelectric Generation Facility. Extends the date that construction on a hydroelectric generation facility must begin by two years from January 1, 2005, to January 1, 2007. This section also strikes the requirement that the facility be located on publicly owned land.

Section 2. Electric Generation Facility Personal Property. Exempts the attached machinery and other personal property that is part of either a simple-cycle or a combined-cycle combustion-turbine electric generation facility that does not exceed 325 megawatts of installed capacity, and that meets the following criteria at the time of construction: the combined-cycle combustion-turbine generator must be fueled by natural gas; must be connected to an existing 115-kilovolt high-voltage electric transmission line that is within two miles of the facility; must be located on an underground natural gas storage aquifer; must be designed as either a peaking or intermediate load facility; and must have received approval from the governing body of the county for the exemption. Construction of the facility must commence after January 1, 2006, and before January 1, 2008.

Sections 3 and 4. Energy Efficiency Determination. Clarifies the calculation the Commissioner of Commerce must apply in determining the efficiency of an electric generation facility. That

calculation is based on the ratio of useful energy outputs to inputs, expressed as a percentage, based upon the performance of the facility's equipment during normal full load operation. Section 4 increases the sliding scale market value exclusion for qualifying energy efficient property from five percent to eight percent for each percentage point that the efficiency rating of the facility is above 40 percent.

Section 5. State General Levy; Tax Rate. Fixes the rate of the state property tax levy on commercial industrial property at the rate imposed for taxes payable in 2002. The amount of the state levy on seasonal recreational property would continue to be increased based on the rate of inflation as under current law. Beginning with taxes payable in 2008, the Commissioner of Finance is required to deposit the increase in the state general levy over the amount levied in 2002 in the Education Reserve Account.

Section 6. HRA Tax Levies. Provides that the levy limit for housing and redevelopment special taxing districts is calculated based on the taxable market value for the current assessment year rather than the previous year.

Section 7. Bloomington Fiscal Disparities Contribution. Delays for eight years the beginning of the repayment required from the city of Bloomington to the Metropolitan Area Fiscal Disparities Pool. From 1988 to 1999, the city essentially borrowed from the fiscal disparities pool the amount necessary to make interest payments on bonds that were sold for highway improvements related to the Mall of America development. Under current law, Bloomington's contribution to the fiscal disparities pool is scheduled to be increased for property taxes payable in years 2006 through 2015. This bill would delay the commencement of that repayment obligation to taxes payable in 2014, continuing through 2023.

Section 8. City Revenue Need. Changes the inflation factor applied to the city revenue need. Under current law, the inflation factor is the most recent annual implicit price deflator (IPD) compared to the 2003 annual IPD. Under this section, the ratio will be based on the most recently available first quarter IPD to the first quarter IPD for 2002. This section also provides a new definition of city revenue need that would apply to cities that have a population of 2,500 or more, but of which the population in one of the most recent available five years was less than 2,500. The city revenue need for the cities that have recently reached a population of 2,500 would be the sum of the large city revenue need, multiplied by a transition factor, plus the small city revenue need multiplied by the difference between one and its transition factor. The transition factor is equal to 0.2 multiplied by the number of years that the city's population estimate has been 2,500 or more. The provision applies to aids payable in calendar years 2006 to 2008 only to cities with a 2002 population of less than 2,500. It would apply to any city the populations of which reached 2,500 in the past five years for aids payable in 2009 and thereafter.

Section 9. City Aid Base Definition. Corrects an error in the 2003 Omnibus Tax Act. Striking this paragraph was unintentionally missed when the 2003 Legislature redefined Local Government Aid for cities. Paragraph (f) would have the effect of preserving the grandfathered aid base. This section also provides for increases in the city aid base of \$250,000 for the city of Osseo, \$500,000

for the city of Hutchinson and \$25,000 for the city of Champlin in calendar year 2006. This section also changes the city aid base for nonmetro cities having a population greater than 10,000. Under current law, a city's population must have been greater than 10,000 according to the 2000 census in order to qualify for additional aid. This section allows cities to receive the additional aid based on their current population.

Sections 10 and 15. Postretirement Health Insurance Cost. Provides for payments to Anoka and Washington Counties to compensate them for postretirement costs of health insurance premiums for court employees. In 2006 and thereafter, \$73,259 is annually allocated to Anoka County, and up to \$59,664 is annually allocated to Washington County. Section 15 provides that one-half of those amounts are payable for aids in 2005 only to those counties.

Section 11. City Revenue Base; Taconite Aid. Eliminates the addition of taconite aid to the city revenue base. Under current law, taconite aids are added into the city revenue base beginning in 2005 (25 percent in 2005, 50 percent in 2006, 75 percent in 2007 and 100 percent in 2008 and thereafter).

Section 12. City Aid Distribution. Raises the limit on the maximum LGA increase to a city in any year from 10 percent to 50 percent of a city's levy in the previous year. The current law limiting aid decreases for both large and small cities is retained. Obsolete language relating to the 2004 aid distribution is eliminated.

Section 13. LGA Appropriation. Increases the appropriation for city LGA from \$437,052,000 to \$522,052,000 for aids payable in 2006. For aids payable in 2007 and subsequent years, the appropriation is indexed for inflation with a minimum of 2.5 percent and a maximum of five percent each year until the need increase percentage equals one. The increased aid is intended to be used by cities to pay costs related to public safety.

Section 14. Lakeview Cemetery. Increases the authorization for certain cities and towns to levy for the Lakeview Cemetery Association from \$15,000 to \$25,000 annually.

Section 16. Crow Wing County Sewer District. Authorizes Crow Wing County to create a sewer district under chapter 116A.

Section 17. White Bear Lake LGA. Appropriates \$104,964 to the Commissioner of Revenue to make payments to the city of White Bear Lake. One half of that amount would be paid on July 20, 2005, and one half on December 6, 2005, the same dates on which local government aid payments are made.

Article 5 International Economic Development Zone

Sections 1 and 9. Jobs Credit. Provide a jobs credit to a qualified business operating within an international economic development zone. The credit would be equal to seven percent of the lesser

of: (1) the increase in the payroll in the zone since the year when the zone was designated; or (2) the increase in total Minnesota payroll since the year of designation, provided that the credit applies to compensation between \$30,000 and \$70,000, with these amount adjusted for inflation. The credit is refundable and an appropriation is provided to pay for refunds.

Section 2 Tax Credit. Provides an income tax credit for individuals or corporations equal to 50 percent of the amount of qualifying investment in a regional distribution center developed within the zone. Unused portions of the credit may be carried over for five years.

Section 3. Apportionment Formula. Provides a special apportionment formula for corporations, partnerships, or proprietorships that are qualified businesses operating within the international economic development zone. Property and payroll from the zone would be excluded from calculations used to determine the apportionment percentage that applies to the taxpayer's income.

Section 4. Exemptions. Provides that purchases of tangible personal property or taxable services by a qualified business are exempt if they are primarily used or consumed in an international economic development zone. Purchases of construction materials and supplies for construction of improvements to real property in a zone are exempt if the property is used in the conduct of a qualified business; this exemption applies to purchases by the business or a contractor. These exemptions extend to any local sales taxes.

Section 5. Definitions. Provides definitions of terms used in this article. The most significant definitions include the following:

1. "Foreign trade zone authority" means the Greater Metropolitan Foreign Trade Zone Commission number 119, a joint powers authority created by Hennepin County, Minneapolis, Bloomington, and the Metropolitan Airports Commission. Other jurisdictions that choose to join into this authority in the future will also be considered to be a part of it.
2. "Qualified business" means a person carrying on a trade or business at a place of business located within an international economic development zone. The trade or business must be engaged in the furtherance of international export or import of goods and be certified by the foreign trade zone authority as a trade or business that furthers the purpose of developing international distribution capacity and capability. The definition specifies that a person that relocates a trade or business from within Minnesota into the zone qualifies only if it increases full-time employment in the first full year of operation within the zone by at least 20 percent, or makes a capital investment in property within a zone equal to at least ten percent of the gross revenues of the operations that were relocated. Such a relocated business will be deemed to be a qualified business only if it has entered into a binding written agreement with the foreign trade zone authority that pledges that the business will meet these requirements and will repay all tax benefits if the requirements are not met. Freight forwarding businesses are not subject to the restrictions on relocated businesses. Qualified businesses are required to pay their employees total compensation, including benefits not mandated by law, equal to at least 110 percent of the federal family poverty guidelines for a family of four.

3. "Regional distribution center" is a distribution center developed within an foreign trade zone that has as its primary purpose the facilitation of gathering of freight for the purpose of centralizing the functions necessary for shipment of freight in international commerce, including security and customs functions.

Section 6. Zone Designation. Provides that an area designated as a foreign trade zone may be designated by the foreign trade zone authority as an international economic development zone if a regional distribution center is being developed within that zone. The zone must be between 500 and 1,000 acres in size. In making the designation, the foreign trade zone authority must consider factors, including access to major transportation routes and airport facilities, adequacy of the size of the site, and access to other infrastructure and financial incentives. The zone must be no more than 60 miles distant or 90 minutes drive time from the Minneapolis St. Paul International Airport. The county within which the zone is located will become a member of the authority.

Section 7. Foreign Trade Zone Authority Powers. Provides that the foreign trade zone authority is responsible for creating a development plan for the regional distribution center. The authority must consult with municipalities that have indicated an interest in locating the zone within their boundaries and a willingness to establish a tax increment financing district for the zone. The authority must prepare a business plan for the zone, including analysis of the economic feasibility of the regional distribution center and businesses in the zone. The authority is authorized to create a port authority with its governing body exercising the powers of a city under the port authority law. Tax incentives are subject to the business subsidy law.

Section 8. Tax Incentives. Lists the tax incentives available within the zone and provides that each of the incentives is available for no more than 12 years or for no more than six years for freight forwarders. The income tax credits are subject to apportionment based on the proportion of the taxpayer's total business activity that is international business activity.

Section 10. Recapture. Provides for recapture of the amount of state tax incentives as well as local sales and use tax exemptions that were provided during the two years before a business ceases to operate in the zone or ceases to be a qualified business.

Section 11. DEED Study. Requires the Commissioner of Employment and Economic Development to study the issues of the potential benefit to the state from having more than one international economic development zone.

Article 6 Miscellaneous

Section 1. Nobles County JOBZ/TIF. Provides that the property tax exemption for improvements to real property located within a job opportunity building zone would not apply to the captured net tax capacity in a tax increment financing district to the extent necessary to meet the debt repayment obligations of the authority, if the property is also located within an agricultural processing zone.

Section 2. Rosemount TIF. Authorizes the city of Rosemount or a development authority of the city to spend increment from its Downtown Brockway Tax Increment Financing District to acquire parcels of property acquired by the Dept. of Transportation or Dakota County in conjunction with the realigned of Trunk Highway 3 without regard to the limits on the amount of increment that may be spent outside the district on the purposes for which increments may be spent.

Section 3. Taxpayer Assistance Services. Appropriates \$125,000 each year in fiscal years 2006 and 2007, and \$200,000 each year thereafter, to the Commissioner of Revenue for grants to nonprofit organizations to provide accounting and tax preparation services provided by volunteers to low-income and disadvantaged Minnesota residents to help them file federal and state income tax returns.

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

2 Page ..., after line ..., insert:

3 "Sec. ... Minnesota Statutes 2004, section 240.06,
4 subdivision 5a, is amended to read:

5 Subd. 5a. [ADDITIONAL LICENSE; METROPOLITAN AREA.] (a)
6 Notwithstanding subdivision 5, the commission may issue one
7 additional class A license within the seven-county metropolitan
8 area, provided that the additional license may only be issued
9 for a facility:

10 (1) located more than 20 miles from any other racetrack in
11 existence on January 1, 1987;

12 (2) containing a track no larger than five-eighths of a
13 mile in circumference;

14 (3) used exclusively for standardbred racing;

15 (4) not owned or operated by a governmental entity or a
16 nonprofit organization; and

17 (5) that has a current road or highway system adequate to
18 facilitate present and future vehicular traffic expeditiously to
19 and from the facility.

20 The consideration of clause (5) shall prevail when two
21 competing licensees are relatively equal regarding other
22 considerations mandated by law or rule.

23 (b) An application for an additional class A license within
24 the seven-county metropolitan area may not delay or adversely
25 affect an application for a class A license for a facility to be
26 located outside the seven-county metropolitan area.

27 (c) A class A licensee within the seven-county metropolitan
28 area may enter an agreement with a horsepersons' organization
29 under which the licensee agrees to pay a percentage of
30 simulcasting and card club revenues to the horse racing purse
31 fund of another class A racetrack within the seven-county
32 metropolitan area. The licensee may only enter such an
33 agreement with a horsepersons' organization that represents a
34 breed other than the breed racing at the licensee's racetrack.
35 All amounts contributed to a class A racetrack under such an
36 agreement must go to purses for races run at that racetrack.

1 Sec. ... Minnesota Statutes 2004, section 240.13,
2 subdivision 6, is amended to read:

3 Subd. 6. [SIMULCASTING.] (a) The commission may permit an
4 authorized licensee to conduct simulcasting at the licensee's
5 facility on any day authorized by the commission. All
6 simulcasts must comply with the Interstate Horse Racing Act of
7 1978, United States Code, title 15, sections 3001 to 3007.

8 (b) The commission may not authorize any day for
9 simulcasting at a class A facility during the racing season, and
10 a licensee may not be allowed to transmit out-of-state telecasts
11 of races the licensee conducts, unless the licensee has obtained
12 the approval of the horsepersons' organization representing the
13 majority of the horsepersons racing the breed involved at the
14 licensed racetrack during the preceding 12 months. In the case
15 of a class A facility licensed under section 240.06, subdivision
16 5a, the approval must be obtained from the horsepersons'
17 organization that represents the majority of the horsepersons
18 who are racing or who will race the breed at the facility.

19 (c) The licensee may pay fees and costs to an entity
20 transmitting a telecast of a race to the licensee for purposes
21 of conducting pari-mutuel wagering on the race. The licensee
22 may deduct fees and costs related to the receipt of televised
23 transmissions from a pari-mutuel pool on the televised race,
24 provided that one-half of any amount recouped in this manner
25 must be added to the amounts required to be set aside for purses.

26 (d) With the approval of the commission and subject to the
27 provisions of this subdivision, a licensee may transmit
28 telecasts of races it conducts, for wagering purposes, to
29 locations outside the state, and the commission may allow this
30 to be done on a commingled pool basis.

31 (e) Except as otherwise provided in this section,
32 simulcasting may be conducted on a separate pool basis or, with
33 the approval of the commission, on a commingled pool basis. All
34 provisions of law governing pari-mutuel betting apply to
35 simulcasting except as otherwise provided in this subdivision or
36 in the commission's rules. If pools are commingled, wagering at

1 the licensed facility must be on equipment electronically linked
2 with the equipment at the licensee's class A facility or with
3 the sending racetrack via the totalizator computer at the
4 licensee's class A facility. Subject to the approval of the
5 commission, the types of betting, takeout, and distribution of
6 winnings on commingled pari-mutuel pools are those in effect at
7 the sending racetrack. Breakage for pari-mutuel pools on a
8 televised race must be calculated in accordance with the law or
9 rules governing the sending racetrack for these pools, and must
10 be distributed in a manner agreed to between the licensee and
11 the sending racetrack. Notwithstanding subdivision 7 and
12 section 240.15, subdivision 5, the commission may approve
13 procedures governing the definition and disposition of unclaimed
14 tickets that are consistent with the law and rules governing
15 unclaimed tickets at the sending racetrack. For the purposes of
16 this section, "sending racetrack" is either the racetrack
17 outside of this state where the horse race is conducted or, with
18 the consent of the racetrack, an alternative facility that
19 serves as the racetrack for the purpose of commingling pools.

20 ~~(f)-If-there-is-more-than-one-class-B-licensee-conducting~~
21 ~~raeing-within-the-seven-county-metropolitan-area,-simulcasting~~
22 ~~may-be-conducted-only-on-races-run-by-a-breed-that-ran-at-the~~
23 ~~licensee's-class-A-facility-within-the-12-months-preceding-the~~
24 ~~event.~~

25 Sec. ... Minnesota Statutes 2004, section 240.135, is
26 amended to read:

27 240.135 [CARD CLUB REVENUE.]

28 (a) From the amounts received from charges authorized under
29 section 240.30, subdivision 4, the licensee shall set aside the
30 amounts specified in this section to be used for purse payments.
31 These amounts are in addition to the breeders fund and purse
32 requirements set forth elsewhere in this chapter.

33 (1) For amounts between zero and \$6,000,000, the licensee
34 shall set aside ten percent to be used as purses.

35 (2) For amounts in excess of \$6,000,000, the licensee shall
36 set aside 14 percent to be used as purses.

1 (b) From all amounts set aside under paragraph (a), the
2 licensee shall set aside ten percent to be deposited in the
3 breeders fund.

4 (c) The licensee and the horseperson's organization
5 representing the majority of horsepersons who have raced at the
6 racetrack during the preceding 12 months, or, in the case of a
7 racetrack licensed under section 240.06, subdivision 5a, will
8 race at the racetrack during the first calendar year of the
9 racetrack's operation, may negotiate percentages different from
10 those stated in this section if the agreement is in writing and
11 filed with the Racing Commission.

12 (e) (d) It is the intent of the legislature that the
13 proceeds of the card playing activities authorized by this
14 chapter be used to improve the horse racing industry by
15 improving purses. The commission shall annually review the
16 financial details of card playing activities and determine if
17 the present use of card playing proceeds is consistent with the
18 policy established by this paragraph. If the commission
19 determines that the use of the proceeds does not comply with the
20 policy set forth herein, then the commission shall direct the
21 parties to make the changes necessary to ensure compliance. If
22 these changes require legislation, the commission shall make the
23 appropriate recommendations to the legislature.

24 Sec. ... Minnesota Statutes 2004, section 240.15,
25 subdivision 1, is amended to read:

26 Subdivision 1. [TAXES IMPOSED.] (a) There is imposed a tax
27 at the rate of six percent of the amount in excess of
28 \$12,000,000 annually withheld from all pari-mutuel pools by the
29 licensee, including breakage and amounts withheld under section
30 240.13, subdivision 4. For the purpose of this subdivision,
31 "annually" is the period from July 1 to June 30 of the next year.

32 In addition to the above tax, the licensee must designate
33 and pay to the commission a tax of one percent of the total
34 amount bet on each racing day, for deposit in the Minnesota
35 breeders fund.

36 The taxes imposed by this clause must be paid from the

1 amounts permitted to be withheld by a licensee under section
2 240.13, subdivision 4.

3 (b) The commission may impose an admissions tax of not more
4 than ten cents on each paid admission at a licensed racetrack on
5 a racing day if:

6 (1) the tax is requested by a local unit of government
7 within whose borders the track is located;

8 (2) a public hearing is held on the request; and

9 (3) the commission finds that the local unit of government
10 requesting the tax is in need of its revenue to meet
11 extraordinary expenses caused by the racetrack.

12 (c) There is imposed a tax at the rate of five percent on
13 amounts annually received from charges authorized under section
14 240.30, subdivision 4, less amounts set aside for purse payments
15 and the breeders fund, as required by section 240.135.

16 Sec. ... Minnesota Statutes 2004, section 240.30,
17 subdivision 5, is amended to read:

18 Subd. 5. [LIMITATION.] (a) Except as provided in paragraph
19 (b), the commission shall not authorize a licensee to operate a
20 card club unless the licensee has conducted at least 50 days of
21 live racing at a class A facility within the past 12 months or
22 during the preceding calendar year.

23 (b) In the case of a racetrack licensed under section
24 240.06, subdivision 5a, during the first calendar year of the
25 racetrack's operation, the commission may authorize the licensee
26 to operate a card club when the licensee has been assigned at
27 least 50 days of live racing by the commission for the calendar
28 year.

29 Sec. ... Minnesota Statutes 2004, section 240.30,
30 subdivision 8, is amended to read:

31 Subd. 8. [LIMITATIONS.] (a) The commission may not approve
32 any plan of operation under subdivision 6 that exceeds any of
33 the following limitations:

34 (1) the maximum number of tables used for card playing at
35 the card club at any one time, other than tables used for
36 instruction, demonstrations, or tournament play, may not exceed

1 50 90. The table limit exception for tournament play is allowed
2 for only ~~one-tournament~~ two tournaments per year that ~~lasts-for~~
3 ~~no-longer~~ total no more than 14 21 days each;

4 (2) except as provided in clause (3), no wager may exceed
5 \$60;

6 (3) for games in which each player is allowed to make only
7 one wager or has a limited opportunity to change that wager, no
8 wager may exceed \$300.

9 (b) The commission may not approve any plan of operation
10 under subdivision 6 that does not provide for reasonable
11 accommodations for players with disabilities. Accommodations to
12 the table and the cards shall include, among other things, the
13 announcement of the cards visible to the entire table and the
14 use of Braille cards for players who are blind."

15 Renumber the sections in sequence and correct the internal
16 references

17 Amend the title accordingly

Handout #1
BL 1044-1

Minnesota Senate
Taxes Committee Meeting
Columbus Concerned Citizens Testimony
May 2, 2005

Good Morning Senators,

Thank you, Chairman Pogemiller, for allowing me to speak.

My name is Anne Gabriel and I'm here on behalf of Don Steinke, chairman of the Columbus Concerned Citizens, who was unable to attend on such short notice. Columbus Township *shares a border* with Forest Lake, where I live.

Please excuse me for reading from my notes, I'm a *volunteer* and a *little rusty* at speaking to a Legislative committee.

For those who attended the March 30th meeting of the Agriculture, Veterans and Gaming Committee, some of my comments will be remedial, for which I apologize. Please bear with me, because we have added significant information to Mr. Steinke's testimony of March 30th.

The Columbus Concerned Citizens are a *grassroots, all-volunteer* 501c4 non-profit organization formed to educate the citizens of our area on important issues. *We do NOT have paid lobbyists or ANY paid staff at all.* We are **Democrats and Republicans**, working *together* on a matter that would *significantly alter* the course of the *employment* and *social landscape* of our *developing, outer-ring, suburban* area.

Our organization was formed a year ago, when 700 *voting-aged* citizens of Columbus Township signed a petition opposing the applicant's proposed harness track and card room. When an independent, scientific phone survey of Columbus residents was conducted *in early January 2005*, *less than a third* supported the proposed harness track and card room.

Additionally, the Forest Lake City Council was solicited but *has NOT endorsed* the project and *has no plans to do so.* Members of the Columbus Town Board have said they are *listening* to the majority of citizens who oppose this development, *but they have not heard.*

As a result, the licensing of this facility by the Minnesota Racing Commission *is being challenged* by our organization *through the court system.* And, in the two most recent Columbus Town Board elections, the *incumbent* Board members who supported the proposed harness track were *replaced.*

The amendment proposed to you today by Senator Scheid, ~~S~~ BL 1044, would change at least 2 key provisions to Statute 240 that affect the proposed harness track.

We **strongly oppose** *ANY* change to Statute 240 allowing for the simulcasting of all breeds at this facility. *We also strongly oppose ANY effort to eliminate, or alter, the requirement to run a season, or 50 days, of live racing before a* card room can be implemented. **Both** of these provisions have been in Statute 240 since it was written.

Not only has the applicant *always* been aware of the Statute 240 provisions, but he helped to develop them, as I will discuss in a moment. *In spite of this, the applicant has repeatedly assured our community*

that his proposed harness track, not the card room, will be a grand success. While, at the very same time, his paid lobbyists were claiming the exact opposite and pressing the 83rd Legislature for similar provisions as he is today. (In 2003-2004, the bill was SF 0909, by Senator Scheid.) . . . (As an aside, the applicant recently “reduced” his spending to approximately \$11,000 per month for lobbyist, public relations and development activities, according to his SEC filings.)

As you know, the applicant was unsuccessful in the 83rd Legislature. We urge you to deny his request this year for reasons I will now discuss:

First, at meeting after meeting, as well as in newspaper articles throughout the loonnnggg licensing process, the applicant characterized his proposal as “a harness track with a card room,” **NOT** a card room with a harness track. If this **IS** about racing horses, then let’s have a full season of racing and see how it goes!

According to volumes of documentation, public testimony and newspaper interviews, the applicant has repeatedly assured that the proposed harness track will be a huge success and will grow a “family-friendly” industry in Minnesota. **If so, why change the provisions before operations even begin?**

Next, the applicant’s long-term intentions for the proposed harness track have been less well publicized. I have copies that I will submit to you of **Page 3** of the applicant’s Environmental Assessment Worksheet, dated December 2003 which states:

“Proposed Development”

“The project includes two phases. Phase I will include construction of a harness racing track . . . grandstand, card club, horse barns and maintenance buildings.”

Phase II of the proposed project includes a 157,800 square foot casino. . .”

Now, it may be argued that an Environmental Assessment Worksheet should contain *all* possible future uses. If a casino **IS** simply an “optional” future use, why isn’t it buried in the document on Page 10 or Page 30?

Again, the true scope of the project is established **at the very beginning of the document**, where it clearly states the project has **two phases**: the second is **a massive, full-fledged casino**.

But this is far from our only evidence of the applicant’s long-term intentions. Our substantiation of **his ultimate goals for Minnesota** includes the following:

1st: Last summer the applicant sold a 50% interest in his proposed harness track to MTR Gaming Group, whose primary revenue is casinos.

According to editors I spoke to at the Columbus, Ohio, Dispatch, MTR Gaming is also behind efforts to expand gambling in Ohio.

2nd: In 2004, the proposed harness track’s parent company, Southwest Casino Corporation, spent **almost \$14 million dollars** on a failed bid to expand gambling in **Missouri** on **a state-wide constitutional amendment referendum**. The nearly \$14 million investment is according to Southwest’s quarterly SEC

filings, dated November 14, 2004. In their most recent SEC filings, dated March 31st 2005, Southwest says of the Missouri effort: It's "*still possible that this initiative will be revived.*"

3rd: Referring back to Senator Scheid's **83rd** Legislative Session bill: SF 0909 **also** proposed **amending the Minnesota Constitution to include casino gambling at race tracks**. At that time, the applicant was prominently quoted in the *Minneapolis/St. Paul Business Journal*, dated March 28, 2003, as being the driving force behind the constitutional amendment effort.

4th: The proposed Columbus harness track, known as the North Metro Harness Initiative, LLC, was originally the brainchild of the Southwest *Hotel* and Casino Corporation. During the course of the application, the publicly-traded **Southwest Casino Corporation** was established as the parent company of Southwest *Hotel* and Casino. (**Southwest Casino Corporation** became public through a shell arrangement. It's traded over-the-counter as SWCC.OB.)

Southwest is commonly referred to as a "Bloomington-based company" because it has a local address. In fact, the applicant is a **former** Minnesotan whose **primary residence** is in **Colorado**, where he runs **3** casinos. He also manages **2** Tribal casinos located in Oklahoma, all under the umbrella of **Southwest Casino Corporation**. With regards to employment, in Bloomington, there are about a dozen Southwest employees. *But*, in Colorado there are around **400** Southwest employees.

In addition to our litigation here in Minnesota, Southwest's March 31st 2005 SEC filings also note the following legal involvements:

Southwest was "*recently fined \$50,000 by the Colorado Division of Gaming*" for "*failure to properly maintain and review statistical data on slot machine performance*" and for "*failing to comply with . . . recommended action for correction of the deficiency.*" In that same action, the applicant, Mr. James Druck, was personally fined \$5,000, "*without any admission of guilt.*"

In addition, on **March 3rd, 2005**, Corporate Capital Management, LLC filed suit against Southwest, *related to Southwest's 2004 corporate restructuring*.

Still quoting from the March 31st SEC filings: During 2002 and 2003 a Southwest employee, "*issued and cashed company checks and deposited the amounts to the employee's personal accounts.*" The filings don't indicate total losses, but *insurance covered a portion* and **Southwest wrote off a total of \$367,000**. The employee was terminated in January 2004.

There are several other items of interest in the March 31st SEC filings, *but I think I've made my point*.

5th, and Finally: We have traced published accounts of the applicant's efforts to alter gambling activities in Minnesota back to the year 2000, when he assisted with the research leading to the card club at Canterbury Park. We have not researched the applicant's activities prior to that time because the pattern is already very clear.

Irrespective of the applicant, we have collected local newspaper reports from around the country **documenting that the horse racing industry** is being used **as a smokescreen** to allow the expansion of gambling, *where the real money is!* If we are truly talking about a racetrack, then do not change the law to allow the developer to forget about racing.

If we are going to alter gambling in Minnesota, then let's do what's been recently suggested by BOTH the *Minneapolis Star Tribune* and the *St. Paul Pioneer Press*: Take a step back, review the entire Tribal gaming system and *develop a reasonable strategy*.

*Therefore, we are asking you to defeat the proposed amendment by Senator Scheid, ~~SP~~
BL1044 to alter Statute 240, which would make the applicant's proposed operation a card room that happens to have a harness racing track.*

Given the applicant's documented ability to expend millions of dollars on his projects, there is *no reason for the proposed change to Statute 240*.

Please don't contribute to Southwest Casino's profits and *fuel* their *relentless drive* to *incrementally* and *insidiously* change the face of gambling in Minnesota!

I'd like to Thank Each of You, very much, for your time.

[Respectfully submitted to the Minnesota Senate Taxes Committee on May 2, 2005, by Anne R. Gabriel, 806 11th Ave SE, Forest Lake, MN 55025.]

NORTH METRO HARNESS INITIATIVE

**ENVIRONMENTAL ASSESSMENT
WORKSHEET**

DECEMBER 2003

Responsible Governmental Unit:

Town Of Columbus

Project Proposer:

North Metro Harness Initiative, LLC

horse barn/maintenance building will total 55,700 square feet. Phase I also includes 1,850 parking spaces. Phase II includes the construction of 157,800 square feet of casino and supporting services (e.g., offices, food services) and an additional 2,850 parking spaces. Construction of the project is proposed to begin in 2004.

- b. **Give a complete description of the proposed project and related new construction. Attach additional sheets as necessary. Emphasize construction, operation methods and features that would cause physical manipulation of the environment or would produce wastes. Include modifications to existing equipment or industrial processes and significant demolition, removal or remodeling of existing structures. Indicate the timing and duration of construction activities.**

Study Area

The North Metro Harness Initiative development is proposed on a 165-acre site located south of County State-Aid Highway (CSAH) 23 (Lake Drive), near the southwest quadrant of the I-35/TH 97/CSAH 23 interchange in Columbus Township, Anoka County. The site is located within the Columbus Township "Freeway Corridor" zoning district (see Figure 4 in Appendix A).

→ Proposed Development

The proposed development includes a harness racing track; grandstand and card club; casino and supporting facilities, including approximately 4,700 parking spaces.

- The project includes two phases. Phase I will include construction of a harness racing track and approximately 110,750 square feet of associated grandstand, card club, horse barns and maintenance buildings. Phase I will also include the construction of internal roadways, a main driveway, and surface parking (approximately 1,850 spaces); improvements to local roadways to enhance operations; and the construction of necessary storm water treatment for the site.

The racetrack is proposed to be in operation for a minimum of 50 days/year during the racing season (April - October). Races would be scheduled to coincide with off-peak traffic times (e.g., 7:00 PM to 8:00 PM start times for evening races and 1:00 PM to 2:00 PM start times for afternoon matinees). Race events generally run 2.5 to 3 hours, and race event length can be controlled by controlling the number of races during an event. The card room and casino are proposed to be in operation 24-hours a day, seven days a week, 365 days a year.

- Phase II of the proposed project includes construction of a 157,800 square foot casino and supporting services (e.g., offices, food service) and an additional 2,850 parking spaces. Phase I and II development totals 268,550 square feet of commercial (casino, grandstand, and card room) and warehouse (barn and maintenance) buildings. Figure 3 shows the concept plan for the proposed development.

Construction of the proposed project will require re-grading approximately 80 acres of the 165-acre site. Horse barns located on-site would generate solid manure wastes that will be routinely removed from the property to limit accumulation on-site (see Item 20 of this EAW).



INVESTOR RELATIONS

News Releases



MTR GAMING GROUP, INC.

[← Back to News Releases](#)

MTR GAMING GROUP SUBSIDIARY ACQUIRES 50% INTEREST IN NORTH METRO HARNESS INITIATIVE COMPANY APPOINTS FORMER STATE RACING COMMISSIONER TO BOARD

CHESTER, WV – June 15, 2004 – MTR Gaming Group, Inc. (Nasdaq National Market:MNTG) today announced that its new wholly owned subsidiary, MTR-Harness, Inc., acquired a 50% interest in North Metro Harness Initiative, LLC, a subsidiary of Southwest Casino and Hotel Corporation.

As previously announced when MTR entered into the letter of intent, North Metro has filed an application with the Minnesota Racing Commission to construct and operate a harness racetrack and card room in Columbus Township, Anoka County, Minnesota approximately 30 miles north of downtown Minneapolis and 40 miles from the Mall of America on a 165-acre site currently under option. The proposed track would be the second of only two racetracks permitted by law in the seven-county Minneapolis metropolitan area.

MTR-Harness invested \$10,000 in the company, and in the event North Metro obtains the necessary regulatory licenses, MTR-Harness will invest up to \$7.5 million. Prior to licensing, Southwest Casino will contribute all necessary capital required for the license application. MTR-Harness is a Managing Member of North Metro and will jointly make all decisions with Southwest.

Edson R. (Ted) Arneault, President and Chief Executive Officer of MTR Gaming, said, "We are enthusiastic about moving forward with this transaction. This prospective track fits well with our growth strategy to build or acquire other middle-market parimutuel businesses, further expanding and leveraging our expertise in this area."

Additionally, MTR announced that Richard Delatore, 64, has joined the Company's Board of Directors. Mr. Delatore will also serve on the Audit Committee and Nominating Committee. Mr. Delatore brings significant racing experience to MTR's Board, having served on the Ohio State Racing Commission from 1995 – 1999. Since May 2002, Mr. Delatore has been Vice President at Schiappa & Company, a coal mining and hauling business. Additionally, he has been active in numerous civic organizations including serving on the Board of Commissioners in Jefferson County, Ohio, and the Boards of Education of Steubenville City, Ohio and Jefferson County Joint Vocational School since 1993.

Mr. Arneault, concluded, "Richard's in-depth racing knowledge and business experience make him an excellent addition to the Board. We are confident that he will make important contributions to the Company and look forward to benefiting from his counsel."

Thomas J. Brosig will not be standing for reelection, in order to avoid conflicts of interest that could arise with other gaming ventures for which he consults as MTR expands. Mr. Brosig has served on the Board and as Chairman of the Audit Committee since November of 2002. "I want to thank Tom for his contributions and input to our Board," said Ted Arneault. After the Company's annual meeting of shareholders on July 22, Don Duffy, who has served on the Board since June of 2001, will become Chairman of the Audit Committee. The Nominating Committee will seek to fill the seventh and final board seat with another independent candidate.

About MTR Gaming Group

MTR Gaming Group, Inc., through subsidiaries, owns and operates the Mountaineer Race Track & Gaming Resort in Chester, West Virginia; Scioto Downs in Columbus, Ohio; the Ramada Inn and Speedway Casino in North Las Vegas, Nevada; Binion's Horseshoe Hotel & Casino in Las Vegas, Nevada, which the Company operates jointly with an affiliate of Harrah's; and holds a license (judicial challenge pending) to build Presque Isle Downs, a thoroughbred racetrack with pari-mutuel racing in Erie, Pennsylvania. The Mountaineer facility, the Company's primary source of revenues, currently encompasses a thoroughbred racetrack with off-track betting and export simulcasting, 3,220 slot machines, 359 hotel rooms, golf course, spa & fitness center, theater and events center, convention center and fine dining and entertainment. MTR is included on the Russell 2000® and Russell® 3000 Indexes.

MTR Gaming Group, Inc.

Edson R. Arneault,
Pres. & CEO
(304) 387-8300

Investor Relations Counsel:

The Equity Group Inc.
www.theequitygroup.com
Lauren Barbera (212) 836-9610
lbarbera@equityny.com
Loren G. Mortman (212) 836-9604

THE BUSINESS JOURNAL

MINNEAPOLIS • ST. PAUL

EXCLUSIVE REPORTS
From the March 28, 2003 print edition

Firm eyes Anoka County for new harness racing track

Andrew Tellijohn
Staff Reporter

Bloomington-based Southwest Casino and Hotel Corp., which owns or manages Indian casinos in three states, is scouting land in Anoka County for a harness racing track.

The proposed track would include a card club, much like the one at Shakopee-based Canterbury Park.

As part of the project, the company is asking the Legislature to put on the 2004 ballot a measure that would legalize slot machines at racetracks, otherwise known as racinos.

"We think it is up to the people to decide" the legality of slots, said Jim Druck, president and co-founder of Southwest Casino and Hotel.

The company has looked at several pieces of land in Anoka County and has at least one under option to buy.

Druck said the track would generate \$70 million annually in state taxes and several million dollars more for local communities and programs to help compulsive gamblers. It would create an estimated 1,500 jobs.

The company doesn't need legislative approval to build the racetrack, but it does have to go through an extensive licensing process. If its applications are approved, it would take between nine months and a year to build the track. It could open in time for the 2005 racing season.

Southwest Casino has talked to the Minnesota Racing Commission but has yet to file paperwork to receive approval, said Dick Krueger, executive director of the commission, which acts as the state's licensing board. "It's not like they submit an application and we approve it a month later," he said.

If the commission approves the racetrack, it would have to be open 50 days before Southwest Casino could open its card club.

The Southwest Casino and hotel project comes on the heels of efforts by Canterbury Park Holdings Corp. officials to get legislative approval for its own racino. Krueger said he is surprised that there haven't been more companies attempting to break into the Minnesota market since card club legislation passed in 2000.

It isn't unusual for an increased number of horse racing tracks to coincide with the expansion of gambling in a state, said Michael Tew, a gaming analyst with New York-based Bear, Stearns & Co. Inc.

If such a track were built, it would have a devastating effect on Shakopee-based Canterbury, at least if slots are not legalized, said Randy Sampson, Canterbury's president and CEO.

Sampson also said the efforts to get a horse track are a cover for Southwest's desire to get into gambling in Minnesota. "I think it's fairly transparent that this is not about horse racing," he said.

atellijohn@bizjournals.com / (612) 288-2102

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**North Metro Harness Initiative
Funding Backgrounder: Out of State Casino Gambling Interests
As Of December 7, 2004**

INVESTOR #1 – 50%

SEC Form 10QSB for SOUTHWEST CASINO CORP (SWCC.OB)

15-Nov-2004 – Quarterly Report

<http://biz.yahoo.com/e/041115/swcc.ob10qsb.html>

"Our principal business is the management, operation and development of gaming facilities in emerging and established gaming jurisdictions. Currently, we operate three casinos in Cripple Creek, Colorado - Gold Rush, Gold Digger's and Uncle Sam's. We also manage two Native American gaming operations in Oklahoma for the Cheyenne and Arapaho Tribes of Oklahoma - Lucky Star Concho and Lucky Star Clinton. . . An amendment. . . to develop and manage a third site at Canton Lake has been ratified by the Tribes and has been submitted to the National Indian Gaming Commission for approval."

"We continually evaluate other management, consulting, development and acquisition opportunities related to gaming that have the potential to generate new revenue streams for the Company."

On Casino Development Costs:

Rockaway Beach. . . In June 2004, we established a separate entity (Southwest Missouri Gaming, LLC or SMG) to hold the development rights. **As of September 30, 2004, SMG had expended \$13,978,766.**" [Emphasis added]

North Metro Harness Initiative, LLC. . . In December 2003, we filed a license application with the Minnesota Racing Commission. This license application was amended to add a subsidiary of MTR Gaming Group, Inc. as our 50% partner. **MTR's initial investment was \$10,000 and they have committed to contribute an additional \$7,500,000 upon the approval of the license.** [Emphasis added] . . . During the first nine months of 2004 and 2003, we have expensed \$474,889 and \$336,116 of project costs, respectively. In addition, we have capitalized \$1,595,184 in real estate options, construction in progress, contract rights and financing costs as of September 30, 2004. If the Racing Commission does not reconsider our application, these amounts are likely to be written off." [Total SWC investment to date: \$2,103,689 –Ed]

INVESTOR #2 – 50%

MTR GAMING GROUP Provides Update On Minnesota Project

http://www.mtrgaming.com/ir/04/10_26_04.html

CHESTER, WV – October 25, 2004 – MTR Gaming Group, Inc. (Nasdaq National Market:MNTG) today announced that the Minnesota Racing Commission denied North Metro Harness Initiative's application to construct and operate a harness racetrack in Columbus Township, Anoka County, MN. . . MTR's wholly owned subsidiary, MTR-Harness, Inc., acquired a 50% interest in North Metro Harness Initiative, LLC for \$10,000 (plus transaction costs) and a commitment to invest up to \$7.5 million if the project became licensed.

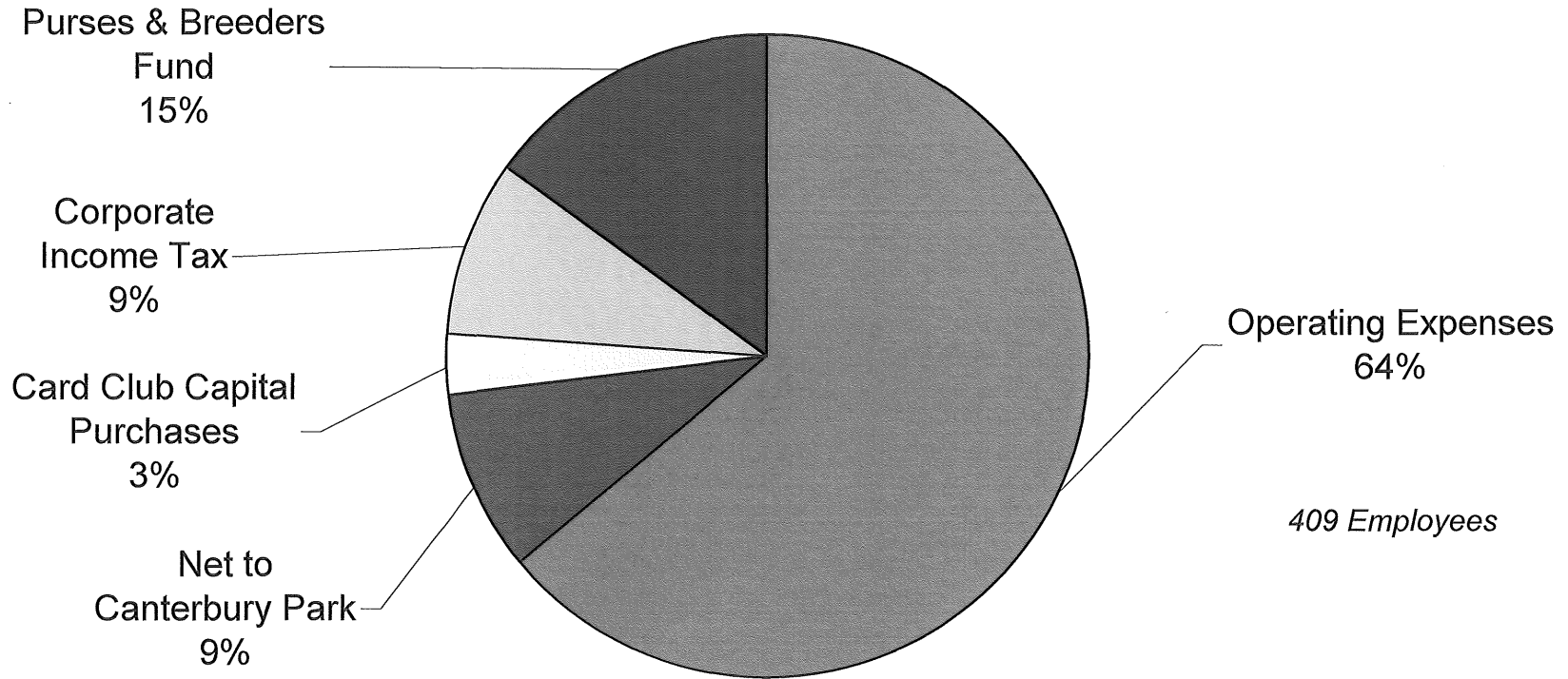
About MTR Gaming Group

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Handout # 3
DL 10214-1



2004 Canterbury Park Card Club Revenue Chart



409 Employees

Backside Improvements: \$2 million
Training Track Upgrade
Barn Replacements
Horse Pool Addition
Simulcast Facility Remodel: \$1.8 million

Dibble (A)

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

2 Page ..., after line ..., insert:

3 "Sec. ... Minnesota Statutes 2004, section 469.015,
4 subdivision 4, is amended to read:

5 Subd. 4. [EXCEPTIONS.] (a) An authority need not require
6 competitive bidding in the following circumstances:

7 (1) in the case of a contract for the acquisition of a
8 low-rent housing project:

9 (i) for which financial assistance is provided by the
10 federal government;

11 (ii) which does not require any direct loan or grant of
12 money from the municipality as a condition of the federal
13 financial assistance; and

14 (iii) for which the contract provides for the construction
15 of the project upon land that is either owned by the authority
16 for redevelopment purposes or not owned by the authority at the
17 time of the contract but the contract provides for the
18 conveyance or lease to the authority of the project or
19 improvements upon completion of construction;

20 (2) with respect to a structured parking facility:

21 (i) constructed in conjunction with, and directly above or
22 below, a development; and

23 (ii) financed with the proceeds of tax increment or parking
24 ramp general obligation or revenue bonds; and

25 (3) until August 1, 2009, with respect to a facility built
26 for the purpose of facilitating the operation of public transit
27 or encouraging its use:

28 (i) constructed in conjunction with, and directly above or
29 below, a development; and

30 (ii) financed with the proceeds of parking ramp general
31 obligation or revenue bonds or with at least 60 percent of the
32 construction cost being financed with funding provided by the
33 federal government; and

34 (4) in the case of any building in which at least 75
35 percent of the usable square footage constitutes a housing
36 development project if:

1 (i) the project is financed with the proceeds of bonds
2 issued under section 469.034 or from nongovernmental sources;

3 (ii) the project is either located on land that is owned or
4 is being acquired by the authority only for development
5 purposes, or is not owned by the authority at the time the
6 contract is entered into but the contract provides for
7 conveyance or lease to the authority of the project or
8 improvements upon completion of construction; and

9 (iii) the authority finds and determines that elimination
10 of the public bidding requirements is necessary in order for the
11 housing development project to be economical and feasible.

12 (b) An authority need not require a performance bond for
13 the following projects:

14 (1) a contract described in paragraph (a), clause (1);

15 (2) a construction change order for a housing project in
16 which 30 percent of the construction has been completed;

17 (3) a construction contract for a single-family housing
18 project in which the authority acts as the general construction
19 contractor; or

20 (4) a services or materials contract for a housing project.

21 For purposes of this paragraph, "services or materials
22 contract" does not include construction contracts."

23 Renumber the sections in sequence and correct the internal
24 references

25 Amend the title accordingly

BACK - SET ASIDE

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

2 Page ..., after line ..., insert:

3 "Sec. ... Laws 2003, chapter 128, article 1, section 172,
4 is amended to read:

5 Sec. 172. [TEMPORARY PETROFUND FEE EXEMPTION FOR MINNESOTA
6 COMMERCIAL AIRLINES.]

7 (a) A commercial airline providing regularly scheduled jet
8 service and with its corporate headquarters in Minnesota is
9 exempt from the fee established in Minnesota Statutes, section
10 115C.08, subdivision 3, until July 1, ~~2005~~ 2007, provided the
11 airline develops a plan approved by the commissioner of commerce
12 demonstrating that the savings from this exemption will go
13 towards minimizing job losses in Minnesota, and to support the
14 airline's efforts to avoid filing for federal bankruptcy
15 protections.

16 (b) A commercial airline exempted from the fee is
17 ineligible to receive reimbursement under Minnesota Statutes,
18 chapter 115C, until July 1, ~~2005~~ 2007. A commercial airline
19 that has a release during the fee exemption period is ineligible
20 to receive reimbursement under Minnesota Statutes, chapter 115C,
21 for the costs incurred in response to that release."

22 Renumber the sections in sequence and correct the internal
23 references

24 Amend the title accordingly

(A)

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

2 Page ..., after line ..., insert:

3 "Sec. ... Laws 1993, chapter 375, article 9, section 46,
4 subdivision 2, as amended by Laws 1997, chapter 231, article 7,
5 section 40, and Laws 1998, chapter 389, article 8, section 30,
6 and Laws 2003 First Special Session chapter 21, article 8,
7 section 13, is amended to read:

8 Subd. 2. [USE OF REVENUES.] Revenues received from the tax
9 authorized by subdivision 1 may only be used by the city to pay
10 the cost of collecting the tax, and to pay for the following
11 projects or to secure or pay any principal, premium, or interest
12 on bonds issued in accordance with subdivision 3 for the
13 following projects.

14 (a) To pay all or a portion of the capital expenses of
15 construction, equipment and acquisition costs for the expansion
16 and remodeling of the St. Paul Civic Center complex, including
17 the demolition of the existing arena and the construction and
18 equipping of a new arena.

19 (b) The remainder of the funds must be spent for:

20 (1) capital projects to further residential, cultural,
21 commercial, and economic development in both downtown St. Paul
22 and St. Paul neighborhoods ; and

23 (2) capital and operating expenses of cultural
24 organizations in the city, provided that the amount spent under
25 this clause must equal ten percent of the total amount spent
26 under this paragraph in any year.

27 (c) The amount apportioned under paragraph (b) shall be no
28 less than 60 percent of the revenues derived from the tax each
29 year, except to the extent that a portion of that amount is
30 required to pay debt service on (1) bonds issued for the
31 purposes of paragraph (a) prior to March 1, 1998; or (2) bonds
32 issued for the purposes of paragraph (a) after March 1, 1998,
33 but only if the city council determines that 40 percent of the
34 revenues derived from the tax together with other revenues
35 pledged to the payment of the bonds, including the proceeds of
36 definitive bonds, is expected to exceed the annual debt service

1 on the bonds.

2 (d) If in any year more than 40 percent of the revenue
3 derived from the tax authorized by subdivision 1 is used to pay
4 debt service on the bonds issued for the purposes of paragraph
5 (a) and to fund a reserve for the bonds, the amount of the debt
6 service payment that exceeds 40 percent of the revenue must be
7 determined for that year. In any year when 40 percent of the
8 revenue produced by the sales tax exceeds the amount required to
9 pay debt service on the bonds and to fund a reserve for the
10 bonds under paragraph (a), the amount of the excess must be made
11 available for capital projects to further residential, cultural,
12 commercial, and economic development in the neighborhoods and
13 downtown until the cumulative amounts determined for all years
14 under the preceding sentence have been made available under this
15 sentence. The amount made available as reimbursement in the
16 preceding sentence is not included in the 60 percent determined
17 under paragraph (c).

18 (e) No revenues from the tax authorized by subdivision 1
19 may be used to pay principal, premium, or interest on any bonds
20 or other obligations except the bonds issued under subdivision 3.

21 ~~(e)~~ (f) By January 15 of each odd-numbered year, the mayor
22 and the city council must report to the legislature on the use
23 of sales tax revenues during the preceding two-year period.

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

provision

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ARTICLE ..

PROPERTY TAX FREEZE

Section 1. [CITATION.]

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

Sec. 2. [STATEMENT OF PURPOSE.]

The legislature finds that the state of Minnesota is continuing to experience a persistent budget deficit and that reductions in state spending have resulted in increased burdens on school districts, counties, cities, and other units of local government. In order to maintain stability in state and local fiscal relations, the purpose of this act is to prevent property tax rate increases and to illuminate the impact of reductions in revenue to school districts, counties, cities, and other units of local government.

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

Notwithstanding Minnesota Statutes, section 272.67, subdivision 6, the benefit ratio used for apportioning levies to a rural service district for taxes payable in 2006 and any subsequent year prior to the freeze termination year must not be greater than that in effect for taxes payable in 2005.

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

Subdivision 1. [ACTIONS PROHIBITED.] After May 31, 2006,

1 no municipality as defined in Minnesota Statutes, section
2 475.51, or any special taxing district as defined in Minnesota
3 Statutes, section 275.066, may sell obligations, certificates of
4 indebtedness, or capital notes under Minnesota Statutes, section
5 412.301, chapter 475, or any other law authorizing obligations,
6 certificates of indebtedness, capital notes, or other debt
7 instruments, or enter into installment purchase contracts or
8 lease purchase agreements under Minnesota Statutes, section
9 465.71, or any other law authorizing installment purchase
10 contracts or lease purchase agreements, if issuing those debt
11 instruments or entering into those contracts would require a
12 levy first becoming payable in 2007 or any subsequent year prior
13 to the freeze termination year.

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

15 (1) refunding bonds sold to refund bonds originally sold
16 before June 1, 2006;

17 (2) obligations for which the amount of the levy first
18 becoming due in 2007 would not exceed the amount by which the
19 municipality's total debt service levy for taxes payable in 2007
20 prior to issuance of those obligations is less than the
21 municipality's total debt service levy for taxes payable in
22 2006; or

23 (3) obligations with respect to which the municipality
24 makes a finding at the time of the issuance of the obligations
25 that no levy will be required for taxes payable in 2007 or any
26 subsequent year prior to the freeze termination year or to pay
27 the debt service on the obligations because sufficient funds are
28 available from nonproperty tax sources to pay the debt service.

29 As used in clauses (2) and (3), "obligations" includes
30 certificates of indebtedness, capital notes, or other debt
31 instruments or installment purchase contracts or lease purchase
32 agreements.

33 Subd. 3. [DATE WHEN BONDS ARE DEEMED SOLD.] For purposes
34 of this section, bonds will be deemed to have been sold before
35 June 1, 2006, if:

36 (1) an agreement has been entered into between the

1 municipality and a purchaser or underwriter for the sale of the
2 bonds by that date;

3 (2) the issuing municipality is a party to a contract or
4 letter of understanding entered into before June 1, 2006, with
5 the federal government or the state government that requires the
6 municipality to pay for a project, and the project will be
7 funded with the proceeds of the bonds; or

8 (3) the proceeds of the bonds will be used to fund a
9 project or acquisition with respect to which the municipality
10 has entered into a contract with a builder or supplier before
11 June 1, 2006.

12 Sec. 5. [LEVY LIMITATION FOR TAXES PAYABLE IN 2007 AND
13 SUBSEQUENT YEARS.]

14 Subdivision 1. [PROPOSED LEVY.] Notwithstanding any other
15 law to the contrary, for purposes of the certification required
16 by Minnesota Statutes, section 275.065, subdivision 1, in 2006
17 and any subsequent year prior to the freeze termination year, no
18 taxing authority, other than a school district, shall certify to
19 the county auditor a proposed property tax levy or, in the case
20 of a township, a final property tax levy, greater than the levy
21 certified to the county auditor pursuant to Minnesota Statutes,
22 section 275.07, subdivision 1, in the prior year, except as
23 provided in this section.

24 Subd. 2. [FINAL LEVY.] Notwithstanding any other law to
25 the contrary, for purposes of the certification required by
26 Minnesota Statutes, section 275.07, subdivision 1, in 2006 and
27 any subsequent year prior to the freeze termination year, no
28 taxing authority, other than a school district, shall certify to
29 the county auditor a property tax levy greater than the amount
30 certified to the county auditor pursuant to Minnesota Statutes,
31 section 275.07, subdivision 1, in the prior year, except as
32 provided in this section.

33 Subd. 3. [DEBT SERVICE EXCEPTION.] If a levy for taxes
34 payable in 2007 or any subsequent year prior to the freeze
35 termination year, for debt service on obligations, certificates
36 of indebtedness, capital notes, or other debt instruments sold

1 prior to June 1, 2006, or to make payments on installment
2 purchase contracts or lease purchase agreements entered into
3 prior to June 1, 2006, exceeds the levy a taxing authority
4 certified pursuant to Minnesota Statutes, section 275.07,
5 subdivision 1, for taxes payable in 2006 for the same purpose,
6 the excess may be levied notwithstanding the limitations of
7 subdivisions 1 and 2.

8 Subd. 4. [ANNEXATION EXCEPTION.] The city tax rate for
9 taxes payable in 2007 or any subsequent year prior to the freeze
10 termination year on any property annexed under Minnesota
11 Statutes, chapter 414, may not be increased over the city or
12 township tax rate in effect on the property for taxes payable in
13 2006, notwithstanding any law, municipal board order, or
14 ordinance to the contrary. The limit on the annexing city's
15 levy under subdivisions 1 and 2 may be increased in excess of
16 that limit by an amount equal to the net tax capacity of the
17 property annexed times the city or township tax rate in effect
18 on that property for taxes payable in 2006. The levy limit of
19 the city or township from which the property was annexed shall
20 be reduced by the same amount.

21 Subd. 5. [SCHOOL DISTRICT EXCEPTIONS.] (a) For taxes
22 payable in 2007 and subsequent years prior to the freeze
23 termination year, no school district shall certify to the county
24 auditor a property tax levy that exceeds the maximum levy that
25 may be imposed by that district under 2005 S.F. No. 2267, except
26 as provided in paragraph (b).

27 (b) A school district that is in statutory operating debt
28 under Minnesota Statutes, section 123B.81, and has an approved
29 plan under Minnesota Statutes, section 123B.83 that includes an
30 increase to its referendum allowance under Minnesota Statutes,
31 section 126C.17, is exempt from the levy freeze on referenda
32 according to this section.

33 Sec. 6. [FREEZE ON LOCAL MATCH REQUIREMENTS.]

34 Notwithstanding any other law to the contrary, the local
35 funding or local match required from any city, town, or county
36 for any state grant or program shall not be increased for

1 calendar year 2007 or any subsequent year prior to the freeze
2 termination year above the dollar amount of the local funding or
3 local match required for the same grant or program in 2006,
4 regardless of the level of state funding provided. Any local
5 match or local funding requirement that first becomes effective
6 after December 31, 2006, for new or changed state grants or
7 programs shall not be effective until the freeze has been
8 terminated for that taxing jurisdiction under section 16.
9 Nothing in this section shall affect the eligibility of a city,
10 town, or county for the receipt of state grants or program funds
11 in 2007 or any subsequent year prior to the freeze termination
12 year, or reduce the amount of state funding a city, town, or
13 county would otherwise receive in 2007 or any subsequent year
14 prior to the freeze termination year if the local match
15 requirements of the state grant or program were met in 2006.

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

18 After March 1, 2006, no county sheriff may exercise the
19 authority granted under Minnesota Statutes, section 387.20,
20 subdivision 7, and no county attorney may exercise the authority
21 granted under Minnesota Statutes, section 388.18, subdivision 6,
22 to the extent that the salary or budget increase sought in the
23 appeal would result in an increase in county expenditures in
24 calendar year 2007 or any subsequent year prior to the freeze
25 termination year.

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

28 A local taxing authority is not required to comply with the
29 public advertisement notice of Minnesota Statutes, section
30 275.065, subdivision 5a, or the public hearing requirement of
31 Minnesota Statutes, section 275.065, subdivision 6, with respect
32 to taxes payable in 2007 and any subsequent year prior to the
33 freeze termination year.

34 Sec. 9. [TAX RATE FREEZE; REDUCTION OF LEVY.]

35 If in the course of determining local tax rates for taxes
36 payable in 2007 or any subsequent year prior to the freeze

1 termination year after reductions for disparity reduction aid
2 under Minnesota Statutes, section 275.08, subdivisions 1c and
3 1d, the county auditor finds the local tax rate exceeds that in
4 effect for taxes payable in 2006, the county auditor shall
5 reduce the local government's levy so that the local tax rate
6 does not exceed that in effect for taxes payable in 2006,
7 adjusted as provided in section 5.

8 Sec. 10. [PENSION LIABILITIES.]

9 Notwithstanding any other law or charter provision to the
10 contrary, no levy for taxes payable in 2007 or any subsequent
11 year prior to the freeze termination year for a local police and
12 fire relief association for the purpose of amortizing an
13 unfunded pension liability may exceed the levy for that purpose
14 for taxes payable in 2006.

15 Sec. 11. [DUTIES OF TOWNSHIP BOARD OF SUPERVISORS.]

16 Notwithstanding Minnesota Statutes, section 365.10, in 2006
17 the township board of supervisors shall adjust the levy and in
18 any subsequent year prior to the freeze termination year, the
19 township board of supervisors may adjust the expenditures of a
20 township below the level authorized by the electors to adjust
21 for any reduction in the previously authorized levy of the
22 township pursuant to section 5.

23 Sec. 12. [PROHIBITION ON NEW OR INCREASED FEES.]

24 After March 1, 2006, no municipality as defined in
25 Minnesota Statutes, section 475.51, or special taxing district
26 as defined in Minnesota Statutes, section 275.066, and no
27 executive branch state agency may impose a new fee or increase
28 the rate or amount of an existing fee. As used in this section,
29 a fee is any charge for goods, services, regulations, or
30 licensure, and includes charges for admission to or for use of
31 public facilities.

32 Sec. 13. [SAVINGS CLAUSE.]

33 Notwithstanding any provision in this article, nothing in
34 this article constitutes an impairment of any obligations,
35 certificates of indebtedness, capital notes, or other debt
36 instruments, including installment purchase contracts or lease

1 purchase agreements, issued before the date of final enactment
 2 of this act, by a municipality as defined in Minnesota Statutes,
 3 section 469.174, subdivision 6; a school district; or a special
 4 taxing district as defined in Minnesota Statutes, section
 5 275.066.

6 Sec. 14. [EFFECTIVE DATE; TERMINATION.]

7 (a) This article is effective the day following final
 8 enactment and applies to taxes payable in 2007 and subsequent
 9 years prior to the termination date provided in paragraph (b),
 10 (c), (d), or (e) for the taxing jurisdiction described in each
 11 of those paragraphs.

12 (b) For cities and towns, the termination date is the taxes
 13 payable year that is the calendar year when local government
 14 aids payable to cities under Minnesota Statutes, section
 15 477A.013, are sufficient to fully fund the formula without any
 16 reduction due to the limitation in Minnesota Statutes, section
 17 477A.03.

18 (c) For counties, the termination date is the taxes payable
 19 year when the total amount to be paid to all counties under
 20 Minnesota Statutes, section 477A.0124, exceeds the amount paid
 21 to all counties under Minnesota Statutes 2002, sections 273.138;
 22 273.1398, subdivision 2, minus the amount certified under
 23 Minnesota Statutes, section 273.1398, subdivision 4a, paragraph
 24 (b), for counties in Judicial Districts One, Three, Six, and
 25 Ten, and by 25 percent of the amount certified under Minnesota
 26 Statutes, section 273.1398, subdivision 4a, paragraph (b), for
 27 counties located in Judicial Districts Two and Four; 273.166;
 28 477A.0121; and 477A.0122, increased by the rate of increase in
 29 the annual implicit price deflator for government consumption
 30 expenditures from 2003 to the current year.

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

36 (e) For special taxing districts, the termination date is

1 the 2009 taxes payable year.

1 Senator moves to amend S.F. No. (Tax111) as
2 follows:

3 Page 54, after line 11, insert:

4 "Sec. 4. [APPROPRIATION.]

5 \$320,000 is appropriated from the general fund to the
6 commissioner of employment and economic development to be
7 distributed to the city of Duluth to be used by the city for
8 grants to enterprises related to environmental cleanup of Lake
9 Superior and long-term community health care."

10 Renumber the sections in sequence and correct the internal
11 references

12 Amend the title accordingly

Potter

1 Senator moves to amend S.F. No. (TaxIII) as
2 follows:

3 Page 1, after line 2, insert:

4 "Section 1. Minnesota Statutes 2004, section 16A.152,
5 subdivision 2, is amended to read:

6 Subd. 2. [ADDITIONAL REVENUES; PRIORITY.] (a) If on the
7 basis of a forecast of general fund revenues and expenditures,
8 the commissioner of finance determines that there will be a
9 positive unrestricted budgetary general fund balance at the
10 close of the biennium, the commissioner of finance must allocate
11 money to the following accounts and purposes in priority order:

12 (1) the cash flow account established in subdivision 1
13 until that account reaches \$350,000,000;

14 (2) the budget reserve account established in subdivision
15 1a until that account reaches \$653,000,000;

16 (3) the amount necessary to increase the aid payment
17 schedule for school district aids and credits payments in
18 section 127A.45 to not more than 90 percent; and

19 (4) the amount necessary to restore all or a portion of the
20 net aid reductions under section 127A.441 and to reduce the
21 property tax revenue recognition shift under section 123B.75,
22 subdivision 5, paragraph (c), and Laws 2003, First Special
23 Session chapter 9, article 5, section 34, as amended by Laws
24 2003, First Special Session chapter 23, section 20, by the same
25 amount; and

26 (5) the amount necessary to eliminate requirements for
27 accelerated payments of June tax liabilities under sections
28 287.12; 287.29; 289A.20, subdivision 4; 297F.09, subdivision 10,
29 and 297G.09, subdivision 9;

30 (6) the amount necessary to provide that interest is
31 payable on claims for refunds of the sales tax paid on exempt
32 capital equipment from the date the claim is filed with the
33 commissioner and on other exempt items as provided in Minnesota
34 Statutes 2002, section 297A.75, subdivision 4; and

35 (7) the amount necessary to make payments of local
36 government aids in six installments in each of the months of

1 July through December as provided in Minnesota Statutes 1984,
2 section 477A.015.

3 (b) The amounts necessary to meet the requirements of this
4 section are appropriated from the general fund within two weeks
5 after the forecast is released or, in the case of transfers
6 under paragraph (a), clauses (3) and (4), as necessary to meet
7 the appropriations schedules otherwise established in statute.

8 (c) To the extent that a positive unrestricted budgetary
9 general fund balance is projected, appropriations under this
10 section must be made before any transfer is made under section
11 16A.1522.

12 (d) The commissioner of finance shall certify the total
13 dollar amount of the reductions under paragraph (a), clauses (3)
14 and (4), to the commissioner of education. The commissioner of
15 education shall increase the aid payment percentage and reduce
16 the property tax shift percentage by these amounts and apply
17 those reductions to the current fiscal year and thereafter."

18 Page 3, after line 32, insert:

19 "Sec. 3. Minnesota Statutes 2004, section 290.06,
20 subdivision 2c, is amended to read:

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

27 (1) On the first ~~\$25,680~~ \$29,070, 5.35 percent;

28 (2) On all over ~~\$25,680~~ \$29,070, but not
29 over ~~\$102,030~~ \$115,510, 7.05 percent;

30 (3) On all over ~~\$102,030~~ \$115,510, but not over \$250,000,
31 7.85 percent; and

32 (4) On all over \$250,000, 11 percent for taxable years
33 beginning after December 31, 2004, and before the fourth bracket
34 termination year as defined in paragraph (f). For the fourth
35 bracket termination year and subsequent taxable years, the
36 income included in this clause will be subject to the rate in

1 clause (3).

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

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

9 (1) On the first ~~\$17,570~~ \$19,890, 5.35 percent;

10 (2) On all over ~~\$17,570~~ \$19,890, but not
11 over ~~\$57,710~~ \$65,330, 7.05 percent;

12 (3) On all over ~~\$57,710~~ \$65,330, but not over \$166,665,
13 7.85 percent; and

14 (4) On all over \$166,665, 11 percent for taxable years
15 beginning after December 31, 2004, and before the fourth bracket
16 termination year as defined in paragraph (f). For the fourth
17 bracket termination year and subsequent taxable years, the
18 income included in this clause will be subject to the rate in
19 clause (3).

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

24 (1) On the first ~~\$21,630~~ \$24,490, 5.35 percent;

25 (2) On all over ~~\$21,630~~ \$24,490, but not
26 over ~~\$86,910~~ \$98,390, 7.05 percent;

27 (3) On all over ~~\$86,910~~ \$98,390, but not over \$208,330,
28 7.85 percent; and

29 (4) On all over \$208,330, 11 percent for taxable years
30 beginning after December 31, 2004, and before the fourth bracket
31 termination year as defined in paragraph (f). For the fourth
32 bracket termination year and subsequent taxable years, the
33 income included in this clause will be subject to the rate in
34 clause (3).

35 (d) In lieu of a tax computed according to the rates set
36 forth in this subdivision, the tax of any individual taxpayer

1 whose taxable net income for the taxable year is less than an
2 amount determined by the commissioner must be computed in
3 accordance with tables prepared and issued by the commissioner
4 of revenue based on income brackets of not more than \$100. The
5 amount of tax for each bracket shall be computed at the rates
6 set forth in this subdivision, provided that the commissioner
7 may disregard a fractional part of a dollar unless it amounts to
8 50 cents or more, in which case it may be increased to \$1.

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

14 (1) the numerator is the individual's Minnesota source
15 federal adjusted gross income as defined in section 62 of the
16 Internal Revenue Code and increased by the additions required
17 under section 290.01, subdivision 19a, clauses (1), (5), and
18 (6), and reduced by the subtraction under section 290.01,
19 subdivision 19b, clause (11), and the Minnesota assignable
20 portion of the subtraction for United States government interest
21 under section 290.01, subdivision 19b, clause (1), after
22 applying the allocation and assignability provisions of section
23 290.081, clause (a), or 290.17; and

24 (2) the denominator is the individual's federal adjusted
25 gross income as defined in section 62 of the Internal Revenue
26 Code of 1986, increased by the amounts specified in section
27 290.01, subdivision 19a, clauses (1), (5), and (6), and reduced
28 by the amounts specified in section 290.01, subdivision 19b,
29 clauses (1) and (11).

30 (f) In this subdivision, the fourth bracket termination
31 year is the first taxable year beginning after the commissioner
32 of finance has determined that there will be a positive
33 unrestricted budgeting general fund balance at the close of the
34 biennium that is sufficient to complete the allocations required
35 under section 16A.152, subdivision 2.

36 **[EFFECTIVE DATE.] This section is effective for taxable**

1 years beginning after December 31, 2004.

2 Sec. 4. Minnesota Statutes 2004, section 290.06,
3 subdivision 2d, is amended to read:

4 Subd. 2d. [INFLATION ADJUSTMENT OF BRACKETS.] (a) For
5 taxable years beginning after December 31, ~~2000~~ 2005, the
6 minimum and maximum dollar amounts for each rate bracket for
7 which a tax is imposed in subdivision 2c shall be adjusted for
8 inflation by the percentage determined under paragraph (b). For
9 the purpose of making the adjustment as provided in this
10 subdivision all of the rate brackets provided in subdivision 2c
11 shall be the rate brackets as they existed for taxable years
12 beginning after December 31, ~~1999~~ 2004, and before January
13 1, ~~2001~~ 2006. The rate applicable to any rate bracket must not
14 be changed. The dollar amounts setting forth the tax shall be
15 adjusted to reflect the changes in the rate brackets. The rate
16 brackets as adjusted must be rounded to the nearest \$10 amount.
17 If the rate bracket ends in \$5, it must be rounded up to the
18 nearest \$10 amount.

19 (b) The commissioner shall adjust the rate brackets and by
20 the percentage determined pursuant to the provisions of section
21 1(f) of the Internal Revenue Code, except that in section
22 1(f)(3)(B) the word "~~1999~~ 2004" shall be substituted for the
23 word "1992." For ~~2001~~ 2006, the commissioner shall then
24 determine the percent change from the 12 months ending on August
25 31, ~~1999~~ 2004, to the 12 months ending on August 31, ~~2000~~ 2005,
26 and in each subsequent year, from the 12 months ending on August
27 31, ~~1999~~ 2004, to the 12 months ending on August 31 of the year
28 preceding the taxable year. The determination of the
29 commissioner pursuant to this subdivision shall not be
30 considered a "rule" and shall not be subject to the
31 Administrative Procedure Act contained in chapter 14.

32 No later than December 15 of each year, the commissioner
33 shall announce the specific percentage that will be used to
34 adjust the tax rate brackets."

35 Renumber the sections in sequence and correct the internal
36 references

1 Amend the title accordingly

Pogemiller
C 1157 512(A)

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

2 Page, after line, insert:

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

5 Subd. 37. [EVENT SOUVENIR CLOTHING.] "Event souvenir
6 clothing" is clothing that is sold at a state-subsidized
7 facility and that bears a name, image, or logo of the
8 entertainer, athlete, or team that performs at the facility. As
9 used in this subdivision, a "state-subsidized facility" means
10 the Metrodome financed under section 473.581, the basketball
11 arena that receives payments from the Amateur Sports Commission
12 under section 473.556, subdivision 16, and the hockey arena that
13 received a loan of state funds under Laws 1998, chapter 404,
14 section 23, subdivision 6.

15 [EFFECTIVE DATE.] This section is effective for sales after
16 June 30, 2005.

17 Sec. Minnesota Statutes 2004, section 297A.67,
18 subdivision 8, is amended to read:

19 Subd. 8. [CLOTHING.] (a) Clothing is exempt. For purposes
20 of this subdivision, "clothing" means all human wearing apparel
21 suitable for general use.

22 (b) Clothing includes, but is not limited to, aprons,
23 household and shop; athletic supporters; baby receiving
24 blankets; bathing suits and caps; beach capes and coats; belts
25 and suspenders; boots; coats and jackets; costumes; children and
26 adult diapers, including disposable; ear muffs; footlets; formal
27 wear; garters and garter belts; girdles; gloves and mittens for
28 general use; hats and caps; hosiery; insoles for shoes; lab
29 coats; neckties; overshoes; pantyhose; rainwear; rubber pants;
30 sandals; scarves; shoes and shoe laces; slippers; sneakers;
31 socks and stockings; steel-toed boots; underwear; uniforms,
32 athletic and nonathletic; and wedding apparel.

33 (c) Clothing does not include the following:

- 34 (1) belt buckles sold separately;
- 35 (2) costume masks sold separately;
- 36 (3) patches and emblems sold separately;

1 (4) sewing equipment and supplies, including but not
2 limited to, knitting needles, patterns, pins, scissors, sewing
3 machines, sewing needles, tape measures, and thimbles;

4 (5) sewing materials that become part of clothing,
5 including but not limited to, buttons, fabric, lace, thread,
6 yarn, and zippers;

7 (6) clothing accessories or equipment;

8 (7) sports or recreational equipment; and

9 (8) protective equipment; and

10 (9) event souvenir clothing.

11 Clothing also does not include apparel made from fur if a
12 uniform definition of "apparel made from fur" is developed by
13 the member states of the Streamlined Sales and Use Tax Agreement.

14 For purposes of this subdivision, "clothing accessories or
15 equipment" means incidental items worn on the person or in
16 conjunction with clothing. Clothing accessories and equipment
17 include, but are not limited to, briefcases; cosmetics; hair
18 notions, including barrettes, hair bows, and hairnets; handbags;
19 handkerchiefs; jewelry; nonprescription sunglasses; umbrellas;
20 wallets; watches; and wigs and hairpieces. "Sports or
21 recreational equipment" means items designed for human use and
22 worn in conjunction with an athletic or recreational activity
23 that are not suitable for general use. Sports and recreational
24 equipment includes, but is not limited to, ballet and tap shoes;
25 cleated or spiked athletic shoes; gloves, including, but not
26 limited to, baseball, bowling, boxing, hockey, and golf gloves;
27 goggles; hand and elbow guards; life preservers and vests; mouth
28 guards; roller and ice skates; shin guards; shoulder pads; ski
29 boots; waders; and wetsuits and fins. "Protective equipment"
30 means items for human wear and designed as protection of the
31 wearer against injury or disease or as protection against damage
32 or injury of other persons or property but not suitable for
33 general use. Protective equipment includes, but is not limited
34 to, breathing masks; clean room apparel and equipment; ear and
35 hearing protectors; face shields; finger guards; hard hats;
36 helmets; paint or dust respirators; protective gloves; safety

1 glasses and goggles; safety belts; tool belts; and welders
2 gloves and masks.

3 **[EFFECTIVE DATE.] This section is effective for sales after**
4 **June 30, 2005."**

5 Renumber the sections in sequence and correct the internal
6 references

7 Amend the title accordingly

CRIMAN

N/A

1 Senator moves to amend S.F. No. (Tax III) as
2 follows:

3 Page ..., after line ..., insert:

4 "Sec. ... Minnesota Statutes 2004, section 297A.71, is
5 amended by adding a subdivision to read:

6 Subd. 33. [CARVER COUNTY JUSTICE CENTER.] Materials and
7 supplies used or consumed in, and equipment incorporated into,
8 the construction of the expansion and renovation of the Carver
9 County Justice Center, are exempt.

10 [EFFECTIVE DATE.] This section is effective for sales and
11 purchases made after December 31, 2005, and before January 1,
12 2008."

13 Renumber the sections in sequence and correct the internal
14 references

15 Amend the title accordingly

Belanger

(A)

1 Senator moves to amend S.F. No. (Tax III) as
2 follows:

3 Page ..., after line ..., insert:

4 "Sec. ... [DEVELOPMENT AUTHORIZED.]

5 Dakota County Regional Railroad Authority may exercise the
6 powers conferred by Minnesota Statutes, section 398A.04, to
7 plan, establish, acquire, develop, construct, purchase, enlarge,
8 extend, improve, maintain, equip, operate, regulate, and protect
9 a bus rapid transit system located within the Cedar Avenue
10 transitway corridor within Dakota County.

✓ The auth may levy for this purpose under m.s. Sec. 398.A.04 subdiv 8, to the extent the levy auth uder that Subdiv. levy is not required for that yr for railroad purposes.

11 Sec. 2. [EFFECTIVE DATE.]

12 Pursuant to Minnesota Statutes, section 645.023,
13 subdivision 1, paragraph (a), section 1 is effective without
14 local approval the day following final enactment."

15 Renumber the sections in sequence and correct the internal
16 references

17 Amend the title accordingly