



STATE OF MINNESOTA

Office of Governor Tim Pawlenty

130 State Capitol ♦ Rev. Dr. Martin Luther King Jr. Boulevard ♦ Saint Paul, MN 55155

Leadership Agreement

July 9, 2005 1:30 AM

EDUCATION

\$800m Total for schools, including local levies, at \$139.2 million and 4.0%/4.0% each year on the formula.

Agreed upon language for Q Comp at \$78.5 million in aid plus \$9 million in levy with equitable geographic distribution. Get Ready Get Credit language and funding level at \$11.6 million.

Referendum cap raised to 26%; \$200 per student of additional referendum authority to "grandfathered" districts; referendum equalization increased to \$600 per student in FY 2007 and \$700 per student in FY 2008 and later.

Establish a low referendum district equity increase, metro equity increase and modified equity formula to provide statewide equity. The modified equity formula includes \$32 million in school board approved levy as an allowance per pupil for all school districts below the 95th percentile and includes cities of the first class. School districts above the 95th percentile shall receive a levy allowance equal to 50% of the allowance that districts below the 95th percentile receive.

\$10 million aid for early childhood programs.

HHS

\$110m Over Governor's March budget for 06-07; 08-09 tails also \$110m over Governor's tails
Maintain current law MnCare eligibility. Repeal MnCare cap and restore diabetic supplies.
Fully utilize HCAF balance in both biennia.

TAX

\$ 86m Over the Governor's March budget.

Offer assumes Health Savings Account conformity, single sales, and gross premium tax reduction, plus other items including: *Gov. position*

\$ 45m Local Government Aid; \$25m from the general fund and \$20m from the tax relief account to be used only for the current formula or small cities or for adjustments to avoid excess aid.

Current law for political contribution refund program and the renter's credit program.

TRANSPORTATION

\$ 46m Over Governor's March budget for transit (\$40m metro and \$6m rural)

Basic funding bill without gas tax or license tab or other tax increases. Senate position on Governor's proposed general fund fee increases.

REVENUE

\$401m HIF at \$.75 to be referenced in law as "Health Impact Fee." (Includes other tobacco products and floor stocks.) The Health Impact Fee will be carried in the Health and Human Services bill.

\$232m Net revenue increase only from the Governor's March budget revenues, plus abusive tax shelters (\$57 m) and the gas pipeline case adjustment (\$16 m.)

Executive branch including constitutional offices receives authority to carry unexpended funds forward from FY 2005 to FY 2006.

The Governor agrees not to line item veto provisions specifically referenced in this agreement.

The House and Senate will pass and send to the Governor a bill authorizing continued spending at FY 2005 appropriated levels until midnight, Thursday, July 14, 2005.

Working Groups will make decisions by 5:00 PM on Monday, July 11 or leadership will finish the bills. The bills will pass the House and the Senate by 8:00 PM on Wednesday, July 13, 2005.

[Signature]
Governor
7/9/05

[Signature]
Dea Ellen Johnson
7/9/05

[Signature]
Steve Wiggum
7/9/05

[Signature]
Matt Entenza
7/9/05

[Signature]
Dick Jorg
7/9/05

Licensing & Background checks	.589 M
Fair Hearings	1.113 M
Am. Indian Child Welfare grants	2.419 M (tails at Gov's level)
Prevent Teenage Homeless	2.247 M
Supportive Housing - Homeless	10.000 M
Better Manage Health Care Programs	4.873 M (+ Savings 306)
SOS Forensic	10.402 M
Improve Mental Health Coverage	3.406 M
Meth. Treatment	.600 M

PT
Dea E John
Matt

Dick Jay
Hans Jürgen

areas by 07.5 million

House conditions

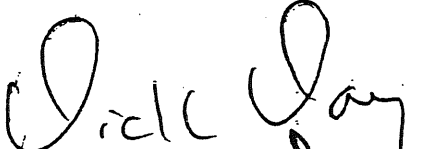
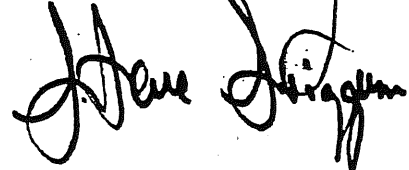
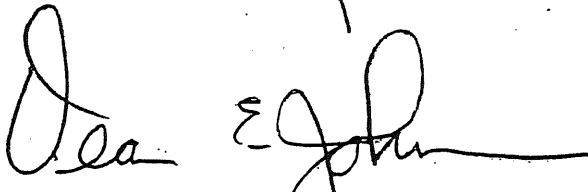

- 1) Provider COLA at house level (2.26 in '06 and 2.26 in '07) \$69M
- 2) Reduce family planning monies when 1115 waiver implemented (-\$3.8M)

Agreement must also include following HHS reforms:

- 3) MN Health Program Integrity Provisions (-\$6.3M)
- 4) MNCare Premium Increases (-\$5M) (-2.5M)
- ~~Drop 5) Subsidized Housing @ \$100 (-\$6.2M)~~
- 6) Child Care Absent Day limit (-\$1.5M)

\$46.2M

52.4

 Dick Jay
 Steve Higgins
 John
 Matt

MASTER

Property Tax Outstanding Provisions

Side-by-side Page(s)	Provision	House Position	Senate Position
7, 20	Soil & Water district levy authorization	None	Art. 8, Sec. 1-2 & 49. Allows levy if authorized by county.
7, 8, 21	School referendum levy based on income tax	None	Art. 8, Sec. 7-11 & 56. Allows school districts to levy an income tax by referendum
8	MnDOT required to notify county auditor when property is acquired by DOT	None	Art. 8, Sec. 13.
8, 28	Chemical dependency consolidated fund	None	Art. 22, Sec. 4 & 29. Reduces county maintenance-of-effort requirements with regard to chemical dependency spending; appropriates money to the commissioner of human services for the fund.
8	Valuation of land under wind towers	None	Art. 8, Sec. 14. Provides it is classified like neighboring property (was in 2004 DOR. bill)
9	Biomass generation facility personal property exemption – Minneapolis.	None	Art. 8, Sec. 19. Authorizes.
9	Cottage Grove generation facility personal property exemption	None	Art. 8, Sec. 20. Authorizes (was in 2004 DOR bill)
9	Generic generation facility personal property exemption	Art. 2, Sec. 10. Authorizes.	None.
10	Personal rapid transit system	None.	Art. 8, Sec. 21. Property tax exemption.
10	Elderly living facility exemption	None.	Art. 8, Sec. 22. Exempts a particular facility in Minneapolis.
11	Authority for county assessor to replace local assessor	Art. 2, Sec. 11. Requires two-thirds vote of county board	None.

Side-by-side Page(s)	Provision	House Position	Senate Position
11	Improvements in assessment quality	Art. 2, Sec. 12, & 50. Requires DOR to develop standards, etc. and more assessor training	None.
11	Limited market value	Art. 2, Sec. 13. Extends phase-out two years, so parameters for pay '06 and pay '07 are 15% max or 25% of EMV/LMV difference. Extends to all types of property.	Art. 8, Sec. 28. Eliminates phase-out and locks-in current parameters (15% max or 25% of EMV/LMV difference) for all subsequent years. Extends LMV to class 1c homestead resorts.
11	Class 1c resort property	Art. 2, Sec. 14. Includes in LMV. Prohibits more than 30% increase over 2003 value.	Art. 8, Sec. 29. Includes in LMV. Prohibits more than 15% increase over 2003 value.
11	Septic system improvements	None.	Art. 8, Sec. 30. Provides for valuation exclusion.
12	Lead hazard reduction	Art. 2, Sec. 15. Authorizes valuation exclusion.	Art. 8, Sec. 31. Authorizes valuation exclusion.
12	Energy-efficient commercial property	None.	Art. 8, Sec. 32. Provides for valuation exclusion.
13	Green acres applications	Art. 2, Sec. 16. Requires county to report rejected applications to DOR.	None.
13-14	Aggregate resource preservation	None.	Art. 8, Sec. 33 & 40. Establishes program for land containing aggregate commercial deposit, similar to Green acres.
14	Polo grounds	None.	Art. 8, Sec. 35. Allows polo grounds to qualify for open space valuation
14-15	Homesteads damaged by mold	Art. 2, Sec. 17. Allows county board to grant valuation reduction and abatement for house that is uninhabitable due to mold	Art. 8, Sec. 36. Requires county board to grant valuation reduction and abatement for house that is uninhabitable due to mold
15	Homestead used for licensed child care	None.	Art. 8, Sec. 37. Provides they are to be classified as homestead (was in 2004 tax bill)
15	Manufactured home taxes	None.	Art. 8, Sec. 12. Provides that delinquent taxes do not need to be paid to transfer title to park owner.
15	Manufactured home taxes	Art. 2, Sec. 19. Provides that manufactured homes in parks, resorts, and campgrounds are personal property, even if owned by same <i>owner</i>	None.

Side-by-side Page(s)	Provision	House Position	Senate Position
		owner.	
15-16	Low-income housing	Art. 2, Sec. 20 & 23. Recreates class 4d, using deemed units (readily identifiable) only. No change in how properties are valued. Class rate of 1%.	Art. 8, Sec. 41, 42, & 58. Recreates class 4d, using deemed units plus others. Valuation to be based on restricted rents. Class rate of 0.55%.
16-17	Blind/disabled homesteads	Art. 2, Sec. 21. Increases valuation of class 1b property to qualify for reduced class rate from \$32,000 to \$50,000.	None.
17	Ag homestead valuation	Art. 2, Sec. 22. Increases valuation of ag homestead property to qualify for reduced class rate from \$600,000 to \$750,000.	None.
17	Definition of agricultural products	None.	Art. 8, Sec. 40. Adds "short rotation woody crops" to list of products qualifying for ag classification.
17-18	Disabled veteran homestead	Art. 2, Sec. 24. Provides \$200,000 homestead valuation exclusion to permanently disabled veteran with total service-related disability.	None.
18	Vacant commercial-industrial properties	None.	Art. 8, Sec. 43. Allows city to establish program to encourage redevelopment of blighted commercial properties. Border city. (Was in 2004 bill)
18	Valuation of utility property	None.	Art. 8, Sec. 45. Delays application of new rules regarding method of valuing electric and transmission pipeline utility property.
19	Valuation adjustments	Art. 2, Sec. 25. Removes prohibition against local board reducing value if owner has not allowed assessor access.	None.
19	State general levy	Art. 2, Sec. 26. Apportions levy into separate shares for commercial-industrial and seasonal-recreational	Art. 22, Sec. 10. Locks-in the state rate on commercial-industrial property at the rate in effect in 2002.
19	Joint truth-in-taxation hearings	Article 1 eliminates truth-in-taxation hearings.	Art. 8, Sec. 47 & 48. Authorizes joint hearings for Aitkin County and Nobles County.
20	Cruelty to animals levy	None.	Art. 8, Sec. 50. Provides levy is outside levy

Side-by-side Page(s)	Provision	House Position	Senate Position
			limits.
20	Regional rail levy on property tax statement	Art. 2, Sec. 27. Provides metro regional rail authority levies will be shown separately on tax statement	None.
20	Petitions involving low-income rental property	None.	Art. 8, Sec. 52. Allows owners of low-income rental property to include multiple parcels when petitioning for valuation reduction.
20	Notice to homeowners with delinquent taxes	Art. 2, Sec. 28. Requires the county to send information to certain homeowners with delinquent taxes.	None.
21	Rent constituting property taxes	Art. 2, Sec. 29-32 & 34. Provides that property tax refunds for renters will be based on actual property taxes.	None.
22	St. Louis County nursing homes	Art. 2, Sec. 39. Requires St. Louis County to subsidize all public nursing homes if it subsidizes any.	Art. 8, Sec. 71. Extends date for local approval of special taxing district for nursing home.
23	HRA levies	None.	Art. 22, Sec. 12. Provides that HRA levy limit is based on current assessment year rather than previous.
23	St. Paul airport	Art. 2, Sec. 40. Clarifies St. Paul airport is exempt from fiscal disparities.	None.
23	Uncompensated care reimbursement	None.	Art. 8, Sec. 59. Provides reimbursement to hospitals for uncompensated health care costs from fiscal disparities pool.
24	Hennepin County public defender reimbursement	None.	Art. 8, Sec. 60. Provides reimbursement to Hennepin county for public defender costs from fiscal disparities pool.
24	LUP land PILT payments	Art. 2, Sec. 41-45. Establishes LUP lands @ \$.75 per acre.	Art. 8, Sec. 62-66. Establishes LUP lands @ \$3.00 per acre.
24	Report on assessment	Art. 2, sec. 49; requires DOR report	
24	Lakeview cemetery	None.	Art. 22, Sec. 22. Increases levy authorization from \$15,000 to \$25,000.
25	Dakota County Regional Rail authorization.	None.	Art. 22, Sec. 27. Allows Dakota County regional rail authority to develop and maintain

Side-by-side Page(s)	Provision	House Position	Senate Position
			a bus rapid transit system.
26	Education reserve account	None.	Art. 8, Sec. 73. Establishes account and provides that state levy revenues over base amount will be deposited
26-27	Pollution Control exemption.	None.	Art. 8, Sec. 74. Requires study by DOR.
27	Land-value tax	None.	Art. 8, Sec. 76. Provides that a city may elect to levy its commercial industrial tax on land only.
27	Study of fees	None.	Art. 8, Sec. 78. Requires DOR to do a study on state agency fees.

Outstanding Issues in the Property Tax Aids and Credits Area

as of May 24, 2005

(H.F. 785 – the 3rd engrossment, Article 3)

(H.F. 785 – the Senate Unofficial engrossment, Articles 4, 8,14, 22)

Summary Page	Topic	Whose provision?
LGA program changes:		
28	Change the IPD used in calculating the LGA city “need”	Senate; Art. 22, sec. 14
28	Allowing the tax effort rate to decrease if the percent of “unmet” need paid under the LGA formula reaches 100%	House; Ar. 3, sec. 8
28	Grant extra LGA payments to the cities of Osseo, Hutchinson, and Champlin	Senate; Art. 22, sec. 15
28	Allow the “regional center aid” portion of LGA to change with city population changes	Senate; Art. 22, sec. 15
28-29	Adjust the LGA measure of “ability to raise revenue” to include what a first class can raise with a one-half percent sales tax	House; Art. 2, sec. 13
28-29	Remove taconite aids from the LGA measure of “ability to raise revenue”	Senate; Art. 22, sec. 17
29	Do not allow percent of “unmet need” paid by LGA formula to exceed 100 percent	Both; different House Art. 3, sec. 13; Sen. Art. 22, sec. 20

29	Change LGA appropriation (House – down \$17.5 million for one year; Senate – up \$86 million in first year and ongoing inflation increases)	Both; different House Art. 3, sec. 16; Sen. Art. 22, sec. 20
Other aids and credits		
29	Extend the market value credit reductions for cities for two more years (Pay 2005 and 2006) – reduces spending	Both; House Art. 3, sec. 20; Sen. Art. 4, sec. 2
29-30	Reduces market value credit amounts to areas with low net tax rates- reduces spending	Senate; Art. 8, sec. 44
30	Reinstates County criminal justice aid for 2 years at a \$15 million annual appropriation.	Senate; Art. 22, sec. 19

Income Tax/Federal Update Article – Outstanding items

Summary page	Description	Which bill?
Federal Update		
45-51	Senate does not do HSAs, House does not do standard deduction in 2007, 2008 (coordinate with provisions in both on refundable credits, composite return)	both; different
Revenue raisers		
32-33, 39	Foreign operating corporations	Senate
33, 39	Disallow deduction for fines, fees, penalties	Senate
34	Income tax rate increases	Senate
69	Tax deferred comp (Benda)	Senate
Cost items – subtractions		
33	organ donor expenses	both; similar; staff recc.
Cost items – credits/refunds		
34	Transit pass as refund	Senate
34-5	Dairy investment credit	both; similar
35	Carsharing credit	Senate
35-36	RAIN credit	Senate
36	Marriage penalty relief, dependent care and working family credits	House
36-37	Long-term care credit, no offset for itemized deduction	House
37	K-12 credit eliminate family cap, allocate money among children, modify phaseout	both; different

37-38,44	Historic structure credit	Senate
Cost items – other		
34	PRT income tax exemption	Senate
38-9	AMT relief	both; different
39-40,44	Single sales apportionment	House
44	Estate tax QTIP election	House
Other		
30-1	Priorities for general fund balance	Senate
31	Local use tax info on income tax form	House
32	Definition of nonresident (factors in determining domicile)	House
40-43	Checkoffs (fiscal note \$\$)	both; different
44-5	Corporate tax study	Senate

Outstanding Issues in the Sales and Use Tax Area

as of May 24, 2005

(H.F. 785 – the 3rd engrossment, Article 7)

(H.F. 785 – the Senate Unofficial engrossment, Articles 3, 7, 15, and 21)

Summary Page	Topic	Whose provision?
Revenue raisers:		
52	Exemption for cigarettes (replaced with wholesales tax)	Both
53	Reverses a <i>Sprint</i> case on telecommunications equipment	Senate
59 ff	Sales and use tax compliance initiatives	Senate
64-5	Taxes souvenir clothing	Senate
Reduces revenues:		
52	Exemption for milk sold in vending machines	House
52,53,54	Personal Rapid Transit (PRT) exemptions	Both
53	Upfront exemption for small business capital equipment purchases	House
53-4	Exemption for MNSCU tickets and admissions	House
60	Exemption for geothermal systems	Senate
60	Exemption for biomass stoves	Senate

Summary Page	Topic	Whose provision?
60	Commuter rails exemptions	Senate
60	Exemption for inputs to movies and television production	Senate
60	Exemption for public safety radio systems	Senate
60	Donated meals to a nonprofit for fundraising purposes	Senate
60-62,65	Construction exemptions for: <ul style="list-style-type: none"> • Waste recovery facility • St. Mary's Duluth hospital • Joint powers biomass energy facility • Chatfield wastewater treatment facility • Poultry litter biomass generation facility • Thief River Falls community center • Hydroelectric generating facility 	Senate
61	MVST exemption for state and local government purchases of fuel efficient vehicles for 3 years	Senate
64-5	Exempts meals served at a nonprofit daycare	Senate
No impact on state revenues:		
55	Local sales tax for first class cities	House
55	General local option sales tax for outstate cities for regional projects	House
57	Repeal of the one-year lapse before re-imposing a local tax	House
57	Aid adjustments for refunds after a local tax terminates	House
57	Notification requirements for local use taxes	House
57,59	Modify and extend Rochester local sales tax authority	Both
58	Mankato sales tax extension	Both
58-9	St. Cloud area sales tax extension and expansion	Both
59	Bemidji sales tax provision	Both
61	Individual authorizations to increase a local sales tax in the following places: <ul style="list-style-type: none"> • Hermantown • Proctor 	Senate

Summary Page	Topic	Whose provision?
62-64	Authorizes a one-half percent local options sales tax in the following places: <ul style="list-style-type: none"> • Albert Lea • Baxter • Beaver Bay • Cloquet • Clearwater • Medford • Park Rapids (one percent) • Waseca (one percent) • Willmar • Winona (one percent) • Mower County • Worthington 	Senate
65	Clarification of St. Paul sales tax to pay off bonds	Senate

Special Taxes		
Summary Page	Provision Description	Source Bill
Revenue Raisers		
66	Card club fee	House
70	Move cigarette sales tax to the wholesale level	Both
71	Reverse CUNA decision – insurance premiums tax	Senate
Revenue Losers		
71	Reduce premiums tax on life insurance	Both
Provisions with no general fund cost		
67	MinnesotaCare tax – blood and blood components	Senate
67	MinnesotaCare tax – exemption from use tax on drugs	House
67	MinnesotaCare – exempt Tricare	House
67	MinnesotaCare – exempt FEHBA	Both
67	MinnesotaCare – transfer (passthrough) authority for	House (Senate HHS has PBMs)

	providers and pharmacy benefits managers	
69-70	Out of state tobacco retailers	Senate
71	Sylvan town gravel tax	House
71	Authorizes compacts on retaliatory premiums tax	Senate

List of Outstanding Items: Economic Development

6/25/2005

Provisions with No Cost (FY06-07):

1. Senate - Changes to the business subsidy law (Art. 9, sec. 1 to 5)
2. Senate - Transfer of ownership of I-394 Parking Ramps to Minneapolis (Art. 9, sec. 7)
3. House - JOBZ changes from DEED bill (Art. 9, sec. 1, 4, 5, 6, 10 – 18, 20, 21; Senate has some of these provisions in a separate bill)
4. House JOBZ – prevailing wage rules (Art. 9, sec. 5, 12)
5. Senate – TIF urban renewal (Art. 9, sec. 12, 18)
6. Senate – TIF for job training (Art. 9, sec. 13, 14, 15, 17)
7. Senate – TIF for mixed income developments (Art. 9, sec. 19)
8. Senate – TIF permit pooling exemptions into hazardous substance and affordable housing accounts (Art. 9, sec. 21)
9. House - Prohibition on use of TIF for casinos (Art. 9, sec. 8 and 9)
10. House - Allow carryforward of unused bioscience zone incentives
11. Senate - Detroit Lakes TIF (Art. 9, sec. 30)
12. Senate – Elgin, Eyota, Byron, and Oronoco qualify as “small cities” under TIF (Art. 9, sec. 31)
13. Senate – Ramsey TIF (Art. 9, sec. 35)

- 14. Senate – St. Michael TIF (Art. 9, sec. 36)
- 15. Senate – Winona TIF (Art. 9, sec. 39)
- 16. Senate – Rosemont TIF (Art. 24, sec. 9)
- 17. Senate – JOBZ expenditure limits and audits (Art. 9, sec. 40)
- 18. House – Repeal JOBZ aid (Art. 9, sec. 25)
- 19. House – Repeal bioscience property tax exemption (Art. 9, sec. 25)

Provisions with Fiscal Cost:

- 1. House – JOBZ benefits for aerial photography business (Art. 9, sec. 5)
- 2. Both - Additional allocation for the Border City Zones (both bills, identical)
- 3. House - Taylors Falls border city development zone authority (Art. 9, sec. 23)

Miscellaneous Article – Outstanding items

Summary page	Description	Which bill?
Revenue raisers		
90,93	Repeal political contribution refund \$\$	House
Cost items		
91	Petrofund fee exemption extension	Senate
92	Taxpayer assistance grants (VITA)	both; different
92	Duluth environmental cleanup	Senate
93	Aid payment shifts	Senate
93	Deferred maintenance aid	Senate
93	HESO; Rochester higher ed	Senate
Other		
89	Public employers must allow American flag patch/pin	House
89	Delegations of authority	both; different

89, 91	Fee and tax	both; different
89	Nongame wildlife checkoff notification	House
89	Taxpayer bill of rights; clarification (MBNA)	Senate
90	Misrepresentation of employee status	Senate
90	Referendum on gambling	House
91-2	Tax reform commission	House
92	Transfer from tax relief account and repeal	House
92-3	Clean Water Legacy	Senate

Senate Article 11: Minerals, pp. 93 ff.



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

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

3 "Sec. Minnesota Statutes 2004, section 287.20,
4 subdivision 2, is amended to read:

5 Subd. 2. [CONSIDERATION.] (a) "Consideration" means
6 generally the total monetary value that is given in return for a
7 conveyance of real property in this state and includes all
8 lump-sum payments, all prior or future installment payments that
9 are required under the agreement between the parties, and the
10 fair market value of any property taken, or to be taken, in
11 exchange.

12 (b) Consideration does not include the reasonable and
13 lawful amounts of interest paid for the privilege of paying the
14 purchase price in installments and the fair market value of any
15 items of intangible personal property that are conveyed by the
16 taxable instrument.

17 (c) Consideration does not include the amount paid for the
18 personal property located on the real property being conveyed
19 and transferred as a part of the total consideration, except
20 that the amount paid for the personal property located on the
21 real property being conveyed must be included if the real
22 property being conveyed is a one-, two-, or three-unit
23 residential structure.

24 (d) When a conveyance of real property is made pursuant to
25 a contract for deed, the consideration is the price for the real
26 property reflected in the contract; except that, subject to the
27 limitations under section 287.221, if the contract for deed, or
28 other agreement entered into as a condition to the seller
29 executing the contract, requires the property to be improved
30 during the term of the contract and the price of the real
31 property as reflected in the contract does not include the
32 consideration for the required improvements, then the
33 consideration is the price for the real property as reflected in
34 the contract and the consideration for the required improvements
35 added during the term of the contract.

36 (e) "Total consideration" has the same meaning as

1 consideration.

2 (f) "Consideration, exclusive of the value of any lien or
3 encumbrance remaining at the time of sale" or "net
4 consideration" means the amount of consideration as reduced by
5 the amount outstanding under any lien that attached to the real
6 property prior to the time of sale and that is not released or
7 satisfied as a result of the sale.

8 (g) Except in the case of a gift, when the amount of the
9 consideration for a conveyance includes something other than
10 money or promises to pay money, the consideration for that
11 conveyance is rebuttably presumed to equal the fair market value
12 of the real property being conveyed.

13 [EFFECTIVE DATE.] This section is effective for deeds that
14 are both executed and recorded after July 31, 2005."

15 Page ..., after line ..., insert:

16 "Sec. Minnesota Statutes 2004, section 287.20, is
17 amended by adding a subdivision to read:

18 Subd. 3a. [DESIGNATED TRANSFER.] "Designated transfer"
19 means any of the following:

20 (1) a transfer between (i) an entity owned by a sole owner,
21 and (ii) that sole owner;

22 (2) a transfer between (i) an entity in which a husband, a
23 wife, or both are the sole owners, and (ii) the husband, wife,
24 or both;

25 (3) a transfer between (i) an entity with multiple
26 co-owners, and (ii) all of the co-owners, so long as each of the
27 co-owners maintains the same percentage ownership interest in
28 the transferred real property, whether directly or through
29 ownership of a percentage of the entity;

30 (4) a transfer between (i) a revocable trust, and (ii) the
31 grantor or grantors of the revocable trust; or

32 (5) a transfer of substantially all of the assets of one or
33 more entities pursuant to a reorganization, as defined in
34 section 287.20, subdivision 9.

35 For purposes of this definition of designated transfer, an
36 interest in an entity that is owned, directly or indirectly, by

1 or for another entity shall be considered as being owned
2 proportionately by or for the owners of the other entity under
3 provisions similar to those of section 267(c)(1) and (5) of the
4 Internal Revenue Code of 1986, as amended through December 31,
5 2004.

6 **[EFFECTIVE DATE.]** This section is effective August 1, 2005."

7 Page ..., after line ..., insert:

8 "Sec. Minnesota Statutes 2004, section 287.20,
9 subdivision 9, is amended to read:

10 Subd. 9. [REORGANIZATION.] "Reorganization" means the
11 transfer of substantially all of the assets of a corporation, a
12 limited liability company, or a partnership not in the usual or
13 regular course of business if at the time of the transfer the
14 transfer qualifies as: (i) a corporate reorganization under
15 section 368(a) of the Internal Revenue Code of 1986, as amended
16 through December 31, ~~2000~~ 2004; or (ii) a transfer ~~pursuant to~~
17 the from a partnership to another partnership when the
18 transferee is treated as a continuation of an-existing
19 partnership the transferor under section 708 of the Internal
20 Revenue Code of 1986, as amended through December 31, ~~2000~~ 2004.

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

23 Page ..., after line ..., insert:

24 "Sec. Minnesota Statutes 2004, section 287.21,
25 subdivision 1, is amended to read:

26 Subdivision 1. [DETERMINATION OF TAX.] (a) A tax is
27 imposed on each deed or instrument by which any real property in
28 this state is granted, assigned, transferred, or otherwise
29 conveyed. The tax applies against the net consideration. For
30 purposes of the tax, the conversion of a corporation to a
31 limited liability company, a limited liability company to a
32 corporation, a partnership to a limited partnership, a limited
33 partnership to another limited partnership or other entity, or a
34 similar conversion of one entity to another does not grant,
35 assign, transfer, or convey real property.

36 (b) The tax is determined in the following manner: (1)

1 when transfers are made by instruments pursuant to (i)
2 consolidations or mergers, consolidations, or (ii) sales, or
3 transfers of substantially all of the assets of the entities as
4 defined in section 287.20, subdivision 9, pursuant to plans of
5 reorganization designated transfers, the tax is \$1.65; (2) when
6 there is no consideration or when the consideration, exclusive
7 of the value of any lien or encumbrance remaining thereon at the
8 time of sale, is \$500 or less, the tax is \$1.65; or (3) when the
9 consideration, exclusive of the value of any lien or encumbrance
10 remaining at the time of sale, exceeds \$500, the tax is .0033 of
11 the net consideration.

12 (c) If, within six months from the date of a designated
13 transfer, an ownership interest in the grantee entity is
14 transferred by an initial owner to any person or entity with the
15 result that the designated transfer would not have been a
16 designated transfer if made to the grantee entity with its
17 subsequent ownership, then a tax is imposed at .0033 of the net
18 consideration for the designated transfer. If the subsequent
19 transfers of ownership interests were reasonably expected at the
20 time of the designated transfer, the applicable penalty under
21 section 287.31, subdivision 1, must be paid. The deed tax
22 imposed under this paragraph is due within 30 days of the
23 subsequent transfer that caused the tax to be imposed under this
24 paragraph. Involuntary transfers of ownership shall not be
25 considered transfers of ownership under this paragraph. The
26 commissioner may adopt rules defining the types of transfers to
27 be considered involuntary.

28 (d) The tax is due at the time a taxable deed or instrument
29 is presented for recording, except as provided in paragraph
30 (c). The commissioner may require the tax to be documented in a
31 manner prescribed by the commissioner, and may require that the
32 documentation be attached to and recorded as part of the deed or
33 instrument. The county recorder or registrar of titles shall
34 accept the attachment for recording as part of the deed or
35 instrument and may not require, as a condition of recording a
36 deed or instrument, evidence that a transfer is a designated

1 transfer in addition to that required by the commissioner. Such
2 an attachment shall not, however, provide actual or constructive
3 notice of the information contained therein for purposes of
4 determining any interest in the real property. The commissioner
5 shall prescribe the manner in which the tax due under paragraph
6 (c) is to be paid and may require grantees of designated
7 transfers to file with the commissioner subsequent statements
8 verifying that the tax provided under paragraph (c) does not
9 apply.

10 [EFFECTIVE DATE.] This section is effective for deeds that
11 are both executed and recorded after July 31, 2005."

Solution Army

1 moves to amend .. F. No., as follows:

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

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

5 Subd. 68. [ELDERLY LIVING FACILITY.] An elderly living
6 facility is exempt from taxation if it meets all of the
7 following requirements:

8 (1) the facility is located in a city of the first class
9 with a population of more than 350,000;

10 (2) the facility is owned and operated by a nonprofit
11 organization;

12 (3) the facility consists of 157 living units;

13 (4) the facility is located across the street from a public
14 park and a community college;

15 (5) the residents of the facility must be at least 62 years
16 of age;

17 (6) the facility provides the residents with social and
18 physical support; and

19 (7) the residents of the facility meet the income test for
20 qualified low-income housing projects under 42(g) of the
21 Internal Revenue Code.

22 Provided that the property continues to meet all of the
23 above criteria, the property is exempt for the term of the
24 facility's financing, as of May 1, 2005, or January 1, 2030,

06/01/05 3:43 p.m.

[RESDEPT] KS

KB78

1 whichever is later."

				HOUSE HF 785				SENATE HF 785 Unofficial Engrössment				GOV CONFERENCE							
HF	House Author	SF	Senate Author	Line #	Changes to General Fund Tax Revenue (dollars in thousands)	House FY2006-07	Change from Base FY2006-07	House FY2008-09	Change from Base FY2008-09	Senate FY2006-07	Change from Base FY2006-07	Senate FY2008-09	Change from Base FY2008-09	Change from Base FY2006-07	CONF FY2006-07	Change from Base FY2006-07	CONF FY2008-09	Change from Base FY2008-09	
TAX REVENUE																			
Income Tax																			
Income tax provisions with interactions																			
				1	Tax rates -- Raise third rate to 8% & add new 10.65% bracket					1,044,500	1,044,500	1,042,400	1,042,400						
0711	Abrams	0461	Rest	3	AMT exemptions & phaseouts -- House: increase exemption to \$42K in 2005, \$45K in 2006, \$50K in 2007, then index for inflation; Senate: increase exemption to \$66.3K and start of exemption phaseout to \$248.6K eff. 2005, index both for inflation starting 2007	(15,000)	(15,000)	(39,800)	(39,800)	(45,000)	(45,000)	(60,500)	(60,500)						
				4	AMT -- Add a dependent exemption					(23,100)	(23,100)	(29,700)	(29,700)						
0711	Abrams	0461	Rest	5	AMT full deduction for charitable contributions -- House: eff. 2006; Senate: eff. 2005	(3,300)	(3,300)	(8,100)	(8,100)	(6,300)	(6,300)	(8,100)	(8,100)						
				6	Interaction effects (Senate includes interaction with increase in married joint standard deduction)	1,100	1,100	4,100	4,100	(18,500)	(18,500)	(13,900)	(13,900)						
Other income tax provisions																			
0020	Paulsen	0322	Scheid	9	Subtract expenses related to organ donation (up to \$10,000) -- Only House allows subtraction for parent's lost wages if organ donor is a dependent	(213)	(213)	(235)	(235)	(209)	(209)	(230)	(230)						
0682	Severson	0734	Vickerman	10	Exempt National Guard pay for active service in Minnesota	(84)	(84)	(84)	(84)	(84)	(84)	(84)	(84)	(84)					
1098	Clark	254	Berglin	11	Military pay -- Subtract active duty military service out of state	(1,930)	(1,930)	(1,970)	(1,970)	(1,930)	(1,930)	(1,970)	(1,970)						
2305	Eken	2182	Skoe	12	Tax deferred wages earned in MN & paid to nonresident (Benda)					\$4,100	\$4,100	\$4,600	\$4,600						
0389	Vandever	0700	Bachmann	13	K-12 Credit -- House: Starting 2005 repeal family cap & repeal need to allocate costs to specific child; starting in 2006, start phaseout at 185% of median family income; Senate: Repeal family cap (2006)	(3,445)	(3,445)	(6,100)	(6,100)	(450)	(450)	(960)	(960)						
1054	Knoblach	0558	Ortman	14	Working family credit -- subtract earned income of lower-earning spouse in calculating phaseout (eff. 1/1/06)	(5,800)	(5,800)	(12,500)	(12,500)										
2361	Knoblach			15	Dependent care credit -- subtract earned income of lower-earning spouse in calculating phaseout (eff. 1/1/06)	(3,300)	(3,300)	(6,000)	(6,000)										
GOV				16	Long-term care insurance credit -- eliminate deduction offset	(630)	(630)	(760)	(760)					(630)					
0719	Urdahl	0516	Sams	17	10% investment credit for dairy farms -- House & Senate have different annual caps on total credit	(1,900)	(1,900)	(2,000)	(2,000)	(2,900)	(2,900)	(7,500)	(7,500)	(2,900)					
1369	Thissen	1932	Anderson	18	25% investment credit for regional angel investment funds					(10,000)	(10,000)	0	0	(10,000)					
1640	Magnus	1564	Bakk	19	10% income tax credit for historic structures rehabilitation					(3,840)	(3,840)	(5,520)	(5,520)						
1731	Lanning	1659	Pogemiller	20	Require quarterly withholding for nonres partnerships & S-corps	14,050	14,050	1,950	1,950	14,050	14,050	1,950	1,950	14,050	14,050	14,050	1,950	1,950	1,950
GOV				21	Require 2% withholding on payments to self-employed construction subcontractors					4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Federal Conformity (income tax and corporate franchise tax)																			
0682	Severson	0734	Vickerman	24	Military Family Tax Relief Act of 2003	(1,010)	(1,010)	(690)	(690)	(1,010)	(1,010)	(690)	(690)	(1,010)					
0943	Lanning	1008	Wergin	25	Medicare Act of 2003 -- Health Savings Accounts only	(8,200)	(8,200)	(7,000)	(7,000)					(8,200)	(8,200)	(8,200)	(7,000)	(7,000)	
0002	Bradley	0376	Fischbach	26	Medicare Act of 2003 -- Exclude fed subsidies to employers									(9,700)					
0009	Wilkin	0099	LeClair	27	Working Families Tax Relief Act of 2004 -- Conform to higher federal standard deduction for married joint (House: 2005 & 2006 only; Senate: all tax years 2005-2008)	(56,400)	(56,400)	0	0	(65,200)	(65,200)	(22,400)	(22,400)						
0135	Knoblach	0194	Reiter	28A	Working Families Tax Relief Act of 2005 -- Deduction for \$250 teacher expenses only	(2,400)	(2,400)	0	0	(2,400)	(2,400)	0	0	(2,400)					
1789	Abrams			28B	Working Families Tax Relief Act of 2005 -- Other provisions (Conference: Only includes combat pay for WFC)	(1,650)	(1,650)	(245)	(245)	(1,650)	(1,650)	(245)	(245)	(1,650)					
0770	Abeler	0456	Jungbauer	29	American Job Creation Act of 2004 (selected items)	20,765	20,765	37,085	37,085	20,765	20,765	37,085	37,085	20,765	20,765	20,765	37,085	37,085	37,085
0780	Rund	0597	Kelley	30	Public Law 109-7 -- Exempt disaster mitigation grants	(30)	(30)	(35)	(35)										
GOV				31	Subtotal: Federal Conformity	(48,925)	(48,925)	29,115	29,115	(49,495)	(49,495)	13,750	13,750	(2,195)	12,565	12,565	30,085	30,085	

				HOUSE HF 785				SENATE HF 785 Unofficial Engrssment				GOV CONFERENCE						
Line #	HF	House Author	SF	Senate Author	Changes to General Fund Tax Revenue (dollars in thousands)	House FY2006-07	Change from Base FY2006-07	House FY2008-09	Change from Base FY2008-09	Senate FY2006-07	Change from Base FY2006-07	Senate FY2008-09	Change from Base FY2008-09	Change from Base FY2006-07	CONF FY2006-07	Change from Base FY2006-07	CONF FY2008-09	Change from Base FY2008-09
32					Income Tax Impact of Changes in Property Tax Levies													
33					Change in income tax revenue due to state rate freeze for C/I and local property tax freeze: Senate only.					(3,400)	(3,400)	27,700	27,700					
0872	Sykora				Change in income tax revenue due to property tax increases (House: K-12 bill property tax change)	(4,880)	(4,880)	(17,630)	(17,630)						(6,100)	(6,100)	(21,900)	(21,900)
35					Corporate Franchise Tax													
0705	Lenczewski				Phase in single sales apportionment over 3 years (78% in 2007, 95% in 2008, 100% in 2009 and after)	(2,300)	(2,300)	(72,000)	(72,000)					(2,300)	(2,300)	(2,300)	(27,000)	(27,000)
0760	Abrams	0645		Rest	FOC definition change, limit deemed dividend deduction, repeal royalty subtraction. (Governor: FOC definition only)					230,600	230,600	199,500	199,500	3,100	3,100	3,100	1,400	1,400
1387	Hornstein	1082		Pogemiller	Disallow deduction for corporate fines and fees					150	150	150	150					
2305	Eken	2182		Skoe	Replace transit pass credit with refunds (to include nonprofits)					(1,400)	(1,400)	(2,400)	(2,400)					
0429	Atkins	0383		Marty	Car sharing expense credit					(90)	(90)	(320)	(320)					
1774	Hornstein	1229		Dibble	Credit for corporate contributions to K-12 scholarship funds									(3,500)				
41	GOV																	
43					SUBTOTAL: Income and Corporate Franchise Taxes	(76,557)	(76,557)	(132,014)	(132,014)	1,130,702	1,130,702	1,162,866	1,162,866	(459)	25,315	25,315	(11,465)	(11,465)
44																		
45					Sales and Use Tax													
GOV					Require up-front payment of sales tax on leased vehicles (10/1/05) -- House under 11,000 lbs; Senate & Gov under \$10,000 lbs	39,390	39,390	6,330	6,330	38,670	38,670	6,224	6,224	38,670	38,670	38,670	6,224	6,224
GOV					Rental vehicles tax rate -- Repeal 12/31/05 expiration date for special 12.7% sales tax rate	18,590	18,590	29,700	29,700	18,590	18,590	29,700	29,700	18,590	18,590	18,590	29,700	29,700
GOV					Collect cigarette sales tax at wholesale (House \$0.20/pack, Senate \$0.21/pack; CONF \$0.255/pack) -- payment shift	5,400	5,400	0	0	5,700	5,700	0	0	5,800	6,900	6,900	0	0
GOV					-- increase in tax					1,540	1,540	0	0					
GOV					-- compliance impact	4,950	4,950	5,400	5,400	4,950	4,950	5,400	5,400	4,950	6,310	6,310	6,310	6,310
GOV					Require state vendors to collect sales tax	3,410	3,410	8,710	8,710	3,410	3,410	8,710	8,710	3,410	3,410	3,410	8,710	8,710
GOV					Define industrial production to exclude gas pipelines	20,830	20,830	21,430	21,430	20,830	20,830	21,430	21,430	20,830	20,830	20,830	21,430	21,430
1807	Nelson, P.	1735		Tomassoni	Provide up-front capital equipment exemption for small manufacturers (eff. 1/1/06)	(4,940)	(4,940)	(2,690)	(2,690)	0	0	0	0					
1392	Nelson, P.	1571		Rest	Ready-to-eat meats & seafood -- Repeal 12/31/05 expiration date for exemption	(1,120)	(1,120)	(1,655)	(1,655)	(1,120)	(1,120)	(1,655)	(1,655)					
0406	Gunther	1576		Hottinger	Exempt artistic events at MNSCU & private colleges	(137)	(137)	(142)	(142)	0	0	0	0					
1713	Krinkie	1601		Moua	Exempt certain solar energy systems (eff. 8/1/05)	(90)	(90)	(65)	(65)	(90)	(90)	(65)	(65)					
1743	Blaine	1670		Lourey	Exempt milk sold in vending machines	(264)	(264)	(280)	(280)	0	0	0	0					
1286	Peterson, A.	1921		Kubly	Exempt geothermal equipment					(2,000)	(2,000)	(2,300)	(2,300)					
0804	Cornish	0775		Rosen	Exempt pellet burning biomass fuel stoves					(640)	(640)	(740)	(740)					
58					Reverse Sprint case: tax telecom. wire, fiber, poles, conduit					3,060	3,060	3,310	3,310					
59					Tax event souvenir clothing					1,700	1,700	1,700	1,700					
60					Exempt certain inputs for movie & TV production					(940)	(940)	(490)	(490)					
61					Exempt state & local government fuel-efficient vehicles					(34)	(34)	(20)	(20)					
0498	Knoblach	0529		Kleis	Exempt inputs for public safety radio systems (capped total)					(3,050)	(3,050)	(1,750)	(1,750)					
63					Exempt diesel fuel for commuter rail					(20)	(20)	0	0					
64					Catholic Charities food service exemption					(66)	(66)	(16)	(16)					
65					Construction materials exemptions													
1173	Olson	0117		Solon	Personal Rapid Transit (PRT)	0	0	(200)	(200)	0	0	(200)	(200)					
2323	Bernardy	0268		Betzold	Commuter rail [NEW ESTIMATE 7/7/05]					(1,000)	(1,000)	(7,200)	(7,200)					
0843	Denmer	0719		Kiscaden	Waste recovery facilities													
69					Olmstead County					(745)	(745)	(881)	(881)					
70					Red Wing					(70)	(70)	(13)	(13)					
71					Minneapolis					(260)	(260)	0	0					
0693	Jaros	671		Bakk	St. Mary's Hospital (Duluth)					(138)	(138)	0	0					
1691	Westrom	1465		Kubly	Turkey litter biomass facility					(800)	(800)	0	0					
1206	Rukavina	1190		Tomassoni	Laurentian Energy biomass facility					(434)	(434)	0	0					

				HOUSE HF 785				SENATE HF 785 Unofficial Engrossment				GOV		CONFERENCE				
HF	House Author	SF	Senate Author	Line #	Changes to General Fund Tax Revenue (dollars in thousands)	House FY2006-07	Change from Base FY2006-07	House FY2008-09	Change from Base FY2008-09	Senate FY2006-07	Change from Base FY2006-07	Senate FY2008-09	Change from Base FY2008-09	Change from Base FY2006-07	CONF FY2006-07	Change from Base FY2006-07	CONF FY2008-09	Change from Base FY2008-09
					Sales Tax construction materials exemptions (cont'd)													
				75	Thief River Falls arena (retroactive)					(350)	(350)	0	0					
2413	Elison	2163	Pogemiller	76	Crown Hydro (Minneapolis)					(165)	(165)	0	0					
0807	Davids	0848	Kierlin	77	Chatfield wastewater treatment plant					(160)	(160)	0	0					
2488	Abrams	2260	Rest	78	Streamlined Sales Tax provisions													
				79	Exempt all nonprescription drugs	(15,570)	(15,570)	(17,300)	(17,300)	(15,570)	(15,570)	(17,300)	(17,300)		(15,570)	(15,570)	(17,300)	(17,300)
				80	Exempt all mobility enhancing medical devices ; exempt all other durable medical equipment only if for home use	16,260	16,260	18,530	18,530	16,260	16,260	18,530	18,530		16,260	16,260	18,530	18,530
				82	Increased tax revenue from voluntary payments	40,630	40,630	110,410	110,410	40,630	40,630	110,410	110,410		40,630	40,630	110,410	110,410
				83	Subtotal: Streamlined Sales Tax provisions	41,320	41,320	111,640	111,640	41,320	41,320	111,640	111,640		41,320	41,320	111,640	111,640
				84														
				85	SUBTOTAL: Sales Tax	127,339	127,339	178,178	178,178	127,688	127,688	172,784	172,784	92,250	136,030	136,030	184,014	184,014
				86	Other General Fund Taxes													
	GOV			87	Alcoholic beverages -- Enact 2.5% gross receipts tax (eff. 1/1/06, when sales tax rate on alcohol falls from 9% to 6.5%)	83,950	83,950	125,100	125,100	83,950	83,950	125,100	125,100	83,950	83,950	83,950	125,100	125,100
0044	Abrams	0401	Moua	88	Life insurance -- Reduce premiums tax to 1.5% (House: eff. 1/1/08; Senate: eff. 1/1/06; GOV: phase in over 4 years)	0	0	(12,600)	(12,600)	(11,700)	(11,700)	(17,700)	(17,700)	(4,500)	(4,500)	(4,500)	(13,700)	(13,700)
0044	Abrams	0401	Moua	89	Insurance -- 1.26% rate if sell both property & casualty (CUNA)					330	330	500	500					
	GOV			90	Insurance -- Subject stop-loss policies to premiums tax eff. 1/1/06	5,100	5,100	9,900	9,900	5,100	5,100	9,900	9,900	5,100	5,100	5,100	9,900	9,900
				91	Statewide property tax -- Freeze tax rate at (higher) 2002 rate on C/I					196,700	196,700	377,000	377,000					
1954	Hausman	1002	Anderson	92	Statewide property tax -- Abatement (Great River School, St. Paul)	(15)	(15)	0	0	(15)	(15)	0	0		(15)	(15)	0	0
				93	Statewide property tax -- Delays 1st half payment for seasonal rec					(925)	(925)	925	925					
	2004 tax bill			94	Estate tax--Qualified Terminal Interest Property (QTIP) (eff 1/1/07)	0	0	(10,100)	(10,100)	0	0	0	0					
	GOV			95	Allow liquor tax quarterly or annually payment if liability is small	(25)	(25)	0	0	(25)	(25)	0	0	(25)	(25)	(25)	0	0
	GOV			96	Base fur tax quarterly payments on actual quarterly revenues	(25)	(25)	0	0	(25)	(25)	0	0	(25)	(25)	(25)	0	0
1127	Brod	1024	Rosen	97	Bioscience Zone -- allow carryover of 2004-05 unspent balance	(100)	(100)	0	0					(1,000)				
1357	Peppin																	
1640	Magnus	1560	Bakk	98	JOBZ -- Exempt airplanes & aerial camera equip. from sales tax	(670)	(670)	(160)	(160)									
2406	Seifert	2162	Frederickson	99	International Trade Zone (*in Public Finance bill)	0	0	(2,800)	(2,800)	(700)	(700)	(2,100)	(2,100)	(700)				
0946	Abrams		Rest															
				100														
				101	SUBTOTAL: Other Tax Provisions	88,215	88,215	109,340	109,340	272,690	272,690	493,625	493,625	82,800	84,485	84,485	121,300	121,300
				102														
				103	GENERAL FUND TAX REVENUE	138,997	138,997	155,504	155,504	1,531,080	1,531,080	1,829,275	1,829,275	174,591	245,830	245,830	293,849	293,849
				104														
				105	NON-TAX REVENUE													
				105A	Cigarette fee at 75 cents per pack (eff. 8/1/05)										367,199	367,199	370,066	370,066
				105B	Other tobacco products tax from 35% to 90%										31,124	38,307	42,799	42,799
2130	Lenczewski			106	Card club franchise fee (15% of gross revenue)	8,440	8,440	8,620	8,620									
				107	Tax Shelter Compliance	40,240	40,240	9,440	9,440	62,560	62,560	6,990	6,990		56,800	56,800	6,000	6,000
				108	Transfer from Tax Relief Account to General Fund	3,408	3,408	0	0						20,000	20,000	0	0
				109	GENERAL FUND NON-TAX REVENUE	52,088	52,088	18,060	18,060	62,560	62,560	6,990	6,990	0	482,306	482,306	418,865	418,865
				110														
				111	GENERAL FUND TOTAL REVENUE (Tax & Non-Tax)	191,085	191,085	173,564	173,564	1,593,640	1,593,640	1,836,265	1,836,265	174,591	728,136	728,136	712,714	712,714

Negative numbers represent a cost to the state and positive numbers represent a gain to the general fund

Total without cig & tobacco, SSTP, transfer from Tax Relief Account, and enacted provisions: 261,360
 Target: 232,000
 Amount over (under) target: 29,360

2401

				HOUSE HF 785				SENATE HF 785 Unofficial Engrssment				GOV CONFERENCE						
Line #	HF	House Author	SF	Senate Author	Changes to General Fund Expenditures (dollars in thousands)	House FY2006-07	Change from Base FY2006-07	House FY2008-09	Change from Base FY2008-09	Senate FY2006-07	Change from Base FY2006-07	Senate FY2008-09	Change from Base FY2008-09	Change from Base FY2006-07	CONF FY2006-07	Change from Base FY2006-07	CONF FY2008-09	Change from Base FY2008-09
113					REFUNDS													
114					Regular Homeowner Refund (base)	\$350,000	\$0	\$404,000	\$0	\$350,000	\$0	\$404,000	\$0	\$0	\$350,000	\$0	\$404,000	\$0
0413	Fritz	0315	Day	115	Utility personal property tax exemption - <i>Faribault</i>	0	0	26	26	0	0	26	26	0	0	0	26	26
0578	Dempsey	1784	Murphy	116	Utility personal property tax exemption - <i>Cannon Falls</i>	0	0	160	160	0	0	160	160	0	0	0	160	160
0600	Beard	0634	Robling	117	Utility personal property tax exemption - <i>Shakopee</i>	0	0	70	70	0	0	70	70	0	0	0	70	70
1691	Westrom	1465	Kubly	118	Utility personal property tax exemption poultry litter biomass facility - <i>Benson (extension)</i>	0	0	30	30	0	0	30	30	0	0	0	30	30
				119	Utility personal property tax exemption biomass facility - <i>Mpls</i>					0	0	15	15					
1499	Simpson	1476	Sams	120	LMV for small resorts 1c. House: 30% of '03 value or 40% of difference between '03 & '05 value. Senate: 15%, 25% Class 1c resorts. House: reduces 1st tier class rate to .55% up to \$300k, next \$1.5 mil is 1%. Senate: reduces 1st tier class rate to .55% up to \$600k, up to \$1.6 mil at 1% (both eliminate box) 4d. House: reduces class rate to 1.0%. Senate: reduces class rate to .55% and market value based on restricted use.	9	9	18	18	120	120	240	240					
0972	Howes	0779	Skoe	121	\$300k, next \$1.5 mil is 1%. Senate: reduces 1st tier class rate to .55% up to \$600k, up to \$1.6 mil at 1% (both eliminate box) 4d. House: reduces class rate to 1.0%. Senate: reduces class rate to .55% and market value based on restricted use.	31	31	62	62	42	42	84	84	0				
1908	Vandever	2196	Belanger	122	Sauk River Watershed Levy. House: \$100k increase. Senate: 0.01% of market value increase (*Public Finance bill)	420	420	870	870	0	0	2,720	2,720	0				
1514	Heidgerken	1931	Fischbach	123	Met Council Bus Bonds - \$64 mil (*Public Finance bill)	0	0	0	0	7	7	20	20		7	7	20	20
2407	Abrams	1366	Pogemiller	124	Property tax exclusion for disabled veterans or spouse (up to \$200,000 of market value is excluded from taxation) Increases the first tier of market value from \$32,000 to \$50,000 for disabled homesteads (class 1b)	0	0	131	131	0	0	131	131		0	0	131	131
0169	Rukavina	0417	Murphy	125	Repeals property tax exemption for Biotech Zones	(1,020)	(1,020)	(2,200)	(2,200)	0	0	0	0					
2284	Nornes	2258	Larson	126	Education Finance Bill increase in K-12 levies - PTR increase	(16)	(16)	(32)	(32)	0	0	0	0					
1640	Magnus	1564	Bakk	127	Increases first tier of market value for Ag hmstd to \$750,000	(14)	(14)	(110)	(110)	0	0	0	0					
0872	Sykora			128	Property Tax Levy Freeze (beginning in pay 07 & after)	2,800	2,800	9,100	9,100	0	0	0	0	3,695	3,695	3,695	11,125	11,125
2320	Dorman	2214	Skoe	129	Regular Renter Refund (base)	225	225	450	450	0	0	0	0					
0785	Krinkie	0318	Pogemiller	130	Percent of Rent based on actual property taxes	0	0	0	0	0	0	(59,210)	(59,210)					
				131	Targeting Refund	302,100	0	308,100	0	302,100	0	308,100	0	0	302,100	0	308,100	0
				132	Sustainable Forest Land Credits	(66,400)	(66,400)	(123,800)	(123,800)	0	0	0	0	(30,400)				
				133	Subtotal - Property Tax Refunds	13,860	0	23,980	0	13,860	0	23,980	0	0	13,860	0	23,980	0
				134	Limited Market Value(LMV). House: all property incl, delays sunset 2 yrs. Senate: Makes LMV permanent at 2005 level (&1c)	4,073	0	4,172	0	4,073	0	4,172	0	0	4,073	-	4,172	-
				135		606,068	(63,965)	625,027	(115,225)	670,202	169	684,538	(55,714)	(26,705)	673,735	3,702	751,814	11,562
				136														
0890	Vandever			137	Repeals Political Contribution Refund	(31)	(31)	(7,803)	(7,803)	29	29	(7,743)	(7,743)					
				138	Tax Refund Interest													
0660	GOV			139	Local Government Aid (LGA base)	500	(10,500)	0	(9,900)	11,000	0	9,900	0	(10,500)	11,000	9,900	9,900	
				140	LGA. House: About 90% unmet for all cities; 1/2 cent sales tax authority for 1st class cities offset in LGA formula. Senate: White Bear Lake in FY06, increases LGA funding in FY07 & after	30,000	0	30,000	0	30,000	0	30,000	0	0	30,000	0	30,000	0
				141	County Program Aid (CPA base)													
				142	Transfer to County Aid from Courts (Washington & Anoka)	873,276	0	873,116	0	873,276	0	873,116	0	0	873,276	0	873,116	0
				143	Reduction to District Court base budget	(17,500)	(17,500)	0	0	86,105	86,105	188,000	188,000		45,105	45,105	90,000	90,000
				144	Appropriation to County Chemical Dependency Treatment	409,572	0	409,572	0	409,572	0	409,572	0	0	409,572	0	409,572	0
				145	Fund (CDTF) for County MOE Reduction - (DHS)	199	199	266	266	199	199	266	266		199	199	266	266
				146	Restores County Criminal Justice Aid for FY06-07 only	(199)	(199)	(266)	(266)	(199)	(199)	(266)	(266)		(199)	(199)	(266)	(266)
				147						3,220	3,220	5,689	5,689					
				148						30,000	30,000	0	0					
				149														

				HOUSE HF 785				SENATE HF 785 Unofficial Engrssment				GOV		CONFERENCE		
Line	Changes to General Fund Expenditures			House	Change from	House	Change from	Senate	Change from	Senate	Change from	Change from	CONF	Change from	CONF	Change from
HF	House Author	SF	Senate Author	FY2006-07	Base FY2006-07	FY2008-09	Base FY2008-09	FY2006-07	Base FY2006-07	FY2008-09	Base FY2008-09	FY2006-07	FY2006-07	FY2006-07	FY2008-09	FY2008-09
				LOCAL AIDS (continued)												
150				2,320	0	464	0	2,320	0	464	0	0	2,320	0	464	
151				1,000	0	1,000	0	1,000	0	1,000	0	0	1,000	0	1,000	
152				428	0	428	0	428	0	428	0	0	428	0	428	
153				3,135	0	0	0	3,135	0	0	0	0	3,135	0	0	
154				1,506	0	0	0	1,506	0	0	0	0	1,506	0	0	
155																
156				17,390	0	17,472	0	17,390	0	17,472	0	0	17,390	0	17,472	
157				21,962	0	21,962	0	21,962	0	21,962	0	0	21,962	0	21,962	
158				39,352	0	39,434	0	39,352	0	39,434	0	0	39,352	0	39,434	
159																
160				1,370	0	1,370	0	1,370	0	1,370	0	0	1,370	0	1,370	
1640	Magnus	1564	Bakk	0	0	0	(215)	0	0	215	0	0	0	0	215	
162																
163				PROPERTY TAX CREDITS												
164				119,565	0	112,182	0	119,565	0	112,182	0	0	119,565	0	112,182	
165				479,720	0	451,452	0	479,720	0	451,452	0	0	479,720	0	451,452	
0660	GOV			(35,300)	(35,300)	0	0	(35,300)	(35,300)	0	0	(35,300)	(35,300)	0	0	
0660	GOV			(500)	(500)	(1,000)	(1,000)	(500)	(500)	(1,000)	(1,000)	(500)	(500)	(500)	(1,000)	(1,000)
167				0	0	0	0	0	0	(2,880)	(2,880)	0	0	0	0	
168				563,485	(35,800)	562,634	(1,000)	563,485	(35,800)	559,754	(3,880)	(35,800)	598,785	(500)	562,634	(1,000)
169																
170																
171				10,075	0	10,046	0	10,075	0	10,046	0	0	10,075	0	10,046	
172				37,382	0	37,382	0	37,382	0	37,382	0	0	37,382	0	37,382	
173				47,457	0	47,428	0	47,457	0	47,428	0	0	47,457	0	47,428	
174																
175				1,397	0	1,530	0	1,397	0	1,530	0	0	1,397	0	1,530	
176				9,207	0	10,150	0	9,207	0	10,150	0	0	9,207	0	10,150	
177				10,604	0	11,680	0	10,604	0	11,680	0	0	10,604	0	11,680	
178																
181				806	0	806	0	806	0	806	0	0	806	0	806	
182				2	0	2	0	2	0	2	0	0	2	0	2	
183				533	0	833	0	533	0	833	0	0	533	0	833	
0657	GOV/DOR			19	19	57	57	19	19	57	57	19	19	19	57	57
185																
186				TACONITE TAX RELIEF AREA (TTRA) AIDS & CREDITS												
187				1,122	0	1,122	0	1,122	0	1,122	0	0	1,122	0	1,122	
188				10,006	0	10,006	0	10,006	0	10,006	0	0	10,006	0	10,006	
189				16,500	0	16,600	0	16,500	0	16,600	0	0	16,500	0	16,600	
190																
191				LOCAL PENSION AIDS												
192				175,870	0	205,560	0	175,870	0	205,560	0	0	175,870	0	205,560	
193				17,158	0	17,158	0	17,158	0	17,158	0	0	17,158	0	17,158	
194				3,854	0	3,854	0	3,854	0	3,854	0	0	3,854	0	3,854	
195				2,872	0	2,872	0	2,872	0	2,872	0	0	2,872	0	2,872	
196				1,500	0	1,500	0	1,500	0	1,500	0	0	1,500	0	1,500	
197				1,070	0	1,070	0	1,070	0	1,070	0	0	1,070	0	1,070	
198				29,168	0	29,168	0	29,168	0	29,168	0	0	29,168	0	29,168	

				HOUSE HF 785				SENATE HF 785 Unofficial Engrossment				GOV		CONFERENCE				
Line #	HF	House Author	SF	Senate Author	Changes to General Fund Expenditures (dollars in thousands)	House FY2006-07	Change from Base FY2006-07	House FY2008-09	Change from Base FY2008-09	Senate FY2006-07	Change from Base FY2006-07	Senate FY2008-09	Change from Base FY2008-09	Change from Base FY2006-07	CONF FY2006-07	Change from Base FY2006-07	CONF FY2008-09	Change from Base FY2008-09
199					OTHER EXPENDITURES													
200					PILT to DNR Owned Lands (Moved to DNR budget)													
201					PILT to DOT Owned Lands	16	0	18	0	16	0	18	0	0	16		18	
2169	Walker	1216		Rest	Taxpayer Assistance Grants	250	250	0	0	250	250	400	400	0	0		0	
202					Increases PILT payments for LUP lands. House: \$0.75/acre. Senate: \$3/acre.	42	42	87	87	295	295	614	614	0	0		0	
0551	Anderson, I	0468		Saxhaug	Border Cities: Allocates money to Western border city enterprise zones; cities can limit to pct reduction or a shorter duration.	1,500	1,500	0	0	1,500	1,500	0	0					
1041	Lanning	0955		Langseth	Border Cities: Authorizes Taylors Falls border city zone powers, allocates \$100k to zone (referendum)	65	65	35	35	0	0	0	0	0	0		0	
1511	Nelson	1495		Nienow	School Debt Service Levies (on alternative ANTC)					4,752	4,752	7,662	7,662		0		0	
206					Deferred Maintenance Aid @\$13.25 ppu for FY06-07					20,990	20,990	0	0		0		0	
207					Appropriation for Buy-Back of Education aid payment shift - (DOF)					0	0	25,000	25,000		0		0	
208					Appropriation to Education Reserve Account					24,961	24,961	475,800	475,800		0		0	
209					One-time Rochester appropriation for the Rochester higher education development account - (HESO)					2,000	2,000	0	0		0		0	
210					One-time Duluth appropriation for environmental clean-up of Lake Superior & long-term community health care - (DIED)					320	320	0	0		0		0	
211					Appropriation to Clean Water Legacy Account in the Environmental Fund					34,500	34,500	120,000	120,000		0		0	
212																		
213																		
214					Property Tax Aids and Credits, General Fund Total	\$2,834,895	(\$125,920)	\$2,885,098	(\$133,964)	\$3,134,125	\$173,310	\$3,774,947	\$755,885	(\$72,986)	\$3,009,141	\$48,326	\$3,119,681	\$100,619
215					Expenditures above or (below) the Governor	(\$52,934)		(\$52,046)		\$246,296		\$837,803						

Negative numbers represent expenditure reductions (budget savings) and positive numbers represent expenditure increases

TARGET: \$2,973,829 \$13,014
Amount over (under) target: \$35,312

				NON GENERAL FUND CHANGES IN REVENUE				SENATE HF 785 Unofficial Engrossment				GOV		CONFERENCE				
Line #	HF	House Author	SF	Senate Author	(dollars in thousands)	House FY2006-07	Change from Base FY2006-07	House FY2008-09	Change from Base FY2008-09	Senate FY2006-07	Change from Base FY2006-07	Senate FY2008-09	Change from Base FY2008-09	Change from Base FY2006-07	CONF FY2006-07	Change from Base FY2006-07	CONF FY2008-09	Change from Base FY2008-09
216					HEALTH CARE ACCESS FUND													
217	GOV				Subject stop-loss policies to insurance premiums tax	3,100	3,100	6,000	6,000	3,100	3,100	6,000	6,000	3,100	3,100	3,100	6,000	6,000
218	GOV				Exempt TRICARE payments from MnCare Provider Tax	(3,140)	(3,140)	(3,080)	(3,080)	0	0	0	0	(3,140)				
219					Total Health Care Access Fund	(40)	(40)	2,920	2,920	3,100	3,100	6,000	6,000	(40)				
222																		
223					HIGHWAY USERS TAX DISTRIBUTION FUND													
224					Exempt state & local govt fuel-efficient vehicles from MVST					(21)	(21)	(12)	(12)					
225					Require up-front payment of sales tax on leased vehicles (10/1/05)	0	0	(80)	(80)	0	0	(84)	(84)	0	0	0	(84)	(84)
226					Pay refunds for air ambulance fuel from State Airports Fund (rather than HUTDF)					30	30	30	30	30	30	30	30	30
227					Total HUTDF	0	0	(80)	(80)	9	9	(66)	(66)	30	30	30	(54)	(54)
228																		
229					METRO AREA TRANSIT FUND													
230					Exempt state & local govt fuel-efficient vehicles from MVST					(15)	(15)	(9)	(9)					
231					Require up-front payment of sales tax on leased vehicles (10/1/05)	0	0	(60)	(60)	0	0	(60)	(60)	0	0	0	(60)	(60)
232					Total Metro Area Transit Fund	0	0	(60)	(60)	(15)	(15)	(69)	(69)	0	0	0	(60)	(60)
233																		
234					GREATER MN TRANSIT FUND													
235					Exempt state & local govt fuel-efficient vehicles from MVST					(2)	(2)	(1)	(1)					
236					Require up-front payment of sales tax on leased vehicles (10/1/05)	0	0	(4)	(4)	0	0	(4)	(4)	0	0	0	(4)	(4)
237					Greater MN Transit Fund	0	0	(4)	(4)	(2)	(2)	(5)	(5)	0	0	0	(4)	(4)
238																		
239					STATE AIRPORTS FUND													
240	DOR				Exempt aviation fuel for air ambulances (pay refunds from Airports Fund rather than HUTDF)					(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)

Negative numbers represent a cost to the fund and positive numbers represent a gain to the fund

				HOUSE HF 785				SENATE HF 785 Unofficial Engrssment				GOV		CONFERENCE				
HF	House Author	SF	Senate Author	Line #	Changes to General Fund Tax Revenue (dollars in thousands)	House FY2006-07	Change from Base FY2006-07	House FY2008-09	Change from Base FY2008-09	Senate FY2006-07	Change from Base FY2006-07	Senate FY2008-09	Change from Base FY2008-09	Change from Base FY2006-07	CONF FY2006-07	Change from Base FY2006-07	CONF FY2008-09	Change from Base FY2008-09
				241	SPECIAL REVENUE FUNDS (income tax checkoffs)													
1175	Zellers	0092	Kleis	242	Account for Veterans of the War on Terrorism					590	590	690	690					
0229	Newman	0946	Dille	243	Military Families Relief Account		unknown	unknown	unknown									
0526	Davids																	
0887	Vandevcer	1236	Bachmann	244	Public Safety Officer Survivor and Memorial Account		unknown	unknown	unknown									
0919	Cox	1195	Neuville	245	K-12 Education Account		unknown	unknown	unknown									
0919	Cox	1195	Neuville	246	Higher Education Account		unknown	unknown	unknown									
0919	Cox	1195	Neuville	247	Transportation Account		unknown	unknown	unknown									
0919	Cox	1195	Neuville	248	Health Care Account		unknown	unknown	unknown									
0919	Cox	1195	Neuville	249	Nursing Home Assistance Account		unknown	unknown	unknown									
0919	Cox	1195	Neuville	250	Environmental Clean Water Account		unknown	unknown	unknown									
0919	Cox	1195	Neuville	251	Wastewater Infrastructure Account		unknown	unknown	unknown									

*From
Kovai
Meyer*

MINNESOTA
HEALTH & HOUSING
ALLIANCE

PROMOTING EXCELLENCE AND INNOVATION IN OLDER ADULT SERVICES

MHHA Position on Institutions of Purely Public Charity Provision
(House Article 4, Section 6)

CONCERN: The provision, as originally proposed by the Minnesota Department of Revenue (DOR), could create confusion and result in inconsistent application of the *North Star* factors in determining tax exempt status for “assisted living” facilities.

GOAL: Neither broaden nor narrow the exemption from current law and practices, but provide clarifying language to avoid confusion and unintended consequences.

BACKGROUND: Determining the property tax status of “assisted living” facilities has been extremely difficult for both assessors and providers. In 2000, the Minnesota Health & Housing Alliance worked cooperatively with the DOR and others to clarify property tax exemptions for assisted living facilities through the development of a bulletin. The bulletin outlines for assessors what activities must be present in order to satisfy each of the *North Star* factors used to determine exempt status as an Institution of Purely Public Charity (IPPC). Under factor 3 (*whether the recipients of the “charity” are required to pay for the assistance received in whole or in part*) the bulletin states that assisted living facilities must participate in government assistance programs such as Alternative Care Grants (AC), Elderly Waiver (EW), and Group Residential Housing (GRH) to satisfy that factor. The language proposed by the DOR specifically states that these types of government assistance programs are not “gifts or donations,” which are required to satisfy North Star factor 2 (*whether the entity involved is supported by donations and gifts in whole or in part*).

We concur with the DOR that government programs should not be considered gifts or donations. However, assessors and assisted living providers are likely to be confused by a bulletin that requires participation in government assistance programs to satisfy one factor, and a statute that prohibits the consideration of government assistance programs to satisfy another factor.

SOLUTION: We support the Senate position that includes clarifying language developed by the DOR in cooperation with a broad group of older adult services organizations including the Minnesota Health & Housing Alliance, Care Providers of Minnesota and the Good Samaritan Society. “The items described in clauses (1) and (2) may, however, be considered when making other determinations related to an exemption under this subdivision, including, without limitation, for the purpose of determining whether the recipient of housing or housing services is required to pay in whole or in part for the housing.”

*M
Senate
Bill (or
similar)*

May 17, 2005

Senator Larry Pogemiller
State Capitol Room 235
St. Paul, Minnesota 55155

Dear Senator Pogemiller:

The University of Minnesota's Academic Health Center relies on revenue from its dedicated portion of the state's cigarette tax – currently 6.5¢. That critical revenue helps cover the cost of our health professional education and research programs. Previously, the state had used revenue from the tobacco settlement endowments to support these programs. The endowments, established in 2000, were set up to provide \$25 million annually to the Academic Health Center.

When the tobacco endowments were liquidated to balance the state budget two years ago, the state opted to turn to the cigarette tax, in lieu of general fund monies, to help cover the costs of these essential programs. The legislature, at the time, thought that cigarette sales and funding for the AHC would actually increase. Instead, cigarette sales have decreased, and so has funding for AHC programs, falling in the most recent Department of Revenue estimates to \$20.9 million for next fiscal year.

With the proposal to significantly increase the cigarette tax, cigarette sales are expected to fall further. We want to be clear that we support the reduction in smoking as a good thing – for individuals, their families, and the state. It has the unintended, and unfortunate, byproduct, however, of seriously reducing funding for medical research at the University and for educating the state's next generation of health professionals.

Maintaining the AHC's needed revenue with a cigarette tax increase of \$1 per pack requires that 9.5¢ of the tax be dedicated to the University's Academic Health Center. That's based on Department of Revenue projections that such an increase would reduce sales by another 18 percent. At 9.5 ¢ per pack, the AHC would receive \$25 million annually as originally intended by the state.

We urge you, as you consider raising the state's cigarette tax, to keep the University of Minnesota's Academic Health Center whole and provide \$25 million in critical funding for our education and research programs.

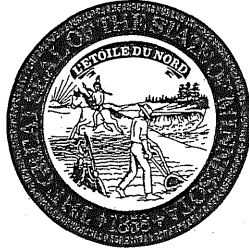
Sincerely,

Frank B. Cerra
Senior Vice President for Health Sciences

Research Department

Thomas Todd, Director

600 State Office Building
St. Paul, Minnesota 55155-1206
651-296-6753 [FAX 651-296-9887]
www.house.mn/hrd/hrd.htm



Minnesota House of Representatives

June 30, 2005

TO: Representative Ron Abrams

FROM: Joel Michael, Legislative Analyst, 651-296-5057

RE: Winona's Analysis of the Feasibility of Using Abatement for the Pelzer Street Project

As you requested, this memo responds to the letter, dated June 29, 2005, from Jerry Miller, mayor of the City of Winona, on the feasibility of using an economic development abatement for the Pelzer Street bridge project, rather than extending the duration of the city's Riverfront tax increment financing district.

The city requested legislation to extend the duration of the TIF district to pay for a gap in the financing of the project. The TIF district was approved in 1980 and, absent special legislation, will decertify at the end of this year. H.F. 1698 (Pelowski) and the Senate tax bill (Article 9, section 39) would authorize the city to extend the TIF district by 15 years (until 2020).

The financing gap that the city hopes to cover with the TIF district extension is \$3.5 million. The city plans to issue bonds to cover this (as well as the basic project, I assume). The amounts of the debt service payments on the bonds, and the revenues from the TIF district and abatements by the city and county are summarized in the table below. This information is from Mr. Miller's letter.

Options to Cover \$3.5 million Gap	
Annual debt service 10-year bond issue	\$465,000
Annual debt service 15-year bond issue	348,000
Increment for payable 2005	478,625
Abatement – city	170,260
Abatement – county	251,164
Abatement – combined city and county	\$421,424

I don't know, but assume that the abatement amounts are calculated to be the city and county taxes on the amount of the captured value of the TIF district. (This was the authority that was contained in the House Public Finance bill that was dropped under the Senate amendments and thus not enacted into law.)

The city claims abatement will not work financially for two reasons:

1. It won't generate sufficient revenue to pay the debt service on the bonds for the \$3.5 million gap.
2. Winona County typically does not approve abatements. The letter cites two instances when the county has refused to fund city proposed abatements.

Sufficiency of the Revenue. With regard to the first point, the numbers provided by city suggest that a combined city-county abatement for 15 years would be sufficient to pay off bonds covering the \$3.5 million gap. As indicated in the table, the abatement would generate about \$421,000 per year, while the debt service on a \$3.5 million 15-year bond issue would be \$348,000. The city's letter implies that only a 10-year abatement is permitted by law. This is not correct. The law generally allows a 15-year duration for abatements. Minn. Stat. § 469.1813, subd. 6 (2004), as amended by 2005 Minn. Laws, ch. 152, art. 1, § 17. If the school district does not participate in the abatement, the duration can be increased to 20 years. *Id.* (Even before the 2005 legislation, a city-county abatement could have been done for a 15-year period.) Thus, it seems clear that a combined city and county abatement would generate enough revenue to cover the gap. With school district participation, 10 years likely would be sufficient.

County participation. It does appear to be clear that county participation is essential to making an abatement work financially. However, it is also clear that a TIF district extension will affect the county and its taxpayers in a manner equivalent to an abatement, if the abatement applies to the amount of tax capacity equal to the TIF district's captured tax capacity.¹ Moreover, a special law providing for extension of the TIF district duration would require approval by both the county and school district. Minn. Stat. § 469.1782, subd. 2 (2004).² If the county board is unwilling to approve the abatement, it should be equally unwilling to approve the TIF district extension since the financial and economic effects are largely indistinguishable. In the case of the TIF district extension, the county is forgoing tax base and so must impose a higher tax rate to generate revenues equal to its levy. In the case of an abatement with the TIF district added to its tax base, the county has a broader tax base and, thus, can increase its levy by the abatement levy

¹ In addition, a TIF district extension will capture the school district's taxes. Depending upon the levies involved this will increase the property taxes paid by school district taxpayers, decrease school revenues, or increase state aid. Analysis of the specific situation would be necessary to determine the precise effect.

² The Senate tax bill provision and H.F. 1698 both attempt to exempt the duration extension from this provision. I don't believe that the exception would be constitutional. The Minnesota constitution provides:

The legislature may enact special laws relating to local government units, but a special law, *unless otherwise provided by general law*, shall become effective only after its approval by the affected unit expressed through the voters or the governing body and by such majority as the legislature may direct. Minn. Const. art. XII § 2 (emphasis added).

Section 469.1782, subdivision 2, implements this provision for TIF district extensions by designating the city, county, and school district as "affected local government units." (The policy rationale for this is that each unit is forgoing tax base through the TIF district extension, so each governmental unit should be required to approve.) The constitutional provision only allows exemptions from local approval requirements by **general law**. The Winona provision by its terms is a special law. Thus, in my opinion, this would not comply with the constitutional requirement to eliminate the need for local approval by the county and school district. A change would need to be made in the general law (i.e., section 469.1782, subdivision 2).

without raising its tax rate (above the rate that would apply under the TIF district extension). In either case, county property taxpayer would pay the same tax rate and taxes.

Finally, it may be worth noting that the city is requesting a 15-year duration extension, while the numbers provided by the city suggest that 10 years would be sufficient to cover the \$3.5 million gap. If the city is granted and collects increment for the full 15 years, this would allow the city to impose a lower levy to pay the overall project bonds and would, thereby, shift more of the project's cost to county and school district taxpayers outside of the city.

Please let me know if you would like additional information on this matter.

JM/ks

Meeker Cooperative

503 East Highway 12 • PO Box 522
Litchfield MN 55355-0522
320-693-3231 or 1-800-232-6257
Fax 320-693-2980

June 24, 2005

Senator Steve Dille
103 State Office Building
St. Paul MN 55155

Senator Dille

Here are two of the issues that are making JOBZ totally unworkable for Meeker Co-op Light & Power:

1. Sales Tax Exemption

- When Meeker worked with DEED in putting together our JOBZ application, DEED informed us that all of our supplies (poles, wire, bucket trucks, etc.) would be exempt from sales tax as long as those supplies first came into our facility. Now we are being informed by the Department of Revenue that this is not the case and that these materials are not exempt from sales tax because we are not using them on site. Meeker's JOBZ sales tax savings over the next 10 years (2005-2015) would be **\$1,748,265**. If we can only take the sales tax exemption on supplies exclusively used on site, the savings is reduced to \$54,340.

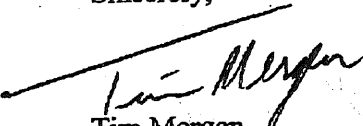
2. Prevailing Wage

- DEED informed us that we were not required to pay prevailing wage for the construction of our facility. In fact, I have a copy of the information printed from their web site. We had our facility bid for construction without prevailing wage and are currently under construction. To apply prevailing wage now would be both a huge financial, as well as, an administrative burden on the Co-op.

As you can imagine, there are many dollars to be saved by our members over the life of the JOBZ program. This building is being built with these savings calculated into the financial construction and debt payments. We acted and worked in good faith in signing onto the JOBZ program. To take away the promised tax benefits now would place a huge burden on the members of the co-op. As you are well aware, the co-op is unique in that these savings are passed on to all of our members and so, remain in Minnesota. This is a huge concern for us and any help you can provide in a favorable outcome is appreciated.

Thank you for your attention and concern to this matter.

Sincerely,


Tim Mergen
CEO/General Manager

Prevailing Wage Requirements for JOBZ Projects

Q: Do statutes require businesses that benefit from the JOBZ program to require contractors to pay prevailing wages to construction workers during construction of a business facility?

A: A review of relevant statutes suggests that for some businesses the answer is yes. Minnesota Statutes 116J.871 provides guidance on prevailing wages as it relates to economic development assistance. Subdivision 1(b) defines economic development, in part, to be, "financial assistance provided to a person directly or to a local unit of government or nonprofit organization on behalf of a person who is engaged in the manufacture or sale of goods and services." Subdivision 1(c) defines financial assistance, in part, to be, "a reduction, credit, or abatement of a tax assessed under chapter 297A where the tax reduction, credit or abatement applies to a geographic area smaller than the entire state and was granted for economic development related purposes." Subdivision 2 states that, "A state agency may provide financial assistance to a person only if the person receiving or benefiting from the financial assistance certifies to the commissioner of labor and industry that laborers and mechanics at the project site during construction, installation, remodeling, and repairs for which the financial assistance was provided will be paid the prevailing wage rate as defined in section 177.42, subdivision 6."

What this means to us is that qualified businesses who are conducting building projects and claiming sales tax exemptions for JOBZ-related construction materials and supplies should require construction companies to comply with Minnesota's prevailing wage statute. The methodology would be for subzone communities to place the prevailing wage requirement in their business subsidy agreements. The business that benefits from JOBZ would put the prevailing wage requirement in its bid packages and construction contract and notify the Minnesota Department of Labor and Industry (DOLI) of its action. Compliance activities will be the responsibility of the business on the local level and DOLI at the state level.

This request does not apply retroactively for projects that were bid prior to May 2004 or were under construction as of May 2004. It also does not apply to any business that is not claiming JOBZ sales tax exemptions on construction materials or supplies.

Business Subsidy Agreement language and process guidance is available on the DEED website at www.positivelyminnesota.com.

Meeker fell into this area as our project was bid prior to May 04

*Tina Mungen
Meeker Co-op*

1 Senator moves to amend H.F. No. 1976, in conference
2 committee, as follows:

3 On R77, Senate language, (S2276-2)

4 Page 204, after line 17, insert:

5 "Sec. 96. Minnesota Statutes 2004, section 297A.68,
6 subdivision 37, is amended to read:

7 Subd. 37. [JOB OPPORTUNITY BUILDING ZONES.] (a) Purchases
8 of tangible personal property or taxable services by a qualified
9 business, as defined in section 469.310, are exempt if the
10 property or services are primarily used or consumed in a job
11 opportunity building zone designated under section 469.314.

12 (b) Purchase and use of construction materials and supplies
13 for construction of improvements to real property in a job
14 opportunity building zone are exempt if the improvements after
15 completion of construction are to be used in the conduct of a
16 qualified business, as defined in section 469.310. This
17 exemption applies regardless of whether the purchases are made
18 by the business or a contractor.

19 (c) The exemptions under this subdivision apply to a local
20 sales and use tax regardless of whether the local sales tax is
21 imposed on the sales taxable as defined under this chapter.

22 (d) This subdivision applies to sales, if the purchase was
23 made and delivery received during the duration of the zone.

24 (e) Notwithstanding the restriction in paragraph (a), which
25 requires items purchased to be primarily used or consumed in the
26 zone, purchases by a qualified business that is an electrical
27 cooperative located in Meeker County of equipment and materials
28 used for the generation, transmission, and distribution of
29 electrical energy are exempt under this subdivision."

30 Renumber the sections in sequence and correct the internal
31 references

32 Amend the title accordingly