

1 Senator Anderson from the Committee on Jobs, Energy and
2 Community Development, to which was referred

3 S.F. No. 1064: A bill for an act relating to
4 telecommunications; establishing an accessible electronic
5 information service for blind and disabled persons;
6 appropriating money; amending Minnesota Statutes 2004, section
7 237.52, subdivisions 2, 4; proposing coding for new law in
8 Minnesota Statutes, chapter 248.

9 Reports the same back with the recommendation that the bill
10 be amended as follows:

11 Delete everything after the enacting clause and insert:

12 "Section 1. Minnesota Statutes 2004, section 237.52,
13 subdivision 2, is amended to read:

14 Subd. 2. [ASSESSMENT.] The commissioner of commerce, the
15 commissioner of employment and economic development, and the
16 commissioner of human services shall annually recommend to the
17 commission an adequate and appropriate surcharge and budget to
18 implement sections 237.50 to 237.56, 248.062, and 256C.30,
19 respectively. The maximum annual budget for section 248.062
20 must not exceed \$100,000 and for section 256C.30 must not exceed
21 \$300,000. The Public Utilities Commission shall review
22 the ~~budget~~ budgets for reasonableness and may modify the budget
23 to the extent it is unreasonable. The commission shall annually
24 determine the funding mechanism to be used within 60 days of
25 receipt of the recommendation of the ~~department~~ departments and
26 shall order the imposition of surcharges effective on the
27 earliest practicable date. The commission shall establish a
28 monthly charge no greater than 20 cents for each customer access
29 line, including trunk equivalents as designated by the
30 commission pursuant to section 403.11, subdivision 1.

31 Sec. 2. Minnesota Statutes 2004, section 237.52,
32 subdivision 4, is amended to read:

33 Subd. 4. [APPROPRIATION.] Money in the fund is
34 appropriated to the commissioner of commerce to implement
35 sections 237.51 to 237.56, to the commissioner of employment and
36 economic development to implement section 248.062, and to the
37 commissioner of human services to implement section 256C.30.

38 Sec. 3. [248.061] [DEFINITIONS.]

39 Subdivision 1. [SCOPE.] The definitions in this section

1 apply to sections 248.061 and 248.062.

2 Subd. 2. [ACCESSIBLE ELECTRONIC INFORMATION
3 SERVICE.] "Accessible electronic information service" means news
4 and other timely information, including newspapers, provided to
5 eligible individuals from a service center, using high-speed
6 computers and telecommunications technology for acquisition of
7 content and rapid distribution in a form appropriate for use by
8 those individuals.

9 Subd. 3. [ELIGIBLE INDIVIDUAL.] "Eligible individual"
10 means an individual who is eligible for library loan services
11 through the Library of Congress and the State Library for the
12 Blind and Physically Handicapped under Code of Federal
13 Regulations, title 36, section 701.10, subsection (b).

14 Subd. 4. [COMMISSIONER.] "Commissioner" means the
15 commissioner of employment and economic development.

16 Subd. 5. [QUALIFIED ENTITY.] "Qualified entity" means an
17 agency, instrumentality, or political subdivision of the state
18 or a nonprofit organization that:

19 (1) provides access for an eligible individual to read
20 daily newspapers through producing audio or Braille editions by
21 computer; or

22 (2) provides a means of program administration and reader
23 registration on the Internet.

24 Sec. 4. [248.062] [DUTIES OF COMMISSIONER.]

25 The commissioner must enter into agreements with qualified
26 entities to provide an accessible electronic information service
27 for eligible individuals. This service must be planned for
28 continuation from year to year.

29 Sec. 5. [256C.30] [DUTIES OF HUMAN SERVICES COMMISSIONER.]

30 (a) As described in this section, the commissioner of human
31 services must enter into grant agreements with television
32 stations to make live local news programming accessible to deaf,
33 hard-of-hearing, and deaf-blind persons as defined in section
34 256C.23.

35 (b) The grant agreements must provide for:

36 (1) real-time captioning services for broadcasting that is

1 not emergency broadcasting subject to Code of Federal
2 Regulations, title 47, section 79.2;

3 (2) real-time captioning services for commercial
4 broadcasters in areas of Minnesota where commercial broadcasters
5 are not subject to the live programming closed-captioning
6 requirements of Code of Federal Regulations, title 47, section
7 71.1(e)(3); and

8 (3) real-time captioning for large-market noncommercial
9 broadcasters who produce live news programming.

10 (c) For the purposes of this section, "real-time captioning"
11 means a method of captioning in which captions are
12 simultaneously prepared and transmitted at the time of
13 origination by specially trained real-time captioners.

14 Sec. 6. [EFFECTIVE DATE.]

15 Sections 1 to 4 as they relate to duties and powers related
16 to Minnesota Statutes, section 248.062, are effective the day
17 following final enactment and apply to the budget for Minnesota
18 Statutes, section 248.062, for services provided after April 15,
19 2005."

20 Delete the title and insert:

21 "A bill for an act relating to telecommunications;
22 establishing an accessible electronic information service for
23 blind and disabled persons; providing closed-captioning for
24 certain local news programming; appropriating money; amending
25 Minnesota Statutes 2004, section 237.52, subdivisions 2, 4;
26 proposing coding for new law in Minnesota Statutes, chapters
27 248; 256C."

28 And when so amended the bill do pass. Amendments adopted.
29 Report adopted.

30
31 (Committee Chair)

32
33 March 30, 2005.....
34 (Date of Committee recommendation)

1 A bill for an act

2 relating to telecommunications; establishing an
3 accessible electronic information service for blind
4 and disabled persons; appropriating money; amending
5 Minnesota Statutes 2004, section 237.52, subdivisions
6 2, 4; proposing coding for new law in Minnesota
7 Statutes, chapter 248.

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

9 Section 1. Minnesota Statutes 2004, section 237.52,
10 subdivision 2, is amended to read:

11 Subd. 2. [ASSESSMENT.] The commissioner of commerce and
12 the commissioner of employment and economic development shall
13 annually recommend to the commission an adequate and appropriate
14 surcharge and budget to implement sections 237.50 to 237.56 and
15 248.062, respectively. The Public Utilities Commission shall
16 review the ~~budget~~ budgets for reasonableness and may modify the
17 budget to the extent it is unreasonable. The maximum annual
18 budget to implement section 248.062 may not exceed \$100,000.

19 The commission shall annually determine the funding mechanism to
20 be used within 60 days of receipt of the recommendation of
21 the ~~department~~ departments and shall order the imposition of
22 surcharges effective on the earliest practicable date. The
23 commission shall establish a monthly charge no greater than 20
24 cents for each customer access line, including trunk equivalents
25 as designated by the commission pursuant to section 403.11,
26 subdivision 1.

1 Sec. 2. Minnesota Statutes 2004, section 237.52,
2 subdivision 4, is amended to read:

3 Subd. 4. [APPROPRIATION.] Money in the fund is
4 appropriated to the commissioner of commerce to implement
5 sections 237.51 to 237.56 and to the commissioner of employment
6 and economic development to implement section 248.061.

7 Sec. 3. [248.061] [DEFINITIONS.]

8 Subdivision 1. [SCOPE.] The definitions in this section
9 apply to sections 248.061 and 248.062.

10 Subd. 2. [ACCESSIBLE ELECTRONIC INFORMATION
11 SERVICE.] "Accessible electronic information service" means news
12 and other timely information, including newspapers, provided to
13 eligible individuals from a service center, using high-speed
14 computers and telecommunications technology for acquisition of
15 content and rapid distribution in a form appropriate for use by
16 those individuals.

17 Subd. 3. [ELIGIBLE INDIVIDUAL.] "Eligible individual"
18 means an individual who is eligible for library loan services
19 through the Library of Congress and the State Library for the
20 Blind and Physically Handicapped under Code of Federal
21 Regulations, title 36, section 701.10, subsection (b).

22 Subd. 4. [COMMISSIONER.] "Commissioner" means the
23 commissioner of employment and economic development.

24 Subd. 5. [QUALIFIED ENTITY.] "Qualified entity" means an
25 agency, instrumentality, or political subdivision of the state
26 or a nonprofit organization that:

27 (1) provides access for an eligible individual to read
28 daily newspapers through producing audio or Braille editions by
29 computer; or

30 (2) provides a means of program administration and reader
31 registration on the Internet.

32 Sec. 4. [248.062] [DUTIES OF COMMISSIONER.]

33 The commissioner must enter into agreements with qualified
34 entities to provide an accessible electronic information service
35 for eligible individuals. This service must be planned for
36 continuation from year to year.

1 Sec. 5. [EFFECTIVE DATE.]

2 Sections 1 to 4 are effective the day following final

3 enactment and apply to the budget for Minnesota Statutes,

4 section 248.062, for services provided after April 15, 2005.

**Senate Counsel, Research,
and Fiscal Analysis**

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Senate

State of Minnesota

S.F. No. 1064 - Accessible Electronic Information Service for Blind and Disabled Persons

Author: Senator Jim Metzen

Prepared by: Chris Turner, Senate Research (651/296-4350) *CT*

Date: March 28, 2005

The bill would establish, under the jurisdiction of the Commissioner of Employment and Economic Development, an accessible electronic information service for blind and disabled persons, funded by a surcharge on telephone companies and communication providers.

Section 1 requires the Commissioner of Employment and Economic Development to annually recommend to the Public Utilities Commission (PUC) a surcharge and budget to implement the accessible electronic information service described in section 3 of the bill. Requires the PUC to follow the same surcharge and budget review procedures that it uses when reviewing the annual recommendation for a surcharge and budget to assist communication-impaired persons under Minnesota Statutes, sections 236.50 to 237.57.

Section 2 appropriates an unspecified amount from the Telecommunications Access Minnesota Fund to the commissioner to implement the accessible electronic information service.

Section 3 defines the following terms for the purposes of the bill.

1. "Accessible electronic information access" means news and other timely information provided to eligible individuals from a multi-state service center, using high-speed computer and telecommunications technology for acquisition of content and rapid distribution in a form appropriate for use by those individuals.

2. "Blind and disabled persons" means an individual eligible for library loan services through the Library of Congress and the State Library for the Blind and Physically Handicapped.

3. "Commissioner" means the Commissioner of Employment and Economic Development.

4. "Qualified entity" means an agency, instrumentality, or political subdivision of the state or a nonprofit organization that:

- provides access for eligible individuals to read daily newspapers by producing audio or Braille editions by computer;
- obtains electronic news text through direct transfer arrangements made with participating news organizations; and
- provides a means of program administration and reader registration on the Internet.

Section 4 requires the commissioner to enter into an agreement with a qualified entity to provide an accessible electronic information service for blind and disabled individuals. Requires the service to be planned for continuation from year to year.

CT:dv

METROPOLITAN COALITION OF CHAMBERS

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*An association of
24 metro area chambers
of commerce representing
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North Hennepin Area
Northern Dakota County
Northwest Suburban
Quad Area
Richfield
River Heights
Saint Paul Area
Shakopee Area
Twin Cities North
TwinWest
Wayzata Area
White Bear Area

To: Members of the Senate Jobs, Energy and Community Development Committee:

The Metropolitan Coalition of Chambers (MCC), an association of 24 metro area chambers of commerce representing business in more than 60 communities, was formed two years ago as an advocate for significant investment and improvement in the Twin Cities' transportation infrastructure.

In the May 2003 report *Twin Cities Transportation System: A business perspective on meeting regional needs*, the Metropolitan Coalition of Chambers laid out our findings, principles and recommendations for improving the regional transportation system.

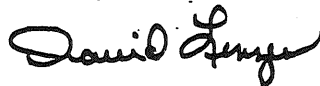
As part of our findings, MCC addressed the importance of improving the region's ability to handle growing volumes of air cargo. Establishing a regional air freight distribution center in the Twin Cities would prevent delays from getting worse. A regional distribution center would encourage existing companies to maintain their distribution services in the region, and attract new international companies to the region. It would consolidate the region's international cargo and enable it to negotiate for direct international service. In other words, MSP would become an international air cargo hub. Such a hub could reduce travel times for international freight from six days to two or three days.

We support Senator Rest in advancing S.F. 895. However, we are concerned with two aspects of the delete-all amendment to S.F. 895. First, we are opposed to wage requirements and request Section 13, subdivision 6, paragraph (c) which establishes wage and benefit levels be removed. We believe that the free enterprise system provides a more efficient and effective method of establishing competitive compensation than legislation that creates artificial wage levels that bear no relationship to market conditions. Section 15, subdivision 4 requiring a business subsidy law should be sufficient. The foreign trade zone authority would be required to establish wage criteria, enter into subsidy agreements with businesses that take advantage of the tax benefits within the zone and hold businesses accountable for achieving the established goals.

Second, we are concerned with Section 13, subdivision 6, paragraph (d) of the delete-all amendment to S.F. 895 specifying that qualifying businesses remain neutral in union organizing activity and recognizing a labor union based card check. These provisions have been challenged in court as in violation of the National Labor Relations Act. We feel this section should be removed to avoid any potential litigation.

MCC feels S.F. 895 is important legislation that will help the economic vitality of our region. We hope these two provisions can be eliminated as the bill advances in the Senate.

Sincerely,



David Lenzen
Chair, Metropolitan Coalition of Chambers
Liberty Diversified Industries

Amend HF1214 or SF1064 to Include Accessible News Services for the Deaf

What would HF1241 and SF1064 do? The bill proposes to dedicate money from the Telecommunications Access Fund (TAM) to pay for an electronic news service so that individuals who are blind and use Braille can access the news. This is a new use for the fund. The blind community has a news service that has been subsidized by a federal grant that ends April 15, 2005. The cost of the news service is approximately \$50,000 a year. A house and senate amendment to the bills put a cap on the funding at \$100,000.

Why amend the bill to include access to news for individuals who are deaf and hard of hearing in Greater Minnesota and for public television newscasts? This is an opportunity to establish funds for access to news for individuals who are blind and who are deaf, hard of hearing and deafblind. Real-time captioning of live broadcasted news is only required by the top 25 markets in the country. Minneapolis/St. Paul ranks 14 in the country; the next largest market is Duluth which ranks at 135. News broadcasts are live captioned in the Twin Cities, but not in four other areas of the state that have local news broadcasts- Rochester/Austin, Mankato, Duluth and Alexandria. Funds from TAM would be used to create a fund that news stations could compete against to provide captioning in at least one station in their local area. It would not cover federally mandated emergency broadcasting captioning that is required for all stations.

How much would this cost? Costs for providing access for one hour of programming would cost about \$55,000 per market for one hour of live broadcasting in four cities and two hours of public television a week for a total of \$235,600 a year.

What is TAM? TAM was created to provide phone access for those who can't understand spoken conversation on standard equipment and who can't produce speech that is understandable on a standard phone line. This bill would use a standard phone line and technology that synthesizes speech so the news is accessible to individuals who are blind. The budget for TAM is \$8.6 million a year. There is a \$4 million dollar surplus from the 10 cent surcharge that is charged to landline and cell phone subscribers to pay for the fund. The legislature has authorized a surcharge that can go up to 20 cents, but only 10 cents is needed to cover current costs.

**For more information contact Mary Hartnett
Minnesota Commission Serving Deaf and Hard of Hearing People
651-297-7305**

1 To: Senator Anderson, Chair
 2 Committee on Jobs, Energy and Community Development
 3 Senator Kubly,
 4 Chair of the Subcommittee on Energy, to which was referred

5 S.F. No. 775: A bill for an act relating to taxation;
 6 sales and use; exempting sales of stoves that burn biomass
 7 fuels; amending Minnesota Statutes 2004, section 297A.67, by
 8 adding a subdivision.

9 Reports the same back with the recommendation that the bill
 10 do pass and be referred to the full committee.

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 (Subcommittee Chair)

March 16, 2005.....
 (Date of Subcommittee action)

Senators Rosen, Dille, Frederickson, Dibble and Anderson introduced--
S.F. No. 775: Referred to the Committee on Taxes.

1 A bill for an act

2 relating to taxation; sales and use; exempting sales
3 of stoves that burn biomass fuels; amending Minnesota
4 Statutes 2004, section 297A.67, by adding a
5 subdivision.

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

7 Section 1. Minnesota Statutes 2004, section 297A.67, is
8 amended by adding a subdivision to read:

9 Subd. 32. [BIOMASS FUEL STOVES.] Stoves designed to burn
10 agricultural products or other biomass fuels are exempt.

11 [EFFECTIVE DATE.] This section is effective for sales and
12 purchases made after June 30, 2005.

1 Senator moves to amend S.F. No. 775 as follows:

2 Page 1, after line 12, insert:

3 "Sec. 2. Laws 1999, chapter 243, article 4, section 19, as
4 amended by Laws 2001, First Special Session chapter 5, article
5 12, section 88, and by Laws 2003, First Special Session chapter
6 21, article 8, section 14, is amended to read:

7 Sec. 19. [EFFECTIVE DATES.]

8 Sections 1, 2, 5, 7, 9, and 11 are effective for sales and
9 purchases made after June 30, 1999.

10 Section 3 is effective for amended returns and refund
11 claims filed on or after July 1, 1999.

12 Section 4 is effective the day following final enactment
13 and applies retroactively to all open tax years and to
14 assessments and appeals under Minnesota Statutes, sections
15 289A.38 and 289A.65, for which the time limits have not expired
16 on the date of final enactment of this act. The provisions of
17 Minnesota Statutes, section 289A.50, apply to refunds claimed
18 under section 4. Refunds claimed under section 4 must be filed
19 by the later of December 31, 1999, or the time limit under
20 Minnesota Statutes, section 289A.40, subdivision 1.

21 Section 6 is effective retroactively for sales and
22 purchases made after June 30, 1998.

23 Section 8 is effective for purchases and sales made after
24 the date of final enactment.

25 Section 10 is effective for purchases made after the date
26 of final enactment and before July 1, ~~2005~~ 2007.

27 Section 12 is effective the day after final enactment.

28 Section 12, paragraphs (a) to (c), apply to all local sales
29 taxes enacted after July 1, 1999. Section 12, paragraph (d),
30 applies to all local sales taxes in effect at the time of, or
31 imposed after the day of, the enactment of this section.

32 Section 13 is effective the day following final enactment.

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

35 Amend the title accordingly

1 Senator Anderson from the Committee on Jobs, Energy and
2 Community Development, to which was re-referred

3 S.F. No. 775: A bill for an act relating to taxation;
4 sales and use; exempting sales of stoves that burn biomass
5 fuels; amending Minnesota Statutes 2004, section 297A.67, by
6 adding a subdivision.

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

9 Page 1, after line 12, insert:

10 "Sec. 2. Laws 1999, chapter 243, article 4, section 19, as
11 amended by Laws 2001, First Special Session chapter 5, article
12 12, section 88, and by Laws 2003, First Special Session chapter
13 21, article 8, section 14, is amended to read:

14 Sec. 19. [EFFECTIVE DATES.]

15 Sections 1, 2, 5, 7, 9, and 11 are effective for sales and
16 purchases made after June 30, 1999.

17 Section 3 is effective for amended returns and refund
18 claims filed on or after July 1, 1999.

19 Section 4 is effective the day following final enactment
20 and applies retroactively to all open tax years and to
21 assessments and appeals under Minnesota Statutes, sections
22 289A.38 and 289A.65, for which the time limits have not expired
23 on the date of final enactment of this act. The provisions of
24 Minnesota Statutes, section 289A.50, apply to refunds claimed
25 under section 4. Refunds claimed under section 4 must be filed
26 by the later of December 31, 1999, or the time limit under
27 Minnesota Statutes, section 289A.40, subdivision 1.

28 Section 6 is effective retroactively for sales and
29 purchases made after June 30, 1998.

30 Section 8 is effective for purchases and sales made after
31 the date of final enactment.

32 Section 10 is effective for purchases made after the date
33 of final enactment and before July 1, ~~2005~~ 2007.

34 Section 12 is effective the day after final enactment.

35 Section 12, paragraphs (a) to (c), apply to all local sales
36 taxes enacted after July 1, 1999. Section 12, paragraph (d),
37 applies to all local sales taxes in effect at the time of, or
38 imposed after the day of, the enactment of this section.

1 Section 13 is effective the day following final enactment.
 2 [EFFECTIVE DATE.] This section is effective the day
 3 following final enactment."

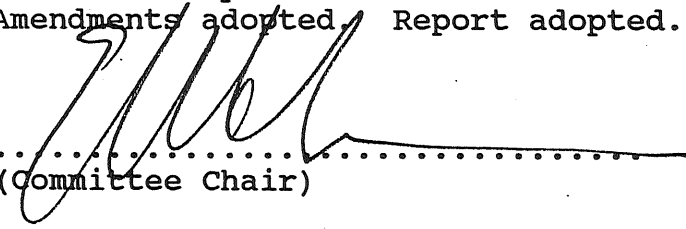
4 Amend the title as follows:

5 Page 1, line 3, after the semicolon, insert "extending the
 6 sales tax exemption related to the construction of a biomass
 7 fueled electric generation facility;"

8 Page 1, line 5, before the period, insert "; Laws 1999,
 9 chapter 243, article 4, section 19, as amended"

10 And when so amended the bill do pass and be re-referred to
 11 the Committee on Taxes. Amendments adopted. Report adopted.

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.....
 (Committee Chair)

March 30, 2005.....
 (Date of Committee recommendation)

**Senate Counsel, Research,
and Fiscal Analysis**

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Senate

State of Minnesota

S.F. No. 927 - Regulating False and Deceptive Commercial Electronic Mail Messages

Author: Senator Dan Sparks

Prepared by: Chris Turner, Senate Research (651/296-4350) CT

Date: March 28, 2005

The bill provides criminal and civil remedies against senders of spam e-mail messages.

Section 1 defines terms for the purposes of the bill.

Section 2 prohibits the following actions involving an e-mail message sent from or to a computer in this state:

- relaying or retransmitting multiple commercial e-mails, with the intent to hide the origin of the messages;
- falsifying header information in multiple commercial e-mail messages and then sending them;
- registering five or more e-mail accounts or online user accounts, or two or more domain names, in a way that falsifies the identity of the registrant, and then sending commercial e-mails from them; and
- falsely representing the right to use five or more Internet protocol addresses and sending commercial e-mails from those addresses.

Section 3 creates a misdemeanor crime of illegally transmitting multiple commercial electronic mail messages for violating any of the provisions of section 2.

Creates a gross misdemeanor crime of illegally transmitting multiple commercial electronic mail messages if the perpetrator does any of the following:

- uses 20 or more e-mail or online accounts or ten or more domain names;
- sends more than 250 such messages within 24 hours, 2,500 within 30 days, or 25,000 within a year;
- causes aggregate loss of \$500 or more to victims, or obtains that value of property, within a one-year period;
- commits the violation with three or more other persons, with the perpetrator as the leader;
- provides or selects e-mail addresses obtained illegally by automated means; or
- provides or selects e-mail addresses through an automated means that generates permutation of names, letters, or numbers.

Section 4 prohibits accessing a computer without authorization and using it to send illegal e-mail messages. Creates a gross misdemeanor crime of unauthorized access of a computer for persons violating this section. Creates a felony crime of unauthorized access of a computer for second or subsequent offenses, or if the crime was committed in the furtherance of a felony.

Section 5, paragraph (a), grants the attorney general or an e-mail service provider the right to sue any person who violates this act. Provides that the suit must be started within one year after the offense.

Paragraph (b) permits a suit brought by the Attorney General to seek injunctive relief and a civil monetary penalty described in the bill.

Paragraph (c) permits a suit brought by an e-mail service provider to seek injunctive relief and damages described in the bill.

Paragraph (d) permits the court, in determining damages, to consider the blameworthiness of the defendant.

Paragraph (e) provides for the right of the government to seize equipment used to commit this crime.

Paragraph (f) permits the Attorney General to bring a civil action to enforce the federal CAN-SPAM act or an action under this section, but not under both. If a federal court dismisses a civil action brought under this section for reasons other than upon the merits, a civil action may be filed in the appropriate state district court.

Paragraph (g) provides that this bill does not prohibit or require certain actions by e-mail service providers.

Section 6 provides an August 1, 2005, effective date, applicable to crimes committed on or after that date.

CT:dv

1 Senator moves to amend S.F. No. 927 as follows:

2 Page 8, lines 5, 25, and 32, delete "this section" and
3 insert "section 325F.697"

4 Page 9, line 5, delete "this section" and insert "section
5 325F.697"

6 Page 9, lines 7 and 8, delete "this section" and insert
7 "section 325F.697"

1 To: Senator Anderson, Chair
 2 Committee on Jobs, Energy and Community Development
 3 Senator Kelley,
 4 Chair of the Subcommittee on Telecommunications and
 5 Technology, to which was referred

6 S.F. No. 927: A bill for an act relating to commerce;
 7 regulating false and deceptive commercial electronic mail
 8 messages; prescribing criminal penalties; providing remedies;
 9 proposing coding for new law in Minnesota Statutes, chapter 325F.

10 Reports the same back with the recommendation that the bill
 11 do pass and be referred to the full committee.

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Steve Kelley

 (Subcommittee Chair)

March 14, 2005.....
 (Date of Subcommittee action)

Senators Sparks, Senjem and Foley introduced--

S.F. No. 927: Referred to Jobs, Energy and Comm. Development

1 A bill for an act

2 relating to commerce; regulating false and deceptive
3 commercial electronic mail messages; prescribing
4 criminal penalties; providing remedies; proposing
5 coding for new law in Minnesota Statutes, chapter 325F.

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

7 Section 1. [325F.696] [DEFINITIONS.]

8 Subdivision 1. [SCOPE.] For the purposes of sections
9 325F.696 to 325F.6991, the terms in this section have the
10 meanings given them.

11 Subd. 2. [COMMERCIAL ELECTRONIC MAIL MESSAGE.] "Commercial
12 electronic mail message" means any electronic mail message, the
13 primary purpose of which is the commercial advertisement or
14 promotion of a commercial product or service, including content
15 on an Internet Web site operated for a commercial purpose, but
16 does not include a transactional or relationship message. The
17 inclusion of a reference to a commercial entity or a link to the
18 Web site of a commercial entity does not, by itself, cause that
19 message to be treated as a commercial electronic mail message
20 for the purpose of this section if the contents or circumstances
21 of the message indicate a primary purpose other than commercial
22 advertisement or promotion of a commercial product or service.

23 Subd. 3. [COMPUTER.] "Computer" means an electronic device
24 that performs logical, arithmetic, and memory functions by the
25 manipulation of electronic or magnetic impulses. "Computer"

1 includes, but is not limited to, all input, output, processing,
2 storage, computer program, or communication facilities that are
3 connected or related in a computer system or network to an
4 electronic device of that nature.

5 Subd. 4. [COMPUTER NETWORK.] "Computer network" means a
6 set of related and remotely connected computers and
7 communication facilities that includes more than one computer
8 system that has the capability to transmit among the connected
9 computers and communication facilities through the use of
10 computer facilities.

11 Subd. 5. [COMPUTER SYSTEM.] "Computer system" means a
12 computer and related devices, whether connected or unconnected,
13 including, but not limited to, data input, output, and storage
14 devices, data communication links, and computer programs and
15 data that make the system capable of performing specified
16 special purpose data processing tasks.

17 Subd. 6. [DOMAIN NAME.] "Domain name" means any
18 alphanumeric designation that is registered with or assigned by
19 any domain name registrar, domain name registry, or other domain
20 name registration authority as part of an electronic address on
21 the Internet.

22 Subd. 7. [ELECTRONIC MAIL.] "Electronic mail" means an
23 electronic message that is transmitted between two or more
24 telecommunications devices or electronic devices capable of
25 receiving electronic messages, whether or not the message is
26 converted to hard copy format after receipt, and whether or not
27 the message is viewed upon the transmission or stored for later
28 retrieval. "Electronic mail" includes electronic messages that
29 are transmitted through a local, regional, or global computer
30 network.

31 Subd. 8. [ORIGINATING ADDRESS.] "Originating address"
32 means the string of characters used to specify the source of any
33 electronic mail message.

34 Subd. 9. [RECEIVING ADDRESS.] "Receiving address" means
35 the string of characters used to specify a recipient with each
36 receiving address creating a unique and separate recipient.

1 Subd. 10. [ELECTRONIC MAIL MESSAGE.] "Electronic mail
2 message" means each electronic mail addressed to a discrete
3 addressee.

4 Subd. 11. [ELECTRONIC MAIL SERVICE PROVIDER.] "Electronic
5 mail service provider" means any person, including an Internet
6 service provider, that is an intermediary in sending and
7 receiving electronic mail and that provides to the public
8 electronic mail accounts or online user accounts from which
9 electronic mail may be sent.

10 Subd. 12. [HEADER INFORMATION.] "Header information" means
11 the source, destination, and routing information attached to an
12 electronic mail message, including the originating domain name,
13 originating address, and technical information that
14 authenticates the sender of an electronic mail message for
15 computer network security or computer network management
16 purposes.

17 Subd. 13. [INITIATE THE TRANSMISSION;
18 INITIATED.] "Initiate the transmission" or "initiated" means to
19 originate or transmit a commercial electronic mail message or to
20 procure the origination or transmission of that message,
21 regardless of whether the message reaches its intended
22 recipients, but does not include actions that constitute routine
23 conveyance of the message.

24 Subd. 14. [INTERNET.] "Internet" means collectively the
25 myriad of computer and telecommunications facilities, including
26 equipment and operating software, which comprise the
27 interconnected worldwide network of networks that employ the
28 Transmission Control Protocol/Internet Protocol, or any
29 predecessor or successor protocols to this protocol, to
30 communication information of all kinds by wire or radio.

31 Subd. 15. [INTERNET PROTOCOL ADDRESS.] "Internet protocol
32 address" means the string of numbers by which locations on the
33 Internet are identified by routers or other computers connected
34 to the Internet.

35 Subd. 16. [MATERIALLY FALSIFY.] "Materially falsify" means
36 to alter or conceal in a manner that would impair the ability of

1 a recipient of an electronic mail message, an electronic mail
2 service provider processing an electronic mail message on behalf
3 of a recipient, a person alleging a violation of section
4 325F.697, or a law enforcement agency to identify, locate, or
5 respond to the person that initiated the electronic mail message
6 or to investigate an alleged violation of this section.

7 Subd. 17. [MULTIPLE.] "Multiple" means more than ten
8 commercial electronic mail messages during a 24-hour period,
9 more than 100 commercial electronic mail messages during a
10 30-day period, or more than 1,000 commercial electronic mail
11 messages during a one-year period.

12 Subd. 18. [RECIPIENT.] "Recipient" means a person who
13 receives a commercial electronic mail message at any one of the
14 following receiving addresses:

15 (1) a receiving address furnished by an electronic mail
16 service provider that bills for furnishing and maintaining that
17 receiving address to a mailing address within this state;

18 (2) a receiving address ordinarily accessed from a computer
19 located within this state or by a person domiciled within this
20 state; or

21 (3) any other receiving address with respect to which this
22 section can be imposed consistent with the United States
23 Constitution.

24 Subd. 19. [ROUTINE CONVEYANCE.] "Routine conveyance" means
25 the transmission, routing, relaying, handling, or storing,
26 through an automated technical process, of an electronic mail
27 message for which another person has identified the recipients
28 or provided the recipient addresses.

29 Subd. 20. [TRANSACTIONAL OR RELATIONSHIP
30 MESSAGE.] "Transactional or relationship message" means an
31 electronic mail message the primary purpose of which is to do
32 any of the following:

33 (1) facilitate, complete, or confirm a commercial
34 transaction that the recipient has previously agreed to enter
35 into with the sender;

36 (2) provide warranty information, product recall

1 information, or safety or security information with respect to a
2 commercial product or service used or purchased by the
3 recipient;

4 (3) provide notification concerning a change in the terms
5 or features of; a change in the recipient's standing or status
6 with respect to; or, at regular periodic intervals, account
7 balance information or other type of account statement with
8 respect to a subscription, membership, account, loan, or
9 comparable ongoing commercial relationship involving the ongoing
10 purchase or use by the recipient of products or services offered
11 by the sender;

12 (4) provide information directly related to an employment
13 relationship or related benefit plan in which the recipient is
14 currently involved, participating, or enrolled; or

15 (5) deliver goods or services, including product updates or
16 upgrades, that the recipient is entitled to receive under the
17 terms of a transaction that the recipient has previously agreed
18 to enter into with the sender.

19 Sec. 2. [325F.697] [FALSE, MISLEADING, OR DECEPTIVE
20 COMMERCIAL ELECTRONIC MAIL MESSAGES PROHIBITED.]

21 No person, with regard to commercial electronic mail
22 messages sent from or to a computer in this state, shall do any
23 of the following:

24 (1) knowingly use a computer to relay or retransmit
25 multiple commercial electronic mail messages, with the intent to
26 deceive or mislead recipients or any electronic mail service
27 provider, as to the origin of those messages;

28 (2) knowingly and materially falsify header information in
29 multiple commercial electronic mail messages and purposely
30 initiate the transmission of those messages;

31 (3) knowingly register, using information that materially
32 falsifies the identity of the actual registrant, for five or
33 more electronic mail accounts or online user accounts or two or
34 more domain names and purposely initiate the transmission of
35 multiple commercial electronic mail messages from one, or any
36 combination, of those accounts or domain names;

1 (4) knowingly falsely represent the right to use five or
2 more Internet protocol addresses and purposely initiate the
3 transmission of multiple commercial electronic mail messages
4 from those addresses.

5 Sec. 3. [325F.698] [ILLEGAL TRANSMISSION OF MULTIPLE
6 MESSAGES; CRIMINAL PENALTIES.]

7 (a) Whoever violates section 325F.697 is guilty of
8 illegally transmitting multiple commercial electronic mail
9 messages. Except as otherwise provided in paragraph (b) or
10 section 325F.699, subdivision 3, illegally transmitting multiple
11 commercial electronic mail messages is a misdemeanor.

12 (b) Illegally transmitting multiple commercial electronic
13 mail messages is a gross misdemeanor if any of the following
14 apply:

15 (1) regarding a violation of section 325F.697, clause (3),
16 the offender, using information that materially falsifies the
17 identity of the actual registrant, knowingly registers for 20 or
18 more electronic mail accounts or online user accounts or ten or
19 more domain names, and purposely initiates, or conspires to
20 initiate, the transmission of multiple commercial electronic
21 mail messages from the accounts or domain names;

22 (2) regarding any violation of section 325F.697, the volume
23 of commercial electronic mail messages the offender transmitted
24 in committing the violation exceeds 250 during any 24-hour
25 period, 2,500 during any 30-day period, or 25,000 during any
26 one-year period;

27 (3) regarding any violation of section 325F.697, during any
28 one-year period the aggregate loss to the victim or victims of
29 the violation is \$500 or more, or during any one-year period the
30 aggregate value of the property or services obtained by any
31 offender as a result of the violation is \$500 or more;

32 (4) regarding any violation of section 325F.697, the
33 offender committed the violation with three or more other
34 persons with respect to whom the offender was the organizer or
35 leader of the activity that resulted in the violation;

36 (5) regarding any violation of section 325F.697, the

1 offender knowingly assisted in the violation through the
2 provision or selection of electronic mail addresses to which the
3 commercial electronic mail message was transmitted, if that
4 offender knew that the electronic mail addresses of the
5 recipients were obtained using an automated means from an
6 Internet Web site or proprietary online service operated by
7 another person, and that Web site or online service included, at
8 the time the electronic mail addresses were obtained, a notice
9 stating that the operator of that Web site or online service
10 will not transfer addresses maintained by that Web site or
11 online service to any other party for the purposes of initiating
12 the transmission of, or enabling others to initiate the
13 transmission of, electronic mail messages; or

14 (6) regarding any violation of section 325F.697, the
15 offender knowingly assisted in the violation through the
16 provision or selection of electronic mail addresses of the
17 recipients obtained using an automated means that generates
18 possible electronic mail addresses by combining names, letters,
19 or numbers into numerous permutations.

20 Sec. 4. [325F.699] [UNAUTHORIZED ACCESS TO A COMPUTER;
21 CRIMINAL PENALTIES.]

22 Subdivision 1. [PROHIBITION.] No person, with regard to
23 commercial electronic mail messages sent from or to a computer
24 in this state, shall knowingly access a computer without
25 authorization and purposely initiate the transmission of
26 multiple commercial electronic mail messages from or through the
27 computer.

28 Subd. 2. [GROSS MISDEMEANOR.] Except as otherwise provided
29 in subdivision 3, whoever violates subdivision 1 is guilty of
30 unauthorized access of a computer, a gross misdemeanor.

31 Subd. 3. [FELONY.] Illegally transmitting multiple
32 commercial electronic mail messages and unauthorized access of a
33 computer in violation of this section are felonies if the
34 offender previously has been convicted of a violation of this
35 section, or a violation of a law of another state or the United
36 States regarding the transmission of electronic mail messages or

1 unauthorized access to a computer, or if the offender committed
2 the violation of this section in the furtherance of a felony.

3 Sec. 5. [325F.6991] [CIVIL ACTIONS.]

4 (a) The attorney general or an electronic mail service
5 provider that is injured by a violation of this section may
6 bring a civil action in district court seeking relief from any
7 person whose conduct violated section 325F.697. The civil
8 action may be commenced at any time within one year of the date
9 after the act that is the basis of the civil action.

10 (b) In a civil action brought by the attorney general for a
11 violation of section 325F.697, the court may award temporary,
12 preliminary, or permanent injunctive relief. The court also may
13 impose a civil penalty against the offender, as the court
14 considers just, in an amount that is the lesser of: (1) \$25,000
15 for each day a violation occurs; or (2) not less than \$2 but not
16 more than \$8 for each commercial electronic mail message
17 initiated in violation of this section.

18 (c) In a civil action brought by an electronic mail service
19 provider for a violation of section 325F.697, the court may
20 award temporary, preliminary, or permanent injunctive relief,
21 and also may award damages in an amount equal to the greater of
22 the following:

23 (1) the sum of the actual damages incurred by the
24 electronic mail service provider as a result of a violation of
25 this section, plus any receipts of the offender that are
26 attributable to a violation of this section and that were not
27 taken into account in computing actual damages;

28 (2) statutory damages, as the court considers just, in an
29 amount that is the lesser of: (i) \$25,000 for each day a
30 violation occurs; or (ii) not less than \$2 but not more than \$8
31 for each commercial electronic mail message initiated in
32 violation of this section.

33 (d) In assessing damages, the court may consider whether
34 the offender has established and implemented, with due care,
35 commercially reasonable practices and procedures designed to
36 effectively prevent the violation, or the violation occurred

1 despite commercially reasonable efforts to maintain the
2 practices and procedures established.

3 (e) Equipment, software, or other technology of a person
4 who violates this section that is used or intended to be used in
5 the commission of a violation of this section, and any real or
6 personal property that constitutes or is traceable to the gross
7 proceeds obtained from the commission of a violation of this
8 section, is contraband and is subject to seizure and forfeiture
9 pursuant to section 609.531.

10 (f) The attorney general may bring a civil action, pursuant
11 to the "CAN-SPAM Act of 2003," Public Law 108-187, 117 Stat.
12 2699, United States Code, title 15, section 7701 et seq., on
13 behalf of the residents of the state in a district court of the
14 United States that has jurisdiction for a violation of the
15 CAN-SPAM Act of 2003, but the attorney general shall not bring a
16 civil action under both this paragraph and paragraph (a). If a
17 federal court dismisses a civil action brought under this
18 section for reasons other than upon the merits, a civil action
19 may be brought under this section in the appropriate district
20 court of this state.

21 (g) Nothing in sections 325F.696 to 325F.6991:

22 (1) requires an electronic mail service provider to block,
23 transmit, route, relay, handle, or store certain types of
24 electronic mail messages;

25 (2) prevents or limits, in any way, an electronic mail
26 service provider from adopting a policy regarding electronic
27 mail, including a policy of declining to transmit certain types
28 of electronic mail messages or from enforcing such policy
29 through technical means, through contract, or pursuant to any
30 remedy available under any other federal, state, or local
31 criminal or civil law; and

32 (3) renders lawful any policy adopted under clause (2) that
33 is unlawful under any other law.

34 Sec. 6. [EFFECTIVE DATE; APPLICATION.]

35 This act is effective August 1, 2005. Sections 3 and 4
36 apply to crimes committed on or after that date.

1 Senator moves to amend S.F. No. 927 as follows:

2 Page 8, lines 5, 25, and 32, delete "this section" and
3 insert "section 325F.697"

4 Page 9, line 5, delete "this section" and insert "section
5 325F.697"

6 Page 9, lines 7 and 8, delete "this section" and insert
7 "section 325F.697"

1 Senator Anderson from the Committee on Jobs, Energy and
2 Community Development, to which was referred

4 S.F. No. 927: A bill for an act relating to commerce;
5 regulating false and deceptive commercial electronic mail
6 messages; prescribing criminal penalties; providing remedies;
7 proposing coding for new law in Minnesota Statutes, chapter 325F.

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

9 Page 8, lines 5, 25, and 32, delete "this section" and
10 insert "section 325F.697"

11 Page 9, line 5, delete "this section" and insert "section
12 325F.697"

13 Page 9, lines 7 and 8, delete "this section" and insert
14 "section 325F.697"

5 And when so amended the bill do pass and be re-referred to
16 the Committee on Crime Prevention and Public Safety. Amendments
17 adopted. Report adopted.

18


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.....
(Committee Chair)

March 30, 2005.....
(Date of Committee recommendation)

1 To: Senator Anderson, Chair

2 Committee on Jobs, Energy and Community Development

3 Senator Bakk,

4 Chair of the Subcommittee on Economic Development and
5 Tourism, to which was referred

6 S.F. No. 895: A bill for an act relating to economic
7 development; providing for an international economic development
8 zone; providing tax incentives; requiring a report;
9 appropriating money; amending Minnesota Statutes 2004, sections
10 272.02, by adding a subdivision; 290.01, subdivisions 19b, 29;
11 290.06, subdivision 2c, by adding a subdivision; 290.067,
12 subdivision 1; 290.0671, subdivision 1; 290.091, subdivision 2;
13 290.0921, subdivision 3; 290.0922, subdivisions 2, 3; 297A.68,
14 by adding a subdivision; proposing coding for new law in
15 Minnesota Statutes, chapter 469.

16 Reports the same back with the recommendation that the bill
17 be amended as follows:

18 Delete everything after the enacting clause and insert:

19 "Section 1. Minnesota Statutes 2004, section 272.02, is
20 amended by adding a subdivision to read:

21 Subd. 68. [INTERNATIONAL ECONOMIC DEVELOPMENT ZONE
22 PROPERTY.] (a) Improvements to real property, and personal
23 property, classified under section 273.13, subdivision 24, and
24 located within an international economic development zone
25 designated under section 469.322, are exempt from ad valorem
26 taxes levied under chapter 275, if the occupant of the property
27 is a qualified business, as defined in section 469.321.

28 (b) The exemption applies beginning for the first
29 assessment year after designation of the international economic
30 development zone. The exemption applies to each assessment year
31 that begins during the duration of the international economic
32 development zone and to property occupied by July 1 of the
33 assessment year by a qualified business. This exemption does
34 not apply to:

35 (1) the levy under section 475.61 or similar levy
36 provisions under any other law to pay general obligation bonds;
37 or

38 (2) a levy under section 126C.17, if the levy was approved
39 by the voters before the designation of the zone.

40 [EFFECTIVE DATE.] This section is effective beginning for
41 property taxes assessed in 2006, payable in 2007.

1 Sec. 2. Minnesota Statutes 2004, section 290.01,
2 subdivision 19b, is amended to read:

3 Subd. 19b. [SUBTRACTIONS FROM FEDERAL TAXABLE INCOME.] For
4 individuals, estates, and trusts, there shall be subtracted from
5 federal taxable income:

6 (1) interest income on obligations of any authority,
7 commission, or instrumentality of the United States to the
8 extent includable in taxable income for federal income tax
9 purposes but exempt from state income tax under the laws of the
10 United States;

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

16 (3) the amount paid to others, less the amount used to
17 claim the credit allowed under section 290.0674, not to exceed
18 \$1,625 for each qualifying child in grades kindergarten to 6 and
19 \$2,500 for each qualifying child in grades 7 to 12, for tuition,
20 textbooks, and transportation of each qualifying child in
21 attending an elementary or secondary school situated in
22 Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin,
23 wherein a resident of this state may legally fulfill the state's
24 compulsory attendance laws, which is not operated for profit,
25 and which adheres to the provisions of the Civil Rights Act of
26 1964 and chapter 363A. For the purposes of this clause,
27 "tuition" includes fees or tuition as defined in section
28 290.0674, subdivision 1, clause (1). As used in this clause,
29 "textbooks" includes books and other instructional materials and
30 equipment purchased or leased for use in elementary and
31 secondary schools in teaching only those subjects legally and
32 commonly taught in public elementary and secondary schools in
33 this state. Equipment expenses qualifying for deduction
34 includes expenses as defined and limited in section 290.0674,
35 subdivision 1, clause (3). "Textbooks" does not include
36 instructional books and materials used in the teaching of

1 religious tenets, doctrines, or worship, the purpose of which is
2 to instill such tenets, doctrines, or worship, nor does it
3 include books or materials for, or transportation to,
4 extracurricular activities including sporting events, musical or
5 dramatic events, speech activities, driver's education, or
6 similar programs. For purposes of the subtraction provided by
7 this clause, "qualifying child" has the meaning given in section
8 32(c)(3) of the Internal Revenue Code;

9 (4) income as provided under section 290.0802;

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

13 (6) to the extent included in federal taxable income,
14 postservice benefits for youth community service under section
15 124D.42 for volunteer service under United States Code, title
16 42, sections 12601 to 12604;

17 (7) to the extent not deducted in determining federal
18 taxable income by an individual who does not itemize deductions
19 for federal income tax purposes for the taxable year, an amount
20 equal to 50 percent of the excess of charitable contributions
21 allowable as a deduction for the taxable year under section
22 170(a) of the Internal Revenue Code over \$500;

23 (8) for taxable years beginning before January 1, 2008, the
24 amount of the federal small ethanol producer credit allowed
25 under section 40(a)(3) of the Internal Revenue Code which is
26 included in gross income under section 87 of the Internal
27 Revenue Code;

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

1 Internal Revenue Code minus national level foreign taxes to the
2 extent they exceed the federal foreign tax credit;

3 (10) in each of the five tax years immediately following
4 the tax year in which an addition is required under subdivision
5 19a, clause (7), an amount equal to one-fifth of the delayed
6 depreciation. For purposes of this clause, "delayed
7 depreciation" means the amount of the addition made by the
8 taxpayer under subdivision 19a, clause (7), minus the positive
9 value of any net operating loss under section 172 of the
10 Internal Revenue Code generated for the tax year of the
11 addition. The resulting delayed depreciation cannot be less
12 than zero; and

13 (11) job opportunity building zone income as provided under
14 section 469.316; and

15 (12) international economic development zone income as
16 provided under section 469.325.

17 [EFFECTIVE DATE.] This section is effective for taxable
18 years beginning after December 31, 2005.

19 Sec. 3. Minnesota Statutes 2004, section 290.01,
20 subdivision 29, is amended to read:

21 Subd. 29. [TAXABLE INCOME.] The term "taxable income"
22 means:

23 (1) for individuals, estates, and trusts, the same as
24 taxable net income;

25 (2) for corporations, the taxable net income less

26 (i) the net operating loss deduction under section 290.095;

27 (ii) the dividends received deduction under section 290.21,
28 subdivision 4;

29 (iii) the exemption for operating in a job opportunity
30 building zone under section 469.317; and

31 (iv) the exemption for operating in a biotechnology and
32 health sciences industry zone under section 469.337; and

33 (v) the exemption for operating in an international
34 economic development zone under section 469.326.

35 [EFFECTIVE DATE.] This section is effective for taxable
36 years beginning after December 31, 2005.

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

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

9 (1) On the first \$25,680, 5.35 percent;

10 (2) On all over \$25,680, but not over \$102,030, 7.05
11 percent;

12 (3) On all over \$102,030, 7.85 percent.

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

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

20 (1) On the first \$17,570, 5.35 percent;

21 (2) On all over \$17,570, but not over \$57,710, 7.05
22 percent;

23 (3) On all over \$57,710, 7.85 percent.

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

28 (1) On the first \$21,630, 5.35 percent;

29 (2) On all over \$21,630, but not over \$86,910, 7.05
30 percent;

31 (3) On all over \$86,910, 7.85 percent.

32 (d) In lieu of a tax computed according to the rates set
33 forth in this subdivision, the tax of any individual taxpayer
34 whose taxable net income for the taxable year is less than an
35 amount determined by the commissioner must be computed in
36 accordance with tables prepared and issued by the commissioner

1 of revenue based on income brackets of not more than \$100. The
2 amount of tax for each bracket shall be computed at the rates
3 set forth in this subdivision, provided that the commissioner
4 may disregard a fractional part of a dollar unless it amounts to
5 50 cents or more, in which case it may be increased to \$1.

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

11 (1) the numerator is the individual's Minnesota source
12 federal adjusted gross income as defined in section 62 of the
13 Internal Revenue Code and increased by the additions required
14 under section 290.01, subdivision 19a, clauses (1), (5), and
15 (6), and reduced by the subtraction under section 290.01,
16 subdivision 19b, ~~clause~~ clauses (11) and (12), and the Minnesota
17 assignable portion of the subtraction for United States
18 government interest under section 290.01, subdivision 19b,
19 clause (1), after applying the allocation and assignability
20 provisions of section 290.081, clause (a), or 290.17; and

21 (2) the denominator is the individual's federal adjusted
22 gross income as defined in section 62 of the Internal Revenue
23 Code of 1986, increased by the amounts specified in section
24 290.01, subdivision 19a, clauses (1), (5), and (6), and reduced
25 by the amounts specified in section 290.01, subdivision 19b,
26 clauses (1) and, (11), and (12).

27 [EFFECTIVE DATE.] This section is effective for taxable
28 years beginning after December 31, 2005.

29 Sec. 5. Minnesota Statutes 2004, section 290.06, is
30 amended by adding a subdivision to read:

31 Subd. 32. [INTERNATIONAL ECONOMIC DEVELOPMENT ZONE JOB
32 CREDIT.] A taxpayer that is a qualified business, as defined in
33 section 469.321, subdivision 6, is allowed a credit as
34 determined under section 469.327 against the tax imposed by this
35 chapter.

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

1 following final enactment.

2 Sec. 6. Minnesota Statutes 2004, section 290.067,
3 subdivision 1, is amended to read:

4 Subdivision 1. [AMOUNT OF CREDIT.] (a) A taxpayer may take
5 as a credit against the tax due from the taxpayer and a spouse,
6 if any, under this chapter an amount equal to the dependent care
7 credit for which the taxpayer is eligible pursuant to the
8 provisions of section 21 of the Internal Revenue Code subject to
9 the limitations provided in subdivision 2 except that in
10 determining whether the child qualified as a dependent, income
11 received as a Minnesota family investment program grant or
12 allowance to or on behalf of the child must not be taken into
13 account in determining whether the child received more than half
14 of the child's support from the taxpayer, and the provisions of
15 section 32(b)(1)(D) of the Internal Revenue Code do not apply.

16 (b) If a child who has not attained the age of six years at
17 the close of the taxable year is cared for at a licensed family
18 day care home operated by the child's parent, the taxpayer is
19 deemed to have paid employment-related expenses. If the child
20 is 16 months old or younger at the close of the taxable year,
21 the amount of expenses deemed to have been paid equals the
22 maximum limit for one qualified individual under section 21(c)
23 and (d) of the Internal Revenue Code. If the child is older
24 than 16 months of age but has not attained the age of six years
25 at the close of the taxable year, the amount of expenses deemed
26 to have been paid equals the amount the licensee would charge
27 for the care of a child of the same age for the same number of
28 hours of care.

29 (c) If a married couple:

30 (1) has a child who has not attained the age of one year at
31 the close of the taxable year;

32 (2) files a joint tax return for the taxable year; and

33 (3) does not participate in a dependent care assistance
34 program as defined in section 129 of the Internal Revenue Code,
35 in lieu of the actual employment related expenses paid for that
36 child under paragraph (a) or the deemed amount under paragraph

1 (b), the lesser of (i) the combined earned income of the couple
2 or (ii) the amount of the maximum limit for one qualified
3 individual under section 21(c) and (d) of the Internal Revenue
4 Code will be deemed to be the employment related expense paid
5 for that child. The earned income limitation of section 21(d)
6 of the Internal Revenue Code shall not apply to this deemed
7 amount. These deemed amounts apply regardless of whether any
8 employment-related expenses have been paid.

9 (d) If the taxpayer is not required and does not file a
10 federal individual income tax return for the tax year, no credit
11 is allowed for any amount paid to any person unless:

12 (1) the name, address, and taxpayer identification number
13 of the person are included on the return claiming the credit; or

14 (2) if the person is an organization described in section
15 501(c)(3) of the Internal Revenue Code and exempt from tax under
16 section 501(a) of the Internal Revenue Code, the name and
17 address of the person are included on the return claiming the
18 credit.

19 In the case of a failure to provide the information required
20 under the preceding sentence, the preceding sentence does not
21 apply if it is shown that the taxpayer exercised due diligence
22 in attempting to provide the information required.

23 In the case of a nonresident, part-year resident, or a
24 person who has earned income not subject to tax under this
25 chapter including earned income excluded pursuant to section
26 290.01, subdivision 19b, ~~clause~~ clauses (11) and (12), the
27 credit determined under section 21 of the Internal Revenue Code
28 must be allocated based on the ratio by which the earned income
29 of the claimant and the claimant's spouse from Minnesota sources
30 bears to the total earned income of the claimant and the
31 claimant's spouse.

32 [EFFECTIVE DATE.] This section is effective for taxable
33 years beginning after December 31, 2005.

34 Sec. 7. Minnesota Statutes 2004, section 290.0671,
35 subdivision 1, is amended to read:

36 Subdivision 1. [CREDIT ALLOWED.] (a) An individual is

1 allowed a credit against the tax imposed by this chapter equal
2 to a percentage of earned income. To receive a credit, a
3 taxpayer must be eligible for a credit under section 32 of the
4 Internal Revenue Code.

5 (b) For individuals with no qualifying children, the credit
6 equals 1.9125 percent of the first \$4,620 of earned income. The
7 credit is reduced by 1.9125 percent of earned income or modified
8 adjusted gross income, whichever is greater, in excess of
9 \$5,770, but in no case is the credit less than zero.

10 (c) For individuals with one qualifying child, the credit
11 equals 8.5 percent of the first \$6,920 of earned income and 8.5
12 percent of earned income over \$12,080 but less than \$13,450.
13 The credit is reduced by 5.73 percent of earned income or
14 modified adjusted gross income, whichever is greater, in excess
15 of \$15,080, but in no case is the credit less than zero.

16 (d) For individuals with two or more qualifying children,
17 the credit equals ten percent of the first \$9,720 of earned
18 income and 20 percent of earned income over \$14,860 but less
19 than \$16,800. The credit is reduced by 10.3 percent of earned
20 income or modified adjusted gross income, whichever is greater,
21 in excess of \$17,890, but in no case is the credit less than
22 zero.

23 (e) For a nonresident or part-year resident, the credit
24 must be allocated based on the percentage calculated under
25 section 290.06, subdivision 2c, paragraph (e).

26 (f) For a person who was a resident for the entire tax year
27 and has earned income not subject to tax under this chapter,
28 including income excluded under section 290.01, subdivision 19b,
29 clause (11) or (12), the credit must be allocated based on the
30 ratio of federal adjusted gross income reduced by the earned
31 income not subject to tax under this chapter over federal
32 adjusted gross income.

33 (g) For tax years beginning after December 31, 2001, and
34 before December 31, 2004, the \$5,770 in paragraph (b), the
35 \$15,080 in paragraph (c), and the \$17,890 in paragraph (d),
36 after being adjusted for inflation under subdivision 7, are each

1 increased by \$1,000 for married taxpayers filing joint returns.

2 (h) For tax years beginning after December 31, 2004, and
3 before December 31, 2007, the \$5,770 in paragraph (b), the
4 \$15,080 in paragraph (c), and the \$17,890 in paragraph (d),
5 after being adjusted for inflation under subdivision 7, are each
6 increased by \$2,000 for married taxpayers filing joint returns.

7 (i) For tax years beginning after December 31, 2007, and
8 before December 31, 2010, the \$5,770 in paragraph (b), the
9 \$15,080 in paragraph (c), and the \$17,890 in paragraph (d),
10 after being adjusted for inflation under subdivision 7, are each
11 increased by \$3,000 for married taxpayers filing joint returns.
12 For tax years beginning after December 31, 2008, the \$3,000 is
13 adjusted annually for inflation under subdivision 7.

14 (j) The commissioner shall construct tables showing the
15 amount of the credit at various income levels and make them
16 available to taxpayers. The tables shall follow the schedule
17 contained in this subdivision, except that the commissioner may
18 graduate the transition between income brackets.

19 **[EFFECTIVE DATE.]** This section is effective for taxable
20 years beginning after December 31, 2005.

21 Sec. 8. Minnesota Statutes 2004, section 290.091,
22 subdivision 2, is amended to read:

23 Subd. 2. [DEFINITIONS.] For purposes of the tax imposed by
24 this section, the following terms have the meanings given:

25 (a) "Alternative minimum taxable income" means the sum of
26 the following for the taxable year:

27 (1) the taxpayer's federal alternative minimum taxable
28 income as defined in section 55(b)(2) of the Internal Revenue
29 Code;

30 (2) the taxpayer's itemized deductions allowed in computing
31 federal alternative minimum taxable income, but excluding:

32 (i) the charitable contribution deduction under section 170
33 of the Internal Revenue Code to the extent that the deduction
34 exceeds 1.0 percent of adjusted gross income, as defined in
35 section 62 of the Internal Revenue Code;

36 (ii) the medical expense deduction;

1 (iii) the casualty, theft, and disaster loss deduction; and
2 (iv) the impairment-related work expenses of a disabled
3 person;

4 (3) for depletion allowances computed under section 613A(c)
5 of the Internal Revenue Code, with respect to each property (as
6 defined in section 614 of the Internal Revenue Code), to the
7 extent not included in federal alternative minimum taxable
8 income, the excess of the deduction for depletion allowable
9 under section 611 of the Internal Revenue Code for the taxable
10 year over the adjusted basis of the property at the end of the
11 taxable year (determined without regard to the depletion
12 deduction for the taxable year);

13 (4) to the extent not included in federal alternative
14 minimum taxable income, the amount of the tax preference for
15 intangible drilling cost under section 57(a)(2) of the Internal
16 Revenue Code determined without regard to subparagraph (E);

17 (5) to the extent not included in federal alternative
18 minimum taxable income, the amount of interest income as
19 provided by section 290.01, subdivision 19a, clause (1); and

20 (6) the amount of addition required by section 290.01,
21 subdivision 19a, clause (7);

22 less the sum of the amounts determined under the following:

23 (1) interest income as defined in section 290.01,
24 subdivision 19b, clause (1);

25 (2) an overpayment of state income tax as provided by
26 section 290.01, subdivision 19b, clause (2), to the extent
27 included in federal alternative minimum taxable income;

28 (3) the amount of investment interest paid or accrued
29 within the taxable year on indebtedness to the extent that the
30 amount does not exceed net investment income, as defined in
31 section 163(d)(4) of the Internal Revenue Code. Interest does
32 not include amounts deducted in computing federal adjusted gross
33 income; and

34 (4) amounts subtracted from federal taxable income as
35 provided by section 290.01, subdivision 19b, clauses (10) and,
36 (11), and (12).

1 In the case of an estate or trust, alternative minimum
2 taxable income must be computed as provided in section 59(c) of
3 the Internal Revenue Code.

4 (b) "Investment interest" means investment interest as
5 defined in section 163(d)(3) of the Internal Revenue Code.

6 (c) "Tentative minimum tax" equals 6.4 percent of
7 alternative minimum taxable income after subtracting the
8 exemption amount determined under subdivision 3.

9 (d) "Regular tax" means the tax that would be imposed under
10 this chapter (without regard to this section and section
11 290.032), reduced by the sum of the nonrefundable credits
12 allowed under this chapter.

13 (e) "Net minimum tax" means the minimum tax imposed by this
14 section.

15 [EFFECTIVE DATE.] This section is effective for taxable
16 years beginning after December 31, 2005.

17 Sec. 9. Minnesota Statutes 2004, section 290.0921,
18 subdivision 3, is amended to read:

19 Subd. 3. [ALTERNATIVE MINIMUM TAXABLE INCOME.]
20 "Alternative minimum taxable income" is Minnesota net income as
21 defined in section 290.01, subdivision 19, and includes the
22 adjustments and tax preference items in sections 56, 57, 58, and
23 59(d), (e), (f), and (h) of the Internal Revenue Code. If a
24 corporation files a separate company Minnesota tax return, the
25 minimum tax must be computed on a separate company basis. If a
26 corporation is part of a tax group filing a unitary return, the
27 minimum tax must be computed on a unitary basis. The following
28 adjustments must be made.

29 (1) For purposes of the depreciation adjustments under
30 section 56(a)(1) and 56(g)(4)(A) of the Internal Revenue Code,
31 the basis for depreciable property placed in service in a
32 taxable year beginning before January 1, 1990, is the adjusted
33 basis for federal income tax purposes, including any
34 modification made in a taxable year under section 290.01,
35 subdivision 19e, or Minnesota Statutes 1986, section 290.09,
36 subdivision 7, paragraph (c).

1 For taxable years beginning after December 31, 2000, the
2 amount of any remaining modification made under section 290.01,
3 subdivision 19e, or Minnesota Statutes 1986, section 290.09,
4 subdivision 7, paragraph (c), not previously deducted is a
5 depreciation allowance in the first taxable year after December
6 31, 2000.

7 (2) The portion of the depreciation deduction allowed for
8 federal income tax purposes under section 168(k) of the Internal
9 Revenue Code that is required as an addition under section
10 290.01, subdivision 19c, clause (16), is disallowed in
11 determining alternative minimum taxable income.

12 (3) The subtraction for depreciation allowed under section
13 290.01, subdivision 19d, clause (19), is allowed as a
14 depreciation deduction in determining alternative minimum
15 taxable income.

16 (4) The alternative tax net operating loss deduction under
17 sections 56(a)(4) and 56(d) of the Internal Revenue Code does
18 not apply.

19 (5) The special rule for certain dividends under section
20 56(g)(4)(C)(ii) of the Internal Revenue Code does not apply.

21 (6) The special rule for dividends from section 936
22 companies under section 56(g)(4)(C)(iii) does not apply.

23 (7) The tax preference for depletion under section 57(a)(1)
24 of the Internal Revenue Code does not apply.

25 (8) The tax preference for intangible drilling costs under
26 section 57(a)(2) of the Internal Revenue Code must be calculated
27 without regard to subparagraph (E) and the subtraction under
28 section 290.01, subdivision 19d, clause (4).

29 (9) The tax preference for tax exempt interest under
30 section 57(a)(5) of the Internal Revenue Code does not apply.

31 (10) The tax preference for charitable contributions of
32 appreciated property under section 57(a)(6) of the Internal
33 Revenue Code does not apply.

34 (11) For purposes of calculating the tax preference for
35 accelerated depreciation or amortization on certain property
36 placed in service before January 1, 1987, under section 57(a)(7)

1 of the Internal Revenue Code, the deduction allowable for the
2 taxable year is the deduction allowed under section 290.01,
3 subdivision 19e.

4 For taxable years beginning after December 31, 2000, the
5 amount of any remaining modification made under section 290.01,
6 subdivision 19e, not previously deducted is a depreciation or
7 amortization allowance in the first taxable year after December
8 31, 2004.

9 (12) For purposes of calculating the adjustment for
10 adjusted current earnings in section 56(g) of the Internal
11 Revenue Code, the term "alternative minimum taxable income" as
12 it is used in section 56(g) of the Internal Revenue Code, means
13 alternative minimum taxable income as defined in this
14 subdivision, determined without regard to the adjustment for
15 adjusted current earnings in section 56(g) of the Internal
16 Revenue Code.

17 (13) For purposes of determining the amount of adjusted
18 current earnings under section 56(g)(3) of the Internal Revenue
19 Code, no adjustment shall be made under section 56(g)(4) of the
20 Internal Revenue Code with respect to (i) the amount of foreign
21 dividend gross-up subtracted as provided in section 290.01,
22 subdivision 19d, clause (1), (ii) the amount of refunds of
23 income, excise, or franchise taxes subtracted as provided in
24 section 290.01, subdivision 19d, clause (10), or (iii) the
25 amount of royalties, fees or other like income subtracted as
26 provided in section 290.01, subdivision 19d, clause (11).

27 (14) Alternative minimum taxable income excludes the income
28 from operating in a job opportunity building zone as provided
29 under section 469.317.

30 (15) Alternative minimum taxable income excludes the income
31 from operating in a biotechnology and health sciences industry
32 zone as provided under section 469.337.

33 (16) Alternative minimum taxable income excludes the income
34 from operating in an international economic development zone as
35 provided under section 469.326.

36 Items of tax preference must not be reduced below zero as a

1 result of the modifications in this subdivision.

2 [EFFECTIVE DATE.] This section is effective for taxable
3 years beginning after December 31, 2005.

4 Sec. 10. Minnesota Statutes 2004, section 290.0922,
5 subdivision 2, is amended to read:

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

8 (1) corporations exempt from tax under section 290.05;

9 (2) real estate investment trusts;

10 (3) regulated investment companies or a fund thereof; and

11 (4) entities having a valid election in effect under

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

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

14 (6) cooperatives organized under chapter 308A that provide
15 housing exclusively to persons age 55 and over and are

16 classified as homesteads under section 273.124, subdivision 3;

17 and

18 (7) an entity, if for the taxable year all of its property
19 is located in a job opportunity building zone designated under

20 section 469.314 and all of its payroll is a job opportunity

21 building zone payroll under section 469.310; and

22 (8) an entity, if for the taxable year all of its property

23 is located in an international economic development zone

24 designated under section 469.322, and all of its payroll is an

25 international economic development zone payroll under section

26 469.321.

27 Entities not specifically exempted by this subdivision are
28 subject to tax under this section, notwithstanding section
29 290.05.

30 [EFFECTIVE DATE.] This section is effective for taxable
31 years beginning after December 31, 2005.

32 Sec. 11. Minnesota Statutes 2004, section 290.0922,
33 subdivision 3, is amended to read:

34 Subd. 3. [DEFINITIONS.] (a) "Minnesota sales or receipts"

35 means the total sales apportioned to Minnesota pursuant to

36 section 290.191, subdivision 5, the total receipts attributed to

1 Minnesota pursuant to section 290.191, subdivisions 6 to 8,
2 and/or the total sales or receipts apportioned or attributed to
3 Minnesota pursuant to any other apportionment formula applicable
4 to the taxpayer.

5 (b) "Minnesota property" means total Minnesota tangible
6 property as provided in section 290.191, subdivisions 9 to 11,
7 any other tangible property located in Minnesota, but does not
8 include property located in a job opportunity building zone
9 designated under section 469.314, or property of a qualified
10 business located in a biotechnology and health sciences industry
11 zone designated under section 469.334, or property located in an
12 international economic development zone designated under section
13 469.322. Intangible property shall not be included in Minnesota
14 property for purposes of this section. Taxpayers who do not
15 utilize tangible property to apportion income shall nevertheless
16 include Minnesota property for purposes of this section. On a
17 return for a short taxable year, the amount of Minnesota
18 property owned, as determined under section 290.191, shall be
19 included in Minnesota property based on a fraction in which the
20 numerator is the number of days in the short taxable year and
21 the denominator is 365.

22 (c) "Minnesota payrolls" means total Minnesota payrolls as
23 provided in section 290.191, subdivision 12, but does not
24 include job opportunity building zone payrolls under section
25 469.310, subdivision 8, or biotechnology and health sciences
26 industry zone ~~payroll~~ payrolls under section 469.330,
27 subdivision 8, or international economic development zone
28 payrolls under section 469.321, subdivision 10. Taxpayers who
29 do not utilize payrolls to apportion income shall nevertheless
30 include Minnesota payrolls for purposes of this section.

31 [EFFECTIVE DATE.] This section is effective for taxable
32 years beginning after December 31, 2005.

33 Sec. 12. Minnesota Statutes 2004, section 297A.68, is
34 amended by adding a subdivision to read:

35 Subd. 40. [INTERNATIONAL ECONOMIC DEVELOPMENT ZONES.] (a)
36 Purchases of tangible personal property or taxable services by a

1 qualified business, as defined in section 469.321, are exempt if
2 the property or services are primarily used or consumed in an
3 international economic development zone designated under section
4 469.322.

5 (b) Purchase and use of construction materials and supplies
6 for construction of improvements to real property in an
7 international economic development zone are exempt if the
8 improvements after completion of construction are to be used in
9 the conduct of a qualified business, as defined in section
10 469.321. This exemption applies regardless of whether the
11 purchases are made by the business or a contractor.

12 (c) The exemptions under this subdivision apply to a local
13 sales and use tax, regardless of whether the local tax is
14 imposed on sales taxable under this chapter or in another law,
15 ordinance, or charter provision.

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

18 [EFFECTIVE DATE.] This section is effective for sales made
19 on or after the day following final enactment.

20 Sec. 13. [469.321] [DEFINITIONS.]

21 Subdivision 1. [SCOPE.] For purposes of sections 469.321
22 to 469.328, the following terms have the meanings given.

23 Subd. 2. [FOREIGN TRADE ZONE.] "Foreign trade zone" means
24 a foreign trade zone designated pursuant to United States Code,
25 title 19, section 81a, for the right to use the powers provided
26 in United States Code, title 19, sections 81a to 81u, or a
27 subzone authorized by the foreign trade zone.

28 Subd. 3. [FOREIGN TRADE ZONE AUTHORITY.] "Foreign trade
29 zone authority" means the Greater Metropolitan Area Foreign
30 Trade Zone Commission number 119, a joint powers authority
31 created by the county of Hennepin, the cities of Minneapolis,
32 Bloomington, Rosemount, and the Metropolitan Airports
33 Commission, under the authority of section 469.059, 469.101, or
34 471.59, and which may, notwithstanding section 471.59, include
35 as members any political subdivisions of public corporations
36 that are or become members of the Greater Metropolitan Area

1 Foreign Trade Zone Commission, regardless of whether the
2 subdivisions or corporations have the power or authority
3 individually to establish or operate a foreign trade zone.

4 Subd. 4. [INTERNATIONAL ECONOMIC DEVELOPMENT ZONE.] An
5 "international economic development zone" or "zone" is a zone so
6 designated under section 469.322.

7 Subd. 5. [PERSON.] "Person" includes an individual,
8 corporation, partnership, limited liability company,
9 association, or any other entity.

10 Subd. 6. [QUALIFIED BUSINESS.] (a) "Qualified business"
11 means a person carrying on a trade or business at a place of
12 business located within an international economic development
13 zone that is:

14 (1) engaged in the furtherance of international export or
15 import of goods; and

16 (2) certified by the foreign trade zone authority as a
17 trade or business that furthers the purpose of developing
18 international distribution capacity and capability.

19 (b) A person that relocates a trade or business from within
20 Minnesota but outside an international economic development zone
21 into an international economic development zone is not a
22 qualified business, unless the business:

23 (1) (i) increases full-time employment in the first full
24 year of operation within the international economic development
25 zone by at least 20 percent measured relative to the operations
26 that were relocated; or

27 (ii) makes a capital investment in the property located
28 within a zone equal to at least ten percent of the gross
29 revenues of the operations that were relocated in the
30 immediately preceding taxable year; and

31 (2) enters a binding written agreement with the foreign
32 trade zone authority that:

33 (i) pledges that the business will meet the requirements of
34 clause (1);

35 (ii) provides for repayment of all tax benefits enumerated
36 under section 469.324 to the business under the procedures in

1 section 469.328, if the requirements of clause (1) are not met;
2 and

3 (iii) contains any other terms the foreign trade zone
4 authority determines appropriate.

5 Clause (1) of this paragraph does not apply to a freight
6 forwarder.

7 (c) A qualified business must pay each employee total
8 compensation, including benefits not mandated by law, that on an
9 annualized basis is equal to at least 110 percent of the federal
10 poverty guidelines for a family of four.

11 (d) A qualified business must enter into an agreement with
12 the authority that provides that, as a condition of qualifying
13 for the tax incentives described in section 469.324, the
14 business will, at the site of its operation within the zone,
15 remain neutral to labor union organizing activity, provide union
16 representatives access to employees during nonwork hours, and
17 recognize a labor union as a bargaining agent under the National
18 Labor Relations Act upon presentation of representation cards
19 signed by a majority of the employees of the qualified business
20 within the zone.

21 Subd. 7. [REGIONAL DISTRIBUTION CENTER.] A "regional
22 distribution center" is a distribution center developed within a
23 foreign trade zone. The regional distribution center must have
24 as its primary purpose to facilitate gathering of freight for
25 the purpose of centralizing the functions necessary for the
26 shipment of freight in international commerce, including, but
27 not limited to, security and customs functions.

28 Subd. 8. [RELOCATE.] (a) "Relocate" means that a trade or
29 business:

30 (1) ceases one or more operations or functions at another
31 location in an international economic development zone; or

32 (2) reduces employment at another location in Minnesota
33 during a period starting one year before and ending one year
34 after it begins operations in an international economic
35 development zone and its employees in the international economic
36 development zone are engaged in the same line of business as the

1 employees at the location where it reduced employment.

2 (b) "Relocate" does not include an expansion by a business
3 that establishes a new facility that does not replace or
4 supplant an existing operation or employment, in whole or in
5 part.

6 Subd. 9. [INTERNATIONAL ECONOMIC DEVELOPMENT ZONE
7 PERCENTAGE OR ZONE PERCENTAGE.] "International economic
8 development zone percentage" or "zone percentage" means the
9 following fraction reduced to a percentage:

10 (1) the numerator of the fraction is:

11 (i) the ratio of the taxpayer's property factor under
12 section 290.191 located in the zone for the taxable year over
13 the property factor numerator determined under section 290.191,
14 plus

15 (ii) the ratio of the taxpayer's international economic
16 development zone payroll factor under subdivision 10 over the
17 payroll factor numerator determined under section 290.191; and

18 (2) the denominator of the fraction is two.

19 When calculating the zone percentage for a business that is
20 part of a unitary business as defined under section 290.17,
21 subdivision 4, the denominator of the payroll and property
22 factors is the Minnesota payroll and property of the unitary
23 business as reported on the combined report under section
24 290.17, subdivision 4, paragraph (j).

25 Subd. 10. [INTERNATIONAL ECONOMIC DEVELOPMENT ZONE PAYROLL
26 FACTOR.] "International economic development zone payroll
27 factor" or "international economic development zone payroll" is
28 that portion of the payroll factor under section 290.191 that
29 represents:

30 (1) wages or salaries paid to an individual for services
31 performed in an international economic development zone; or

32 (2) wages or salaries paid to individuals working from
33 offices within an international economic development zone, if
34 their employment requires them to work outside the zone and the
35 work is incidental to the work performed by the individual
36 within the zone.

1 Subd. 11. [FREIGHT FORWARDER.] "Freight forwarder" is a
2 business that, for compensation, ensures that goods produced or
3 sold by another business move from point of origin to point of
4 destination.

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

7 Sec. 14. [469.322] [DESIGNATION OF INTERNATIONAL ECONOMIC
8 DEVELOPMENT ZONE.]

9 (a) An area designated as a foreign trade zone may be
10 designated by the foreign trade zone authority as an
11 international economic development zone if within the zone a
12 regional distribution center is being developed pursuant to
13 section 469.323. The zone must be not less than 500 acres and
14 not more than 1,000 acres in size.

15 (b) In making the designation, the foreign trade zone
16 authority, in consultation with the Minnesota Department of
17 Transportation and the Metropolitan Council, shall consider
18 access to major transportation routes, consistency with current
19 state transportation and air cargo planning, adequacy of the
20 size of the site, access to airport facilities, present and
21 future capacity at the designated airport, the capability to
22 meet integrated present and future air cargo, security, and
23 inspection services, and access to other infrastructure and
24 financial incentives. The border of the international economic
25 development zone must be no more than 60 miles distant or 90
26 minutes drive time from the border of the Minneapolis-St. Paul
27 International Airport.

28 (c) Prior to a final site designation, the foreign trade
29 zone authority, in consultation with the applicant, must conduct
30 a transportation impact study based on the regional model and
31 utilizing traffic forecasting and assignments. The results must
32 be used to evaluate the effects of the proposed use on the
33 transportation system and identify any needed improvements. If
34 the site is in the metropolitan area the study must also
35 evaluate the effect of the transportation impacts on the
36 Metropolitan Transportation System plan as well as the

1 comprehensive plans of the municipalities that would be
2 affected. The cost of the study must be paid by the applicant.

3 (d) Final zone designation must be made by January 1, 2007.

4 (e) Duration of the zone is a 12-year period beginning on
5 June 30, 2007.

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

8 Sec. 15. [469.323] [FOREIGN TRADE ZONE AUTHORITY POWERS.]

9 Subdivision 1. [DEVELOPMENT OF REGIONAL DISTRIBUTION
10 CENTER.] The foreign trade zone authority shall be responsible
11 for creating a development plan for the regional distribution
12 center. The regional distribution center must be developed with
13 the purpose of expanding, on a regional basis, international
14 distribution capacity and capability. The foreign trade zone
15 authority shall consult with municipalities that have indicated
16 to the authority an interest in locating the international
17 economic development zone within their boundaries and a
18 willingness to establish a tax increment financing district
19 coterminous with the boundaries of the zone, as well as
20 interested businesses, potential financiers, and appropriate
21 state and federal agencies.

22 Subd. 2. [BUSINESS PLAN.] Before designation of an
23 international economic development zone under section 469.322,
24 the governing body of the foreign trade zone authority shall
25 prepare a business plan. The plan must include an analysis of
26 the economic feasibility of the regional distribution center
27 once it becomes operational and of the operations of freight
28 forwarders and other businesses that choose to locate within the
29 boundaries of the zone. The analysis must provide profitability
30 models that:

31 (1) include the benefits of the incentives;

32 (2) estimate the amount of time needed to achieve
33 profitability; and

34 (3) analyze the length of time incentives will be necessary
35 to the economic viability of the regional distribution center.

36 If the governing body of the foreign trade authority

1 determines that the models do not establish the economic
2 feasibility of the project, the regional distribution center
3 does not meet the development requirements of this section and
4 section 469.322.

5 Subd. 3. [PORT AUTHORITY POWERS.] The governing body of
6 the foreign trade zone authority may establish a port authority
7 that has the same powers as a port authority established under
8 section 469.049. If the foreign trade zone authority
9 establishes a port authority, the governing body of the foreign
10 trade zone authority shall exercise all powers granted to a city
11 by sections 469.048 to 469.068 or other law.

12 Subd. 4. [BUSINESS SUBSIDY LAW.] Tax exemptions, job
13 credits, and tax increment financing provided under this section
14 are business subsidies for the purpose of sections 116J.993 to
15 116J.995.

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

18 Sec. 16. [469.324] [TAX INCENTIVES IN INTERNATIONAL
19 ECONOMIC DEVELOPMENT ZONE.]

20 Subdivision 1. [AVAILABILITY.] Qualified businesses that
21 operate in an international economic development zone,
22 individuals who invest in a regional distribution center or
23 qualified businesses that operate in an international economic
24 development zone, and property located in an international
25 economic development zone qualify for:

26 (1) exemption from individual income taxes as provided
27 under section 469.325;

28 (2) exemption from corporate franchise taxes as provided
29 under section 469.326;

30 (3) exemption from the state sales and use tax and any
31 local sales and use taxes on qualifying purchases as provided in
32 section 297A.68, subdivision 40;

33 (4) exemption from the property tax as provided in section
34 272.02, subdivision 68;

35 (5) the jobs credit allowed under section 469.327; and

36 (6) tax increment financing as provided in this chapter.

1 Subd. 2. [DURATION.] (a) Except as provided in paragraph
2 (b), the tax incentives described in subdivision 1, clauses (1),
3 (2), and (5), are available for no more than 12 consecutive
4 taxable years for any taxpayer that claims them. The tax
5 incentives described in subdivision 1, clause (3), are available
6 for each taxpayer that claims them for taxes otherwise payable
7 on transactions during a period of 12 years from the date when
8 the first exemption is claimed by that taxpayer under each
9 exemption. The property tax exemption described under
10 subdivision 1, clause (4), is available for any parcel of
11 property for 12 consecutive taxes payable years. No exemptions
12 described in subdivision 1, clauses (1) to (5), are available
13 after December 31, 2021.

14 (b) For taxpayers that are freight forwarders, the
15 durations provided under paragraph (a) are reduced to six years.

16 Sec. 17. [469.325] [INDIVIDUAL INCOME TAX EXEMPTION.]
17 Subdivision 1. [APPLICATION.] An individual operating a
18 trade or business in an international economic development zone,
19 and an individual making a qualifying investment in a qualified
20 business operating in an international economic development zone
21 qualifies for the exemptions from taxes imposed under chapter
22 290, as provided in this section. The exemptions provided under
23 this section apply only to the extent that the income otherwise
24 would be taxable under chapter 290. Subtractions under this
25 section from federal taxable income, alternative minimum taxable
26 income, or any other base subject to tax are limited to the
27 amount that otherwise would be included in the tax base absent
28 the exemption under this section. This section applies only to
29 taxable years beginning during the duration of the zone.

30 Subd. 2. [RENTS.] An individual is exempt from the taxes
31 imposed under chapter 290 on net rents derived from real or
32 tangible personal property located in a zone for a taxable year
33 in which the zone was designated an international economic
34 development zone. If tangible personal property was used both
35 within and outside of the zone, the exemption amount for the net
36 rental income must be multiplied by a fraction, the numerator of

1 which is the number of days the property was used in the zone
2 and the denominator of which is the total days.

3 Subd. 3. [BUSINESS INCOME.] An individual is exempt from
4 the taxes imposed under chapter 290 on net income from the
5 operation of a qualified business in an international economic
6 development zone. If the trade or business is carried on within
7 and without the zone and the individual is not a resident of
8 Minnesota, the exemption must be apportioned based on the zone
9 percentage for the taxable year. If the trade or business is
10 carried on within and without the zone and the individual is a
11 resident of Minnesota, the exemption must be apportioned based
12 on the zone percentage for the taxable year, except the ratios
13 under section 469.321, subdivision 9, clause (1), items (i) and
14 (ii), must use the denominators of the property and payroll
15 factors determined under section 290.191. No subtraction is
16 allowed under this section in excess of 20 percent of the sum of
17 the international economic development zone payroll and the
18 adjusted basis of the property at the time that the property is
19 first used in the international economic development zone by the
20 business.

21 Subd. 4. [CAPITAL GAINS.] (a) An individual is exempt from
22 the taxes imposed under chapter 290 on:

23 (1) net gain derived on a sale or exchange of real property
24 located in the international economic development zone and used
25 by a qualified business. If the property was held by the
26 individual during a period when the zone was not designated, the
27 gain must be prorated based on the percentage of time, measured
28 in calendar days, that the real property was held by the
29 individual during the period the zone designation was in effect
30 to the total period of time the real property was held by the
31 individual;

32 (2) net gain derived on a sale or exchange of tangible
33 personal property used by a qualified business in the
34 international economic development zone. If the property was
35 held by the individual during a period when the zone was not
36 designated, the gain must be prorated based on the percentage of

1 time, measured in calendar days, that the property was held by
2 the individual during the period the zone designation was in
3 effect to the total period of time the property was held by the
4 individual. If the tangible personal property was used outside
5 of the zone during the period of the zone's designation, the
6 exemption must be multiplied by a fraction, the numerator of
7 which is the number of days the property was used in the zone
8 during the time of the designation and the denominator of which
9 is the total days the property was held during the time of the
10 designation; and

11 (3) net gain derived on a sale of an ownership interest in
12 a qualified business operating in the international economic
13 development zone, meeting the requirements of paragraph (b).
14 The exemption on the gain must be multiplied by the zone
15 percentage of the business for the taxable year prior to the
16 sale.

17 (b) A qualified business meets the requirements of
18 paragraph (a), clause (3), if it is a corporation, an S
19 corporation, or a partnership, and for the taxable year its
20 international economic development zone percentage exceeds 25
21 percent. For purposes of paragraph (a), clause (3), the zone
22 percentage must be calculated by modifying the ratios under
23 section 469.321, subdivision 9, clause (1), items (i) and (ii),
24 to use the denominators of the property and payroll factors
25 determined under section 290.191. Upon the request of an
26 individual holding an ownership interest in the entity, the
27 entity must certify to the owner, in writing, the international
28 economic development zone percentage needed to determine the
29 exemption.

30 [EFFECTIVE DATE.] This section is effective for taxable
31 years beginning after December 31, 2005.

32 Sec. 18. [469.326] [CORPORATE FRANCHISE TAX EXEMPTION.]

33 (a) A qualified business is exempt from taxation under
34 section 290.02, the alternative minimum tax under section
35 290.0921, and the minimum fee under section 290.0922, on the
36 portion of its income attributable to operations within the

1 international economic development zone. This exemption is
 2 determined as follows:

3 (1) for purposes of the tax imposed under section 290.02,
 4 by multiplying its taxable net income by its zone percentage and
 5 subtracting the result in determining taxable income;

6 (2) for purposes of the alternative minimum tax under
 7 section 290.0921, by multiplying its alternative minimum taxable
 8 income by its zone percentage and reducing alternative minimum
 9 taxable income by this amount; and

10 (3) for purposes of the minimum fee under section 290.0922,
 11 by excluding property and payroll in the zone from the
 12 computations of the fee or by exempting the entity under section
 13 290.0922, subdivision 2, clause (8).

14 (b) No subtraction is allowed under this section in excess
 15 of 20 percent of the sum of the corporation's international
 16 economic development zone payroll and the adjusted basis of the
 17 property at the time that the property is first used in the
 18 international economic development zone by the corporation.

19 (c) This section applies only to taxable years beginning
 20 during the duration of the international economic development
 21 zone.

22 [EFFECTIVE DATE.] This section is effective for taxable
 23 years beginning after December 31, 2005.

24 Sec. 19. [469.327] [JOBS CREDIT.]

25 Subdivision 1. [CREDIT ALLOWED.] A qualified business is
 26 allowed a credit against the taxes imposed under chapter 290.
 27 The credit equals seven percent of the:

28 (1) lesser of:

29 (i) zone payroll for the taxable year, less the zone
 30 payroll for the base year; or

31 (ii) total Minnesota payroll for the taxable year, less
 32 total Minnesota payroll for the base year; minus

33 (2) \$30,000 multiplied by the number of full-time
 34 equivalent employees that the qualified business employs in the
 35 international economic development zone for the taxable year,
 36 minus the number of full-time equivalent employees the business

1 employed in the zone in the base year, but not less than zero.

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

4 (b) "Base year" means the taxable year beginning during the
5 calendar year prior to the calendar year in which the zone
6 designation took effect.

7 (c) "Full-time equivalent employees" means the equivalent
8 of annualized expected hours of work equal to 2,080 hours.

9 (d) "Minnesota payroll" means the wages or salaries
10 attributed to Minnesota under section 290.191, subdivision 12,
11 for the qualified business or the unitary business of which the
12 qualified business is a part, whichever is greater.

13 (e) "Zone payroll" means wages or salaries used to
14 determine the zone payroll factor for the qualified business,
15 less the amount of compensation attributable to any employee
16 that exceeds \$100,000.

17 Subd. 3. [INFLATION ADJUSTMENT.] For taxable years
18 beginning after December 31, 2006, the dollar amounts in
19 subdivision 1, clause (2), and subdivision 2, paragraph (e), are
20 annually adjusted for inflation. The commissioner of revenue
21 shall adjust the amounts by the percentage determined under
22 section 290.06, subdivision 2d, for the taxable year.

23 Subd. 4. [REFUNDABLE.] If the amount of the credit exceeds
24 the liability for tax under chapter 290, the commissioner of
25 revenue shall refund the excess to the qualified business.

26 Subd. 5. [APPROPRIATION.] An amount sufficient to pay the
27 refunds authorized by this section is appropriated to the
28 commissioner of revenue from the general fund.

29 [EFFECTIVE DATE.] This section is effective for taxable
30 years beginning after December 31, 2005.

31 Sec. 20. [469.328] [REPAYMENT OF TAX BENEFITS.]

32 Subdivision 1. [REPAYMENT OBLIGATION.] A person must repay
33 the amount of the tax reduction received under section 469.324,
34 subdivision 1, clauses (1) to (5), or refund received under
35 section 469.327, during the two years immediately before it
36 ceased to operate in the zone, if the person ceased to operate

1 its facility located within the zone or otherwise ceases to be
2 or is not a qualified business.

3 Subd. 2. [DISPOSITION OF REPAYMENT.] The repayment must be
4 paid to the state to the extent it represents a state tax
5 reduction and to the county to the extent it represents a
6 property tax reduction. Any amount repaid to the state must be
7 deposited in the general fund. Any amount repaid to the county
8 for the property tax exemption must be distributed to the local
9 governments with authority to levy taxes in the zone in the same
10 manner provided for distribution of payment of delinquent
11 property taxes. Any repayment of local sales or use taxes must
12 be repaid to the jurisdiction imposing the local sales or use
13 tax.

14 Subd. 3. [REPAYMENT PROCEDURES.] (a) For the repayment of
15 taxes imposed under chapter 290 or 297A or local taxes collected
16 pursuant to section 297A.99, a person must file an amended
17 return with the commissioner of revenue and pay any taxes
18 required to be repaid within 30 days after ceasing to be a
19 qualified business. The amount required to be repaid is
20 determined by calculating the tax for the period for which
21 repayment is required without regard to the tax reductions
22 allowed under section 469.324.

23 (b) For the repayment of property taxes, the county auditor
24 shall prepare a tax statement for the person, applying the
25 applicable tax extension rates for each payable year and provide
26 a copy to the business. The person must pay the taxes to the
27 county treasurer within 30 days after receipt of the tax
28 statement. The taxpayer may appeal the valuation and
29 determination of the property tax to the tax court within 30
30 days after receipt of the tax statement.

31 (c) The provisions of chapters 270 and 289A relating to the
32 commissioner of revenue's authority to audit, assess, and
33 collect the tax and to hear appeals are applicable to the
34 repayment required under paragraph (a). The commissioner may
35 impose civil penalties as provided in chapter 289A, and the
36 additional tax and penalties are subject to interest at the rate

1 provided in section 270.75, from 30 days after ceasing to do
2 business in the zone until the date the tax is paid.

3 (d) If a property tax is not repaid under paragraph (b),
4 the county treasurer shall add the amount required to be repaid
5 to the property taxes assessed against the property for payment
6 in the year following the year in which the treasurer discovers
7 that the person ceased to operate in the international economic
8 development zone.

9 (e) For determining the tax required to be repaid, a tax
10 reduction is deemed to have been received on the date that the
11 tax would have been due if the person had not been entitled to
12 the tax reduction.

13 (f) The commissioner of revenue may assess the repayment of
14 taxes under paragraph (c) at any time within two years after the
15 person ceases to be a qualified business, or within any period
16 of limitations for the assessment of tax under section 289A.38,
17 whichever is later.

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

20 Sec. 21. [DEPARTMENT OF EMPLOYMENT AND ECONOMIC
21 DEVELOPMENT STUDY; INTERNATIONAL AIR FREIGHT.]

22 The commissioner of employment and economic development
23 must study and analyze the issue of whether the state would
24 benefit from more than one international economic development
25 zone as defined in Minnesota Statutes, section 469.321. The
26 commissioner shall solicit input on the issue from businesses,
27 communities, and economic development organizations. The
28 commissioner must report the results of the study and analysis
29 to the committees of the legislature having jurisdiction over
30 economic development issues by December 1, 2005, along with any
31 legislative recommendations."

32 And when so amended that the bill be recommended to pass
33 and be referred to the full committee.

[Signature]
.....
(Subcommittee Chair)

March 21, 2005.....
(Date of Subcommittee action)

Senator Rest introduced--

S.F. No. 895: Referred to the Committee on Jobs, Energy and Community Development.

1 A bill for an act

2 relating to economic development; providing for an
3 international economic development zone; providing tax
4 incentives; requiring a report; appropriating money;
5 amending Minnesota Statutes 2004, sections 272.02, by
6 adding a subdivision; 290.01, subdivisions 19b, 29;
7 290.06, subdivision 2c, by adding a subdivision;
8 290.067, subdivision 1; 290.0671, subdivision 1;
9 290.091, subdivision 2; 290.0921, subdivision 3;
10 290.0922, subdivisions 2, 3; 297A.68, by adding a
11 subdivision; proposing coding for new law in Minnesota
12 Statutes, chapter 469.

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

14 Section 1. Minnesota Statutes 2004, section 272.02, is
15 amended by adding a subdivision to read:

16 Subd. 68. [INTERNATIONAL ECONOMIC DEVELOPMENT ZONE
17 PROPERTY.] (a) Improvements to real property, and personal
18 property, classified under section 273.13, subdivision 24, and
19 located within the international economic development zone
20 designated under section 469.322, are exempt from ad valorem
21 taxes levied under chapter 275, if the improvements are:

22 (1) part of a regional distribution center as defined in
23 section 469.321; or

24 (2) occupied by a qualified business as defined in section
25 469.321, that uses the improvements primarily in freight
26 forwarding operations.

27 (b) The exemption applies beginning for the first
28 assessment year after designation of the international economic
29 development zone. The exemption applies to each assessment year

1 that begins during the duration of the international economic
2 development zone. To be exempt under paragraph (a), clause (2),
3 the property must be occupied by July 1 of the assessment year
4 by a qualified business that has signed the business subsidy
5 agreement by July 1 of the assessment year.

6 [EFFECTIVE DATE.] This section is effective beginning for
7 property taxes payable in 2008.

8 Sec. 2. Minnesota Statutes 2004, section 290.01,
9 subdivision 19b, is amended to read:

10 Subd. 19b. [SUBTRACTIONS FROM FEDERAL TAXABLE INCOME.] For
11 individuals, estates, and trusts, there shall be subtracted from
12 federal taxable income:

13 (1) interest income on obligations of any authority,
14 commission, or instrumentality of the United States to the
15 extent includable in taxable income for federal income tax
16 purposes but exempt from state income tax under the laws of the
17 United States;

18 (2) if included in federal taxable income, the amount of
19 any overpayment of income tax to Minnesota or to any other
20 state, for any previous taxable year, whether the amount is
21 received as a refund or as a credit to another taxable year's
22 income tax liability;

23 (3) the amount paid to others, less the amount used to
24 claim the credit allowed under section 290.0674, not to exceed
25 \$1,625 for each qualifying child in grades kindergarten to 6 and
26 \$2,500 for each qualifying child in grades 7 to 12, for tuition,
27 textbooks, and transportation of each qualifying child in
28 attending an elementary or secondary school situated in
29 Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin,
30 wherein a resident of this state may legally fulfill the state's
31 compulsory attendance laws, which is not operated for profit,
32 and which adheres to the provisions of the Civil Rights Act of
33 1964 and chapter 363A. For the purposes of this clause,
34 "tuition" includes fees or tuition as defined in section
35 290.0674, subdivision 1, clause (1). As used in this clause,
36 "textbooks" includes books and other instructional materials and

1 equipment purchased or leased for use in elementary and
2 secondary schools in teaching only those subjects legally and
3 commonly taught in public elementary and secondary schools in
4 this state. Equipment expenses qualifying for deduction
5 includes expenses as defined and limited in section 290.0674,
6 subdivision 1, clause (3). "Textbooks" does not include
7 instructional books and materials used in the teaching of
8 religious tenets, doctrines, or worship, the purpose of which is
9 to instill such tenets, doctrines, or worship, nor does it
10 include books or materials for, or transportation to,
11 extracurricular activities including sporting events, musical or
12 dramatic events, speech activities, driver's education, or
13 similar programs. For purposes of the subtraction provided by
14 this clause, "qualifying child" has the meaning given in section
15 32(c)(3) of the Internal Revenue Code;

16 (4) income as provided under section 290.0802;

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

20 (6) to the extent included in federal taxable income,
21 postservice benefits for youth community service under section
22 124D.42 for volunteer service under United States Code, title
23 42, sections 12601 to 12604;

24 (7) to the extent not deducted in determining federal
25 taxable income by an individual who does not itemize deductions
26 for federal income tax purposes for the taxable year, an amount
27 equal to 50 percent of the excess of charitable contributions
28 allowable as a deduction for the taxable year under section
29 170(a) of the Internal Revenue Code over \$500;

30 (8) for taxable years beginning before January 1, 2008, the
31 amount of the federal small ethanol producer credit allowed
32 under section 40(a)(3) of the Internal Revenue Code which is
33 included in gross income under section 87 of the Internal
34 Revenue Code;

35 (9) for individuals who are allowed a federal foreign tax
36 credit for taxes that do not qualify for a credit under section

1 290.06, subdivision 22, an amount equal to the carryover of
2 subnational foreign taxes for the taxable year, but not to
3 exceed the total subnational foreign taxes reported in claiming
4 the foreign tax credit. For purposes of this clause, "federal
5 foreign tax credit" means the credit allowed under section 27 of
6 the Internal Revenue Code, and "carryover of subnational foreign
7 taxes" equals the carryover allowed under section 904(c) of the
8 Internal Revenue Code minus national level foreign taxes to the
9 extent they exceed the federal foreign tax credit;

10 (10) in each of the five tax years immediately following
11 the tax year in which an addition is required under subdivision
12 19a, clause (7), an amount equal to one-fifth of the delayed
13 depreciation. For purposes of this clause, "delayed
14 depreciation" means the amount of the addition made by the
15 taxpayer under subdivision 19a, clause (7), minus the positive
16 value of any net operating loss under section 172 of the
17 Internal Revenue Code generated for the tax year of the
18 addition. The resulting delayed depreciation cannot be less
19 than zero; and

20 (11) job opportunity building zone income as provided under
21 section 469.316; and

22 (12) international economic development zone income as
23 provided under section 469.325.

24 [EFFECTIVE DATE.] This section is effective for tax years
25 beginning after December 31, 2006.

26 Sec. 3. Minnesota Statutes 2004, section 290.01,
27 subdivision 29, is amended to read:

28 Subd. 29. [TAXABLE INCOME.] The term "taxable income"
29 means:

30 (1) for individuals, estates, and trusts, the same as
31 taxable net income;

32 (2) for corporations, the taxable net income less

33 (i) the net operating loss deduction under section 290.095;

34 (ii) the dividends received deduction under section 290.21,
35 subdivision 4;

36 (iii) the exemption for operating in a job opportunity

1 building zone under section 469.317; and

2 (iv) the exemption for operating in a biotechnology and
3 health sciences industry zone under section 469.337; and

4 (v) the exemption for operating in an international
5 economic development zone under section 469.326.

6 [EFFECTIVE DATE.] This section is effective for tax years
7 beginning after December 31, 2006.

8 Sec. 4. Minnesota Statutes 2004, section 290.06,
9 subdivision 2c, is amended to read:

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

16 (1) On the first \$25,680, 5.35 percent;

17 (2) On all over \$25,680, but not over \$102,030, 7.05
18 percent;

19 (3) On all over \$102,030, 7.85 percent.

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

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

27 (1) On the first \$17,570, 5.35 percent;

28 (2) On all over \$17,570, but not over \$57,710, 7.05
29 percent;

30 (3) On all over \$57,710, 7.85 percent.

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

35 (1) On the first \$21,630, 5.35 percent;

36 (2) On all over \$21,630, but not over \$86,910, 7.05

1 percent;

2 (3) On all over \$86,910, 7.85 percent.

3 (d) In lieu of a tax computed according to the rates set
4 forth in this subdivision, the tax of any individual taxpayer
5 whose taxable net income for the taxable year is less than an
6 amount determined by the commissioner must be computed in
7 accordance with tables prepared and issued by the commissioner
8 of revenue based on income brackets of not more than \$100. The
9 amount of tax for each bracket shall be computed at the rates
10 set forth in this subdivision, provided that the commissioner
11 may disregard a fractional part of a dollar unless it amounts to
12 50 cents or more, in which case it may be increased to \$1.

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

18 (1) the numerator is the individual's Minnesota source
19 federal adjusted gross income as defined in section 62 of the
20 Internal Revenue Code and increased by the additions required
21 under section 290.01, subdivision 19a, clauses (1), (5), and
22 (6), and reduced by the subtraction under section 290.01,
23 subdivision 19b, ~~clause~~ clauses (11) and (12), and the Minnesota
24 assignable portion of the subtraction for United States
25 government interest under section 290.01, subdivision 19b,
26 clause (1), after applying the allocation and assignability
27 provisions of section 290.081, clause (a), or 290.17; and

28 (2) the denominator is the individual's federal adjusted
29 gross income as defined in section 62 of the Internal Revenue
30 Code of 1986, increased by the amounts specified in section
31 290.01, subdivision 19a, clauses (1), (5), and (6), and reduced
32 by the amounts specified in section 290.01, subdivision 19b,
33 clauses (1) ~~and~~, (11), and (12).

34 [EFFECTIVE DATE.] This section is effective for tax years
35 beginning after December 31, 2006.

36 Sec. 5. Minnesota Statutes 2004, section 290.06, is

1 amended by adding a subdivision to read:

2 Subd. 32. [INTERNATIONAL ECONOMIC DEVELOPMENT ZONE JOB
3 CREDIT.] A taxpayer that is a qualified business, as defined in
4 section 469.321, subdivision 6, is allowed a credit as
5 determined under section 469.327 against the tax imposed by this
6 chapter.

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

9 Sec. 6. Minnesota Statutes 2004, section 290.067,
10 subdivision 1, is amended to read:

11 Subdivision 1. [AMOUNT OF CREDIT.] (a) A taxpayer may take
12 as a credit against the tax due from the taxpayer and a spouse,
13 if any, under this chapter an amount equal to the dependent care
14 credit for which the taxpayer is eligible pursuant to the
15 provisions of section 21 of the Internal Revenue Code subject to
16 the limitations provided in subdivision 2 except that in
17 determining whether the child qualified as a dependent, income
18 received as a Minnesota family investment program grant or
19 allowance to or on behalf of the child must not be taken into
20 account in determining whether the child received more than half
21 of the child's support from the taxpayer, and the provisions of
22 section 32(b)(1)(D) of the Internal Revenue Code do not apply.

23 (b) If a child who has not attained the age of six years at
24 the close of the taxable year is cared for at a licensed family
25 day care home operated by the child's parent, the taxpayer is
26 deemed to have paid employment-related expenses. If the child
27 is 16 months old or younger at the close of the taxable year,
28 the amount of expenses deemed to have been paid equals the
29 maximum limit for one qualified individual under section 21(c)
30 and (d) of the Internal Revenue Code. If the child is older
31 than 16 months of age but has not attained the age of six years
32 at the close of the taxable year, the amount of expenses deemed
33 to have been paid equals the amount the licensee would charge
34 for the care of a child of the same age for the same number of
35 hours of care.

36 (c) If a married couple:

1 (1) has a child who has not attained the age of one year at
2 the close of the taxable year;

3 (2) files a joint tax return for the taxable year; and

4 (3) does not participate in a dependent care assistance
5 program as defined in section 129 of the Internal Revenue Code,
6 in lieu of the actual employment related expenses paid for that
7 child under paragraph (a) or the deemed amount under paragraph
8 (b), the lesser of (i) the combined earned income of the couple
9 or (ii) the amount of the maximum limit for one qualified
10 individual under section 21(c) and (d) of the Internal Revenue
11 Code will be deemed to be the employment related expense paid
12 for that child. The earned income limitation of section 21(d)
13 of the Internal Revenue Code shall not apply to this deemed
14 amount. These deemed amounts apply regardless of whether any
15 employment-related expenses have been paid.

16 (d) If the taxpayer is not required and does not file a
17 federal individual income tax return for the tax year, no credit
18 is allowed for any amount paid to any person unless:

19 (1) the name, address, and taxpayer identification number
20 of the person are included on the return claiming the credit; or

21 (2) if the person is an organization described in section
22 501(c)(3) of the Internal Revenue Code and exempt from tax under
23 section 501(a) of the Internal Revenue Code, the name and
24 address of the person are included on the return claiming the
25 credit.

26 In the case of a failure to provide the information required
27 under the preceding sentence, the preceding sentence does not
28 apply if it is shown that the taxpayer exercised due diligence
29 in attempting to provide the information required.

30 In the case of a nonresident, part-year resident, or a
31 person who has earned income not subject to tax under this
32 chapter including earned income excluded pursuant to section
33 290.01, subdivision 19b, ~~clause~~ clauses (11) and (12), the
34 credit determined under section 21 of the Internal Revenue Code
35 must be allocated based on the ratio by which the earned income
36 of the claimant and the claimant's spouse from Minnesota sources

1 bears to the total earned income of the claimant and the
2 claimant's spouse.

3 [EFFECTIVE DATE.] This section is effective for tax years
4 beginning after December 31, 2006.

5 Sec. 7. Minnesota Statutes 2004, section 290.0671,
6 subdivision 1, is amended to read:

7 Subdivision 1. [CREDIT ALLOWED.] (a) An individual is
8 allowed a credit against the tax imposed by this chapter equal
9 to a percentage of earned income. To receive a credit, a
10 taxpayer must be eligible for a credit under section 32 of the
11 Internal Revenue Code.

12 (b) For individuals with no qualifying children, the credit
13 equals 1.9125 percent of the first \$4,620 of earned income. The
14 credit is reduced by 1.9125 percent of earned income or modified
15 adjusted gross income, whichever is greater, in excess of
16 \$5,770, but in no case is the credit less than zero.

17 (c) For individuals with one qualifying child, the credit
18 equals 8.5 percent of the first \$6,920 of earned income and 8.5
19 percent of earned income over \$12,080 but less than \$13,450.
20 The credit is reduced by 5.73 percent of earned income or
21 modified adjusted gross income, whichever is greater, in excess
22 of \$15,080, but in no case is the credit less than zero.

23 (d) For individuals with two or more qualifying children,
24 the credit equals ten percent of the first \$9,720 of earned
25 income and 20 percent of earned income over \$14,860 but less
26 than \$16,800. The credit is reduced by 10.3 percent of earned
27 income or modified adjusted gross income, whichever is greater,
28 in excess of \$17,890, but in no case is the credit less than
29 zero.

30 (e) For a nonresident or part-year resident, the credit
31 must be allocated based on the percentage calculated under
32 section 290.06, subdivision 2c, paragraph (e).

33 (f) For a person who was a resident for the entire tax year
34 and has earned income not subject to tax under this chapter,
35 including income excluded under section 290.01, subdivision 19b,
36 clause (11) or (12), the credit must be allocated based on the

1 ratio of federal adjusted gross income reduced by the earned
2 income not subject to tax under this chapter over federal
3 adjusted gross income.

4 (g) For tax years beginning after December 31, 2001, and
5 before December 31, 2004, the \$5,770 in paragraph (b), the
6 \$15,080 in paragraph (c), and the \$17,890 in paragraph (d),
7 after being adjusted for inflation under subdivision 7, are each
8 increased by \$1,000 for married taxpayers filing joint returns.

9 (h) For tax years beginning after December 31, 2004, and
10 before December 31, 2007, the \$5,770 in paragraph (b), the
11 \$15,080 in paragraph (c), and the \$17,890 in paragraph (d),
12 after being adjusted for inflation under subdivision 7, are each
13 increased by \$2,000 for married taxpayers filing joint returns.

14 (i) For tax years beginning after December 31, 2007, and
15 before December 31, 2010, the \$5,770 in paragraph (b), the
16 \$15,080 in paragraph (c), and the \$17,890 in paragraph (d),
17 after being adjusted for inflation under subdivision 7, are each
18 increased by \$3,000 for married taxpayers filing joint returns.
19 For tax years beginning after December 31, 2008, the \$3,000 is
20 adjusted annually for inflation under subdivision 7.

21 (j) The commissioner shall construct tables showing the
22 amount of the credit at various income levels and make them
23 available to taxpayers. The tables shall follow the schedule
24 contained in this subdivision, except that the commissioner may
25 graduate the transition between income brackets.

26 [EFFECTIVE DATE.] This section is effective for tax years
27 beginning after December 31, 2006.

28 Sec. 8. Minnesota Statutes 2004, section 290.091,
29 subdivision 2, is amended to read:

30 Subd. 2. [DEFINITIONS.] For purposes of the tax imposed by
31 this section, the following terms have the meanings given:

32 (a) "Alternative minimum taxable income" means the sum of
33 the following for the taxable year:

34 (1) the taxpayer's federal alternative minimum taxable
35 income as defined in section 55(b)(2) of the Internal Revenue
36 Code;

1 (2) the taxpayer's itemized deductions allowed in computing
2 federal alternative minimum taxable income, but excluding:

3 (i) the charitable contribution deduction under section 170
4 of the Internal Revenue Code to the extent that the deduction
5 exceeds 1.0 percent of adjusted gross income, as defined in
6 section 62 of the Internal Revenue Code;

7 (ii) the medical expense deduction;

8 (iii) the casualty, theft, and disaster loss deduction; and

9 (iv) the impairment-related work expenses of a disabled
10 person;

11 (3) for depletion allowances computed under section 613A(c)
12 of the Internal Revenue Code, with respect to each property (as
13 defined in section 614 of the Internal Revenue Code), to the
14 extent not included in federal alternative minimum taxable
15 income, the excess of the deduction for depletion allowable
16 under section 611 of the Internal Revenue Code for the taxable
17 year over the adjusted basis of the property at the end of the
18 taxable year (determined without regard to the depletion
19 deduction for the taxable year);

20 (4) to the extent not included in federal alternative
21 minimum taxable income, the amount of the tax preference for
22 intangible drilling cost under section 57(a)(2) of the Internal
23 Revenue Code determined without regard to subparagraph (E);

24 (5) to the extent not included in federal alternative
25 minimum taxable income, the amount of interest income as
26 provided by section 290.01, subdivision 19a, clause (1); and

27 (6) the amount of addition required by section 290.01,
28 subdivision 19a, clause (7);

29 less the sum of the amounts determined under the following:

30 (1) interest income as defined in section 290.01,
31 subdivision 19b, clause (1);

32 (2) an overpayment of state income tax as provided by
33 section 290.01, subdivision 19b, clause (2), to the extent
34 included in federal alternative minimum taxable income;

35 (3) the amount of investment interest paid or accrued
36 within the taxable year on indebtedness to the extent that the

1 amount does not exceed net investment income, as defined in
 2 section 163(d)(4) of the Internal Revenue Code. Interest does
 3 not include amounts deducted in computing federal adjusted gross
 4 income; and

5 (4) amounts subtracted from federal taxable income as
 6 provided by section 290.01, subdivision 19b, clauses (10) and,
 7 (11), and (12).

8 In the case of an estate or trust, alternative minimum
 9 taxable income must be computed as provided in section 59(c) of
 10 the Internal Revenue Code.

11 (b) "Investment interest" means investment interest as
 12 defined in section 163(d)(3) of the Internal Revenue Code.

13 (c) "Tentative minimum tax" equals 6.4 percent of
 14 alternative minimum taxable income after subtracting the
 15 exemption amount determined under subdivision 3.

16 (d) "Regular tax" means the tax that would be imposed under
 17 this chapter (without regard to this section and section
 18 290.032), reduced by the sum of the nonrefundable credits
 19 allowed under this chapter.

20 (e) "Net minimum tax" means the minimum tax imposed by this
 21 section.

22 [EFFECTIVE DATE.] This section is effective for tax years
 23 beginning after December 31, 2006.

24 Sec. 9. Minnesota Statutes 2004, section 290.0921,
 25 subdivision 3, is amended to read:

26 Subd. 3. [ALTERNATIVE MINIMUM TAXABLE INCOME.]

27 "Alternative minimum taxable income" is Minnesota net income as
 28 defined in section 290.01, subdivision 19, and includes the
 29 adjustments and tax preference items in sections 56, 57, 58, and
 30 59(d), (e), (f), and (h) of the Internal Revenue Code. If a
 31 corporation files a separate company Minnesota tax return, the
 32 minimum tax must be computed on a separate company basis. If a
 33 corporation is part of a tax group filing a unitary return, the
 34 minimum tax must be computed on a unitary basis. The following
 35 adjustments must be made.

36 (1) For purposes of the depreciation adjustments under

1 section 56(a)(1) and 56(g)(4)(A) of the Internal Revenue Code,
2 the basis for depreciable property placed in service in a
3 taxable year beginning before January 1, 1990, is the adjusted
4 basis for federal income tax purposes, including any
5 modification made in a taxable year under section 290.01,
6 subdivision 19e, or Minnesota Statutes 1986, section 290.09,
7 subdivision 7, paragraph (c).

8 For taxable years beginning after December 31, 2000, the
9 amount of any remaining modification made under section 290.01,
10 subdivision 19e, or Minnesota Statutes 1986, section 290.09,
11 subdivision 7, paragraph (c), not previously deducted is a
12 depreciation allowance in the first taxable year after December
13 31, 2000.

14 (2) The portion of the depreciation deduction allowed for
15 federal income tax purposes under section 168(k) of the Internal
16 Revenue Code that is required as an addition under section
17 290.01, subdivision 19c, clause (16), is disallowed in
18 determining alternative minimum taxable income.

19 (3) The subtraction for depreciation allowed under section
20 290.01, subdivision 19d, clause (19), is allowed as a
21 depreciation deduction in determining alternative minimum
22 taxable income.

23 (4) The alternative tax net operating loss deduction under
24 sections 56(a)(4) and 56(d) of the Internal Revenue Code does
25 not apply.

26 (5) The special rule for certain dividends under section
27 56(g)(4)(C)(ii) of the Internal Revenue Code does not apply.

28 (6) The special rule for dividends from section 936
29 companies under section 56(g)(4)(C)(iii) does not apply.

30 (7) The tax preference for depletion under section 57(a)(1)
31 of the Internal Revenue Code does not apply.

32 (8) The tax preference for intangible drilling costs under
33 section 57(a)(2) of the Internal Revenue Code must be calculated
34 without regard to subparagraph (E) and the subtraction under
35 section 290.01, subdivision 19d, clause (4).

36 (9) The tax preference for tax exempt interest under

1 section 57(a)(5) of the Internal Revenue Code does not apply.

2 (10) The tax preference for charitable contributions of
3 appreciated property under section 57(a)(6) of the Internal
4 Revenue Code does not apply.

5 (11) For purposes of calculating the tax preference for
6 accelerated depreciation or amortization on certain property
7 placed in service before January 1, 1987, under section 57(a)(7)
8 of the Internal Revenue Code, the deduction allowable for the
9 taxable year is the deduction allowed under section 290.01,
10 subdivision 19e.

11 For taxable years beginning after December 31, 2000, the
12 amount of any remaining modification made under section 290.01,
13 subdivision 19e, not previously deducted is a depreciation or
14 amortization allowance in the first taxable year after December
15 31, 2004.

16 (12) For purposes of calculating the adjustment for
17 adjusted current earnings in section 56(g) of the Internal
18 Revenue Code, the term "alternative minimum taxable income" as
19 it is used in section 56(g) of the Internal Revenue Code, means
20 alternative minimum taxable income as defined in this
21 subdivision, determined without regard to the adjustment for
22 adjusted current earnings in section 56(g) of the Internal
23 Revenue Code.

24 (13) For purposes of determining the amount of adjusted
25 current earnings under section 56(g)(3) of the Internal Revenue
26 Code, no adjustment shall be made under section 56(g)(4) of the
27 Internal Revenue Code with respect to (i) the amount of foreign
28 dividend gross-up subtracted as provided in section 290.01,
29 subdivision 19d, clause (1), (ii) the amount of refunds of
30 income, excise, or franchise taxes subtracted as provided in
31 section 290.01, subdivision 19d, clause (10), or (iii) the
32 amount of royalties, fees or other like income subtracted as
33 provided in section 290.01, subdivision 19d, clause (11).

34 (14) Alternative minimum taxable income excludes the income
35 from operating in a job opportunity building zone as provided
36 under section 469.317.

1 (15) Alternative minimum taxable income excludes the income
2 from operating in a biotechnology and health sciences industry
3 zone as provided under section 469.337.

4 (16) Alternative minimum taxable income excludes the income
5 from operating in an international economic development zone as
6 provided under section 469.326.

7 Items of tax preference must not be reduced below zero as a
8 result of the modifications in this subdivision.

9 [EFFECTIVE DATE.] This section is effective for tax years
10 beginning after December 31, 2006.

11 Sec. 10. Minnesota Statutes 2004, section 290.0922,
12 subdivision 2, is amended to read:

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

15 (1) corporations exempt from tax under section 290.05;

16 (2) real estate investment trusts;

17 (3) regulated investment companies or a fund thereof; and

18 (4) entities having a valid election in effect under

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

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

21 (6) cooperatives organized under chapter 308A that provide

22 housing exclusively to persons age 55 and over and are

23 classified as homesteads under section 273.124, subdivision 3;

24 and

25 (7) an entity, if for the taxable year all of its property

26 is located in a job opportunity building zone designated under

27 section 469.314 and all of its payroll is a job opportunity

28 building zone payroll under section 469.310; and

29 (8) an entity, if for the taxable year all of its property

30 is located in an international economic development zone

31 designated under section 469.322, and all of its payroll is

32 international economic development zone payroll under section

33 469.321.

34 Entities not specifically exempted by this subdivision are

35 subject to tax under this section, notwithstanding section

36 290.05.

1 [EFFECTIVE DATE.] This section is effective for tax years
2 beginning after December 31, 2006.

3 Sec. 11. Minnesota Statutes 2004, section 290.0922,
4 subdivision 3, is amended to read:

5 Subd. 3. [DEFINITIONS.] (a) "Minnesota sales or receipts"
6 means the total sales apportioned to Minnesota pursuant to
7 section 290.191, subdivision 5, the total receipts attributed to
8 Minnesota pursuant to section 290.191, subdivisions 6 to 8,
9 and/or the total sales or receipts apportioned or attributed to
10 Minnesota pursuant to any other apportionment formula applicable
11 to the taxpayer.

12 (b) "Minnesota property" means total Minnesota tangible
13 property as provided in section 290.191, subdivisions 9 to 11,
14 any other tangible property located in Minnesota, but does not
15 include property located in a job opportunity building zone
16 designated under section 469.314, or property of a qualified
17 business located in a biotechnology and health sciences industry
18 zone designated under section 469.334, or property of a
19 qualified business located in the international economic
20 development zone designated under section 469.322. Intangible
21 property shall not be included in Minnesota property for
22 purposes of this section. Taxpayers who do not utilize tangible
23 property to apportion income shall nevertheless include
24 Minnesota property for purposes of this section. On a return
25 for a short taxable year, the amount of Minnesota property
26 owned, as determined under section 290.191, shall be included in
27 Minnesota property based on a fraction in which the numerator is
28 the number of days in the short taxable year and the denominator
29 is 365.

30 (c) "Minnesota payrolls" means total Minnesota payrolls as
31 provided in section 290.191, subdivision 12, but does not
32 include job opportunity building zone payrolls under section
33 469.310, subdivision 8, or biotechnology and health sciences
34 industry zone ~~payroll~~ payrolls under section 469.330,
35 subdivision 8, or international economic development zone
36 payrolls under section 469.321, subdivision 9. Taxpayers who do

1 not utilize payrolls to apportion income shall nevertheless
2 include Minnesota payrolls for purposes of this section.

3 [EFFECTIVE DATE.] This section is effective for tax years
4 beginning after December 31, 2006.

5 Sec. 12. Minnesota Statutes 2004, section 297A.68, is
6 amended by adding a subdivision to read:

7 Subd. 40. [INTERNATIONAL ECONOMIC DEVELOPMENT ZONES.] (a)
8 Purchases of tangible personal property or taxable services by a
9 qualified business, as defined in section 469.321, are exempt if
10 the property or services are primarily used or consumed in the
11 international economic development zone designated under section
12 469.322.

13 (b) Purchase and use of construction materials, supplies,
14 and equipment incorporated into the construction of improvements
15 to real property in the international economic development zone
16 are exempt if the improvements after completion of construction
17 are to be used as a regional distribution center as defined in
18 section 469.321 or otherwise used in the conduct of freight
19 forwarding activities of a qualified business as defined in
20 section 469.321. This exemption applies regardless of whether
21 the purchases are made by the business or a contractor.

22 (c) The exemptions under this subdivision apply to a local
23 sales and use tax, regardless of whether the local tax is
24 imposed on sales taxable under this chapter or in another law,
25 ordinance, or charter provision.

26 (d) The exemption in paragraph (a) applies to sales during
27 the duration of the zone, if the purchase was made and delivery
28 received after the business signs the business subsidy agreement
29 required under chapter 469. The exemption in paragraph (b)
30 applies to sales made before the end of the duration of the
31 zone, if the purchase and delivery were made after June 30, 2006.

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

34 Sec. 13. [469.321] [DEFINITIONS.]

35 Subdivision 1. [SCOPE.] For purposes of sections 469.321
36 to 469.328, the following terms have the meanings given.

1 Subd. 2. [FOREIGN TRADE ZONE.] "Foreign trade zone" means
2 a foreign trade zone designated pursuant to United States Code,
3 title 19, section 81a, for the right to use the powers provided
4 in United States Code, title 19, sections 81a to 81u, or a
5 subzone authorized by the foreign trade zone.

6 Subd. 3. [FOREIGN TRADE ZONE AUTHORITY.] "Foreign trade
7 zone authority" means the Greater Metropolitan Foreign Trade
8 Zone Commission number 119, a joint powers authority created by
9 the county of Hennepin, the cities of Minneapolis and
10 Bloomington, and the Metropolitan Airports Commission, under the
11 authority of section 469.059, 469.101, or 471.59, which includes
12 any other political subdivisions that enter into the authority
13 after its creation.

14 Subd. 4. [INTERNATIONAL ECONOMIC DEVELOPMENT ZONE OR
15 ZONE.] An "international economic development zone" or "zone" is
16 a zone so designated under section 469.322.

17 Subd. 5. [PERSON.] "Person" includes an individual,
18 corporation, partnership, limited liability company,
19 association, or any other entity.

20 Subd. 6. [QUALIFIED BUSINESS.] (a) "Qualified business"
21 means a person who has signed a business subsidy agreement as
22 required under sections 116J.993 to 116J.995 and 469.323,
23 subdivision 4, carrying on a trade or business at a place of
24 business located within the international economic development
25 zone that is:

26 (1)(i) engaged in the furtherance of international export
27 or import of goods as a freight forwarder; and (ii) certified by
28 the foreign trade zone authority as a trade or business that
29 furtheres the purpose of developing international distribution
30 capacity and capability; or

31 (2) the owner or operator of a regional distribution center.

32 (b) A qualified business must pay each employee total
33 compensation, including benefits not mandated by law, that on an
34 annualized basis is equal to at least 110 percent of the federal
35 poverty guidelines for a family of four.

36 Subd. 7. [REGIONAL DISTRIBUTION CENTER.] A "regional

1 distribution center" is a distribution center developed within a
2 foreign trade zone. The regional distribution center must have
3 as its primary purpose, the facilitation of the gathering of
4 freight for the purpose of centralizing the functions necessary
5 for the shipment of freight in international commerce,
6 including, but not limited to, security and customs functions.

7 Subd. 8. [INTERNATIONAL ECONOMIC DEVELOPMENT ZONE
8 PERCENTAGE OR ZONE PERCENTAGE.] "International economic
9 development zone percentage" or "zone percentage" means the
10 following fraction reduced to a percentage:

11 (1) the numerator of the fraction is:

12 (i) the ratio of the taxpayer's property factor under
13 section 290.191 located in the zone for the taxable year which
14 is land, buildings, machinery and equipment, inventories, and
15 other tangible personal property that is a regional distribution
16 center or is used in the furtherance of the taxpayer's freight
17 forwarding operations over the property factor numerator
18 determined under section 290.191, plus

19 (ii) the ratio of the taxpayer's international economic
20 development zone payroll factor under subdivision 9 over the
21 payroll factor numerator determined under section 290.191; and

22 (2) the denominator of the fraction is two.

23 When calculating the zone percentage for a business that is
24 part of a unitary business as defined under section 290.17,
25 subdivision 4, the denominator of the payroll and property
26 factors is the Minnesota payroll and property of the unitary
27 business as reported on the combined report under section
28 290.17, subdivision 4, paragraph (j).

29 Subd. 9. [INTERNATIONAL ECONOMIC DEVELOPMENT ZONE PAYROLL
30 FACTOR OR INTERNATIONAL ECONOMIC DEVELOPMENT ZONE PAYROLL.]
31 "International economic development zone payroll factor" or
32 "international economic development zone payroll" is that
33 portion of the payroll factor under section 290.191 used to
34 operate a regional distribution center, or used in the
35 furtherance of the taxpayer's freight forwarding operations that
36 represents:

1 (1) wages or salaries paid to an individual for services
2 performed in the international economic development zone; or

3 (2) wages or salaries paid to individuals working from
4 offices within the international economic development zone, if
5 their employment requires them to work outside the zone and the
6 work is incidental to the work performed by the individual
7 within the zone. However, in no case does zone payroll include
8 wages paid for work performed outside the zone of an employee
9 who performs more than ten percent of total services for the
10 employer outside the zone.

11 Subd. 10. [FREIGHT FORWARDER.] "Freight forwarder" is a
12 business that, for compensation, ensures that goods produced or
13 sold by another business move from point of origin to point of
14 destination.

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

17 Sec. 14. [469.3215] [APPLICATION FOR DESIGNATION.]

18 Subdivision 1. [WHO MAY APPLY.] One or more local
19 government units, or a joint powers board under section 471.59,
20 acting on behalf of two or more units, may apply for designation
21 of an area as an international economic development zone. All
22 or part of the area proposed for designation as a zone must be
23 located within the boundaries of each of the governmental
24 units. A local government unit may not submit or have submitted
25 on its behalf more than one application for designation of an
26 international economic development zone.

27 Subd. 2. [APPLICATION CONTENT.] (a) The application must
28 include:

29 (1) a resolution or ordinance adopted by each of the cities
30 or towns and the counties in which the zone is located, agreeing
31 to provide all of the local tax exemptions provided under
32 section 469.315;

33 (2) an agreement by the applicant to treat incentives
34 provided under the zone designation as business subsidies under
35 sections 116J.993 to 116J.995 and to comply with the
36 requirements of that law; and

1 (3) supporting evidence to allow the authority to evaluate
2 the application.

3 (b) Applications must be submitted to the authority no
4 later than December 31, 2005.

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

7 Sec. 15. [469.322] [DESIGNATION OF INTERNATIONAL ECONOMIC
8 DEVELOPMENT ZONE.]

9 (a) An area designated as a foreign trade zone may be
10 designated by the foreign trade zone authority as an
11 international economic development zone if within the zone a
12 regional distribution center is being developed pursuant to
13 section 469.323. The zone must consist of contiguous area of
14 not less than 500 acres and not more than 1,000 acres. The
15 designation authority under this section is limited to one zone.

16 (b) In making the designation, the foreign trade zone
17 authority, in consultation with the Minnesota Department of
18 Transportation, the Minnesota Department of Employment and
19 Economic Development, the Minnesota Department of Revenue, and
20 the Metropolitan Council, shall consider access to major
21 transportation routes, consistency with current state
22 transportation and air cargo planning, adequacy of the size of
23 the site, access to airport facilities, present and future
24 capacity at the designated airport, the capability to meet
25 integrated present and future air cargo, security, and
26 inspection services, and access to other infrastructure and
27 financial incentives to maximize the security, efficiency, and
28 volume of Minnesota's export shipments. The border of the
29 international economic development zone must be no more than 60
30 miles distant or 90 minutes drive time from the border of the
31 Minneapolis-St. Paul International Airport.

32 (c) Prior to a final site designation, the foreign trade
33 zone authority, in consultation with the applicant, must conduct
34 a transportation impact study based on the regional model and
35 utilizing traffic forecasting and assignments. The results must
36 be used to evaluate the effects of the proposed use on the

1 transportation system and identify any needed improvements. If
2 the site is in the metropolitan area the study must also
3 evaluate the effect of the transportation impacts on the
4 Metropolitan Transportation System plan as well as the
5 comprehensive plans of the municipalities that would be
6 affected. The cost of the study must be paid by the applicant.

7 (d) Final zone designation must be made by June 30, 2006.

8 (e) Duration of the zone is a 12-year period beginning on
9 January 1, 2007.

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

12 Sec. 16. [469.323] [FOREIGN TRADE ZONE AUTHORITY POWERS.]

13 Subdivision 1. [DEVELOPMENT OF REGIONAL DISTRIBUTION
14 CENTER.] The foreign trade zone authority shall be responsible
15 for creating a development plan for the regional distribution
16 center. The regional distribution center must be developed with
17 the purpose of expanding, on a regional basis, international
18 distribution capacity and capability. The foreign trade zone
19 authority shall consult only with municipalities that have
20 indicated to the authority an interest in locating the
21 international economic development zone within their boundaries,
22 as well as interested businesses, potential financiers, and
23 appropriate state and federal agencies.

24 Subd. 2. [BUSINESS PLAN.] Before designation of an
25 international economic development zone under section 469.322,
26 the governing body of the foreign trade zone authority shall
27 prepare a business plan. The plan must establish performance
28 goals for the zone. These goals must set out, at a minimum, the
29 amount of investment, the number of jobs, and the amount of
30 freight handled expected to be attained at the end of three-,
31 five-, and ten-year periods by the zone. The plan also must
32 include an analysis of the economic feasibility of the regional
33 distribution center once it becomes operational and of the
34 operations of freight forwarders and other businesses that
35 choose to locate within the boundaries of the zone. The
36 analysis must provide profitability models that:

- 1 (1) include the benefits of the incentives;
2 (2) estimate the amount of time needed to achieve
3 profitability; and
4 (3) analyze the length of time incentives will be necessary
5 to the economic viability of the regional distribution center.

6 If the governing body of the foreign trade authority
7 determines that the models do not establish the economic
8 feasibility of the project, the regional distribution center
9 does not meet the development requirements of this section and
10 section 469.322.

11 Subd. 3. [PORT AUTHORITY POWERS.] The governing body of
12 the foreign trade zone authority may establish a port authority
13 that has the same powers as a port authority established under
14 section 469.049. If the foreign trade zone authority
15 establishes a port authority, the governing body of the foreign
16 trade zone authority shall exercise all powers granted to a city
17 by sections 469.048 to 469.068 or other law.

18 Subd. 4. [BUSINESS SUBSIDY LAW.] Tax exemptions and job
19 credits provided under this section are business subsidies paid
20 by the affected local government for the purpose of sections
21 116J.871 and 116J.993 to 116J.995.

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

24 Sec. 17. [469.324] [TAX INCENTIVES IN INTERNATIONAL
25 ECONOMIC DEVELOPMENT ZONE.]

26 Subdivision 1. [AVAILABILITY.] Qualified businesses that
27 operate in an international economic development zone,
28 individuals who invest in a regional distribution center or
29 qualified businesses that operate in an international economic
30 development zone, and property located in an international
31 economic development zone qualify for:

- 32 (1) exemption from individual income taxes as provided
33 under section 469.325;
34 (2) exemption from corporate franchise taxes as provided
35 under section 469.326;
36 (3) exemption from the state sales and use tax and any

1 local sales and use taxes on qualifying purchases as provided in
2 section 297A.68, subdivision 40;

3 (4) exemption from the property tax as provided in section
4 272.02, subdivision 68; and

5 (5) the jobs credit allowed under section 469.327.

6 Sec. 18. [469.325] [INDIVIDUAL INCOME TAX EXEMPTION.]

7 Subdivision 1. [APPLICATION.] An individual, estate, or
8 trust operating a trade or business in the international
9 economic development zone, and an individual making a qualifying
10 investment in a qualified business operating in the
11 international economic development zone, qualifies for the
12 exemptions from taxes imposed under chapter 290, as provided in
13 this section. The exemptions provided under this section apply
14 only to the extent that the income otherwise would be taxable
15 under chapter 290. Subtractions under this section from federal
16 taxable income, alternative minimum taxable income, or any other
17 base subject to tax are limited to the amount that otherwise
18 would be included in the tax base absent the exemption under
19 this section. This section applies only to tax years beginning
20 during the duration of the zone.

21 Subd. 2. [RENTS.] An individual, estate, or trust is
22 exempt from the taxes imposed under chapter 290 on net rents
23 derived from real or tangible personal property used by a
24 qualified business and located in the zone for the taxable year
25 in which the zone was designated an international economic
26 development zone. If tangible personal property was used both
27 within and outside of the zone by the qualified business, the
28 exemption amount for the net rental income must be multiplied by
29 a fraction, the numerator of which is the number of days the
30 property was used in the zone and the denominator of which is
31 the total days the property is rented by a qualified business.

32 Subd. 3. [BUSINESS INCOME.] An individual, estate, or
33 trust is exempt from the taxes imposed under chapter 290 on net
34 income from the operation of a qualified business in the
35 international economic development zone. If the trade or
36 business is carried on within and outside of the zone and the

1 individual is not a resident of Minnesota, the exemption must be
2 apportioned based on the zone percentage for the taxable year.
3 If the trade or business is carried on within or outside of the
4 zone and the individual is a resident of Minnesota, the
5 exemption must be apportioned based on the zone percentage for
6 the taxable year, except the ratios under section 469.321,
7 subdivision 8, clause (1), items (i) and (ii), must use the
8 denominators of the property and payroll factors determined
9 under section 290.191. No subtraction is allowed under this
10 section in excess of 20 percent of the sum of the international
11 economic development zone payroll and the adjusted basis of the
12 property at the time that the property is first used in the
13 international economic development zone by the business.

14 Subd. 4. [CAPITAL GAINS.] (a) An individual, estate, or
15 trust is exempt from the taxes imposed under chapter 290 on:

16 (1) net gain derived on a sale or exchange of real property
17 located in the international economic development zone and used
18 by a qualified business. If the property was held by the
19 individual, estate, or trust during a period when the zone was
20 not designated, the gain must be prorated based on the
21 percentage of time, measured in calendar days, that the real
22 property was held by the individual during the period the zone
23 designation was in effect to the total period of time the real
24 property was held by the individual;

25 (2) net gain derived on a sale or exchange of tangible
26 personal property used by a qualified business in the
27 international economic development zone. If the property was
28 held by the individual, estate, or trust during a period when
29 the zone was not designated, the gain must be prorated based on
30 the percentage of time, measured in calendar days, that the
31 property was held by the individual during the period the zone
32 designation was in effect to the total period of time the
33 property was held by the individual, estate, or trust. If the
34 tangible personal property was used outside of the zone during
35 the period of the zone's designation, the exemption must be
36 multiplied by a fraction, the numerator of which is the number

1 of days the property was used in the zone during the time of the
2 designation and the denominator of which is the total days the
3 property was held during the time of the designation; and

4 (3) net gain derived on a sale of an ownership interest in
5 a qualified business operating in the international economic
6 development zone, meeting the requirements of paragraph (b).
7 The exemption on the gain must be multiplied by the zone
8 percentage of the business for the taxable year prior to the
9 sale.

10 (b) A qualified business meets the requirements of
11 paragraph (a), clause (3), if it is a corporation, an S
12 corporation, or a partnership, and for the taxable year its
13 international economic development zone percentage exceeds 25
14 percent. For purposes of paragraph (a), clause (3), the zone
15 percentage must be calculated by modifying the ratios under
16 section 469.321, subdivision 8, clause (1), items (i) and (ii),
17 to use the denominators of the property and payroll factors
18 determined under section 290.191. Upon the request of an
19 individual, estate, or trust holding an ownership interest in
20 the entity, the entity must certify to the owner, in writing,
21 the international economic development zone percentage needed to
22 determine the exemption.

23 [EFFECTIVE DATE.] This section is effective for tax years
24 beginning after December 31, 2006.

25 Sec. 19. [469.326] [CORPORATE FRANCHISE TAX EXEMPTION.]

26 (a) A qualified business is exempt from taxation under
27 section 290.02, the alternative minimum tax under section
28 290.0921, and the minimum fee under section 290.0922, on the
29 portion of its income attributable to operations within the
30 international economic development zone. This exemption is
31 determined as follows:

32 (1) for purposes of the tax imposed under section 290.02,
33 by multiplying its taxable net income by its zone percentage and
34 subtracting the result in determining taxable income;

35 (2) for purposes of the alternative minimum tax under
36 section 290.0921, by multiplying its alternative minimum taxable

1 income by its zone percentage and reducing alternative minimum
2 taxable income by this amount; and

3 (3) for purposes of the minimum fee under section 290.0922,
4 by excluding property and payroll in the zone from the
5 computations of the fee or by exempting the entity under section
6 290.0922, subdivision 2, clause (8).

7 (b) No subtraction is allowed under this section in excess
8 of 20 percent of the sum of the corporation's international
9 economic development zone payroll and the adjusted basis of the
10 zone property at the time that the property is first used in the
11 international economic development zone by the corporation.

12 (c) This section applies only to tax years beginning during
13 the duration of the international economic development zone.

14 [EFFECTIVE DATE.] This section is effective for tax years
15 beginning after December 31, 2006.

16 Sec. 20. [469.327] [JOBS CREDIT.]

17 Subdivision 1. [CREDIT ALLOWED.] A qualified business is
18 allowed a credit against the taxes imposed under chapter 290.
19 The credit equals seven percent of the:

20 (1) lesser of:

21 (i) zone payroll for the taxable year, less the zone
22 payroll for the base year; or

23 (ii) total Minnesota payroll for the taxable year, less
24 total Minnesota payroll for the base year; minus

25 (2) \$30,000 multiplied by the number of full-time
26 equivalent employees that the qualified business employs in the
27 international economic development zone for the taxable year,
28 minus the number of full-time equivalent employees the business
29 employed in the zone in the base year, but not less than zero.

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

32 (b) "Base year" means the taxable year beginning during the
33 calendar year in which the zone designation was made under
34 section 469.322, paragraph (d).

35 (c) "Full-time equivalent employees" means the equivalent
36 of annualized expected hours of work equal to 2,080 hours.

1 (d) "Minnesota payroll" means the wages or salaries
2 attributed to Minnesota under section 290.191, subdivision 12,
3 for the qualified business or the unitary business of which the
4 qualified business is a part, whichever is greater.

5 (e) "Zone payroll" means wages or salaries used to
6 determine the zone payroll factor for the qualified business,
7 less the amount of compensation attributable to any employee
8 that exceeds \$100,000.

9 Subd. 3. [INFLATION ADJUSTMENT.] For taxable years
10 beginning after December 31, 2004, the dollar amounts in
11 subdivisions 1, clause (2); and 2, paragraph (e), are annually
12 adjusted for inflation. The commissioner of revenue shall
13 adjust the amounts by the percentage determined under section
14 290.06, subdivision 2d, for the taxable year.

15 Subd. 4. [REFUNDABLE.] If the amount of the credit exceeds
16 the liability for tax under chapter 290, the commissioner of
17 revenue shall refund the excess to the qualified business.

18 Subd. 5. [APPROPRIATION.] An amount sufficient to pay the
19 refunds authorized by this section is appropriated to the
20 commissioner of revenue from the general fund.

21 [EFFECTIVE DATE.] This section is effective for tax years
22 beginning after December 31, 2006.

23 Sec. 21. [469.328] [REPAYMENT OF TAX BENEFITS.]

24 Subdivision 1. [REPAYMENT OBLIGATION.] A person must repay
25 the amount of the tax reduction received under section 469.324,
26 subdivision 1, clauses (1) to (5), or credit received under
27 section 469.327, during the two years immediately before it
28 ceased to operate in the zone as a qualified business, if the
29 person ceased to operate its facility located within the zone,
30 ceased to be in compliance with the terms of the business
31 subsidy agreement, or otherwise ceases to be or is not a
32 qualified business.

33 Subd. 2. [DISPOSITION OF REPAYMENT.] The repayment must be
34 paid to the state to the extent it represents a state tax
35 reduction and to the county to the extent it represents a
36 property tax reduction. Any amount repaid to the state must be

1 deposited in the general fund. Any amount repaid to the county
2 for the property tax exemption must be distributed to the local
3 governments with authority to levy taxes in the zone in the same
4 manner provided for distribution of payment of delinquent
5 property taxes. Any repayment of local sales or use taxes must
6 be repaid to the jurisdiction imposing the local sales or use
7 tax.

8 Subd. 3. [REPAYMENT PROCEDURES.] (a) For the repayment of
9 taxes imposed under chapter 290 or 297A or local taxes collected
10 pursuant to section 297A.99, a person must file an amended
11 return with the commissioner of revenue and pay any taxes
12 required to be repaid within 30 days after ceasing to be a
13 qualified business. The amount required to be repaid is
14 determined by calculating the tax for the period for which
15 repayment is required without regard to the tax reductions and
16 credits allowed under section 469.324.

17 (b) For the repayment of property taxes, the county auditor
18 shall prepare a tax statement for the person, applying the
19 applicable tax extension rates for each payable year and provide
20 a copy to the business. The person must pay the taxes to the
21 county treasurer within 30 days after receipt of the tax
22 statement. The taxpayer may appeal the valuation and
23 determination of the property tax to the tax court within 30
24 days after receipt of the tax statement.

25 (c) The provisions of chapters 270 and 289A relating to the
26 commissioner of revenue's authority to audit, assess, and
27 collect the tax and to hear appeals are applicable to the
28 repayment required under paragraphs (a) and (b). The
29 commissioner may impose civil penalties as provided in chapter
30 289A, and the additional tax and penalties are subject to
31 interest at the rate provided in section 270.75, from 30 days
32 after ceasing to do business in the zone until the date the tax
33 is paid.

34 (d) If a property tax is not repaid under paragraph (c),
35 the county treasurer shall add the amount required to be repaid
36 to the property taxes assessed against the property for payment

1 in the year following the year in which the treasurer discovers
2 that the person ceased to operate in the international economic
3 development zone.

4 (e) For determining the tax required to be repaid, a tax
5 reduction is deemed to have been received on the date that the
6 tax would have been due if the person had not been entitled to
7 the tax reduction.

8 (f) The commissioner of revenue may assess the repayment of
9 taxes under paragraph (d) at any time within two years after the
10 person ceases to be a qualified business, or within any period
11 of limitations for the assessment of tax under section 289A.38,
12 whichever is later.

13 Subd. 4. [WAIVER AUTHORITY.] The commissioner of revenue
14 may waive all or part of a repayment, if, in consultation with
15 the foreign trade zone authority and appropriate officials from
16 the state and local government units, including the commissioner
17 of employment and economic development, determines that
18 requiring repayment of the tax is not in the best interest of
19 the state or local government and the business ceased operating
20 as a result of circumstances beyond its control, including, but
21 not limited to:

- 22 (1) a natural disaster;
23 (2) unforeseen industry trends; or
24 (3) loss of a major supplier or customer.

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

27 Sec. 22. [469.329] [REPORTING REQUIREMENTS.]

28 An applicant receiving designation of an international
29 economic development zone under section 469.322 must annually
30 report to the commissioner of employment and economic
31 development on its progress in meeting the zone performance
32 goals under the business plan for the zone and the applicant's
33 compliance with the business subsidy law under sections 116J.993
34 to 116J.995.

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

1 Senator Anderson from the Committee on Jobs, Energy and
2 Community Development, to which was referred

3 S.F. No. 895: A bill for an act relating to economic
4 development; providing for an international economic development
5 zone; providing tax incentives; requiring a report;
6 appropriating money; amending Minnesota Statutes 2004, sections
7 272.02, by adding a subdivision; 290.01, subdivisions 19b, 29;
8 290.06, subdivision 2c, by adding a subdivision; 290.067,
9 subdivision 1; 290.0671, subdivision 1; 290.091, subdivision 2;
10 290.0921, subdivision 3; 290.0922, subdivisions 2, 3; 297A.68,
11 by adding a subdivision; proposing coding for new law in
12 Minnesota Statutes, chapter 469.

13 Reports the same back with the recommendation that the bill
14 be amended as follows:

15 Delete everything after the enacting clause and insert:

16 "Section 1. Minnesota Statutes 2004, section 272.02, is
17 amended by adding a subdivision to read:

18 Subd. 68. [INTERNATIONAL ECONOMIC DEVELOPMENT ZONE
19 PROPERTY.] (a) Improvements to real property, and personal
20 property, classified under section 273.13, subdivision 24, and
21 located within an international economic development zone
22 designated under section 469.322, are exempt from ad valorem
23 taxes levied under chapter 275, if the occupant of the property
24 is a qualified business, as defined in section 469.321.

25 (b) The exemption applies beginning for the first
26 assessment year after designation of the international economic
27 development zone. The exemption applies to each assessment year
28 that begins during the duration of the international economic
29 development zone and to property occupied by July 1 of the
30 assessment year by a qualified business. This exemption does
31 not apply to:

32 (1) the levy under section 475.61 or similar levy
33 provisions under any other law to pay general obligation bonds;
34 or

35 (2) a levy under section 126C.17, if the levy was approved
36 by the voters before the designation of the zone.

37 [EFFECTIVE DATE.] This section is effective beginning for
38 property taxes assessed in 2006, payable in 2007.

39 Sec. 2. Minnesota Statutes 2004, section 290.01,
40 subdivision 19b, is amended to read:

41 Subd. 19b. [SUBTRACTIONS FROM FEDERAL TAXABLE INCOME.] For

1 individuals, estates, and trusts, there shall be subtracted from
2 federal taxable income:

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

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

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

1 extracurricular activities including sporting events, musical or
2 dramatic events, speech activities, driver's education, or
3 similar programs. For purposes of the subtraction provided by
4 this clause, "qualifying child" has the meaning given in section
5 32(c)(3) of the Internal Revenue Code;

6 (4) income as provided under section 290.0802;

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

10 (6) to the extent included in federal taxable income,
11 postservice benefits for youth community service under section
12 124D.42 for volunteer service under United States Code, title
13 42, sections 12601 to 12604;

14 (7) to the extent not deducted in determining federal
15 taxable income by an individual who does not itemize deductions
16 for federal income tax purposes for the taxable year, an amount
17 equal to 50 percent of the excess of charitable contributions
18 allowable as a deduction for the taxable year under section
19 170(a) of the Internal Revenue Code over \$500;

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

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

36 (10) in each of the five tax years immediately following

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

10 (11) job opportunity building zone income as provided under
11 section 469.316; and

12 (12) international economic development zone income as
13 provided under section 469.325.

14 [EFFECTIVE DATE.] This section is effective for taxable
15 years beginning after December 31, 2005.

16 Sec. 3. Minnesota Statutes 2004, section 290.01,
17 subdivision 29, is amended to read:

18 Subd. 29. [TAXABLE INCOME.] The term "taxable income"
19 means:

20 (1) for individuals, estates, and trusts, the same as
21 taxable net income;

22 (2) for corporations, the taxable net income less
23 (i) the net operating loss deduction under section 290.095;
24 (ii) the dividends received deduction under section 290.21,
25 subdivision 4;

26 (iii) the exemption for operating in a job opportunity
27 building zone under section 469.317; and

28 (iv) the exemption for operating in a biotechnology and
29 health sciences industry zone under section 469.337; and

30 (v) the exemption for operating in an international
31 economic development zone under section 469.326.

32 [EFFECTIVE DATE.] This section is effective for taxable
33 years beginning after December 31, 2005.

34 Sec. 4. Minnesota Statutes 2004, section 290.06,
35 subdivision 2c, is amended to read:

36 Subd. 2c. [SCHEDULES OF RATES FOR INDIVIDUALS, ESTATES,

1 AND TRUSTS.] (a) The income taxes imposed by this chapter upon
2 married individuals filing joint returns and surviving spouses
3 as defined in section 2(a) of the Internal Revenue Code must be
4 computed by applying to their taxable net income the following
5 schedule of rates:

6 (1) On the first \$25,680, 5.35 percent;

7 (2) On all over \$25,680, but not over \$102,030, 7.05
8 percent;

9 (3) On all over \$102,030, 7.85 percent.

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

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

17 (1) On the first \$17,570, 5.35 percent;

18 (2) On all over \$17,570, but not over \$57,710, 7.05
19 percent;

20 (3) On all over \$57,710, 7.85 percent.

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

25 (1) On the first \$21,630, 5.35 percent;

26 (2) On all over \$21,630, but not over \$86,910, 7.05
27 percent;

28 (3) On all over \$86,910, 7.85 percent.

29 (d) In lieu of a tax computed according to the rates set
30 forth in this subdivision, the tax of any individual taxpayer
31 whose taxable net income for the taxable year is less than an
32 amount determined by the commissioner must be computed in
33 accordance with tables prepared and issued by the commissioner
34 of revenue based on income brackets of not more than \$100. The
35 amount of tax for each bracket shall be computed at the rates
36 set forth in this subdivision, provided that the commissioner

1 may disregard a fractional part of a dollar unless it amounts to
2 50 cents or more, in which case it may be increased to \$1.

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

8 (1) the numerator is the individual's Minnesota source
9 federal adjusted gross income as defined in section 62 of the
10 Internal Revenue Code and increased by the additions required
11 under section 290.01, subdivision 19a, clauses (1), (5), and
12 (6), and reduced by the subtraction under section 290.01,
13 subdivision 19b, ~~clause~~ clauses (11) and (12), and the Minnesota
14 assignable portion of the subtraction for United States
15 government interest under section 290.01, subdivision 19b,
16 clause (1), after applying the allocation and assignability
17 provisions of section 290.081, clause (a), or 290.17; and

18 (2) the denominator is the individual's federal adjusted
19 gross income as defined in section 62 of the Internal Revenue
20 Code of 1986, increased by the amounts specified in section
21 290.01, subdivision 19a, clauses (1), (5), and (6), and reduced
22 by the amounts specified in section 290.01, subdivision 19b,
23 clauses (1) ~~and~~, (11), and (12).

24 [EFFECTIVE DATE.] This section is effective for taxable
25 years beginning after December 31, 2005.

26 Sec. 5. Minnesota Statutes 2004, section 290.06, is
27 amended by adding a subdivision to read:

28 Subd. 32. [INTERNATIONAL ECONOMIC DEVELOPMENT ZONE JOB
29 CREDIT.] A taxpayer that is a qualified business, as defined in
30 section 469.321, subdivision 6, is allowed a credit as
31 determined under section 469.327 against the tax imposed by this
32 chapter.

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

35 Sec. 6. Minnesota Statutes 2004, section 290.067,
36 subdivision 1, is amended to read:

1 Subdivision 1. [AMOUNT OF CREDIT.] (a) A taxpayer may take
2 as a credit against the tax due from the taxpayer and a spouse,
3 if any, under this chapter an amount equal to the dependent care
4 credit for which the taxpayer is eligible pursuant to the
5 provisions of section 21 of the Internal Revenue Code subject to
6 the limitations provided in subdivision 2 except that in
7 determining whether the child qualified as a dependent, income
8 received as a Minnesota family investment program grant or
9 allowance to or on behalf of the child must not be taken into
10 account in determining whether the child received more than half
11 of the child's support from the taxpayer, and the provisions of
12 section 32(b)(1)(D) of the Internal Revenue Code do not apply.

13 (b) If a child who has not attained the age of six years at
14 the close of the taxable year is cared for at a licensed family
15 day care home operated by the child's parent, the taxpayer is
16 deemed to have paid employment-related expenses. If the child
17 is 16 months old or younger at the close of the taxable year,
18 the amount of expenses deemed to have been paid equals the
19 maximum limit for one qualified individual under section 21(c)
20 and (d) of the Internal Revenue Code. If the child is older
21 than 16 months of age but has not attained the age of six years
22 at the close of the taxable year, the amount of expenses deemed
23 to have been paid equals the amount the licensee would charge
24 for the care of a child of the same age for the same number of
25 hours of care.

26 (c) If a married couple:

27 (1) has a child who has not attained the age of one year at
28 the close of the taxable year;

29 (2) files a joint tax return for the taxable year; and

30 (3) does not participate in a dependent care assistance
31 program as defined in section 129 of the Internal Revenue Code,
32 in lieu of the actual employment related expenses paid for that
33 child under paragraph (a) or the deemed amount under paragraph
34 (b), the lesser of (i) the combined earned income of the couple
35 or (ii) the amount of the maximum limit for one qualified
36 individual under section 21(c) and (d) of the Internal Revenue

1 Code will be deemed to be the employment related expense paid
2 for that child. The earned income limitation of section 21(d)
3 of the Internal Revenue Code shall not apply to this deemed
4 amount. These deemed amounts apply regardless of whether any
5 employment-related expenses have been paid.

6 (d) If the taxpayer is not required and does not file a
7 federal individual income tax return for the tax year, no credit
8 is allowed for any amount paid to any person unless:

9 (1) the name, address, and taxpayer identification number
10 of the person are included on the return claiming the credit; or

11 (2) if the person is an organization described in section
12 501(c)(3) of the Internal Revenue Code and exempt from tax under
13 section 501(a) of the Internal Revenue Code, the name and
14 address of the person are included on the return claiming the
15 credit.

16 In the case of a failure to provide the information required
17 under the preceding sentence, the preceding sentence does not
18 apply if it is shown that the taxpayer exercised due diligence
19 in attempting to provide the information required.

20 In the case of a nonresident, part-year resident, or a
21 person who has earned income not subject to tax under this
22 chapter including earned income excluded pursuant to section
23 290.01, subdivision 19b, ~~clause~~ clauses (11) and (12), the
24 credit determined under section 21 of the Internal Revenue Code
25 must be allocated based on the ratio by which the earned income
26 of the claimant and the claimant's spouse from Minnesota sources
27 bears to the total earned income of the claimant and the
28 claimant's spouse.

29 [EFFECTIVE DATE.] This section is effective for taxable
30 years beginning after December 31, 2005.

31 Sec. 7. Minnesota Statutes 2004, section 290.0671,
32 subdivision 1, is amended to read:

33 Subdivision 1. [CREDIT ALLOWED.] (a) An individual is
34 allowed a credit against the tax imposed by this chapter equal
35 to a percentage of earned income. To receive a credit, a
36 taxpayer must be eligible for a credit under section 32 of the

1 Internal Revenue Code.

2 (b) For individuals with no qualifying children, the credit
3 equals 1.9125 percent of the first \$4,620 of earned income. The
4 credit is reduced by 1.9125 percent of earned income or modified
5 adjusted gross income, whichever is greater, in excess of
6 \$5,770, but in no case is the credit less than zero.

7 (c) For individuals with one qualifying child, the credit
8 equals 8.5 percent of the first \$6,920 of earned income and 8.5
9 percent of earned income over \$12,080 but less than \$13,450.
10 The credit is reduced by 5.73 percent of earned income or
11 modified adjusted gross income, whichever is greater, in excess
12 of \$15,080, but in no case is the credit less than zero.

13 (d) For individuals with two or more qualifying children,
14 the credit equals ten percent of the first \$9,720 of earned
15 income and 20 percent of earned income over \$14,860 but less
16 than \$16,800. The credit is reduced by 10.3 percent of earned
17 income or modified adjusted gross income, whichever is greater,
18 in excess of \$17,890, but in no case is the credit less than
19 zero.

20 (e) For a nonresident or part-year resident, the credit
21 must be allocated based on the percentage calculated under
22 section 290.06, subdivision 2c, paragraph (e).

23 (f) For a person who was a resident for the entire tax year
24 and has earned income not subject to tax under this chapter,
25 including income excluded under section 290.01, subdivision 19b,
26 clause (11) or (12), the credit must be allocated based on the
27 ratio of federal adjusted gross income reduced by the earned
28 income not subject to tax under this chapter over federal
29 adjusted gross income.

30 (g) For tax years beginning after December 31, 2001, and
31 before December 31, 2004, the \$5,770 in paragraph (b), the
32 \$15,080 in paragraph (c), and the \$17,890 in paragraph (d),
33 after being adjusted for inflation under subdivision 7, are each
34 increased by \$1,000 for married taxpayers filing joint returns.

35 (h) For tax years beginning after December 31, 2004, and
36 before December 31, 2007, the \$5,770 in paragraph (b), the

1 \$15,080 in paragraph (c), and the \$17,890 in paragraph (d),
2 after being adjusted for inflation under subdivision 7, are each
3 increased by \$2,000 for married taxpayers filing joint returns.

4 (i) For tax years beginning after December 31, 2007, and
5 before December 31, 2010, the \$5,770 in paragraph (b), the
6 \$15,080 in paragraph (c), and the \$17,890 in paragraph (d),
7 after being adjusted for inflation under subdivision 7, are each
8 increased by \$3,000 for married taxpayers filing joint returns.
9 For tax years beginning after December 31, 2008, the \$3,000 is
10 adjusted annually for inflation under subdivision 7.

11 (j) The commissioner shall construct tables showing the
12 amount of the credit at various income levels and make them
13 available to taxpayers. The tables shall follow the schedule
14 contained in this subdivision, except that the commissioner may
15 graduate the transition between income brackets.

16 [EFFECTIVE DATE.] This section is effective for taxable
17 years beginning after December 31, 2005.

18 Sec. 8. Minnesota Statutes 2004, section 290.091,
19 subdivision 2, is amended to read:

20 Subd. 2. [DEFINITIONS.] For purposes of the tax imposed by
21 this section, the following terms have the meanings given:

22 (a) "Alternative minimum taxable income" means the sum of
23 the following for the taxable year:

24 (1) the taxpayer's federal alternative minimum taxable
25 income as defined in section 55(b)(2) of the Internal Revenue
26 Code;

27 (2) the taxpayer's itemized deductions allowed in computing
28 federal alternative minimum taxable income, but excluding:

29 (i) the charitable contribution deduction under section 170
30 of the Internal Revenue Code to the extent that the deduction
31 exceeds 1.0 percent of adjusted gross income, as defined in
32 section 62 of the Internal Revenue Code;

33 (ii) the medical expense deduction;

34 (iii) the casualty, theft, and disaster loss deduction; and

35 (iv) the impairment-related work expenses of a disabled
36 person;

1 (3) for depletion allowances computed under section 613A(c)
2 of the Internal Revenue Code, with respect to each property (as
3 defined in section 614 of the Internal Revenue Code), to the
4 extent not included in federal alternative minimum taxable
5 income, the excess of the deduction for depletion allowable
6 under section 611 of the Internal Revenue Code for the taxable
7 year over the adjusted basis of the property at the end of the
8 taxable year (determined without regard to the depletion
9 deduction for the taxable year);

10 (4) to the extent not included in federal alternative
11 minimum taxable income, the amount of the tax preference for
12 intangible drilling cost under section 57(a)(2) of the Internal
13 Revenue Code determined without regard to subparagraph (E);

14 (5) to the extent not included in federal alternative
15 minimum taxable income, the amount of interest income as
16 provided by section 290.01, subdivision 19a, clause (1); and

17 (6) the amount of addition required by section 290.01,
18 subdivision 19a, clause (7);

19 less the sum of the amounts determined under the following:

20 (1) interest income as defined in section 290.01,
21 subdivision 19b, clause (1);

22 (2) an overpayment of state income tax as provided by
23 section 290.01, subdivision 19b, clause (2), to the extent
24 included in federal alternative minimum taxable income;

25 (3) the amount of investment interest paid or accrued
26 within the taxable year on indebtedness to the extent that the
27 amount does not exceed net investment income, as defined in
28 section 163(d)(4) of the Internal Revenue Code. Interest does
29 not include amounts deducted in computing federal adjusted gross
30 income; and

31 (4) amounts subtracted from federal taxable income as
32 provided by section 290.01, subdivision 19b, clauses (10) and,
33 (11), and (12).

34 In the case of an estate or trust, alternative minimum
35 taxable income must be computed as provided in section 59(c) of
36 the Internal Revenue Code.

1 (b) "Investment interest" means investment interest as
2 defined in section 163(d)(3) of the Internal Revenue Code.

3 (c) "Tentative minimum tax" equals 6.4 percent of
4 alternative minimum taxable income after subtracting the
5 exemption amount determined under subdivision 3.

6 (d) "Regular tax" means the tax that would be imposed under
7 this chapter (without regard to this section and section
8 290.032), reduced by the sum of the nonrefundable credits
9 allowed under this chapter.

10 (e) "Net minimum tax" means the minimum tax imposed by this
11 section.

12 [EFFECTIVE DATE.] This section is effective for taxable
13 years beginning after December 31, 2005.

14 Sec. 9. Minnesota Statutes 2004, section 290.0921,
15 subdivision 3, is amended to read:

16 Subd. 3. [ALTERNATIVE MINIMUM TAXABLE INCOME.]

17 "Alternative minimum taxable income" is Minnesota net income as
18 defined in section 290.01, subdivision 19, and includes the
19 adjustments and tax preference items in sections 56, 57, 58, and
20 59(d), (e), (f), and (h) of the Internal Revenue Code. If a
21 corporation files a separate company Minnesota tax return, the
22 minimum tax must be computed on a separate company basis. If a
23 corporation is part of a tax group filing a unitary return, the
24 minimum tax must be computed on a unitary basis. The following
25 adjustments must be made.

26 (1) For purposes of the depreciation adjustments under
27 section 56(a)(1) and 56(g)(4)(A) of the Internal Revenue Code,
28 the basis for depreciable property placed in service in a
29 taxable year beginning before January 1, 1990, is the adjusted
30 basis for federal income tax purposes, including any
31 modification made in a taxable year under section 290.01,
32 subdivision 19e, or Minnesota Statutes 1986, section 290.09,
33 subdivision 7, paragraph (c).

34 For taxable years beginning after December 31, 2000, the
35 amount of any remaining modification made under section 290.01,
36 subdivision 19e, or Minnesota Statutes 1986, section 290.09,

1 subdivision 7, paragraph (c), not previously deducted is a
2 depreciation allowance in the first taxable year after December
3 31, 2000.

4 (2) The portion of the depreciation deduction allowed for
5 federal income tax purposes under section 168(k) of the Internal
6 Revenue Code that is required as an addition under section
7 290.01, subdivision 19c, clause (16), is disallowed in
8 determining alternative minimum taxable income.

9 (3) The subtraction for depreciation allowed under section
10 290.01, subdivision 19d, clause (19), is allowed as a
11 depreciation deduction in determining alternative minimum
12 taxable income.

13 (4) The alternative tax net operating loss deduction under
14 sections 56(a)(4) and 56(d) of the Internal Revenue Code does
15 not apply.

16 (5) The special rule for certain dividends under section
17 56(g)(4)(C)(ii) of the Internal Revenue Code does not apply.

18 (6) The special rule for dividends from section 936
19 companies under section 56(g)(4)(C)(iii) does not apply.

20 (7) The tax preference for depletion under section 57(a)(1)
21 of the Internal Revenue Code does not apply.

22 (8) The tax preference for intangible drilling costs under
23 section 57(a)(2) of the Internal Revenue Code must be calculated
24 without regard to subparagraph (E) and the subtraction under
25 section 290.01, subdivision 19d, clause (4).

26 (9) The tax preference for tax exempt interest under
27 section 57(a)(5) of the Internal Revenue Code does not apply.

28 (10) The tax preference for charitable contributions of
29 appreciated property under section 57(a)(6) of the Internal
30 Revenue Code does not apply.

31 (11) For purposes of calculating the tax preference for
32 accelerated depreciation or amortization on certain property
33 placed in service before January 1, 1987, under section 57(a)(7)
34 of the Internal Revenue Code, the deduction allowable for the
35 taxable year is the deduction allowed under section 290.01,
36 subdivision 19e.

1 For taxable years beginning after December 31, 2000, the
2 amount of any remaining modification made under section 290.01,
3 subdivision 19e, not previously deducted is a depreciation or
4 amortization allowance in the first taxable year after December
5 31, 2004.

6 (12) For purposes of calculating the adjustment for
7 adjusted current earnings in section 56(g) of the Internal
8 Revenue Code, the term "alternative minimum taxable income" as
9 it is used in section 56(g) of the Internal Revenue Code, means
10 alternative minimum taxable income as defined in this
11 subdivision, determined without regard to the adjustment for
12 adjusted current earnings in section 56(g) of the Internal
13 Revenue Code.

14 (13) For purposes of determining the amount of adjusted
15 current earnings under section 56(g)(3) of the Internal Revenue
16 Code, no adjustment shall be made under section 56(g)(4) of the
17 Internal Revenue Code with respect to (i) the amount of foreign
18 dividend gross-up subtracted as provided in section 290.01,
19 subdivision 19d, clause (1), (ii) the amount of refunds of
20 income, excise, or franchise taxes subtracted as provided in
21 section 290.01, subdivision 19d, clause (10), or (iii) the
22 amount of royalties, fees or other like income subtracted as
23 provided in section 290.01, subdivision 19d, clause (11).

24 (14) Alternative minimum taxable income excludes the income
25 from operating in a job opportunity building zone as provided
26 under section 469.317.

27 (15) Alternative minimum taxable income excludes the income
28 from operating in a biotechnology and health sciences industry
29 zone as provided under section 469.337.

30 (16) Alternative minimum taxable income excludes the income
31 from operating in an international economic development zone as
32 provided under section 469.326.

33 Items of tax preference must not be reduced below zero as a
34 result of the modifications in this subdivision.

35 [EFFECTIVE DATE.] This section is effective for taxable
36 years beginning after December 31, 2005.

1 Sec. 10. Minnesota Statutes 2004, section 290.0922,
2 subdivision 2, is amended to read:

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

5 (1) corporations exempt from tax under section 290.05;

6 (2) real estate investment trusts;

7 (3) regulated investment companies or a fund thereof; and

8 (4) entities having a valid election in effect under

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

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

11 (6) cooperatives organized under chapter 308A that provide

12 housing exclusively to persons age 55 and over and are

13 classified as homesteads under section 273.124, subdivision 3;

14 and

15 (7) an entity, if for the taxable year all of its property

16 is located in a job opportunity building zone designated under

17 section 469.314 and all of its payroll is a job opportunity

18 building zone payroll under section 469.310; and

19 (8) an entity, if for the taxable year all of its property

20 is located in an international economic development zone

21 designated under section 469.322, and all of its payroll is an

22 international economic development zone payroll under section

23 469.321.

24 Entities not specifically exempted by this subdivision are

25 subject to tax under this section, notwithstanding section

26 290.05.

27 [EFFECTIVE DATE.] This section is effective for taxable

28 years beginning after December 31, 2005.

29 Sec. 11. Minnesota Statutes 2004, section 290.0922,

30 subdivision 3, is amended to read:

31 Subd. 3. [DEFINITIONS.] (a) "Minnesota sales or receipts"

32 means the total sales apportioned to Minnesota pursuant to

33 section 290.191, subdivision 5, the total receipts attributed to

34 Minnesota pursuant to section 290.191, subdivisions 6 to 8,

35 and/or the total sales or receipts apportioned or attributed to

36 Minnesota pursuant to any other apportionment formula applicable

1 to the taxpayer.

2 (b) "Minnesota property" means total Minnesota tangible
3 property as provided in section 290.191, subdivisions 9 to 11,
4 any other tangible property located in Minnesota, but does not
5 include property located in a job opportunity building zone
6 designated under section 469.314, or property of a qualified
7 business located in a biotechnology and health sciences industry
8 zone designated under section 469.334, or property located in an
9 international economic development zone designated under section
10 469.322. Intangible property shall not be included in Minnesota
11 property for purposes of this section. Taxpayers who do not
12 utilize tangible property to apportion income shall nevertheless
13 include Minnesota property for purposes of this section. On a
14 return for a short taxable year, the amount of Minnesota
15 property owned, as determined under section 290.191, shall be
16 included in Minnesota property based on a fraction in which the
17 numerator is the number of days in the short taxable year and
18 the denominator is 365.

19 (c) "Minnesota payrolls" means total Minnesota payrolls as
20 provided in section 290.191, subdivision 12, but does not
21 include job opportunity building zone payrolls under section
22 469.310, subdivision 8, or biotechnology and health sciences
23 industry zone ~~payroll~~ payrolls under section 469.330,
24 subdivision 8, or international economic development zone
25 payrolls under section 469.321, subdivision 10. Taxpayers who
26 do not utilize payrolls to apportion income shall nevertheless
27 include Minnesota payrolls for purposes of this section.

28 [EFFECTIVE DATE.] This section is effective for taxable
29 years beginning after December 31, 2005.

30 Sec. 12. Minnesota Statutes 2004, section 297A.68, is
31 amended by adding a subdivision to read:

32 Subd. 40. [INTERNATIONAL ECONOMIC DEVELOPMENT ZONES.] (a)
33 Purchases of tangible personal property or taxable services by a
34 qualified business, as defined in section 469.321, are exempt if
35 the property or services are primarily used or consumed in an
36 international economic development zone designated under section

1 469.322.

2 (b) Purchase and use of construction materials and supplies
3 for construction of improvements to real property in an
4 international economic development zone are exempt if the
5 improvements after completion of construction are to be used in
6 the conduct of a qualified business, as defined in section
7 469.321. This exemption applies regardless of whether the
8 purchases are made by the business or a contractor.

9 (c) The exemptions under this subdivision apply to a local
10 sales and use tax, regardless of whether the local tax is
11 imposed on sales taxable under this chapter or in another law,
12 ordinance, or charter provision.

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

15 [EFFECTIVE DATE.] This section is effective for sales made
16 on or after the day following final enactment.

17 Sec. 13. [469.321] [DEFINITIONS.]

18 Subdivision 1. [SCOPE.] For purposes of sections 469.321
19 to 469.328, the following terms have the meanings given.

20 Subd. 2. [FOREIGN TRADE ZONE.] "Foreign trade zone" means
21 a foreign trade zone designated pursuant to United States Code,
22 title 19, section 81a, for the right to use the powers provided
23 in United States Code, title 19, sections 81a to 81u, or a
24 subzone authorized by the foreign trade zone.

25 Subd. 3. [FOREIGN TRADE ZONE AUTHORITY.] "Foreign trade
26 zone authority" means the Greater Metropolitan Area Foreign
27 Trade Zone Commission number 119, a joint powers authority
28 created by the county of Hennepin, the cities of Minneapolis,
29 Bloomington, Rosemount, and the Metropolitan Airports
30 Commission, under the authority of section 469.059, 469.101, or
31 471.59, and which may, notwithstanding section 471.59, include
32 as members any political subdivisions of public corporations
33 that are or become members of the Greater Metropolitan Area
34 Foreign Trade Zone Commission, regardless of whether the
35 subdivisions or corporations have the power or authority
36 individually to establish or operate a foreign trade zone.

1 Subd. 4. [INTERNATIONAL ECONOMIC DEVELOPMENT ZONE.] An
2 "international economic development zone" or "zone" is a zone so
3 designated under section 469.322.

4 Subd. 5. [PERSON.] "Person" includes an individual,
5 corporation, partnership, limited liability company,
6 association, or any other entity.

7 Subd. 6. [QUALIFIED BUSINESS.] (a) "Qualified business"
8 means a person carrying on a trade or business at a place of
9 business located within an international economic development
10 zone that is:

11 (1) engaged in the furtherance of international export or
12 import of goods; and

13 (2) certified by the foreign trade zone authority as a
14 trade or business that furthers the purpose of developing
15 international distribution capacity and capability.

16 (b) A person that relocates a trade or business from within
17 Minnesota but outside an international economic development zone
18 into an international economic development zone is not a
19 qualified business, unless the business:

20 (1)(i) increases full-time employment in the first full
21 year of operation within the international economic development
22 zone by at least 20 percent measured relative to the operations
23 that were relocated; or

24 (ii) makes a capital investment in the property located
25 within a zone equal to at least ten percent of the gross
26 revenues of the operations that were relocated in the
27 immediately preceding taxable year; and

28 (2) enters a binding written agreement with the foreign
29 trade zone authority that:

30 (i) pledges that the business will meet the requirements of
31 clause (1);

32 (ii) provides for repayment of all tax benefits enumerated
33 under section 469.324 to the business under the procedures in
34 section 469.328, if the requirements of clause (1) are not met;
35 and

36 (iii) contains any other terms the foreign trade zone

1 authority determines appropriate.

2 Clause (1) of this paragraph does not apply to a freight
3 forwarder.

4 (c) A qualified business must pay each employee total
5 compensation, including benefits not mandated by law, that on an
6 annualized basis is equal to at least 110 percent of the federal
7 poverty guidelines for a family of four.

8 (d) A qualified business must enter into an agreement with
9 the authority that provides that, as a condition of qualifying
10 for the tax incentives described in section 469.324, the
11 business will, at the site of its operation within the zone,
12 remain neutral to labor union organizing activity, provide union
13 representatives access to employees during nonwork hours, and
14 recognize a labor union as a bargaining agent under the National
15 Labor Relations Act upon presentation of representation cards
16 signed by a majority of the employees of the qualified business
17 within the zone.

18 Subd. 7. [REGIONAL DISTRIBUTION CENTER.] A "regional
19 distribution center" is a distribution center developed within a
20 foreign trade zone. The regional distribution center must have
21 as its primary purpose to facilitate gathering of freight for
22 the purpose of centralizing the functions necessary for the
23 shipment of freight in international commerce, including, but
24 not limited to, security and customs functions.

25 Subd. 8. [RELOCATE.] (a) "Relocate" means that a trade or
26 business:

27 (1) ceases one or more operations or functions at another
28 location in an international economic development zone; or

29 (2) reduces employment at another location in Minnesota
30 during a period starting one year before and ending one year
31 after it begins operations in an international economic
32 development zone and its employees in the international economic
33 development zone are engaged in the same line of business as the
34 employees at the location where it reduced employment.

35 (b) "Relocate" does not include an expansion by a business
36 that establishes a new facility that does not replace or

1 supplant an existing operation or employment, in whole or in
2 part.

3 Subd. 9. [INTERNATIONAL ECONOMIC DEVELOPMENT ZONE
4 PERCENTAGE OR ZONE PERCENTAGE.] "International economic
5 development zone percentage" or "zone percentage" means the
6 following fraction reduced to a percentage:

7 (1) the numerator of the fraction is:

8 (i) the ratio of the taxpayer's property factor under
9 section 290.191 located in the zone for the taxable year over
10 the property factor numerator determined under section 290.191,
11 plus

12 (ii) the ratio of the taxpayer's international economic
13 development zone payroll factor under subdivision 10 over the
14 payroll factor numerator determined under section 290.191; and

15 (2) the denominator of the fraction is two.

16 When calculating the zone percentage for a business that is
17 part of a unitary business as defined under section 290.17,
18 subdivision 4, the denominator of the payroll and property
19 factors is the Minnesota payroll and property of the unitary
20 business as reported on the combined report under section
21 290.17, subdivision 4, paragraph (j).

22 Subd. 10. [INTERNATIONAL ECONOMIC DEVELOPMENT ZONE PAYROLL
23 FACTOR.] "International economic development zone payroll
24 factor" or "international economic development zone payroll" is
25 that portion of the payroll factor under section 290.191 that
26 represents:

27 (1) wages or salaries paid to an individual for services
28 performed in an international economic development zone; or

29 (2) wages or salaries paid to individuals working from
30 offices within an international economic development zone, if
31 their employment requires them to work outside the zone and the
32 work is incidental to the work performed by the individual
33 within the zone.

34 Subd. 11. [FREIGHT FORWARDER.] "Freight forwarder" is a
35 business that, for compensation, ensures that goods produced or
36 sold by another business move from point of origin to point of

1 destination.

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

4 Sec. 14. [469.322] [DESIGNATION OF INTERNATIONAL ECONOMIC
5 DEVELOPMENT ZONE.]

6 (a) An area designated as a foreign trade zone may be
7 designated by the foreign trade zone authority as an
8 international economic development zone if within the zone a
9 regional distribution center is being developed pursuant to
10 section 469.323. The zone must be not less than 500 acres and
11 not more than 1,000 acres in size.

12 (b) In making the designation, the foreign trade zone
13 authority, in consultation with the Minnesota Department of
14 Transportation and the Metropolitan Council, shall consider
15 access to major transportation routes, consistency with current
16 state transportation and air cargo planning, adequacy of the
17 size of the site, access to airport facilities, present and
18 future capacity at the designated airport, the capability to
19 meet integrated present and future air cargo, security, and
20 inspection services, and access to other infrastructure and
21 financial incentives. The border of the international economic
22 development zone must be no more than 60 miles distant or 90
23 minutes drive time from the border of the Minneapolis-St. Paul
24 International Airport.

25 (c) Prior to a final site designation, the foreign trade
26 zone authority, in consultation with the applicant, must conduct
27 a transportation impact study based on the regional model and
28 utilizing traffic forecasting and assignments. The results must
29 be used to evaluate the effects of the proposed use on the
30 transportation system and identify any needed improvements. If
31 the site is in the metropolitan area the study must also
32 evaluate the effect of the transportation impacts on the
33 Metropolitan Transportation System plan as well as the
34 comprehensive plans of the municipalities that would be
35 affected. The cost of the study must be paid by the applicant.

36 (d) Final zone designation must be made by January 1, 2007.

1 (e) Duration of the zone is a 12-year period beginning on
2 June 30, 2007.

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

5 Sec. 15. [469.323] [FOREIGN TRADE ZONE AUTHORITY POWERS.]

6 Subdivision 1. [DEVELOPMENT OF REGIONAL DISTRIBUTION
7 CENTER.] The foreign trade zone authority shall be responsible
8 for creating a development plan for the regional distribution
9 center. The regional distribution center must be developed with
10 the purpose of expanding, on a regional basis, international
11 distribution capacity and capability. The foreign trade zone
12 authority shall consult with municipalities that have indicated
13 to the authority an interest in locating the international
14 economic development zone within their boundaries and a
15 willingness to establish a tax increment financing district
16 coterminous with the boundaries of the zone, as well as
17 interested businesses, potential financiers, and appropriate
18 state and federal agencies.

19 Subd. 2. [BUSINESS PLAN.] Before designation of an
20 international economic development zone under section 469.322,
21 the governing body of the foreign trade zone authority shall
22 prepare a business plan. The plan must include an analysis of
23 the economic feasibility of the regional distribution center
24 once it becomes operational and of the operations of freight
25 forwarders and other businesses that choose to locate within the
26 boundaries of the zone. The analysis must provide profitability
27 models that:

28 (1) include the benefits of the incentives;

29 (2) estimate the amount of time needed to achieve
30 profitability; and

31 (3) analyze the length of time incentives will be necessary
32 to the economic viability of the regional distribution center.

33 If the governing body of the foreign trade authority
34 determines that the models do not establish the economic
35 feasibility of the project, the regional distribution center
36 does not meet the development requirements of this section and

1 section 469.322.

2 Subd. 3. [PORT AUTHORITY POWERS.] The governing body of
3 the foreign trade zone authority may establish a port authority
4 that has the same powers as a port authority established under
5 section 469.049. If the foreign trade zone authority
6 establishes a port authority, the governing body of the foreign
7 trade zone authority shall exercise all powers granted to a city
8 by sections 469.048 to 469.068 or other law.

9 Subd. 4. [BUSINESS SUBSIDY LAW.] Tax exemptions, job
10 credits, and tax increment financing provided under this section
11 are business subsidies for the purpose of sections 116J.993 to
12 116J.995.

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

15 Sec. 16. [469.324] [TAX INCENTIVES IN INTERNATIONAL
16 ECONOMIC DEVELOPMENT ZONE.]

17 Subdivision 1. [AVAILABILITY.] Qualified businesses that
18 operate in an international economic development zone,
19 individuals who invest in a regional distribution center or
20 qualified businesses that operate in an international economic
21 development zone, and property located in an international
22 economic development zone qualify for:

23 (1) exemption from individual income taxes as provided
24 under section 469.325;

25 (2) exemption from corporate franchise taxes as provided
26 under section 469.326;

27 (3) exemption from the state sales and use tax and any
28 local sales and use taxes on qualifying purchases as provided in
29 section 297A.68, subdivision 40;

30 (4) exemption from the property tax as provided in section
31 272.02, subdivision 68;

32 (5) the jobs credit allowed under section 469.327; and

33 (6) tax increment financing as provided in this chapter.

34 Subd. 2. [DURATION.] (a) Except as provided in paragraph
35 (b), the tax incentives described in subdivision 1, clauses (1),
36 (2), and (5), are available for no more than 12 consecutive

1 taxable years for any taxpayer that claims them. The tax
2 incentives described in subdivision 1, clause (3), are available
3 for each taxpayer that claims them for taxes otherwise payable
4 on transactions during a period of 12 years from the date when
5 the first exemption is claimed by that taxpayer under each
6 exemption. The property tax exemption described under
7 subdivision 1, clause (4), is available for any parcel of
8 property for 12 consecutive taxes payable years. No exemptions
9 described in subdivision 1, clauses (1) to (5), are available
10 after December 31, 2021.

11 (b) For taxpayers that are freight forwarders, the
12 durations provided under paragraph (a) are reduced to six years.

13 Sec. 17. [469.325] [INDIVIDUAL INCOME TAX EXEMPTION.]

14 Subdivision 1. [APPLICATION.] An individual operating a
15 trade or business in an international economic development zone,
16 and an individual making a qualifying investment in a qualified
17 business operating in an international economic development zone
18 qualifies for the exemptions from taxes imposed under chapter
19 290, as provided in this section. The exemptions provided under
20 this section apply only to the extent that the income otherwise
21 would be taxable under chapter 290. Subtractions under this
22 section from federal taxable income, alternative minimum taxable
23 income, or any other base subject to tax are limited to the
24 amount that otherwise would be included in the tax base absent
25 the exemption under this section. This section applies only to
26 taxable years beginning during the duration of the zone.

27 Subd. 2. [RENTS.] An individual is exempt from the taxes
28 imposed under chapter 290 on net rents derived from real or
29 tangible personal property located in a zone for a taxable year
30 in which the zone was designated an international economic
31 development zone. If tangible personal property was used both
32 within and outside of the zone, the exemption amount for the net
33 rental income must be multiplied by a fraction, the numerator of
34 which is the number of days the property was used in the zone
35 and the denominator of which is the total days.

36 Subd. 3. [BUSINESS INCOME.] An individual is exempt from

1 the taxes imposed under chapter 290 on net income from the
2 operation of a qualified business in an international economic
3 development zone. If the trade or business is carried on within
4 and without the zone and the individual is not a resident of
5 Minnesota, the exemption must be apportioned based on the zone
6 percentage for the taxable year. If the trade or business is
7 carried on within and without the zone and the individual is a
8 resident of Minnesota, the exemption must be apportioned based
9 on the zone percentage for the taxable year, except the ratios
10 under section 469.321, subdivision 9, clause (1), items (i) and
11 (ii), must use the denominators of the property and payroll
12 factors determined under section 290.191. No subtraction is
13 allowed under this section in excess of 20 percent of the sum of
14 the international economic development zone payroll and the
15 adjusted basis of the property at the time that the property is
16 first used in the international economic development zone by the
17 business.

18 Subd. 4. [CAPITAL GAINS.] (a) An individual is exempt from
19 the taxes imposed under chapter 290 on:

20 (1) net gain derived on a sale or exchange of real property
21 located in the international economic development zone and used
22 by a qualified business. If the property was held by the
23 individual during a period when the zone was not designated, the
24 gain must be prorated based on the percentage of time, measured
25 in calendar days, that the real property was held by the
26 individual during the period the zone designation was in effect
27 to the total period of time the real property was held by the
28 individual;

29 (2) net gain derived on a sale or exchange of tangible
30 personal property used by a qualified business in the
31 international economic development zone. If the property was
32 held by the individual during a period when the zone was not
33 designated, the gain must be prorated based on the percentage of
34 time, measured in calendar days, that the property was held by
35 the individual during the period the zone designation was in
36 effect to the total period of time the property was held by the

1 individual. If the tangible personal property was used outside
 2 of the zone during the period of the zone's designation, the
 3 exemption must be multiplied by a fraction, the numerator of
 4 which is the number of days the property was used in the zone
 5 during the time of the designation and the denominator of which
 6 is the total days the property was held during the time of the
 7 designation; and

8 (3) net gain derived on a sale of an ownership interest in
 9 a qualified business operating in the international economic
 10 development zone, meeting the requirements of paragraph (b).
 11 The exemption on the gain must be multiplied by the zone
 12 percentage of the business for the taxable year prior to the
 13 sale.

14 (b) A qualified business meets the requirements of
 15 paragraph (a), clause (3), if it is a corporation, an S
 16 corporation, or a partnership, and for the taxable year its
 17 international economic development zone percentage exceeds 25
 18 percent. For purposes of paragraph (a), clause (3), the zone
 19 percentage must be calculated by modifying the ratios under
 20 section 469.321, subdivision 9, clause (1), items (i) and (ii),
 21 to use the denominators of the property and payroll factors
 22 determined under section 290.191. Upon the request of an
 23 individual holding an ownership interest in the entity, the
 24 entity must certify to the owner, in writing, the international
 25 economic development zone percentage needed to determine the
 26 exemption.

27 [EFFECTIVE DATE.] This section is effective for taxable
 28 years beginning after December 31, 2005.

29 Sec. 18. [469.326] [CORPORATE FRANCHISE TAX EXEMPTION.]

30 (a) A qualified business is exempt from taxation under
 31 section 290.02, the alternative minimum tax under section
 32 290.0921, and the minimum fee under section 290.0922, on the
 33 portion of its income attributable to operations within the
 34 international economic development zone. This exemption is
 35 determined as follows:

36 (1) for purposes of the tax imposed under section 290.02,

1 by multiplying its taxable net income by its zone percentage and
2 subtracting the result in determining taxable income;

3 (2) for purposes of the alternative minimum tax under
4 section 290.0921, by multiplying its alternative minimum taxable
5 income by its zone percentage and reducing alternative minimum
6 taxable income by this amount; and

7 (3) for purposes of the minimum fee under section 290.0922,
8 by excluding property and payroll in the zone from the
9 computations of the fee or by exempting the entity under section
10 290.0922, subdivision 2, clause (8).

11 (b) No subtraction is allowed under this section in excess
12 of 20 percent of the sum of the corporation's international
13 economic development zone payroll and the adjusted basis of the
14 property at the time that the property is first used in the
15 international economic development zone by the corporation.

16 (c) This section applies only to taxable years beginning
17 during the duration of the international economic development
18 zone.

19 [EFFECTIVE DATE.] This section is effective for taxable
20 years beginning after December 31, 2005.

21 Sec. 19. [469.327] [JOBS CREDIT.]

22 Subdivision 1. [CREDIT ALLOWED.] A qualified business is
23 allowed a credit against the taxes imposed under chapter 290.
24 The credit equals seven percent of the:

25 (1) lesser of:

26 (i) zone payroll for the taxable year, less the zone
27 payroll for the base year; or

28 (ii) total Minnesota payroll for the taxable year, less
29 total Minnesota payroll for the base year; minus

30 (2) \$30,000 multiplied by the number of full-time
31 equivalent employees that the qualified business employs in the
32 international economic development zone for the taxable year,
33 minus the number of full-time equivalent employees the business
34 employed in the zone in the base year, but not less than zero.

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

1 (b) "Base year" means the taxable year beginning during the
2 calendar year prior to the calendar year in which the zone
3 designation took effect.

4 (c) "Full-time equivalent employees" means the equivalent
5 of annualized expected hours of work equal to 2,080 hours.

6 (d) "Minnesota payroll" means the wages or salaries
7 attributed to Minnesota under section 290.191, subdivision 12,
8 for the qualified business or the unitary business of which the
9 qualified business is a part, whichever is greater.

10 (e) "Zone payroll" means wages or salaries used to
11 determine the zone payroll factor for the qualified business,
12 less the amount of compensation attributable to any employee
13 that exceeds \$100,000.

14 Subd. 3. [INFLATION ADJUSTMENT.] For taxable years
15 beginning after December 31, 2006, the dollar amounts in
16 subdivision 1, clause (2), and subdivision 2, paragraph (e), are
17 annually adjusted for inflation. The commissioner of revenue
18 shall adjust the amounts by the percentage determined under
19 section 290.06, subdivision 2d, for the taxable year.

20 Subd. 4. [REFUNDABLE.] If the amount of the credit exceeds
21 the liability for tax under chapter 290, the commissioner of
22 revenue shall refund the excess to the qualified business.

23 Subd. 5. [APPROPRIATION.] An amount sufficient to pay the
24 refunds authorized by this section is appropriated to the
25 commissioner of revenue from the general fund.

26 [EFFECTIVE DATE.] This section is effective for taxable
27 years beginning after December 31, 2005.

28 Sec. 20. [469.328] [REPAYMENT OF TAX BENEFITS.]

29 Subdivision 1. [REPAYMENT OBLIGATION.] A person must repay
30 the amount of the tax reduction received under section 469.324,
31 subdivision 1, clauses (1) to (5), or refund received under
32 section 469.327, during the two years immediately before it
33 ceased to operate in the zone, if the person ceased to operate
34 its facility located within the zone or otherwise ceases to be
35 or is not a qualified business.

36 Subd. 2. [DISPOSITION OF REPAYMENT.] The repayment must be

1 paid to the state to the extent it represents a state tax
2 reduction and to the county to the extent it represents a
3 property tax reduction. Any amount repaid to the state must be
4 deposited in the general fund. Any amount repaid to the county
5 for the property tax exemption must be distributed to the local
6 governments with authority to levy taxes in the zone in the same
7 manner provided for distribution of payment of delinquent
8 property taxes. Any repayment of local sales or use taxes must
9 be repaid to the jurisdiction imposing the local sales or use
10 tax.

11 Subd. 3. [REPAYMENT PROCEDURES.] (a) For the repayment of
12 taxes imposed under chapter 290 or 297A or local taxes collected
13 pursuant to section 297A.99, a person must file an amended
14 return with the commissioner of revenue and pay any taxes
15 required to be repaid within 30 days after ceasing to be a
16 qualified business. The amount required to be repaid is
17 determined by calculating the tax for the period for which
18 repayment is required without regard to the tax reductions
19 allowed under section 469.324.

20 (b) For the repayment of property taxes, the county auditor
21 shall prepare a tax statement for the person, applying the
22 applicable tax extension rates for each payable year and provide
23 a copy to the business. The person must pay the taxes to the
24 county treasurer within 30 days after receipt of the tax
25 statement. The taxpayer may appeal the valuation and
26 determination of the property tax to the tax court within 30
27 days after receipt of the tax statement.

28 (c) The provisions of chapters 270 and 289A relating to the
29 commissioner of revenue's authority to audit, assess, and
30 collect the tax and to hear appeals are applicable to the
31 repayment required under paragraph (a). The commissioner may
32 impose civil penalties as provided in chapter 289A, and the
33 additional tax and penalties are subject to interest at the rate
34 provided in section 270.75, from 30 days after ceasing to do
35 business in the zone until the date the tax is paid.

36 (d) If a property tax is not repaid under paragraph (b),

1 the county treasurer shall add the amount required to be repaid
2 to the property taxes assessed against the property for payment
3 in the year following the year in which the treasurer discovers
4 that the person ceased to operate in the international economic
5 development zone.

6 (e) For determining the tax required to be repaid, a tax
7 reduction is deemed to have been received on the date that the
8 tax would have been due if the person had not been entitled to
9 the tax reduction.

10 (f) The commissioner of revenue may assess the repayment of
11 taxes under paragraph (c) at any time within two years after the
12 person ceases to be a qualified business, or within any period
13 of limitations for the assessment of tax under section 289A.38,
14 whichever is later.

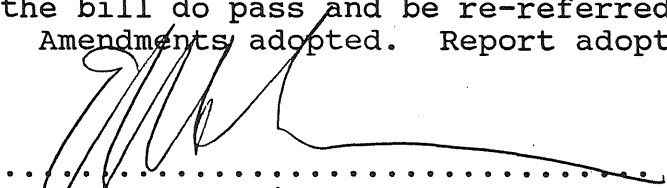
15 [EFFECTIVE DATE.] This section is effective the day
16 following final enactment.

17 Sec. 21. [DEPARTMENT OF EMPLOYMENT AND ECONOMIC
18 DEVELOPMENT STUDY; INTERNATIONAL AIR FREIGHT.]

19 The commissioner of employment and economic development
20 must study and analyze the issue of whether the state would
21 benefit from more than one international economic development
22 zone as defined in Minnesota Statutes, section 469.321. The
23 commissioner shall solicit input on the issue from businesses,
24 communities, and economic development organizations. The
25 commissioner must report the results of the study and analysis
26 to the committees of the legislature having jurisdiction over
27 economic development issues by December 1, 2005, along with any
28 legislative recommendations."

29 And when so amended the bill do pass and be re-referred to
30 the Committee on Finance. Amendments adopted. Report adopted.

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.....
(Committee Chair)

March 30, 2005.....
(Date of Committee recommendation)

**Senate Counsel, Research,
and Fiscal Analysis**

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Senate

State of Minnesota

S.F. No. 409 - Iron Range Resources and Rehabilitation Board (IRRRB) Employee Early Separation Incentive Program (First Engrossment)

Author: Senator Thomas Bakk

Prepared by: Chris Turner, Senate Research (651/296-4350) CT

Date: March 28, 2005

Section 1 authorizes the Iron Range Resources and Rehabilitation Board (IRRRB) to offer an early separation incentive program for its employees who have attained the age of 60 years, or who have received credit for at least 30 years of allowable service.

The incentive program may include one or more of the following:

- employer-paid post-separation health, medical, and dental insurance; and
- cash incentives that may be used to purchase additional years of service credit through the Minnesota State Retirement System.

The commissioner of the IRRRB shall establish eligibility requirements for employees to receive the incentive. Acceptance of the incentive offered by the Board must be voluntary on the part of the employee and must be in writing.

Cost of the incentive program shall be borne solely by IRRRB funds and must be approved by a majority of the IRRRB Board.

Section 2 provides that implementation of an early retirement incentive program by the IRRRB is not an unfair labor practice and that its authority is not subject to the limits of Minnesota Statutes, section 179A.20, subdivision 2a, regarding former public employee benefits.

CT:vs

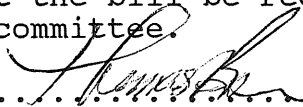
1 To: Senator Anderson, Chair
2 Committee on Jobs, Energy and Community Development
3 Senator Bakk,
4 Chair of the Subcommittee on Economic Development and
5 Tourism, to which was referred

6 S.F. No. 409: A bill for an act relating to economic
7 development; authorizing an early separation incentive program
8 for employees of the Iron Range Resources and Rehabilitation
9 Board; proposing coding for new law in Minnesota Statutes,
10 chapter 354B.

11 Reports the same back with the recommendation that the bill
12 be amended as follows:

13 Page 1, line 14, delete "55" and insert "60"

14 And when so amended that the bill be recommended to pass
15 and be referred to the full committee.

16 
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18 (Subcommittee Chair)

19 March 21, 2005.....
20 (Date of Subcommittee action)

Senators Bakk, Tomassoni, Saxhaug, Solon and Lourey introduced--
S.F. No. 409: Referred to the Committee on Jobs, Energy and Community Development.

1 A bill for an act

2 relating to economic development; authorizing an early
3 separation incentive program for employees of the Iron
4 Range Resources and Rehabilitation Board; proposing
5 coding for new law in Minnesota Statutes, chapter 354B.

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

7 Section 1. [354B.33] [IRON RANGE RESOURCES AND
8 REHABILITATION; EARLY SEPARATION INCENTIVE PROGRAM
9 AUTHORIZATION.]

10 (a) Notwithstanding any law to the contrary, the
11 commissioner of Iron Range resources and rehabilitation, in
12 consultation with the commissioner of employee relations, may
13 offer a targeted early separation incentive program for
14 employees of the commissioner who have attained the age of 55
15 years, or who have received credit for at least 30 years of
16 allowable service under the provisions of chapter 352.

17 (b) The early separation incentive program may include one
18 or more of the following:

19 (1) employer-paid postseparation health, medical, and
20 dental insurance; and

21 (2) cash incentives that may, but are not required to be,
22 used to purchase additional years of service credit through the
23 Minnesota State Retirement System, to the extent that the
24 purchases are otherwise authorized by law.

25 (c) The commissioner of Iron Range resources and

1 rehabilitation shall establish eligibility requirements for
2 employees to receive an incentive.

3 (d) The commissioner of Iron Range Resources and
4 Rehabilitation, consistent with the established program
5 provisions under paragraph (b), and with the eligibility
6 requirements under paragraph (c), may designate specific
7 programs or employees as eligible to be offered the incentive
8 program.

9 (e) Acceptance of the offered incentive must be voluntary
10 on the part of the employee and must be in writing. The
11 incentive may only be offered at the sole discretion of the
12 commissioner of Iron Range resources and rehabilitation.

13 (f) The cost of the incentive is payable solely by funds
14 made available to the commissioner of Iron Range resources and
15 rehabilitation by law, but only on prior approval of the
16 expenditures by a majority of the Iron Range Resources and
17 Rehabilitation Board.

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

20 Sec. 2. [354B.34] [APPLICATION OF OTHER LAWS.]

21 (a) Unilateral implementation of section 354B.33 by the
22 commissioner of Iron Range resources and rehabilitation is not
23 an unfair labor practice under chapter 179A.

24 (b) The authority in section 354B.33 for the commissioner
25 of Iron Range resources and rehabilitation or the Iron Range
26 Resources and Rehabilitation Board to pay health, medical, and
27 dental insurance premiums for former employees granted an early
28 separation incentive is not subject to the limits of section
29 179A.20, subdivision 2a.

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

1 Senator Anderson from the Committee on Jobs, Energy and
2 Community Development, to which was referred

3 S.F. No. 409: A bill for an act relating to economic
4 development; authorizing an early separation incentive program
5 for employees of the Iron Range Resources and Rehabilitation
6 Board; proposing coding for new law in Minnesota Statutes,
7 chapter 354B.

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

10 Page 1, line 14, delete "55" and insert "60"

11 And when so amended the bill do pass and be re-referred to
12 the Committee on Finance. Amendments adopted. Report adopted.

13

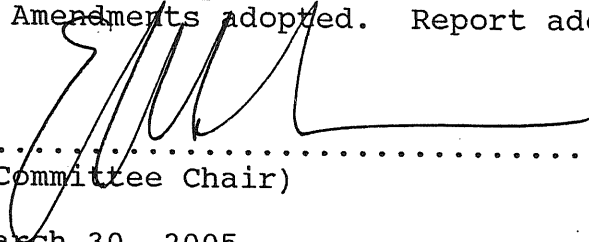
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.....
(Committee Chair)

March 30, 2005.....
(Date of Committee recommendation)

1 To: Senator Anderson, Chair
 2 Committee on Jobs, Energy and Community Development
 3 Senator Kubly,
 4 Chair of the Subcommittee on Energy, to which was referred

5 S.F. No. 1465: A bill for an act relating to taxation;
 6 extending the construction date requirement applicable to a
 7 property tax exemption for a biomass electric generation
 8 facility; extending the duration of a sales tax exemption on
 9 construction materials for a biomass electric generation
 10 facility; amending Minnesota Statutes 2004, section 272.02,
 11 subdivision 47; Laws 2001, First Special Session chapter 5,
 12 article 12, section 67.

13 Reports the same back with the recommendation that the bill
 14 do pass and be referred to the full committee.

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 (Subcommittee Chair)

March 16, 2005.....
 (Date of Subcommittee action)

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Senators Kubly, Dille, Metzen, Pogemiller and Johnson, D.E. introduced--
S.F. No. 1465: Referred to the Committee on Jobs, Energy and Community Development.

1 A bill for an act

2 relating to taxation; extending the construction date
3 requirement applicable to a property tax exemption for
4 a biomass electric generation facility; extending the
5 duration of a sales tax exemption on construction
6 materials for a biomass electric generation facility;
7 amending Minnesota Statutes 2004, section 272.02,
8 subdivision 47; Laws 2001, First Special Session
9 chapter 5, article 12, section 67.

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

11 Section 1. Minnesota Statutes 2004, section 272.02,
12 subdivision 47, is amended to read:

13 Subd. 47. [POULTRY LITTER BIOMASS GENERATION FACILITY;
14 PERSONAL PROPERTY.] Notwithstanding subdivision 9, clause (a),
15 attached machinery and other personal property which is part of
16 an electrical generating facility that meets the requirements of
17 this subdivision is exempt. At the time of construction, the
18 facility must:

19 (1) be designed to utilize poultry litter as a primary fuel
20 source; and

21 (2) be constructed for the purpose of generating power at
22 the facility that will be sold pursuant to a contract approved
23 by the Public Utilities Commission in accordance with the
24 biomass mandate imposed under section 216B.2424.

25 Construction of the facility must be commenced after
26 January 1, 2003, and before December 31, ~~2003~~ 2005. Property
27 eligible for this exemption does not include electric

1 transmission lines and interconnections or gas pipelines and
2 interconnections appurtenant to the property or the facility.

3 [EFFECTIVE DATE.] This section is effective for taxes
4 levied in 2005, payable in 2006, and thereafter.

5 Sec. 2. Laws 2001, First Special Session chapter 5,
6 article 12, section 67, the effective date, is amended to read:

7 [EFFECTIVE DATE.] This section is effective for purchases
8 and sales made after June 30, 2001, and before ~~January 17, 2003~~
9 July 1, 2007.

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



Fibrominn Biomass Power Project

WHO: Fibrominn LLC owned by Pennsylvania based Fibrowatt LLC was formed to develop a power plant in Minnesota using a technology licensed from Fibrowatt Ltd.

Fibrowatt Ltd. is a UK-based company that has built the world's first three power plants fueled by poultry litter.

WHAT: Fibrominn is constructing the first power plant in the US that will use poultry litter as the primary source of fuel.

When operational in 2007, it will generate 50 MW of renewable energy.

WHERE: The Fibrominn facility is being built in Benson, located in the heart of the poultry-growing region of Minnesota.

WHY:

- Electricity will be sold to Xcel Energy (formerly NSP) which helps them meet their obligation to purchase 110 MW of biomass power under the Biomass Mandate.
- Provides the poultry industry with a year round alternative use for poultry litter generated from growing turkeys.
- Makes an investment of over \$200 million in greater Minnesota will create 29 new skilled jobs at the plant and 100-200 indirect jobs providing support services to the facility. Additionally, 300 construction jobs will be needed to construct the facility.
- Avoids more than 800,000 tons of carbon dioxide equivalent emissions from entering the atmosphere, equivalent to taking 500,000 cars off of Minnesota roads.

**PROJECT
STATUS:**

- All the federal, state, and local permits and approvals necessary to construct the facility have been obtained.
- A \$200 million financing package has been put in place with a group of insurance companies lead by Prudential and John Hancock.
- At the end of February 2005, the design and construction of the Fibrominn facility is approximately 10% complete.
- The Fibrominn facility will begin generating electricity in early 2007.

1 Senator Anderson from the Committee on Jobs, Energy and
2 Community Development, to which was referred

3 S.F. No. 1465: A bill for an act relating to taxation;
4 extending the construction date requirement applicable to a
5 property tax exemption for a biomass electric generation
6 facility; extending the duration of a sales tax exemption on
7 construction materials for a biomass electric generation
8 facility; amending Minnesota Statutes 2004, section 272.02,
9 subdivision 47; Laws 2001, First Special Session chapter 5,
10 article 12, section 67.

11 Reports the same back with the recommendation that the bill
12 do pass and be re-referred to the Committee on Taxes. Report
13 adopted.

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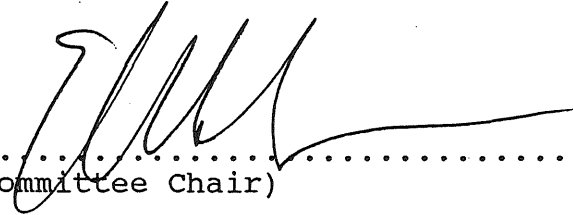
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.....
(Committee Chair)

March 30, 2005.....
(Date of Committee recommendation)

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Senate

State of Minnesota

S.F. No. 728 -Rural Minnesota Catch-Up Credit (First Engrossment)

Author: Senator Gary Kubly

Prepared by: Chris Turner, Senate Research (651/296-4350) CT

Date: March 28, 2005

The bill establishes a credit against the income tax of rural employers who create or retain certain jobs.

Section 1, subdivision 1, names the Rural Economic Growth Credit established in this section the "Catch-Up Credit."

Subdivision 2 defines "eligible county" and "qualifying job" for the purposes of the bill. "Eligible county" means a county that experienced, between 1991 and 2001, a net new job growth rate of less than 15.6 percent, or a county that has a population of less than 25,000. "Qualifying job" means a job in an industry that produces goods or services that bring outside wealth into an eligible county. At a minimum, a qualifying job must be full-time and pay no less than \$12 an hour, or \$10 with health insurance benefits.

Subdivision 3 awards a taxpayer a \$4,000 tax credit per qualifying job created each year for three years, and \$3,000 the fourth year.

Subdivision 4 establishes tax credit eligibility and application criteria. Qualifying jobs must be created within 12 months of being awarded a tax credit. Taxpayers seeking a credit must apply to an eligible county at least 60 days before the award date. Eligible counties shall award credits twice annually, by March 15 and September 15. Selection of applicants for awarding tax credits must be made by the county commissioners. Criteria for award selection shall include: whether the qualifying job provides higher wages, better benefits, or on-the-job training; whether the taxpayer's business is locally owned and owns, rather than leases, its own facilities; whether the taxpayer's business provides employee stock

ownership plans or profit-sharing; and whether a higher percentage of the business's employees are hired with tax credits under this section.

Subdivision 5 limits "Catch-Up" tax credits to \$150,000 per county over two years. The credit may be claimed for years in which the qualifying job was in existence for the entire year. Unawarded amounts may be carried forward from the first to the second year, but cancel after the second year. Provides that the tax credit is for, and attaches to, specific employees. If the employee for whom a credit is awarded leaves, the remaining credit cancels back to the county share.

Subdivision 6 provides that if the credit exceeds the tax liability of the taxpayer, the excess is paid to the claimant taxpayer. Creates an open appropriation from the general fund to pay such excess refunds.

Subdivision 7 allows the Commissioner of Revenue to prescribe the manner in which the credit may be issued and claimed.

Subdivision 8 requires the Commissioner of Revenue to report to the Legislature by February 15, 2008, on credits claimed under this section, and the feasibility and benefit of continuing the program.

Subdivision 9 provides a December 31, 2010, program sunset.

The bill is effective beginning taxable year 2006.

CT:vs

1 To: Senator Anderson, Chair
 2 Committee on Jobs, Energy and Community Development
 3 Senator Bakk,
 4 Chair of the Subcommittee on Economic Development and
 5 Tourism, to which was referred

6 S.F. No. 728: A bill for an act relating to taxation;
 7 income; providing for economic growth in rural counties of the
 8 state by allowing a credit against the income tax of an employer
 9 for the creation and retention of certain jobs; appropriating
 10 money; proposing coding for new law in Minnesota Statutes,
 11 chapter 290.

12 Reports the same back with the recommendation that the bill
 13 be amended as follows:

14 Page 1, line 22, after "forestry," insert "energy,"

15 Page 3, line 13, after the period, insert "The taxpayer may
 16 claim the credit under this section for years in which the
 17 qualifying job was in existence for the entire year."

18 Page 3, line 35, delete "2007" and insert "2008"

19 Page 4, line 5, delete "2009" and insert "2010"

20 And when so amended that the bill be recommended to pass
 21 and be referred to the full committee.

22
 23 (Subcommittee Chair)

25 March 21, 2005.....
 26 (Date of Subcommittee action)

Senators Kubly, Koering, Vickerman, Dille and Frederickson introduced--

S.F. No. 728: Referred to the Committee on Jobs, Energy and Community Development

1 A bill for an act

2 relating to taxation; income; providing for economic
3 growth in rural counties of the state by allowing a
4 credit against the income tax of an employer for the
5 creation and retention of certain jobs; appropriating
6 money; proposing coding for new law in Minnesota
7 Statutes, chapter 290.

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

9 Section 1. [290.681] [RURAL ECONOMIC GROWTH CREDIT.]

10 Subdivision 1. [CREDIT NAME.] The credit allowed by this
11 section shall be known as the "Rural Minnesota Catch-Up Credit."

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

14 (b) "Eligible county" means a county that experienced,
15 between 1991 and 2001, a net new job growth rate of less than
16 15.6 percent, or a county that has a population of less than
17 25,000 according to the 2000 census.

18 (c) "Qualifying job" means a job in an industry that
19 produces goods or services that bring outside wealth into an
20 eligible county. A qualifying job includes jobs in the
21 following industries: value-added manufacturing,
22 technologically innovative and information industries, forestry,
23 mining, agriprocessing, and tourism attractions. At a minimum,
24 a qualifying job must provide full-time employment and pay not
25 less than \$12 per hour, or \$10 per hour plus health insurance
26 benefits, or its equivalent. A qualifying job does not include

1 any job for which a tax credit is received under section 469.318
2 or for which a grant is made under section 469.309.

3 Subd. 3. [CREDIT ALLOWED.] A taxpayer that is awarded a
4 credit under subdivision 4 may take a credit against the tax
5 imposed by this chapter, equal to \$4,000 per qualifying job
6 created by the taxpayer, per year for three years and \$3,000 in
7 the fourth year.

8 Subd. 4. [QUALIFICATION; APPLICATION.] (a) To qualify for
9 a credit under this section, a taxpayer must create a new
10 qualifying job within an eligible county. The taxpayer must
11 create the qualifying job within 12 months of being awarded the
12 credit. If a taxpayer does not create the qualifying job within
13 12 months, the credit is forfeited and, if claimed by the
14 taxpayer, subject to recapture, and the credit amount accrues
15 back to the eligible county for allocation under subdivision 5.

16 (b) A taxpayer seeking a credit under this section must
17 make an application to an eligible county at least 60 days
18 before the award date in paragraph (c). Applications for a
19 credit shall be made on a form and in a manner prescribed by the
20 commissioner.

21 (c) Eligible counties shall award credits under this
22 section twice each year, by March 15 and September 15. An
23 eligible county shall publish a notice advertising the award
24 date at least 90 days before the date. Selection of applicants
25 for awarding tax credits under this section must be made by the
26 county board of commissioners of an eligible county, or the duly
27 appointed representatives of the county board of commissioners,
28 using uniform criteria established by the commissioner. In
29 selecting among applicants for awarding credits under this
30 section, criteria must contemplate and place greater weight on
31 the following factors: whether the qualifying job provides
32 higher wages, better benefits, or on-the-job training; whether
33 the taxpayer's business is locally owned and owns, rather than
34 leases, its own facilities or buildings; whether the taxpayer's
35 business provides employee stock ownership plans or employee
36 profit sharing; and whether a higher percentage of the

1 business's employees are hired with tax credits under this
2 section. For purposes of this section, "duly appointed
3 representatives" include a county or regional economic
4 development agency or authority.

5 Subd. 5. [LIMITATION; CARRYFORWARD.] (a) The total amount
6 of credits under this section may not exceed \$150,000 per
7 eligible county over two years. If a county fails to award
8 \$150,000 within a year, it may carry forward the amount that
9 remains unawarded to the following year. Unawarded amounts may
10 not be carried beyond the following year and are lost.

11 (b) A taxpayer may claim the credit under this section for
12 each year the new qualifying job remains in existence, up to a
13 maximum of four years or \$15,000 per qualifying job created. A
14 credit under this section is awarded to the taxpayer for, and
15 attaches to, a designated employee. If the designated employee
16 for whom a credit under this section was awarded leaves the
17 employment of the taxpayer for any reason, the remaining credit
18 the taxpayer would otherwise be eligible to receive is forfeited
19 and may not be claimed by the taxpayer. Credit amounts
20 forfeited under this paragraph accrue back to and may be awarded
21 by an eligible county as if the amount had been unawarded, as
22 provided in paragraph (a).

23 Subd. 6. [CREDIT REFUNDABLE.] If the amount of credit that
24 the taxpayer is eligible to receive under this section exceeds
25 the liability for tax under this chapter, the commissioner shall
26 refund the excess to the claimant. An amount sufficient to pay
27 the refunds authorized by this subdivision is appropriated to
28 the commissioner from the general fund.

29 Subd. 7. [MANNER OF CLAIMING.] The commissioner shall
30 prescribe the manner in which the credit may be issued and
31 claimed. This may include providing for the issuance of credit
32 certificates or allowing the credit only as a separately
33 processed claim for a refund.

34 Subd. 8. [REPORT.] The commissioner shall report to the
35 legislature by February 15, 2007, on credits claimed under this
36 section and shall evaluate the feasibility and benefit of

1 continuing the program. The commissioner may consult with the
2 commissioner of employment and economic development in preparing
3 this report.

4 Subd. 9. [EXPIRATION.] This section expires for taxable
5 years beginning after December 31, 2009.

6 [EFFECTIVE DATE.] This section is effective for taxable
7 years beginning after December 31, 2005.

1 Senator Anderson from the Committee on Jobs, Energy and
2 Community Development, to which was referred

3 S.F. No. 728: A bill for an act relating to taxation;
4 income; providing for economic growth in rural counties of the
5 state by allowing a credit against the income tax of an employer
6 for the creation and retention of certain jobs; appropriating
7 money; proposing coding for new law in Minnesota Statutes,
8 chapter 290.

9 Reports the same back with the recommendation that the bill
10 be amended as follows:

11 Page 1, line 22, after "forestry," insert "energy,"

12 Page 3, line 13, after the period, insert "The taxpayer may
13 claim the credit under this section for years in which the
14 qualifying job was in existence for the entire year."

15 Page 3, line 35, delete "2007" and insert "2008"

16 Page 4, line 5, delete "2009" and insert "2010"

17 And when so amended the bill do pass and be re-referred to
18 the Committee on Taxes. Amendments adopted. Report adopted.

19

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.....
(Committee Chair)

March 30, 2005.....
(Date of Committee recommendation)

1 To: Senator Anderson, Chair
 2 Committee on Jobs, Energy and Community Development
 3 Senator Bakk,
 4 Chair of the Subcommittee on Economic Development and
 5 Tourism, to which was referred

6 S.F. No. 1495: A bill for an act relating to the city of
 7 Taylors Falls; authorizing the city of Taylors Falls to
 8 establish and exercise border city development zone powers.

9 Reports the same back with the recommendation that the bill
 10 do pass and be referred to the full committee.

11

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.....
 (Subcommittee Chair)

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March 21, 2005.....
 (Date of Subcommittee action)

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**Senate Counsel, Research,
and Fiscal Analysis**

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DIRECTOR

Senate

State of Minnesota

**S.F. No. 1495 -Taylors Falls Border City Development Zone
Designation**

Author: Senator Sean Nienow

Prepared by: Chris Turner, Senate Research (651/296-4350) CT

Date: March 28, 2005

Section 1 authorizes the governing body of the city of Taylors Falls to designate all or part of the city as a border city development zone under Minnesota Statutes, sections 469.1731 to 469.1735. Limits the cumulative total amount of state tax reductions for Taylors Falls under the Border City Development Zone program to \$100,000. Allows the Commissioner of Revenue to waive the limit under the rules and standards of Minnesota Statutes, section 469.169, subdivision 12, paragraph (b).

Section 2 provides an effective date upon local approval.

CT:vs

Senator Nienow introduced--

S.F. No. 1495: Referred to the Committee on Jobs, Energy and Community Development.

1 A bill for an act
2 relating to the city of Taylors Falls; authorizing the
3 city of Taylors Falls to establish and exercise border
4 city development zone powers.

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

6 Section 1. [CITY OF TAYLORS FALLS; BORDER CITY DEVELOPMENT
7 ZONE.]

8 Subdivision 1. [AUTHORIZATION.] The governing body of the
9 city of Taylors Falls may designate all or any part of the city
10 as a border city development zone.

11 Subd. 2. [APPLICATION OF GENERAL LAW.] (a) Minnesota
12 Statutes, sections 469.1731 to 469.1735, apply to the border
13 city development zones designated under this section. The
14 governing body of the city may exercise the powers granted under
15 Minnesota Statutes, sections 469.1731 to 469.1735, including
16 powers that apply outside of the zones.

17 (b) The allocation under subdivision 3 for purposes of
18 Minnesota Statutes, section 469.1735, subdivision 2, is
19 appropriated to the commissioner of revenue.

20 Subd. 3. [ALLOCATION OF STATE TAX REDUCTIONS.] (a) The
21 cumulative total amount of the state portion of the tax
22 reductions for all years of the program under Minnesota
23 Statutes, sections 469.1731 to 469.1735, for the city of Taylors
24 Falls, is limited to \$100,000.

25 (b) This allocation may be used for tax reductions provided

1 in Minnesota Statutes, section 469.1732 or 469.1734, or for
2 reimbursements under Minnesota Statutes, section 469.1735,
3 subdivision 3, but only if the governing body of the city of
4 Taylor Falls determines that the tax reduction or offset is
5 necessary to enable a business to expand within the city or to
6 attract a business to the city.

7 (c) The commissioner of revenue may waive the limit under
8 this subdivision using the same rules and standards provided in
9 Minnesota Statutes, section 469.169, subdivision 12, paragraph
10 (b).

11 Sec. 2. [EFFECTIVE DATE; LOCAL APPROVAL.]

12 Section 1 is effective upon approval by the governing body
13 of the city of Taylor Falls and upon timely compliance by the
14 city with Minnesota Statutes, section 645.021.

1 Senator Anderson from the Committee on Jobs, Energy and
2 Community Development, to which was referred

3 S.F. No. 1495: A bill for an act relating to the city of
4 Taylors Falls; authorizing the city of Taylors Falls to
5 establish and exercise border city development zone powers.

6 Reports the same back with the recommendation that the bill
7 do pass and be re-referred to the Committee on Taxes. Report
8 adopted.

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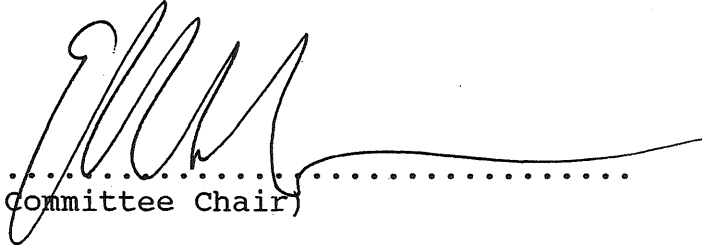
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.....
(Committee Chair)

March 30, 2005.....
(Date of Committee recommendation)

**Senate Counsel, Research,
and Fiscal Analysis**

G-17 STATE CAPITOL
75 REV. DR. MARTIN LUTHER KING, JR. BLVD.
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Senate

State of Minnesota

S.F. No. 526 - Employer Wage Assistance Grants Program

Author: Senator Steve Murphy

Prepared by: Chris Turner, Senate Research (651/296-4350) CT

Date: March 28, 2005

Section 1 defines terms for the purposes of the bill. "Commissioner" is the Commissioner of Economic Development and "metropolitan area" is the seven-county area over which the Metropolitan Council has jurisdiction, as defined in Minnesota Statutes, section 473.121, subdivision 2.

Section 2, subdivision 1, creates a grant program to subsidize wages and benefits for eligible jobs outside the metropolitan area for the purpose of retaining manufacturing jobs in out-state Minnesota.

Subdivision 2 provides that employers are eligible for the program if they can show that they would not be able to retain jobs without a grant to offset competitive labor costs that are not subject to the federal minimum wage requirement.

Subdivision 3 requires that eligible jobs must pay a total compensation package equal to or greater than 110 percent of the federal poverty guidelines for a family of four.

Subdivision 4 requires the commissioner to provide applications for the program upon request. Applications must specifically identify and prove employer and job eligibility.

Subdivision 5 provides the following grant award criteria:

- the likelihood that jobs will be retained because of a subsidy;
- the effect of the job retention on the community where the jobs are located and surrounding area;

- the availability of other jobs at similar wage benefit levels in the locale; and
- the economic viability of the applicant business.

Subdivision 6 limits grants to individual employers to \$4 million and grants for individual jobs to \$10,400. Also limits the length of the subsidy to 48 months.

Subdivision 7 gives the commissioner the authority to audit the grantee.

Subdivision 8 specifies repayment procedures in cases where the grant is either unused or is used for ineligible purposes.

Section 3 appropriates \$4 million from the general fund to the Commissioner of Employment and Economic Development for the purposes of the bill.

CT:dv

Senators Murphy, Sams, Higgins, Anderson and Bakk introduced--
S.F. No. 526: Referred to the Committee on Jobs, Energy and Community Development.

1 A bill for an act

2 relating to economic development; creating a program
3 to retain manufacturing jobs in Minnesota;
4 appropriating money; proposing coding for new law in
5 Minnesota Statutes, chapter 116J.

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

7 Section 1. [116J.671] [DEFINITIONS.]

8 Subdivision 1. [DEFINITIONS.] For the purposes of this
9 section and section 116J.672, the terms defined in this section
10 have the meanings given them.

11 Subd. 2. [COMMISSIONER.] "Commissioner" means the
12 commissioner of employment and economic development.

13 Subd. 3. [METROPOLITAN AREA.] "Metropolitan area" has the
14 meaning given in section 473.121, subdivision 2.

15 Sec. 2. [116J.672] [EMPLOYER WAGE ASSISTANCE GRANTS.]

16 Subdivision 1. [PROGRAM CREATED.] The commissioner may
17 make grants to eligible employers as described in subdivision 2
18 to subsidize wages and benefits for eligible jobs as described
19 in subdivision 3 for the purpose of retaining manufacturing jobs
20 in Minnesota if the commissioner finds that the jobs will not be
21 retained without the subsidy. Grants may only be used for jobs
22 located in Minnesota outside of the metropolitan area.

23 Subd. 2. [ELIGIBLE EMPLOYERS.] An employer is eligible to
24 apply to the commissioner for a grant under this section if the
25 employer can show that it will not be able to retain jobs

1 without a grant because it is in a short-term competitive
2 downturn because of lower labor costs that are not subject to
3 federal minimum wage requirements.

4 Subd. 3. [ELIGIBLE JOBS.] To be eligible for a grant under
5 this section, a job must pay total compensation, including
6 benefits not mandated by law, on an annualized basis equal to or
7 greater than 110 percent of the federal poverty guidelines for a
8 family of four.

9 Subd. 4. [GRANT APPLICATION PROCESS.] The commissioner
10 shall operate a grant application process and provide
11 application forms to employers upon request. The application
12 must specifically identify each job for which a grant is sought
13 and facts sufficient to demonstrate that the employer is an
14 eligible employer under subdivision 2 and the job is an eligible
15 job under subdivision 3.

16 Subd. 5. [GRANT CRITERIA.] The commissioner shall award
17 grants based on the following criteria:

18 (1) the likelihood that jobs will be retained because of a
19 subsidy;

20 (2) the effect of the job retention on the community where
21 the jobs are located and surrounding area;

22 (3) the availability of other jobs at similar wage and
23 benefit levels in the locale; and

24 (4) that the grant is prudent based on the economic
25 viability of the business based on historical financial
26 information, business plans, cash flow projections, current
27 orders, and other information the commissioner may request.

28 Subd. 6. [GRANT AWARDS.] An employer may not receive more
29 than \$4,000,000 in grants. A grant for one job may not exceed
30 \$10,400, consisting of a maximum of \$4 an hour in wage subsidy
31 and a maximum of \$1 an hour in benefits subsidy. A grant for a
32 particular job may not be for a period exceeding 48 consecutive
33 months. The commissioner may award a grant for less than the
34 per employer or per employee maximum and for less than 48 months
35 if the commissioner determines a lower amount or lesser duration
36 award will achieve the desired job retention. A grant must be

1 matched by equal cost-saving efforts of the employer other than
2 through job or wage reductions.

3 Subd. 7. [AUDITS, EXAMINATIONS, INSPECTIONS.] The
4 commissioner may make audits, examinations, and inspections of
5 the books, records, and facilities of an employer necessary to
6 ensure the proper use of grant funds. An employer must, as a
7 condition of receiving a grant, agree to cooperate in those
8 audits, examinations, and inspections.

9 Subd. 8. [REPAYMENT OF GRANT.] An employer must certify,
10 under oath, that grants are used for the jobs specified in the
11 application. If the job for which a grant is received is not
12 filled by an employee, the grant must be repaid to the extent
13 the job was not filled during the grant period. If the job was
14 unfilled at any time within six months of the last day that a
15 job grant was used for a subsidy, the employer must repay the
16 entire grant unless the commissioner determines that the job was
17 not filled due to circumstances beyond the employer's control.
18 Money repaid to the commissioner must be deposited in the
19 general fund and is reappropriated to the commissioner for the
20 purposes of this section.

21 Sec. 3. [APPROPRIATION.]

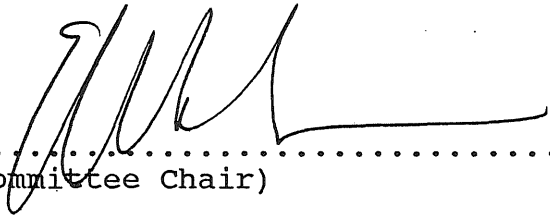
22 \$2,000,000 in fiscal year 2006 and \$2,000,000 in fiscal
23 year 2007 are appropriated from the general fund to the
24 commissioner of employment and economic development for the
25 purposes of Minnesota Statutes, section 116J.672.

1 Senator Anderson from the Committee on Jobs, Energy and
2 Community Development, to which was referred

3 S.F. No. 526: A bill for an act relating to economic
4 development; creating a program to retain manufacturing jobs in
5 Minnesota; appropriating money; proposing coding for new law in
6 Minnesota Statutes, chapter 116J.

7 Reports the same back with the recommendation that the bill
8 do pass and be re-referred to the Committee on Finance. Report
9 adopted.

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(Committee Chair)

March 30, 2005.....
(Date of Committee recommendation)

1 To: Senator Anderson, Chair
 2 Committee on Jobs, Energy and Community Development
 3 Senator Bakk,
 4 Chair of the Subcommittee on Economic Development and
 5 Tourism, to which was referred

6 S.F. No. 677: A bill for an act relating to economic
 7 development; providing for the reopening of certain historical
 8 sites; appropriating money.

9 Reports the same back with the recommendation that the bill
 10 do pass and be referred to the full committee.

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 (Subcommittee Chair)

March 21, 2005.....
 (Date of Subcommittee action)

**Senate Counsel, Research,
and Fiscal Analysis**

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State of Minnesota

S.F. No. 677 -Historical Sites Operation Appropriation

Author: Senator Gary Kubly

Prepared by: Chris Turner, Senate Research (651/296-4350) *CT*

Date: March 28, 2005

The bill is a blank onetime appropriation from the general fund to the Minnesota Historical Society for the operation of the following historical sites during the calendar years 2005 and 2006:

- Kelley Farm;
- Hill House;
- Lower Sioux Agency;
- Fort Ridgely;
- Historic Forestville;
- Forest History Center; and
- Comstock House.

The bill is effective the day following final enactment.

CT:vs

Senators Kubly, Kierlin, Jungbauer Saxhaug and Pappas introduced--

S.F. No. 677: Referred to the Committee on Jobs, Energy and Community Development.

1 A bill for an act

2 relating to economic development; providing for the
3 reopening of certain historical sites; appropriating
4 money.

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

6 Section 1. [APPROPRIATION.]

7 \$..... is appropriated from the general fund to the
8 Minnesota Historical Society for operation of the following
9 historical sites in 2005 and 2006: Kelley Farm, Hill House,
10 Lower Sioux Agency, Fort Ridgely, Historic Forestville, the
11 Forest History Center, and the Comstock House. This is a
12 onetime appropriation and is not to be added to the society's
13 base.

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

1 Senator Anderson from the Committee on Jobs, Energy and
2 Community Development, to which was referred

3 S.F. No. 677: A bill for an act relating to economic
4 development; providing for the reopening of certain historical
5 sites; appropriating money.

6 Reports the same back with the recommendation that the bill
7 do pass and be re-referred to the Committee on Finance. Report
8 adopted.

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(Committee Chair)

March 30, 2005.....
(Date of Committee recommendation)

1 To: Senator Anderson, Chair
 2 Committee on Jobs, Energy and Community Development
 3 Senator Kubly,
 4 Chair of the Subcommittee on Energy, to which was referred

5 S.F. No. 1784: A bill for an act relating to taxation;
 6 property; exempting certain property of an electric generation
 7 facility; amending Minnesota Statutes 2004, section 272.02, by
 8 adding a subdivision.

9 Reports the same back with the recommendation that the bill
 10 do pass and be referred to the full committee.

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.....
 (Subcommittee Chair)

March 21, 2005.....
 (Date of Subcommittee action)

Senator Murphy introduced--

S.F. No. 1784: Referred to the Committee on Jobs, Energy and Community Development.

1 A bill for an act

2 relating to taxation; property; exempting certain
3 property of an electric generation facility; amending
4 Minnesota Statutes 2004, section 272.02, by adding a
5 subdivision.

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

7 Section 1. Minnesota Statutes 2004, section 272.02, is
8 amended by adding a subdivision to read:

9 Subd. 68. [ELECTRIC GENERATION FACILITY; PERSONAL
10 PROPERTY.] (a) Notwithstanding subdivision 9, clause (a),
11 attached machinery and other personal property which is part of
12 a simple-cycle combustion-turbine electric generation facility
13 that exceeds 290 megawatts of installed capacity and that meets
14 the requirements of this subdivision is exempt. At the time of
15 construction, the facility must:

16 (1) be designed to utilize natural gas as a primary fuel;

17 (2) not be owned by a public utility as defined in section
18 216B.02, subdivision 4;

19 (3) be located within 15 miles of the mainline existing
20 interstate natural gas pipeline and within five miles of an
21 existing electrical transmission substation;

22 (4) be located outside the metropolitan area as defined
23 under section 473.121, subdivision 2; and

24 (5) be designed to provide peaking capacity energy and
25 ancillary services and have satisfied all of the requirements

Senator Murphy introduced--

S.F. No. 1784: Referred to the Committee on Jobs, Energy and Community Development.

1 A bill for an act

2 relating to taxation; property; exempting certain
3 property of an electric generation facility; amending
4 Minnesota Statutes 2004, section 272.02, by adding a
5 subdivision.

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

7 Section 1. Minnesota Statutes 2004, section 272.02, is
8 amended by adding a subdivision to read:

9 Subd. 68. [ELECTRIC GENERATION FACILITY; PERSONAL
10 PROPERTY.] (a) Notwithstanding subdivision 9, clause (a),
11 attached machinery and other personal property which is part of
12 a simple-cycle combustion-turbine electric generation facility
13 that exceeds 290 megawatts of installed capacity and that meets
14 the requirements of this subdivision is exempt. At the time of
15 construction, the facility must:

16 (1) be designed to utilize natural gas as a primary fuel;

17 (2) not be owned by a public utility as defined in section
18 216B.02, subdivision 4;

19 (3) be located within 15 miles of the mainline existing
20 interstate natural gas pipeline and within five miles of an
21 existing electrical transmission substation;

22 (4) be located outside the metropolitan area as defined
23 under section 473.121, subdivision 2; and

24 (5) be designed to provide peaking capacity energy and
25 ancillary services and have satisfied all of the requirements

1 Senator Anderson from the Committee on Jobs, Energy and
2 Community Development, to which was referred

3 S.F. No. 1784: A bill for an act relating to taxation;
4 property; exempting certain property of an electric generation
5 facility; amending Minnesota Statutes 2004, section 272.02, by
6 adding a subdivision.

7 Reports the same back with the recommendation that the bill
8 do pass and be re-referred to the Committee on Taxes. Report
9 adopted.

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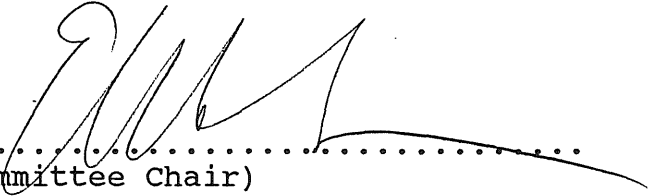
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.....
(Committee Chair)

March 30, 2005.....
(Date of Committee recommendation)

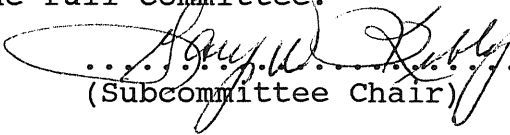
1 To: Senator Anderson, Chair
 2 Committee on Jobs, Energy and Community Development
 3 Senator Kubly,
 4 Chair of the Subcommittee on Energy, to which was referred

5 S.F. No. 969: A bill for an act relating to renewable fuel
 6 use by state departments; clarifying the state's policy of
 7 minimizing energy use and requiring renewable fuels wherever
 8 appropriate; proposing coding for new law in Minnesota Statutes,
 9 chapter 16C.

10 Reports the same back with the recommendation that the bill
 11 be amended as follows:

12 Page 2, line 7, delete "75" and insert "100"

13 And when so amended that the bill be recommended to pass
 14 and be referred to the full committee.

15 .....
 16 (Subcommittee Chair)

17
 18 March 11, 2005.....
 19 (Date of Subcommittee action)

Senator Vickerman introduced--

S.F. No. 969: Referred to the Committee on Jobs, Energy and Community Development.

1 A bill for an act

2 relating to renewable fuel use by state departments;
3 clarifying the state's policy of minimizing energy use
4 and requiring renewable fuels wherever appropriate;
5 proposing coding for new law in Minnesota Statutes,
6 chapter 16C.

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

8 Section 1. [16C.137] [MINIMIZING ENERGY USE; RENEWABLE
9 FUELS.]

10 Subdivision 1. [LEGISLATIVE FINDINGS.] The legislature
11 finds that increased use of agricultural renewable fuels such as
12 ethanol, biodiesel, and hydrogen made from agricultural products
13 will reduce Minnesota's dependence on imported oil and help
14 protect our environment while providing enormous benefit to
15 Minnesota's rural communities and agricultural economy.
16 Furthermore, Minnesota has a unique economic advantage in the
17 ability to produce clean, renewable, domestic fuels and
18 Minnesota leads the nation in the production and use of ethanol
19 and biodiesel. State agencies need to be urged, once again, to
20 use cleaner fuels like ethanol, biodiesel, and hydrogen in state
21 vehicles, and to purchase vehicles capable of being powered by
22 these cleaner fuels as required by section 16C.135.

23 Subd. 2. [GOALS AND ACTIONS.] (a) Using 2005 as a
24 baseline, the state of Minnesota shall reduce the use of
25 gasoline by on-road vehicles owned by state departments by 25
26 percent by 2010 and by 50 percent by 2015, and the use of

1 petroleum-based diesel fuel in diesel-fueled vehicles by ten
2 percent by 2010 and 25 percent by 2015.

3 (b) To meet the goals established in paragraph (a), each
4 state department will, whenever legally, technically, and
5 economically feasible, subject to the specific needs of the
6 department and responsible management of agency finances:

7 (1) ensure that at least 75 percent of purchases of new
8 on-road vehicles, excluding emergency and law enforcement
9 vehicles:

10 (i) use "cleaner fuels" as that term is defined in section
11 16C.135, subdivision 1, clauses (1), (3), and (4); or

12 (ii) have fuel efficiency ratings that exceed 30 miles per
13 gallon for city usage or 35 miles per gallon for highway usage,
14 including but not limited to hybrid electric cars and
15 hydrogen-powered vehicles;

16 (2) increase its use of renewable transportation fuels,
17 including ethanol, biodiesel, and hydrogen from agricultural
18 products; and

19 (3) increase its use of Web-based Internet applications and
20 other electronic information technologies to enhance the access
21 to and delivery of government information and services to the
22 public, and reduce the reliance on the department's fleet for
23 the delivery of such information and services.

24 Subd. 3. [SMARTFLEET COMMITTEE.] (a) The commissioner of
25 administration, or the commissioner's designee, shall chair a
26 SmartFleet Committee consisting of representatives designated by
27 the commissioners of the Pollution Control Agency, the
28 Departments of Agriculture and Commerce, and other state
29 departments that wish to participate. To ensure effective and
30 efficient state participation, the SmartFleet Committee must
31 assist state departments in implementing the requirements of
32 this section, including providing information, guidance, sample
33 policies and procedures, and technical and planning assistance.

34 (b) The SmartFleet Committee must evaluate the goals and
35 directives established in this section by December 2006 and
36 periodically thereafter. The committee may make recommendations

1 to the governor and appropriate committees of the legislature
2 for new or adjusted goals and directives, in light of the
3 progress the state has made implementing this section, and of
4 the availability of new or improved technologies.

5 (c) For the systematic and efficient monitoring of progress
6 in implementing this section by the SmartFleet Committee, the
7 Department of Administration shall implement a fleet reporting
8 and information management system. Each department will use
9 this management system to demonstrate its progress in complying
10 with this section.

11 Subd. 4. [EXCLUSION.] Petroleum-based diesel fuel used in
12 a vehicle which a department has retrofit to use ultra low
13 sulfur diesel fuel and to add additional emissions control
14 technologies is excluded when evaluating progress toward the
15 reduction goals established in subdivision 2. This exclusion
16 applies only to vehicles purchased before the model year in
17 which the federal Environmental Protection Agency's new clean
18 diesel emission reduction rules take effect.

19 Sec. 2. [EFFECTIVE DATE.]

20 Section 1 is effective the day following final enactment.

1 Senator Anderson from the Committee on Jobs, Energy and
2 Community Development, to which was referred

3 S.F. No. 969: A bill for an act relating to renewable fuel
4 use by state departments; clarifying the state's policy of
5 minimizing energy use and requiring renewable fuels wherever
6 appropriate; proposing coding for new law in Minnesota Statutes,
7 chapter 16C.

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

10 Page 2, line 4, delete "will" and insert "must"

11 Page 2, line 7, delete "at least 75 percent of purchases
12 of" and insert "all"

13 Page 2, line 8, after "vehicles" insert "purchased"

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

16
17 (Committee Chair)

18
19 March 30, 2005.....
20 (Date of Committee recommendation)

1 To: Senator Anderson, Chair
2 Committee on Jobs, Energy and Community Development
3 Senator Bakk,
4 Chair of the Subcommittee on Economic Development and
5 Tourism, to which was referred

6 S.F. No. 1564: A bill for an act relating to economic
7 development; modifying provisions relating to job opportunity
8 building zones and biotechnology and health sciences industry
9 zone; amending Minnesota Statutes 2004, sections 272.02,
10 subdivision 64; 289A.56, by adding a subdivision; 297A.68,
11 subdivisions 37, 38; 469.310, subdivision 11, by adding a
12 subdivision; 469.316; 469.317; 469.319, subdivision 1, by adding
13 a subdivision; 469.320, subdivision 3; 469.330, subdivision 11;
14 469.337; 469.340, subdivision 1; repealing Minnesota Statutes
15 2004, sections 272.02, subdivision 65; 477A.08.

16 Reports the same back with the recommendation that the bill
17 be amended as follows:

18 Page 4, delete lines 34 and 35

19 Page 4, line 36, delete "(2)" and insert "(1)"

20 Page 5, line 1, delete "(3)" and insert "(2)"

21 Page 5, line 3, delete "(4)" and insert "(3)"

22 Page 5, line 5, delete "(5)" and insert "(4)"

23 Page 5, line 7, delete "(6)" and insert "(5)"

24 Page 5, line 9, delete "(7)" and insert "(6)"

25 Page 5, line 11, delete "(8)" and insert "(7)"

26 Page 6, after line 8, insert:

27 "(g) A qualifying business must pay each employee
28 compensation, including benefits not mandated by law, that on an
29 annualized basis is equal to at least 110 percent of the federal
30 poverty level for a family of four."

31 And when so amended that the bill be recommended to pass
32 and be referred to the full committee.

33
34 (Subcommittee Chair)

35
36 March 21, 2005.....
37 (Date of Subcommittee action)

Senators Bakk, Rosen, Saxhaug, Senjem and Vickerman introduced--

S.F. No. 1564: Referred to the Committee on Jobs, Energy and Community Development.

1 A bill for an act

2 relating to economic development; modifying provisions
3 relating to job opportunity building zones and
4 biotechnology and health sciences industry zone;
5 amending Minnesota Statutes 2004, sections 272.02,
6 subdivision 64; 289A.56, by adding a subdivision;
7 297A.68, subdivisions 37, 38; 469.310, subdivision 11,
8 by adding a subdivision; 469.316; 469.317; 469.319,
9 subdivision 1, by adding a subdivision; 469.320,
10 subdivision 3; 469.330, subdivision 11; 469.337;
11 469.340, subdivision 1; repealing Minnesota Statutes
12 2004, sections 272.02, subdivision 65; 477A.08.

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

14 Section 1. Minnesota Statutes 2004, section 272.02,
15 subdivision 64, is amended to read:

16 Subd. 64. [JOB OPPORTUNITY BUILDING ZONE PROPERTY.] (a)
17 Improvements to real property, and personal property, classified
18 under section 273.13, subdivision 24, and located within a job
19 opportunity building zone, designated under section 469.314, are
20 exempt from ad valorem taxes levied under chapter 275.

21 (b) Improvements to real property, and tangible personal
22 property, of an agricultural production facility located within
23 an agricultural processing facility zone, designated under
24 section 469.314, is exempt from ad valorem taxes levied under
25 chapter 275.

26 (c) For property to qualify for exemption under paragraph
27 (a), the occupant must be a qualified business, as defined in
28 section 469.310.

29 (d) The exemption applies beginning for the first

1 assessment year after designation of the job opportunity
2 building zone by the commissioner of employment and economic
3 development. The exemption applies to each assessment year that
4 begins during the duration of the job opportunity building zone
5 and-to-property. To be exempt, the property must be occupied by
6 July 1 of the assessment year by a qualified business that has
7 signed the business subsidy agreement and relocation agreement,
8 if required, by July 1 of the assessment year. This exemption
9 does not apply to:

10 (1) the levy under section 475.61 or similar levy
11 provisions under any other law to pay general obligation bonds;
12 or

13 (2) a levy under section 126C.17, if the levy was approved
14 by the voters before the designation of the job opportunity
15 building zone.

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

18 Sec. 2. Minnesota Statutes 2004, section 289A.56, is
19 amended by adding a subdivision to read:

20 Subd. 7. [BIOTECHNOLOGY AND HEALTH SCIENCES INDUSTRY ZONE
21 REFUNDS.] Notwithstanding subdivision 3, for refunds payable
22 under section 297A.68, subdivision 38, interest is computed from
23 90 days after the refund claim is filed with the commissioner.

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

26 Sec. 3. Minnesota Statutes 2004, section 297A.68,
27 subdivision 37, is amended to read:

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

33 (b) Purchase and use of construction materials and,
34 supplies for, or equipment used or consumed in the construction
35 of improvements to real property in a job opportunity building
36 zone are exempt if the improvements after completion of

1 construction are to be used in the conduct of a qualified
2 business, as defined in section 469.310. This exemption applies
3 regardless of whether the purchases are made by the business or
4 a contractor.

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

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

10 (e) The lease of a motor vehicle by a qualified business,
11 as defined in section 469.310, is exempt if the motor vehicle is
12 principally garaged in the job opportunity building zone and is
13 primarily used as part of or in direct support of the business's
14 operations carried on in the job opportunity building zone.

15 [EFFECTIVE DATE.] This section is effective for leases
16 entered into or sales made after December 31, 2003.

17 Sec. 4. Minnesota Statutes 2004, section 297A.68,
18 subdivision 38, is amended to read:

19 Subd. 38. [BIOTECHNOLOGY AND HEALTH SCIENCES INDUSTRY
20 ZONE.] (a) Purchases of tangible personal property or taxable
21 services by a qualified business, as defined in section 469.330,
22 are exempt if the property or services are primarily used or
23 consumed in a biotechnology and health sciences industry zone
24 designated under section 469.334.

25 (b) Purchase and use of construction materials and,
26 supplies for, or equipment used or consumed in the construction
27 of improvements to real property in a biotechnology and health
28 sciences industry zone are exempt if the improvements after
29 completion of construction are to be used in the conduct of a
30 qualified business, as defined in section 469.330. This
31 exemption applies regardless of whether the purchases are made
32 by the business or a contractor.

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

36 (d)(1) The tax on sales of goods or services exempted under

1 this subdivision are imposed and collected as if the applicable
2 rate under section 297A.62 applied. Upon application by the
3 purchaser, on forms prescribed by the commissioner, a refund
4 equal to the tax paid must be paid to the purchaser. The
5 application must include sufficient information to permit the
6 commissioner to verify the sales tax paid and the eligibility of
7 the claimant to receive the credit. No more than two
8 applications for refunds may be filed under this subdivision in
9 a calendar year. The provisions of section 289A.40 apply to the
10 refunds payable under this subdivision.

11 (2) The amount required to make the refunds is annually
12 appropriated to the commissioner of revenue.

13 (3) The aggregate amount refunded to a qualified business
14 must not exceed the amount allocated to the qualified business
15 under section 469.335.

16 (e) This subdivision applies only to sales made during the
17 duration of the designation of the zone.

18 [EFFECTIVE DATE.] This section is effective for sales made
19 after December 31, 2003.

20 Sec. 5. Minnesota Statutes 2004, section 469.310,
21 subdivision 11, is amended to read:

22 Subd. 11. [QUALIFIED BUSINESS.] (a) "Qualified-business"
23 means A person carrying on a trade or business at a place of
24 business located within a job opportunity building zone is a
25 qualified business for the purposes of sections 469.310 to
26 469.320 according to the criteria in paragraphs (b) to (f).

27 (b) A person is a qualified business only on those parcels
28 of land for which the person has entered into a business subsidy
29 agreement, as required under section 469.313, with the
30 appropriate local government unit in which the parcels are
31 located.

32 (c) Prior to execution of the business subsidy agreement,
33 the local government unit must consider the following factors:

34 (1) how wages plus benefits compare to 110 percent of the
35 statewide poverty rate for a family of four;

36 (2) how wages compare to the regional industry average;

1 (3) the number of jobs that will be provided relative to
2 overall employment in the community;

3 (4) the economic outlook for the industry the business will
4 engage in;

5 (5) sales that will be generated from outside the state of
6 Minnesota;

7 (6) how the business will build on existing regional
8 strengths or diversify the regional economy;

9 (7) how the business will increase capital investment in
10 the zone; and

11 (8) any other criteria the commissioner deems necessary.

12 ~~(b)~~ (d) A person that relocates a trade or business from
13 outside a job opportunity building zone into a zone is not a
14 qualified business, unless the business meets all of the
15 requirements of paragraphs (b) and (c) and:

16 ~~(i)~~ increases full-time employment in the first full
17 year of operation within the job opportunity building zone by at
18 least a minimum of five jobs or 20 percent, whichever is
19 greater, measured relative to the operations that were relocated
20 and maintains the required level of employment for each year the
21 zone designation applies; or

22 ~~(ii)-makes-a-capital-investment-in-the-property-located~~
23 ~~within-a-zone-equivalent-to-ten-percent-of-the-gross-revenues-of~~
24 ~~operation-that-were-relocated-in-the-immediately-preceding~~
25 ~~taxable-year; and~~

26 (2) enters a binding written agreement with the
27 commissioner that:

28 (i) pledges the business will meet the requirements of
29 clause (1);

30 (ii) provides for repayment of all tax benefits enumerated
31 under section 469.315 to the business under the procedures in
32 section 469.319, if the requirements of clause (1) are not met
33 for the taxable year or for taxes payable during the year in
34 which the requirements were not met; and

35 (iii) contains any other terms the commissioner determines
36 appropriate.

1 (e) The commissioner may waive the requirements under
2 paragraph (d), clause (1), if the commissioner determines that
3 the qualified business will substantially achieve the factors
4 under this subdivision.

5 (f) A business is not a qualified business if, at its
6 location or locations in the zone, the business is primarily
7 engaged in making retail sales to purchasers who are physically
8 present at the business's zone location.

9 [EFFECTIVE DATE.] This section is effective the day
10 following final enactment and applies to any business entering a
11 business subsidy agreement for a job opportunity development
12 zone after that date, except that paragraph (b) is effective
13 retroactively from June 9, 2003.

14 Sec. 6. Minnesota Statutes 2004, section 469.310, is
15 amended by adding a subdivision to read:

16 Subd. 13. [RELOCATION PAYROLL PERCENTAGE.] "Relocation
17 payroll percentage" is a fraction, the numerator of which is the
18 zone payroll of the business for the tax year minus the payroll
19 from the relocated operations in the last full year of
20 operations prior to the relocation, and the denominator of which
21 is the zone payroll of the business for the tax year. The
22 relocation payroll percentage of a business that is not a
23 relocating business is 100 percent.

24 [EFFECTIVE DATE.] This section is effective the day
25 following final enactment but applies only to qualified
26 businesses with business subsidy agreements that are fully
27 executed after June 30, 2005.

28 Sec. 7. Minnesota Statutes 2004, section 469.316, is
29 amended to read:

30 469.316 [INDIVIDUAL INCOME TAX EXEMPTION.]

31 Subdivision 1. [APPLICATION.] An individual, estate, or
32 trust operating a trade or business in a job opportunity
33 building zone, and an individual, estate, or trust making a
34 qualifying investment in a qualified business operating in a job
35 opportunity building zone qualifies for the exemptions from
36 taxes imposed under chapter 290, as provided in this section.

1 The exemptions provided under this section apply only to the
2 extent that the income otherwise would be taxable under chapter
3 290. Subtractions under this section from federal taxable
4 income, alternative minimum taxable income, or any other base
5 subject to tax are limited to the amount that otherwise would be
6 included in the tax base absent the exemption under this
7 section. This section applies only to taxable years beginning
8 during the duration of the job opportunity building zone.

9 Subd. 2. [RENTS.] An individual, estate, or trust is
10 exempt from the taxes imposed under chapter 290 on net rents
11 derived from real or tangible personal property used by a
12 qualified business and located in a zone for a taxable year in
13 which the zone was designated a job opportunity building zone.
14 If tangible personal property was used both within and outside
15 of the zone by the qualified business, the exemption amount for
16 the net rental income must be multiplied by a fraction, the
17 numerator of which is the number of days the property was used
18 in the zone and the denominator of which is the total days the
19 property is rented by the qualified business.

20 Subd. 3. [BUSINESS INCOME.] An individual, estate, or
21 trust is exempt from the taxes imposed under chapter 290 on net
22 income from the operation of a qualified business in a job
23 opportunity building zone. If the trade or business is carried
24 on within and without the zone and the individual is not a
25 resident of Minnesota, or the taxpayer is an estate or trust,
26 the exemption must be apportioned based on the zone percentage
27 and the relocation payroll percentage for the taxable year. If
28 the trade or business is carried on within and without the zone
29 and the individual is a resident of Minnesota, the exemption
30 must be apportioned based on the zone percentage and the
31 relocation payroll percentage for the taxable year, except the
32 ratios under section 469.310, subdivision 7, clause (1), items
33 (i) and (ii), must use the denominators of the property and
34 payroll factors determined under section 290.191. No
35 subtraction is allowed under this section in excess of 20
36 percent of the sum of the job opportunity building zone payroll

1 and the adjusted basis of the property at the time that the
2 property is first used in the job opportunity building zone by
3 the business.

4 Subd. 4. [CAPITAL GAINS.] (a) An individual, estate, or
5 trust is exempt from the taxes imposed under chapter 290 on:

6 (1) net gain derived on a sale or exchange of real property
7 located in the zone and used by a qualified business. If the
8 property was held by the individual, estate, or trust during a
9 period when the zone was not designated, the gain must be
10 prorated based on the percentage of time, measured in calendar
11 days, that the real property was held by the individual, estate,
12 or trust during the period the zone designation was in effect to
13 the total period of time the real property was held by the
14 individual;

15 (2) net gain derived on a sale or exchange of tangible
16 personal property used by a qualified business in the zone. If
17 the property was held by the individual, estate, or trust during
18 a period when the zone was not designated, the gain must be
19 prorated based on the percentage of time, measured in calendar
20 days, that the property was held by the individual, estate, or
21 trust during the period the zone designation was in effect to
22 the total period of time the property was held by the
23 individual. If the tangible personal property was used outside
24 of the zone during the period of the zone's designation, the
25 exemption must be multiplied by a fraction, the numerator of
26 which is the number of days the property was used in the zone
27 during the time of the designation and the denominator of which
28 is the total days the property was held during the time of the
29 designation; and

30 (3) net gain derived on a sale of an ownership interest in
31 a qualified business operating in the job opportunity building
32 zone, meeting the requirements of paragraph (b). The exemption
33 on the gain must be multiplied by the zone percentage of the
34 business for the taxable year prior to the sale.

35 (b) A qualified business meets the requirements of
36 paragraph (a), clause (3), if it is a corporation, an S

1 corporation, or a partnership, and for the taxable year its job
2 opportunity building zone percentage exceeds 25 percent. For
3 purposes of paragraph (a), clause (3), the zone percentage must
4 be calculated by modifying the ratios under section 469.310,
5 subdivision 7, clause (1), items (i) and (ii), to use the
6 denominators of the property and payroll factors determined
7 under section 290.191. Upon the request of an individual,
8 estate, or trust holding an ownership interest in the entity,
9 the entity must certify to the owner, in writing, the job
10 opportunity building zone percentage needed to determine the
11 exemption.

12 [EFFECTIVE DATE.] This section is effective for tax years
13 beginning after December 31, 2003, except that changes in
14 subdivision 3 relating to the relocation payroll percentage are
15 effective the day following final enactment and apply only to
16 qualified businesses with business subsidy agreements that are
17 fully executed after June 30, 2005.

18 Sec. 8. Minnesota Statutes 2004, section 469.317, is
19 amended to read:

20 469.317 [CORPORATE FRANCHISE TAX EXEMPTION.]

21 (a) A qualified business is exempt from taxation under
22 section 290.02, the alternative minimum tax under section
23 290.0921, and the minimum fee under section 290.0922, on the
24 portion of its income attributable to operations within the
25 zone. This exemption is determined as follows:

26 (1) for purposes of the tax imposed under section 290.02,
27 by multiplying its taxable net income by its zone percentage and
28 by its relocation payroll percentage and subtracting the result
29 in determining taxable income;

30 (2) for purposes of the alternative minimum tax under
31 section 290.0921, by multiplying its alternative minimum taxable
32 income by its zone percentage and by its relocation payroll
33 percentage and reducing alternative minimum taxable income by
34 this amount; and

35 (3) for purposes of the minimum fee under section 290.0922,
36 by excluding property and payroll in the zone from the

1 computations of the fee or by exempting the entity under section
2 290.0922, subdivision 2, clause (7).

3 (b) No subtraction is allowed under this section in excess
4 of 20 percent of the sum of the corporation's job opportunity
5 building zone payroll and the adjusted basis of the property at
6 the time that the property is first used in the job opportunity
7 building zone by the corporation.

8 (c) This section applies only to taxable years beginning
9 during the duration of the job opportunity building zone.

10 [EFFECTIVE DATE.] This section is effective the day
11 following final enactment but applies only to qualified
12 businesses with business subsidy agreements that are fully
13 executed after June 30, 2005.

14 Sec. 9. Minnesota Statutes 2004, section 469.319,
15 subdivision 1, is amended to read:

16 Subdivision 1. [REPAYMENT OBLIGATION.] A business must
17 repay the amount of the total tax reduction listed in section
18 469.315 and any refund under section 469.318 in excess of tax
19 liability, received during the two years immediately before it
20 ceased to operate in the zone, if the business:

21 (1) received tax reductions authorized by section 469.315;
22 and

23 (2)(i) did not meet the goals specified in an agreement
24 entered into with the applicant that states any obligation the
25 qualified business must fulfill in order to be eligible for tax
26 benefits. The commissioner of employment and economic
27 development may extend for up to one year the period for meeting
28 any goals provided in an agreement. The applicant may extend
29 the period for meeting other goals by documenting in writing the
30 reason for the extension and attaching a copy of the document to
31 its next annual report to the commissioner of employment and
32 economic development; or

33 (ii) ceased to operate its facility located within the job
34 opportunity building zone or otherwise ceases to be or is not a
35 qualified business.

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

1 following final enactment.

2 Sec. 10. Minnesota Statutes 2004, section 469.319, is
3 amended by adding a subdivision to read:

4 Subd. 6. [RECONCILIATION.] Where this section is
5 inconsistent with section 116J.994, subdivision 3, paragraph
6 (e), or 6, or any other provisions of sections 116J.993 to
7 116J.995, this section prevails.

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

10 Sec. 11. Minnesota Statutes 2004, section 469.320,
11 subdivision 3, is amended to read:

12 Subd. 3. [REMEDIES.] If the commissioner determines, based
13 on a report filed under subdivision 1 or other available
14 information, that a zone or subzone is failing to meet its
15 performance goals, the commissioner may take any actions the
16 commissioner determines appropriate, including modification of
17 the boundaries of the zone or a subzone or termination of the
18 zone or a subzone. Before taking any action, the commissioner
19 shall consult with the applicant and the affected local
20 government units, including notifying them of the proposed
21 actions to be taken. ~~The commissioner shall publish any order~~
22 ~~modifying a zone in the State Register and on the Internet.~~ The
23 applicant may appeal the commissioner's order under the
24 contested case procedures of chapter 14.

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

27 Sec. 12. Minnesota Statutes 2004, section 469.330,
28 subdivision 11, is amended to read:

29 Subd. 11. [QUALIFIED BUSINESS.] (a) "Qualified business"
30 means a person carrying on a trade or business at a
31 biotechnology and health sciences industry facility located
32 within a biotechnology and health sciences industry zone. A
33 person is a qualified business only on those parcels of land for
34 which it has entered into a business subsidy agreement, as
35 required under section 469.333, with the appropriate local
36 government unit in which the parcels are located.

1 (b) A person that relocates a biotechnology and health
 2 sciences industry facility from outside a biotechnology and
 3 health sciences industry zone into a zone is not a qualified
 4 business, unless the business:

5 (1)(i) increases full-time employment in the first full
 6 year of operation within the biotechnology and health sciences
 7 industry zone by at least 20 percent measured relative to the
 8 operations that were relocated and maintains the required level
 9 of employment for each year the zone designation applies; or

10 (ii) makes a capital investment in the property located
 11 within a zone equivalent to ten percent of the gross revenues of
 12 operation that were relocated in the immediately preceding
 13 taxable year; and

14 (2) enters a binding written agreement with the
 15 commissioner that:

16 (i) pledges the business will meet the requirements of
 17 clause (1);

18 (ii) provides for repayment of all tax benefits enumerated
 19 under section 469.336 to the business under the procedures in
 20 section 469.340, if the requirements of clause (1) are not met;
 21 and

22 (iii) contains any other terms the commissioner determines
 23 appropriate.

24 [EFFECTIVE DATE.] This section is effective retroactively
 25 from June 9, 2003.

26 Sec. 13. Minnesota Statutes 2004, section 469.337, is
 27 amended to read:

28 469.337 [CORPORATE FRANCHISE TAX EXEMPTION.]

29 (a) A qualified business is exempt from taxation under
 30 section 290.02, the alternative minimum tax under section
 31 290.0921, and the minimum fee under section 290.0922, on the
 32 portion of its income attributable to operations of a qualified
 33 business within the biotechnology and health sciences industry
 34 zone. This exemption is determined as follows:

35 (1) for purposes of the tax imposed under section 290.02,
 36 by multiplying its taxable net income by its zone percentage and

1 subtracting the result in determining taxable income;

2 (2) for purposes of the alternative minimum tax under
3 section 290.0921, by multiplying its alternative minimum taxable
4 income by its zone percentage and reducing alternative minimum
5 taxable income by this amount; and

6 (3) for purposes of the minimum fee under section 290.0922,
7 by excluding zone property and payroll in-the-zone from the
8 computations of the fee. The qualified business is exempt from
9 the minimum fee if all of its property is located in the zone
10 and all of its payroll is zone payroll.

11 (b) No subtraction is allowed under this section in excess
12 of 20 percent of the sum of the corporation's biotechnology and
13 health sciences industry zone payroll and the adjusted basis of
14 the property at the time that the property is first used in the
15 biotechnology and health sciences industry zone by the
16 corporation.

17 (c) No reduction in tax is allowed in excess of the amount
18 allocated under section 469.335.

19 [EFFECTIVE DATE.] This section is effective for tax years
20 beginning after December 31, 2003.

21 Sec. 14. Minnesota Statutes 2004, section 469.340,
22 subdivision 1, is amended to read:

23 Subdivision 1. [REPAYMENT OBLIGATION.] A business must
24 repay the amount of the tax reduction listed in section 469.336
25 and any refunds under sections 469.338 and 469.339 in excess of
26 tax liability, received during the two years immediately before
27 it ceased to operate in the zone, if the business:

28 (1) received tax reductions authorized by section 469.336;
29 and

30 (2)(i) did not meet the goals specified in an agreement
31 entered into with the applicant that states any obligation the
32 qualified business must fulfill in order to be eligible for tax
33 benefits. The commissioner of employment and economic
34 development may extend for up to one year the period for meeting
35 any goals provided in an agreement. The applicant may extend
36 the period for meeting other goals by documenting in writing the

1 reason for the extension and attaching a copy of the document to
2 its next annual report to the commissioner of employment and
3 economic development; or

4 (ii) ceased to operate its facility located within the
5 biotechnology and health sciences industry zone or otherwise
6 ceases to be or is not a qualified business.

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

9 Sec. 15. [REVISOR'S INSTRUCTION.]

10 The revisor shall renumber Minnesota Statutes, section
11 469.310, subdivision 11, as section 469.3135, and insert the
12 following definition of "qualified business" in Minnesota
13 Statutes, section 469.310: "'Qualified business' means the
14 entity described in section 469.3135."

15 Sec. 16. [REPEALER.]

16 Minnesota Statutes 2004, sections 272.02, subdivision 65;
17 and 477A.08, are repealed.

18 [EFFECTIVE DATE.] The repeal of section 272.02, subdivision
19 65, is effective for taxes payable in 2006 and thereafter. The
20 repeal of section 477A.08 is effective for aid payable in 2005
21 and thereafter.

1 Senator Anderson from the Committee on Jobs, Energy and
2 Community Development, to which was referred

3 S.F. No. 1564: A bill for an act relating to economic
4 development; modifying provisions relating to job opportunity
5 building zones and biotechnology and health sciences industry
6 zone; amending Minnesota Statutes 2004, sections 272.02,
7 subdivision 64; 289A.56, by adding a subdivision; 297A.68,
8 subdivisions 37, 38; 469.310, subdivision 11, by adding a
9 subdivision; 469.316; 469.317; 469.319, subdivision 1, by adding
10 a subdivision; 469.320, subdivision 3; 469.330, subdivision 11;
11 469.337; 469.340, subdivision 1; repealing Minnesota Statutes
12 2004, sections 272.02, subdivision 65; 477A.08.

13 Reports the same back with the recommendation that the bill
14 be amended as follows:

15 Page 4, delete lines 34 and 35

16 Page 4, line 36, delete "(2)" and insert "(1)"

17 Page 5, line 1, delete "(3)" and insert "(2)"

18 Page 5, line 3, delete "(4)" and insert "(3)"

19 Page 5, line 5, delete "(5)" and insert "(4)"

20 Page 5, line 7, delete "(6)" and insert "(5)"

21 Page 5, line 9, delete "(7)" and insert "(6)"

22 Page 5, line 11, delete "(8)" and insert "(7)"

23 Page 6, after line 8, insert:

24 "(g) A qualifying business must pay each employee
25 compensation, including benefits not mandated by law, that on an
26 annualized basis is equal to at least 110 percent of the federal
27 poverty level for a family of four."

28 And when so amended the bill do pass and be re-referred to
29 the Committee on Finance. Amendments adopted. Report adopted.

30
31
32 (Committee Chair)

33
34 March 30, 2005.....
35 (Date of Committee recommendation)

1 To: Senator Anderson, Chair
 2 Committee on Jobs, Energy and Community Development
 3 Senator Bakk,
 4 Chair of the Subcommittee on Economic Development and
 5 Tourism, to which was referred

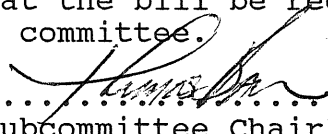
6 S.F. No. 514: A bill for an act relating to economic
 7 development; redefining low-income area for the purpose of the
 8 urban initiative program; amending Minnesota Statutes 2004,
 9 section 116M.14, subdivision 4.

10 Reports the same back with the recommendation that the bill
 11 be amended as follows:

12 Page 1, line 17, delete everything after "tracts" and
 13 insert "that have an average income that is below 80 percent of
 14 the median income for a four-person family as of the latest
 15 report by the United States Census Bureau"

16 Page 1, lines 18 and 19, delete the new language

17 And when so amended that the bill be recommended to pass
 18 and be referred to the full committee.

19 
 20
 (Subcommittee Chair)

21
 22 March 21, 2005.....
 23 (Date of Subcommittee action)

Senators Scheid, Belanger, Foley and Rest introduced--

S.F. No. 514: Referred to the Committee on Jobs, Energy and Community Development.

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A bill for an act

relating to economic development; redefining low-income area for the purpose of the urban initiative program; amending Minnesota Statutes 2004, section 116M.14, subdivision 4.

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

Section 1. Minnesota Statutes 2004, section 116M.14, subdivision 4, is amended to read:

Subd. 4. [LOW-INCOME AREA.] "Low-income area" means:

(1) Minneapolis, St. Paul,--and;

(2) those cities in the metropolitan area as defined in section 473.121, subdivision 2, that have an average income that is below 80 percent of the median income for a four-person family as of the latest report by the United States Census Bureau; and

(3) those cities in the metropolitan area, which contain two or more contiguous census tracts in which the average family income is less than 80 percent of the median family income for the Twin Cities metropolitan area.

**Senate Counsel, Research,
and Fiscal Analysis**

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JO ANNE ZOFF SELLNER
DIRECTOR

Senate

State of Minnesota

S.F. No. 514 -Redefining Low-Income Area for the Purpose of the Urban Initiative Program (First Engrossment)

Author: Senator Linda Scheid

Prepared by: Chris Turner, Senate Research (651/296-4350) *CT*

Date: March 28, 2005

The bill expands the definition of low-income areas for the purposes of Minnesota Statutes, chapter 116M (Urban Initiative Board), thereby expanding eligibility for Urban Challenge Grants. The new definition includes cities in the metropolitan area, which contain two or more contiguous census tracts in which the average income is less than 80 percent of the median income for a family of four as of the latest report by the United States Census Bureau.

CT:vs

3/21/05

Fact sheet

SF 514 Geographical eligibility for the DEED Urban Initiative Program

The Department of Employment and Economic Development's Urban Initiative Loan Program (UIP) enables minority-owned and other community-based businesses to access loan capital for business expansion projects.

UIP operates on a revolving fund basis. Loan repayments are used to fund new loans.

The program operates through a network of non-profit intermediary organizations that include the African Development Center, Anoka County Economic Development Partnership, Metropolitan Economic Development Association (MEDA), Milestone Growth Fund, Minneapolis Consortium of Community Developers (MCCD), Minnesota Indian Economic Development Fund, Neighborhood Development Center (NDC), Riverview Economic Development Association, SPARC and Women Venture.

Under the eligibility standards established in the existing statute, the UIP program is available to businesses located in the following municipalities: Minneapolis, St. Paul, Anoka, Columbia Heights, Hopkins, Lauderdale, Lexington, Osseo, St. Anthony, Spring Park and West St. Paul.

Certain metro area communities with significant and growing minority populations are not now eligible to participate in the program. These excluded communities include Brooklyn Park, Brooklyn Center, Richfield and Bloomington.

SF 514 establishes a supplemental eligibility formula which recognizes moderate income target areas within larger metropolitan communities. Based on the 1990 census, SF 514 would extend UIP eligibility to the following municipal jurisdictions: **Brooklyn Center, Brooklyn Park, Crystal, New Hope, St. Louis Park, Richfield, Bloomington, Fridley, South St. Paul and St. Francis,**

No additional state expenditures will be required to implement this legislation. SF 514 merely permits UIP intermediary organizations to provide UIP-funded loans in a broader geographical area within the Twin Cities metropolitan region.

This fact sheet was prepared by the Minneapolis Consortium of Community Developers (MCCD). For more information, contact Eric Nathanson at MCCD, 612/789-7337, ext 14. E mail inathanson@mccdmn.org

Minority population in selected Twin Cities metro communities - 1990

<i>Community</i>	<i>African American</i>	<i>Asian</i>	<i>Latino</i>	<i>total</i>
Brooklyn Center	4,639	2,811	823	
Brooklyn Park	10,681	6,748	1,944	
Richfield	2,735	2,081	2,158	
Bloomington	3,523	4,838	2,290	
St. Louis Park	2,314	1,626	1,294	
Crystal	1,204	903	570	
New Hope	1,457	767	721	
<i>total</i>	<i>26,553</i>	<i>19,774</i>	<i>9800</i>	<i>56,127</i>

**Foreign-born arrivals in selected Twin Cities metro communities
1990-2000**

<i>Community</i>	<i>Number</i>
Brooklyn Center	1,580
Brooklyn Park	5,007
Richfield	2,211
Bloomington	3,222
St. Louis Park	2,313
Crystal	1,506
New Hope	1,014
<i>total</i>	<i>16,853</i>

1 Senator Anderson from the Committee on Jobs, Energy and
2 Community Development, to which was referred

3 S.F. No. 514: A bill for an act relating to economic
4 development; redefining low-income area for the purpose of the
5 urban initiative program; amending Minnesota Statutes 2004,
6 section 116M.14, subdivision 4.

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

9 Page 1, line 17, delete everything after "tracts" and
10 insert "that have an average income that is below 80 percent of
11 the median income for a four-person family as of the latest
12 report by the United States Census Bureau"

13 Page 1, lines 18 and 19, delete the new language

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

16 ..
17 (Committee Chair)
18
19 March 30, 2005.....
20 (Date of Committee recommendation)