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

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

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

Delete everything after the enacting clause and insert:

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

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

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

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

Sec. 3. [248.061] [DEFINITIONS.]

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

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

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

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

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

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

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

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

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

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

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

(b) The grant agreements must provide for:

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

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

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

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

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

Sec. 6. [EFFECTIVE DATE.]

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

Delete the title and insert:

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

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

....
(Committee Chair)

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

A bill for an act

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

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

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

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

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

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

Sec. 3. [248.061] [DEFINITIONS.]

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

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

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

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

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

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

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

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

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

Sec. 5. [EFFECTIVE DATE.]

Sections 1 to 4 are effective the day following final enactment and apply to the budget for Minnesota Statutes, section 248.062, for services provided after April 15, 2005.

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Director

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 business in more than 60 communities

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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

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

To: Senator Anderson, Chair

Committee on Jobs, Energy and Community Development

Senator Kubly,

Chair of the Subcommittee on Energy, to which was referred

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

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

....
(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.

A bill for an act

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

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

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

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

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

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

Page 1, after line 12, insert:

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

Sec. 19. [EFFECTIVE DATES.]

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

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

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

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

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

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

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

Section 13 is effective the day following final enactment.

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

Amend the title accordingly

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

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

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

Page 1, after line 12, insert:

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

Sec. 19. [EFFECTIVE DATES.]

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

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

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

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

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

Section 10 is effective for purchases made after the date of final enactment and before July 1, ~~2005~~ <u>2007</u>.

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

Section 13 is effective the day following final enactment.

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

Amend the title as follows:

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

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

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

....
(Committee Chair)

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

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Director

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

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

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

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

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

To: Senator Anderson, Chair

Committee on Jobs, Energy and Community Development

Senator Kelley,

Chair of the Subcommittee on Telecommunications and Technology, to which was referred

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

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

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**

A bill for an act

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

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

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

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

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

Subd. 3. [COMPUTER.] "Computer" means an electronic device that performs logical, arithmetic, and memory functions by the manipulation of electronic or magnetic impulses. "Computer" includes, but is not limited to, all input, output, processing, storage, computer program, or communication facilities that are connected or related in a computer system or network to an electronic device of that nature.

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

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

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

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

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

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

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

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

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

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

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

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

Subd. 16. [MATERIALLY FALSIFY.] "Materially falsify" means to alter or conceal in a manner that would impair the ability of a recipient of an electronic mail message, an electronic mail service provider processing an electronic mail message on behalf of a recipient, a person alleging a violation of section 325F.697, or a law enforcement agency to identify, locate, or respond to the person that initiated the electronic mail message or to investigate an alleged violation of this section.

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

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

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

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

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

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

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

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

(2) provide warranty information, product recall

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(d) In assessing damages, the court may consider whether the offender has established and implemented, with due care, commercially reasonable practices and procedures designed to effectively prevent the violation, or the violation occurred despite commercially reasonable efforts to maintain the practices and procedures established.

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

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

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

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

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

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

Sec. 6. [EFFECTIVE DATE; APPLICATION.]

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

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

Page 8, lines 5, 25, and 32, delete "<u>this section</u>" and insert "<u>section 325F.697</u>"

Page 9, line 5, delete "<u>this section</u>" and insert "<u>section 325F.697</u>"

Page 9, lines 7 and 8, delete "<u>this section</u>" and insert "<u>section 325F.697</u>"

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

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

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

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

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

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

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

....
(Committee Chair)

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

To: Senator Anderson, Chair

Committee on Jobs, Energy and Community Development

Senator Bakk,

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

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

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

Delete everything after the enacting clause and insert:

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

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

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

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

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

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

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

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

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

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

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

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

(4) income as provided under section 290.0802;

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

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

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

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

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

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

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

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

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

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

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

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

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

(2) for corporations, the taxable net income less

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

[EFFECTIVE DATE.] This section is effective the day

<u>following final enactment.</u>

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

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

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

(c) If a married couple:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

[EFFECTIVE DATE.] <u>This section is effective for taxable years beginning after December 31, 2005.</u>

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

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

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

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

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

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

(ii) the medical expense deduction;

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

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

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

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

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

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

less the sum of the amounts determined under the following:

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

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

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

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

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

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

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

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

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

[EFFECTIVE DATE.] <u>This section is effective for taxable years beginning after December 31, 2005.</u>

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(1) corporations exempt from tax under section 290.05;

(2) real estate investment trusts;

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

(4) entities having a valid election in effect under section 860D(b) of the Internal Revenue Code;

(5) town and farmers' mutual insurance companies;

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

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

(8) an entity, if for the taxable year all of its property is located in an international economic development zone designated under section 469.322, and all of its payroll is an international economic development zone payroll under section 469.321.

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

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

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

Subd. 3. [DEFINITIONS.] (a) "Minnesota sales or receipts" means the total sales apportioned to Minnesota pursuant to section 290.191, subdivision 5, the total receipts attributed to

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

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

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

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

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

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

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

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

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

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

Sec. 13. [469.321] [DEFINITIONS.]

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(ii) provides for repayment of all tax benefits enumerated under section 469.324 to the business under the procedures in section 469.328, if the requirements of clause (1) are not met; and

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

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

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

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

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

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

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

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

employees at the location where it reduced employment.

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

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

(1) the numerator of the fraction is:

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

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

(2) the denominator of the fraction is two.

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

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

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

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

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

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

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

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

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

(c) Prior to a final site designation, the foreign trade zone authority, in consultation with the applicant, must conduct a transportation impact study based on the regional model and utilizing traffic forecasting and assignments. The results must be used to evaluate the effects of the proposed use on the transportation system and identify any needed improvements. If the site is in the metropolitan area the study must also evaluate the effect of the transportation impacts on the Metropolitan Transportation System plan as well as the comprehensive plans of the municipalities that would be affected. The cost of the study must be paid by the applicant.

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

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

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

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

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

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

(1) include the benefits of the incentives;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Sec. 17. [469.325] [INDIVIDUAL INCOME TAX EXEMPTION.]

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(1) lesser of:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Subdivision 1. [REPAYMENT OBLIGATION.] A person must repay the amount of the tax reduction received under section 469.324, subdivision 1, clauses (1) to (5), or refund received under section 469.327, during the two years immediately before it ceased to operate in the zone, if the person ceased to operate its facility located within the zone or otherwise ceases to be or is not a qualified business.

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

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

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

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

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

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

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

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

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

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

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

....
(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.

A bill for an act

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

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

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

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

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

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

(b) The exemption applies beginning for the first assessment year after designation of the international economic development zone. The exemption applies to each assessment year that begins during the duration of the international economic development zone. To be exempt under paragraph (a), clause (2), the property must be occupied by July 1 of the assessment year by a qualified business that has signed the business subsidy agreement by July 1 of the assessment year.

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

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

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

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

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

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

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

(4) income as provided under section 290.0802;

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

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

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

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

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

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

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

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

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

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

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

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

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

(2) for corporations, the taxable net income less

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

percent;

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

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

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

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

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

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

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

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

[EFFECTIVE DATE.] <u>This section is effective the day following final enactment.</u>

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

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

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

(c) If a married couple:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

[EFFECTIVE DATE.] <u>This section is effective for tax years beginning after December 31, 2006.</u>

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

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

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

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

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

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

(ii) the medical expense deduction;

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

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

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

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

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

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

less the sum of the amounts determined under the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

(1) For purposes of the depreciation adjustments under

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

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

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

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

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

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

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

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

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

(9) The tax preference for tax exempt interest under

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

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

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

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

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

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

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

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

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

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

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

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

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

(1) corporations exempt from tax under section 290.05;

(2) real estate investment trusts;

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

(4) entities having a valid election in effect under section 860D(b) of the Internal Revenue Code;

(5) town and farmers' mutual insurance companies;

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

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

(8) an entity, if for the taxable year all of its property is located in an international economic development zone designated under section 469.322, and all of its payroll is international economic development zone payroll under section 469.321.

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

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

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

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

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

(c) "Minnesota payrolls" means total Minnesota payrolls as provided in section 290.191, subdivision 12, but does not include job opportunity building zone payrolls under section 469.310, subdivision 8, or biotechnology and health sciences industry zone ~~payroll~~ payrolls under section 469.330, subdivision 8, or international economic development zone payrolls under section 469.321, subdivision 9. Taxpayers who do not utilize payrolls to apportion income shall nevertheless include Minnesota payrolls for purposes of this section.

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

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

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

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

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

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

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

Sec. 13. [469.321] [DEFINITIONS.]

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

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

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

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

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

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

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

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

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

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

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

(1) the numerator of the fraction is:

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

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

(2) the denominator of the fraction is two.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(c) Prior to a final site designation, the foreign trade zone authority, in consultation with the applicant, must conduct a transportation impact study based on the regional model and utilizing traffic forecasting and assignments. The results must be used to evaluate the effects of the proposed use on the transportation system and identify any needed improvements. If the site is in the metropolitan area the study must also evaluate the effect of the transportation impacts on the Metropolitan Transportation System plan as well as the comprehensive plans of the municipalities that would be affected. The cost of the study must be paid by the applicant.

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

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

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

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

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

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

(1) include the benefits of the incentives;

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

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

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

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

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

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

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

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

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

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

(3) exemption from the state sales and use tax and any

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

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

(5) the jobs credit allowed under section 469.327.

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

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

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

Subd. 3. [BUSINESS INCOME.] An individual, estate, or trust is exempt from the taxes imposed under chapter 290 on net income from the operation of a qualified business in the international economic development zone. If the trade or business is carried on within and outside of the zone and the individual is not a resident of Minnesota, the exemption must be apportioned based on the zone percentage for the taxable year. If the trade or business is carried on within or outside of the zone and the individual is a resident of Minnesota, the exemption must be apportioned based on the zone percentage for the taxable year, except the ratios under section 469.321, subdivision 8, clause (1), items (i) and (ii), must use the denominators of the property and payroll factors determined under section 290.191. No subtraction is allowed under this section in excess of 20 percent of the sum of the international economic development zone payroll and the adjusted basis of the property at the time that the property is first used in the international economic development zone by the business.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(1) lesser of:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(1) a natural disaster;

(2) unforeseen industry trends; or

(3) loss of a major supplier or customer.

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

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

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

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

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

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

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

Delete everything after the enacting clause and insert:

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

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

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

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

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

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

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

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

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

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

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

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

(4) income as provided under section 290.0802;

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

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

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

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

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

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

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

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

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

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

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

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

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

(2) for corporations, the taxable net income less

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(c) If a married couple:

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

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

(3) does not participate in a dependent care assistance program as defined in section 129 of the Internal Revenue Code, in lieu of the actual employment related expenses paid for that child under paragraph (a) or the deemed amount under paragraph (b), the lesser of (i) the combined earned income of the couple or (ii) the amount of the maximum limit for one qualified individual under section 21(c) and (d) of the Internal Revenue

Code will be deemed to be the employment related expense paid for that child. The earned income limitation of section 21(d) of the Internal Revenue Code shall not apply to this deemed amount. These deemed amounts apply regardless of whether any employment-related expenses have been paid.

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

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

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

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

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

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

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

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

Internal Revenue Code.

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

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

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

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

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

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

(h) For tax years beginning after December 31, 2004, and before December 31, 2007, the $5,770 in paragraph (b), the

$15,080 in paragraph (c), and the $17,890 in paragraph (d), after being adjusted for inflation under subdivision 7, are each increased by $2,000 for married taxpayers filing joint returns.

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

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

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

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

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

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

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

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

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

(ii) the medical expense deduction;

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

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

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

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

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

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

less the sum of the amounts determined under the following:

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

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

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

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

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

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

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

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

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

[EFFECTIVE DATE.] <u>This section is effective for taxable years beginning after December 31, 2005.</u>

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>(16) Alternative minimum taxable income excludes the income from operating in an international economic development zone as provided under section 469.326.</u>

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

[EFFECTIVE DATE.] <u>This section is effective for taxable years beginning after December 31, 2005.</u>

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

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

(1) corporations exempt from tax under section 290.05;

(2) real estate investment trusts;

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

(4) entities having a valid election in effect under section 860D(b) of the Internal Revenue Code;

(5) town and farmers' mutual insurance companies;

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

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

(8) an entity, if for the taxable year all of its property is located in an international economic development zone designated under section 469.322, and all of its payroll is an international economic development zone payroll under section 469.321.

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

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

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

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

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

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

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

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

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

469.322.

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

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

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

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

Sec. 13. [469.321] [DEFINITIONS.]

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

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

Subd. 3. [FOREIGN TRADE ZONE AUTHORITY.] "Foreign trade zone authority" means the Greater Metropolitan Area Foreign Trade Zone Commission number 119, a joint powers authority created by the county of Hennepin, the cities of Minneapolis, Bloomington, Rosemount, and the Metropolitan Airports Commission, under the authority of section 469.059, 469.101, or 471.59, and which may, notwithstanding section 471.59, include as members any political subdivisions of public corporations that are or become members of the Greater Metropolitan Area Foreign Trade Zone Commission, regardless of whether the subdivisions or corporations have the power or authority individually to establish or operate a foreign trade zone.

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

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

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

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

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

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

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

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

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

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

(ii) provides for repayment of all tax benefits enumerated under section 469.324 to the business under the procedures in section 469.328, if the requirements of clause (1) are not met; and

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

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

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

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

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

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

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

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

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

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

(1) the numerator of the fraction is:

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

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

(2) the denominator of the fraction is two.

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

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

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

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

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

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

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

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

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

(c) Prior to a final site designation, the foreign trade zone authority, in consultation with the applicant, must conduct a transportation impact study based on the regional model and utilizing traffic forecasting and assignments. The results must be used to evaluate the effects of the proposed use on the transportation system and identify any needed improvements. If the site is in the metropolitan area the study must also evaluate the effect of the transportation impacts on the Metropolitan Transportation System plan as well as the comprehensive plans of the municipalities that would be affected. The cost of the study must be paid by the applicant.

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

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

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

Sec. 15. [469.323] [FOREIGN TRADE ZONE AUTHORITY POWERS.]

Subdivision 1. [DEVELOPMENT OF REGIONAL DISTRIBUTION CENTER.] The foreign trade zone authority shall be responsible for creating a development plan for the regional distribution center. The regional distribution center must be developed with the purpose of expanding, on a regional basis, international distribution capacity and capability. The foreign trade zone authority shall consult with municipalities that have indicated to the authority an interest in locating the international economic development zone within their boundaries and a willingness to establish a tax increment financing district coterminous with the boundaries of the zone, as well as interested businesses, potential financiers, and appropriate state and federal agencies.

Subd. 2. [BUSINESS PLAN.] Before designation of an international economic development zone under section 469.322, the governing body of the foreign trade zone authority shall prepare a business plan. The plan must include an analysis of the economic feasibility of the regional distribution center once it becomes operational and of the operations of freight forwarders and other businesses that choose to locate within the boundaries of the zone. The analysis must provide profitability models that:

(1) include the benefits of the incentives;

(2) estimate the amount of time needed to achieve profitability; and

(3) analyze the length of time incentives will be necessary to the economic viability of the regional distribution center.

If the governing body of the foreign trade authority determines that the models do not establish the economic feasibility of the project, the regional distribution center does not meet the development requirements of this section and section 469.322.

Subd. 3. [PORT AUTHORITY POWERS.] The governing body of the foreign trade zone authority may establish a port authority that has the same powers as a port authority established under section 469.049. If the foreign trade zone authority establishes a port authority, the governing body of the foreign trade zone authority shall exercise all powers granted to a city by sections 469.048 to 469.068 or other law.

Subd. 4. [BUSINESS SUBSIDY LAW.] Tax exemptions, job credits, and tax increment financing provided under this section are business subsidies for the purpose of sections 116J.993 to 116J.995.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 16. [469.324] [TAX INCENTIVES IN INTERNATIONAL ECONOMIC DEVELOPMENT ZONE.]

Subdivision 1. [AVAILABILITY.] Qualified businesses that operate in an international economic development zone, individuals who invest in a regional distribution center or qualified businesses that operate in an international economic development zone, and property located in an international economic development zone qualify for:

(1) exemption from individual income taxes as provided under section 469.325;

(2) exemption from corporate franchise taxes as provided under section 469.326;

(3) exemption from the state sales and use tax and any local sales and use taxes on qualifying purchases as provided in section 297A.68, subdivision 40;

(4) exemption from the property tax as provided in section 272.02, subdivision 68;

(5) the jobs credit allowed under section 469.327; and

(6) tax increment financing as provided in this chapter.

Subd. 2. [DURATION.] (a) Except as provided in paragraph (b), the tax incentives described in subdivision 1, clauses (1), (2), and (5), are available for no more than 12 consecutive taxable years for any taxpayer that claims them. The tax incentives described in subdivision 1, clause (3), are available for each taxpayer that claims them for taxes otherwise payable on transactions during a period of 12 years from the date when the first exemption is claimed by that taxpayer under each exemption. The property tax exemption described under subdivision 1, clause (4), is available for any parcel of property for 12 consecutive taxes payable years. No exemptions described in subdivision 1, clauses (1) to (5), are available after December 31, 2021.

(b) For taxpayers that are freight forwarders, the durations provided under paragraph (a) are reduced to six years.

Sec. 17. [469.325] [INDIVIDUAL INCOME TAX EXEMPTION.]

Subdivision 1. [APPLICATION.] An individual operating a trade or business in an international economic development zone, and an individual making a qualifying investment in a qualified business operating in an international economic development zone qualifies for the exemptions from taxes imposed under chapter 290, as provided in this section. The exemptions provided under this section apply only to the extent that the income otherwise would be taxable under chapter 290. Subtractions under this section from federal taxable income, alternative minimum taxable income, or any other base subject to tax are limited to the amount that otherwise would be included in the tax base absent the exemption under this section. This section applies only to taxable years beginning during the duration of the zone.

Subd. 2. [RENTS.] An individual is exempt from the taxes imposed under chapter 290 on net rents derived from real or tangible personal property located in a zone for a taxable year in which the zone was designated an international economic development zone. If tangible personal property was used both within and outside of the zone, the exemption amount for the net rental income must be multiplied by a fraction, the numerator of which is the number of days the property was used in the zone and the denominator of which is the total days.

Subd. 3. [BUSINESS INCOME.] An individual is exempt from the taxes imposed under chapter 290 on net income from the operation of a qualified business in an international economic development zone. If the trade or business is carried on within and without the zone and the individual is not a resident of Minnesota, the exemption must be apportioned based on the zone percentage for the taxable year. If the trade or business is carried on within and without the zone and the individual is a resident of Minnesota, the exemption must be apportioned based on the zone percentage for the taxable year, except the ratios under section 469.321, subdivision 9, clause (1), items (i) and (ii), must use the denominators of the property and payroll factors determined under section 290.191. No subtraction is allowed under this section in excess of 20 percent of the sum of the international economic development zone payroll and the adjusted basis of the property at the time that the property is first used in the international economic development zone by the business.

Subd. 4. [CAPITAL GAINS.] (a) An individual is exempt from the taxes imposed under chapter 290 on:

(1) net gain derived on a sale or exchange of real property located in the international economic development zone and used by a qualified business. If the property was held by the individual during a period when the zone was not designated, the gain must be prorated based on the percentage of time, measured in calendar days, that the real property was held by the individual during the period the zone designation was in effect to the total period of time the real property was held by the individual;

(2) net gain derived on a sale or exchange of tangible personal property used by a qualified business in the international economic development zone. If the property was held by the individual during a period when the zone was not designated, the gain must be prorated based on the percentage of time, measured in calendar days, that the property was held by the individual during the period the zone designation was in effect to the total period of time the property was held by the

individual. If the tangible personal property was used outside of the zone during the period of the zone's designation, the exemption must be multiplied by a fraction, the numerator of which is the number of days the property was used in the zone during the time of the designation and the denominator of which is the total days the property was held during the time of the designation; and

(3) net gain derived on a sale of an ownership interest in a qualified business operating in the international economic development zone, meeting the requirements of paragraph (b). The exemption on the gain must be multiplied by the zone percentage of the business for the taxable year prior to the sale.

(b) A qualified business meets the requirements of paragraph (a), clause (3), if it is a corporation, an S corporation, or a partnership, and for the taxable year its international economic development zone percentage exceeds 25 percent. For purposes of paragraph (a), clause (3), the zone percentage must be calculated by modifying the ratios under section 469.321, subdivision 9, clause (1), items (i) and (ii), to use the denominators of the property and payroll factors determined under section 290.191. Upon the request of an individual holding an ownership interest in the entity, the entity must certify to the owner, in writing, the international economic development zone percentage needed to determine the exemption.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2005.

Sec. 18. [469.326] [CORPORATE FRANCHISE TAX EXEMPTION.]

(a) A qualified business is exempt from taxation under section 290.02, the alternative minimum tax under section 290.0921, and the minimum fee under section 290.0922, on the portion of its income attributable to operations within the international economic development zone. This exemption is determined as follows:

(1) for purposes of the tax imposed under section 290.02,

by multiplying its taxable net income by its zone percentage and subtracting the result in determining taxable income;

(2) for purposes of the alternative minimum tax under section 290.0921, by multiplying its alternative minimum taxable income by its zone percentage and reducing alternative minimum taxable income by this amount; and

(3) for purposes of the minimum fee under section 290.0922, by excluding property and payroll in the zone from the computations of the fee or by exempting the entity under section 290.0922, subdivision 2, clause (8).

(b) No subtraction is allowed under this section in excess of 20 percent of the sum of the corporation's international economic development zone payroll and the adjusted basis of the property at the time that the property is first used in the international economic development zone by the corporation.

(c) This section applies only to taxable years beginning during the duration of the international economic development zone.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2005.

Sec. 19. [469.327] [JOBS CREDIT.]

Subdivision 1. [CREDIT ALLOWED.] A qualified business is allowed a credit against the taxes imposed under chapter 290. The credit equals seven percent of the:

(1) lesser of:

(i) zone payroll for the taxable year, less the zone payroll for the base year; or

(ii) total Minnesota payroll for the taxable year, less total Minnesota payroll for the base year; minus

(2) $30,000 multiplied by the number of full-time equivalent employees that the qualified business employs in the international economic development zone for the taxable year, minus the number of full-time equivalent employees the business employed in the zone in the base year, but not less than zero.

Subd. 2. [DEFINITIONS.] (a) For purposes of this section, the following terms have the meanings given.

(b) "Base year" means the taxable year beginning during the calendar year prior to the calendar year in which the zone designation took effect.

(c) "Full-time equivalent employees" means the equivalent of annualized expected hours of work equal to 2,080 hours.

(d) "Minnesota payroll" means the wages or salaries attributed to Minnesota under section 290.191, subdivision 12, for the qualified business or the unitary business of which the qualified business is a part, whichever is greater.

(e) "Zone payroll" means wages or salaries used to determine the zone payroll factor for the qualified business, less the amount of compensation attributable to any employee that exceeds $100,000.

Subd. 3. [INFLATION ADJUSTMENT.] For taxable years beginning after December 31, 2006, the dollar amounts in subdivision 1, clause (2), and subdivision 2, paragraph (e), are annually adjusted for inflation. The commissioner of revenue shall adjust the amounts by the percentage determined under section 290.06, subdivision 2d, for the taxable year.

Subd. 4. [REFUNDABLE.] If the amount of the credit exceeds the liability for tax under chapter 290, the commissioner of revenue shall refund the excess to the qualified business.

Subd. 5. [APPROPRIATION.] An amount sufficient to pay the refunds authorized by this section is appropriated to the commissioner of revenue from the general fund.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2005.

Sec. 20. [469.328] [REPAYMENT OF TAX BENEFITS.]

Subdivision 1. [REPAYMENT OBLIGATION.] A person must repay the amount of the tax reduction received under section 469.324, subdivision 1, clauses (1) to (5), or refund received under section 469.327, during the two years immediately before it ceased to operate in the zone, if the person ceased to operate its facility located within the zone or otherwise ceases to be or is not a qualified business.

Subd. 2. [DISPOSITION OF REPAYMENT.] The repayment must be paid to the state to the extent it represents a state tax reduction and to the county to the extent it represents a property tax reduction. Any amount repaid to the state must be deposited in the general fund. Any amount repaid to the county for the property tax exemption must be distributed to the local governments with authority to levy taxes in the zone in the same manner provided for distribution of payment of delinquent property taxes. Any repayment of local sales or use taxes must be repaid to the jurisdiction imposing the local sales or use tax.

Subd. 3. [REPAYMENT PROCEDURES.] (a) For the repayment of taxes imposed under chapter 290 or 297A or local taxes collected pursuant to section 297A.99, a person must file an amended return with the commissioner of revenue and pay any taxes required to be repaid within 30 days after ceasing to be a qualified business. The amount required to be repaid is determined by calculating the tax for the period for which repayment is required without regard to the tax reductions allowed under section 469.324.

(b) For the repayment of property taxes, the county auditor shall prepare a tax statement for the person, applying the applicable tax extension rates for each payable year and provide a copy to the business. The person must pay the taxes to the county treasurer within 30 days after receipt of the tax statement. The taxpayer may appeal the valuation and determination of the property tax to the tax court within 30 days after receipt of the tax statement.

(c) The provisions of chapters 270 and 289A relating to the commissioner of revenue's authority to audit, assess, and collect the tax and to hear appeals are applicable to the repayment required under paragraph (a). The commissioner may impose civil penalties as provided in chapter 289A, and the additional tax and penalties are subject to interest at the rate provided in section 270.75, from 30 days after ceasing to do business in the zone until the date the tax is paid.

(d) If a property tax is not repaid under paragraph (b), the county treasurer shall add the amount required to be repaid to the property taxes assessed against the property for payment in the year following the year in which the treasurer discovers that the person ceased to operate in the international economic development zone.

(e) For determining the tax required to be repaid, a tax reduction is deemed to have been received on the date that the tax would have been due if the person had not been entitled to the tax reduction.

(f) The commissioner of revenue may assess the repayment of taxes under paragraph (c) at any time within two years after the person ceases to be a qualified business, or within any period of limitations for the assessment of tax under section 289A.38, whichever is later.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 21. [DEPARTMENT OF EMPLOYMENT AND ECONOMIC DEVELOPMENT STUDY; INTERNATIONAL AIR FREIGHT.]

The commissioner of employment and economic development must study and analyze the issue of whether the state would benefit from more than one international economic development zone as defined in Minnesota Statutes, section 469.321. The commissioner shall solicit input on the issue from businesses, communities, and economic development organizations. The commissioner must report the results of the study and analysis to the committees of the legislature having jurisdiction over economic development issues by December 1, 2005, along with any legislative recommendations."

And when so amended the bill do pass and be re-referred to the Committee on Finance. Amendments adopted. Report adopted.

....
(Committee Chair)

March 30, 2005......................
(Date of Committee recommendation)

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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

To: Senator Anderson, Chair

Committee on Jobs, Energy and Community Development

Senator Bakk,

Chair of the Subcommittee on Economic Development and Tourism, to which was referred

S.F. No. 409: A bill for an act relating to economic development; authorizing an early separation incentive program for employees of the Iron Range Resources and Rehabilitation Board; proposing coding for new law in Minnesota Statutes, chapter 354B.

Reports the same back with the recommendation that the bill be amended as follows:

Page 1, line 14, delete "55" and insert "60"

And when so amended that the bill be recommended to pass and be referred to the full committee.

....
(Subcommittee Chair)

March 21, 2005....................
(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.

A bill for an act

relating to economic development; authorizing an early separation incentive program for employees of the Iron Range Resources and Rehabilitation Board; proposing coding for new law in Minnesota Statutes, chapter 354B.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. [354B.33] [IRON RANGE RESOURCES AND REHABILITATION; EARLY SEPARATION INCENTIVE PROGRAM AUTHORIZATION.]

(a) Notwithstanding any law to the contrary, the commissioner of Iron Range resources and rehabilitation, in consultation with the commissioner of employee relations, may offer a targeted early separation incentive program for employees of the commissioner who have attained the age of 55 years, or who have received credit for at least 30 years of allowable service under the provisions of chapter 352.

(b) The early separation incentive program may include one or more of the following:

(1) employer-paid postseparation health, medical, and dental insurance; and

(2) cash incentives that may, but are not required to be, used to purchase additional years of service credit through the Minnesota State Retirement System, to the extent that the purchases are otherwise authorized by law.

(c) The commissioner of Iron Range resources and rehabilitation shall establish eligibility requirements for employees to receive an incentive.

(d) The commissioner of Iron Range Resources and Rehabilitation, consistent with the established program provisions under paragraph (b), and with the eligibility requirements under paragraph (c), may designate specific programs or employees as eligible to be offered the incentive program.

(e) Acceptance of the offered incentive must be voluntary on the part of the employee and must be in writing. The incentive may only be offered at the sole discretion of the commissioner of Iron Range resources and rehabilitation.

(f) The cost of the incentive is payable solely by funds made available to the commissioner of Iron Range resources and rehabilitation by law, but only on prior approval of the expenditures by a majority of the Iron Range Resources and Rehabilitation Board.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 2. [354B.34] [APPLICATION OF OTHER LAWS.]

(a) Unilateral implementation of section 354B.33 by the commissioner of Iron Range resources and rehabilitation is not an unfair labor practice under chapter 179A.

(b) The authority in section 354B.33 for the commissioner of Iron Range resources and rehabilitation or the Iron Range Resources and Rehabilitation Board to pay health, medical, and dental insurance premiums for former employees granted an early separation incentive is not subject to the limits of section 179A.20, subdivision 2a.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Senator Anderson from the Committee on Jobs, Energy and Community Development, to which was referred

S.F. No. 409: A bill for an act relating to economic development; authorizing an early separation incentive program for employees of the Iron Range Resources and Rehabilitation Board; proposing coding for new law in Minnesota Statutes, chapter 354B.

Reports the same back with the recommendation that the bill be amended as follows:

Page 1, line 14, delete "55" and insert "60"

And when so amended the bill do pass and be re-referred to the Committee on Finance. Amendments adopted. Report adopted.

....
(Committee Chair)

March 30, 2005....................
(Date of Committee recommendation)

To: Senator Anderson, Chair

Committee on Jobs, Energy and Community Development

Senator Kubly,

Chair of the Subcommittee on Energy, to which was referred

S.F. No. 1465: A bill for an act relating to taxation; extending the construction date requirement applicable to a property tax exemption for a biomass electric generation facility; extending the duration of a sales tax exemption on construction materials for a biomass electric generation facility; amending Minnesota Statutes 2004, section 272.02, subdivision 47; Laws 2001, First Special Session chapter 5, article 12, section 67.

Reports the same back with the recommendation that the bill do pass and be referred to the full committee.

Gary W. Kubly
....
(Subcommittee Chair)

March 16, 2005....................
(Date of Subcommittee action)

Senators Kubly, Dille, Metzen, Pogemiller and Johnson, D.E. introduced--

S.F. No. 1465: Referred to the Committee on Jobs, Energy and Community Development.

A bill for an act

relating to taxation; extending the construction date requirement applicable to a property tax exemption for a biomass electric generation facility; extending the duration of a sales tax exemption on construction materials for a biomass electric generation facility; amending Minnesota Statutes 2004, section 272.02, subdivision 47; Laws 2001, First Special Session chapter 5, article 12, section 67.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2004, section 272.02, subdivision 47, is amended to read:

Subd. 47. [POULTRY LITTER BIOMASS GENERATION FACILITY; PERSONAL PROPERTY.] Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of an electrical generating facility that meets the requirements of this subdivision is exempt. At the time of construction, the facility must:

(1) be designed to utilize poultry litter as a primary fuel source; and

(2) be constructed for the purpose of generating power at the facility that will be sold pursuant to a contract approved by the Public Utilities Commission in accordance with the biomass mandate imposed under section 216B.2424.

Construction of the facility must be commenced after January 1, 2003, and before December 31, ~~2003~~ 2005. Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or the facility.

[EFFECTIVE DATE.] This section is effective for taxes levied in 2005, payable in 2006, and thereafter.

Sec. 2. Laws 2001, First Special Session chapter 5, article 12, section 67, the effective date, is amended to read:

[EFFECTIVE DATE.] This section is effective for purchases and sales made after June 30, 2001, and before ~~January 1, 2003~~ July 1, 2007.

[EFFECTIVE DATE.] This section is effective the day 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.

Senator Anderson from the Committee on Jobs, Energy and Community Development, to which was referred

S.F. No. 1465: A bill for an act relating to taxation; extending the construction date requirement applicable to a property tax exemption for a biomass electric generation facility; extending the duration of a sales tax exemption on construction materials for a biomass electric generation facility; amending Minnesota Statutes 2004, section 272.02, subdivision 47; Laws 2001, First Special Session chapter 5, article 12, section 67.

Reports the same back with the recommendation that the bill do pass and be re-referred to the Committee on Taxes. Report adopted.

....
(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

To: Senator Anderson, Chair

Committee on Jobs, Energy and Community Development

Senator Bakk,

Chair of the Subcommittee on Economic Development and Tourism, to which was referred

S.F. No. 728: A bill for an act relating to taxation; income; providing for economic growth in rural counties of the state by allowing a credit against the income tax of an employer for the creation and retention of certain jobs; appropriating money; proposing coding for new law in Minnesota Statutes, chapter 290.

Reports the same back with the recommendation that the bill be amended as follows:

Page 1, line 22, after "forestry," insert "energy,"

Page 3, line 13, after the period, insert "The taxpayer may claim the credit under this section for years in which the qualifying job was in existence for the entire year."

Page 3, line 35, delete "2007" and insert "2008"

Page 4, line 5, delete "2009" and insert "2010"

And when so amended that the bill be recommended to pass and be referred to the full committee.

....
(Subcommittee Chair)

March 21, 2005....................
(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

A bill for an act

relating to taxation; income; providing for economic growth in rural counties of the state by allowing a credit against the income tax of an employer for the creation and retention of certain jobs; appropriating money; proposing coding for new law in Minnesota Statutes, chapter 290.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. [290.681] [RURAL ECONOMIC GROWTH CREDIT.]

Subdivision 1. [CREDIT NAME.] The credit allowed by this section shall be known as the "Rural Minnesota Catch-Up Credit."

Subd. 2. [DEFINITIONS.] (a) For purposes of this section, the following terms have the meanings given.

(b) "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 according to the 2000 census.

(c) "Qualifying job" means a job in an industry that produces goods or services that bring outside wealth into an eligible county. A qualifying job includes jobs in the following industries: value-added manufacturing, technologically innovative and information industries, forestry, mining, agriprocessing, and tourism attractions. At a minimum, a qualifying job must provide full-time employment and pay not less than $12 per hour, or $10 per hour plus health insurance benefits, or its equivalent. A qualifying job does not include any job for which a tax credit is received under section 469.318 or for which a grant is made under section 469.309.

Subd. 3. [CREDIT ALLOWED.] A taxpayer that is awarded a credit under subdivision 4 may take a credit against the tax imposed by this chapter, equal to $4,000 per qualifying job created by the taxpayer, per year for three years and $3,000 in the fourth year.

Subd. 4. [QUALIFICATION; APPLICATION.] (a) To qualify for a credit under this section, a taxpayer must create a new qualifying job within an eligible county. The taxpayer must create the qualifying job within 12 months of being awarded the credit. If a taxpayer does not create the qualifying job within 12 months, the credit is forfeited and, if claimed by the taxpayer, subject to recapture, and the credit amount accrues back to the eligible county for allocation under subdivision 5.

(b) A taxpayer seeking a credit under this section must make an application to an eligible county at least 60 days before the award date in paragraph (c). Applications for a credit shall be made on a form and in a manner prescribed by the commissioner.

(c) Eligible counties shall award credits under this section twice each year, by March 15 and September 15. An eligible county shall publish a notice advertising the award date at least 90 days before the date. Selection of applicants for awarding tax credits under this section must be made by the county board of commissioners of an eligible county, or the duly appointed representatives of the county board of commissioners, using uniform criteria established by the commissioner. In selecting among applicants for awarding credits under this section, criteria must contemplate and place greater weight on the following factors: 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 or buildings; whether the taxpayer's business provides employee stock ownership plans or employee profit sharing; and whether a higher percentage of the business's employees are hired with tax credits under this section. For purposes of this section, "duly appointed representatives" include a county or regional economic development agency or authority.

Subd. 5. [LIMITATION; CARRYFORWARD.] (a) The total amount of credits under this section may not exceed $150,000 per eligible county over two years. If a county fails to award $150,000 within a year, it may carry forward the amount that remains unawarded to the following year. Unawarded amounts may not be carried beyond the following year and are lost.

(b) A taxpayer may claim the credit under this section for each year the new qualifying job remains in existence, up to a maximum of four years or $15,000 per qualifying job created. A credit under this section is awarded to the taxpayer for, and attaches to, a designated employee. If the designated employee for whom a credit under this section was awarded leaves the employment of the taxpayer for any reason, the remaining credit the taxpayer would otherwise be eligible to receive is forfeited and may not be claimed by the taxpayer. Credit amounts forfeited under this paragraph accrue back to and may be awarded by an eligible county as if the amount had been unawarded, as provided in paragraph (a).

Subd. 6. [CREDIT REFUNDABLE.] If the amount of credit that the taxpayer is eligible to receive under this section exceeds the liability for tax under this chapter, the commissioner shall refund the excess to the claimant. An amount sufficient to pay the refunds authorized by this subdivision is appropriated to the commissioner from the general fund.

Subd. 7. [MANNER OF CLAIMING.] The commissioner shall prescribe the manner in which the credit may be issued and claimed. This may include providing for the issuance of credit certificates or allowing the credit only as a separately processed claim for a refund.

Subd. 8. [REPORT.] The commissioner shall report to the legislature by February 15, 2007, on credits claimed under this section and shall evaluate the feasibility and benefit of

<u>continuing the program. The commissioner may consult with the commissioner of employment and economic development in preparing this report.</u>

<u>Subd. 9.</u> [EXPIRATION.] <u>This section expires for taxable years beginning after December 31, 2009.</u>

[EFFECTIVE DATE.] <u>This section is effective for taxable years beginning after December 31, 2005.</u>

Senator Anderson from the Committee on Jobs, Energy and Community Development, to which was referred

S.F. No. 728: A bill for an act relating to taxation; income; providing for economic growth in rural counties of the state by allowing a credit against the income tax of an employer for the creation and retention of certain jobs; appropriating money; proposing coding for new law in Minnesota Statutes, chapter 290.

Reports the same back with the recommendation that the bill be amended as follows:

Page 1, line 22, after "<u>forestry,</u>" insert "<u>energy,</u>"

Page 3, line 13, after the period, insert "<u>The taxpayer may claim the credit under this section for years in which the qualifying job was in existence for the entire year.</u>"

Page 3, line 35, delete "<u>2007</u>" and insert "<u>2008</u>"

Page 4, line 5, delete "<u>2009</u>" and insert "<u>2010</u>"

And when so amended the bill do pass and be re-referred to the Committee on Taxes. Amendments adopted. Report adopted.

....
(Committee Chair)

March 30, 2005....................
(Date of Committee recommendation)

To: Senator Anderson, Chair

Committee on Jobs, Energy and Community Development

Senator Bakk,

Chair of the Subcommittee on Economic Development and Tourism, to which was referred

S.F. No. 1495: A bill for an act relating to the city of Taylors Falls; authorizing the city of Taylors Falls to establish and exercise border city development zone powers.

Reports the same back with the recommendation that the bill do pass and be referred to the full committee.

....
(Subcommittee Chair)

March 21, 2005....................
(Date of Subcommittee action)

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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.

A bill for an act

relating to the city of Taylors Falls; authorizing the city of Taylors Falls to establish and exercise border city development zone powers.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. [CITY OF TAYLORS FALLS; BORDER CITY DEVELOPMENT ZONE.]

Subdivision 1. [AUTHORIZATION.] The governing body of the city of Taylors Falls may designate all or any part of the city as a border city development zone.

Subd. 2. [APPLICATION OF GENERAL LAW.] (a) Minnesota Statutes, sections 469.1731 to 469.1735, apply to the border city development zones designated under this section. The governing body of the city may exercise the powers granted under Minnesota Statutes, sections 469.1731 to 469.1735, including powers that apply outside of the zones.

(b) The allocation under subdivision 3 for purposes of Minnesota Statutes, section 469.1735, subdivision 2, is appropriated to the commissioner of revenue.

Subd. 3. [ALLOCATION OF STATE TAX REDUCTIONS.] (a) The cumulative total amount of the state portion of the tax reductions for all years of the program under Minnesota Statutes, sections 469.1731 to 469.1735, for the city of Taylors Falls, is limited to $100,000.

(b) This allocation may be used for tax reductions provided in Minnesota Statutes, section 469.1732 or 469.1734, or for reimbursements under Minnesota Statutes, section 469.1735, subdivision 3, but only if the governing body of the city of Taylors Falls determines that the tax reduction or offset is necessary to enable a business to expand within the city or to attract a business to the city.

(c) The commissioner of revenue may waive the limit under this subdivision using the same rules and standards provided in Minnesota Statutes, section 469.169, subdivision 12, paragraph (b).

Sec. 2. [EFFECTIVE DATE; LOCAL APPROVAL.]

Section 1 is effective upon approval by the governing body of the city of Taylors Falls and upon timely compliance by the city with Minnesota Statutes, section 645.021.

Senator Anderson from the Committee on Jobs, Energy and Community Development, to which was referred

S.F. No. 1495: A bill for an act relating to the city of Taylors Falls; authorizing the city of Taylors Falls to establish and exercise border city development zone powers.

Reports the same back with the recommendation that the bill do pass and be re-referred to the Committee on Taxes. Report adopted.

....
(Committee Chair)

March 30, 2005....................
(Date of Committee recommendation)

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Jo Anne Zoff Sellner
Director

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.

A bill for an act

relating to economic development; creating a program to retain manufacturing jobs in Minnesota; appropriating money; proposing coding for new law in Minnesota Statutes, chapter 116J.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. [116J.671] [DEFINITIONS.]

Subdivision 1. [DEFINITIONS.] For the purposes of this section and section 116J.672, the terms defined in this section have the meanings given them.

Subd. 2. [COMMISSIONER.] "Commissioner" means the commissioner of employment and economic development.

Subd. 3. [METROPOLITAN AREA.] "Metropolitan area" has the meaning given in section 473.121, subdivision 2.

Sec. 2. [116J.672] [EMPLOYER WAGE ASSISTANCE GRANTS.]

Subdivision 1. [PROGRAM CREATED.] The commissioner may make grants to eligible employers as described in subdivision 2 to subsidize wages and benefits for eligible jobs as described in subdivision 3 for the purpose of retaining manufacturing jobs in Minnesota if the commissioner finds that the jobs will not be retained without the subsidy. Grants may only be used for jobs located in Minnesota outside of the metropolitan area.

Subd. 2. [ELIGIBLE EMPLOYERS.] An employer is eligible to apply to the commissioner for a grant under this section if the employer can show that it will not be able to retain jobs without a grant because it is in a short-term competitive downturn because of lower labor costs that are not subject to federal minimum wage requirements.

Subd. 3. [ELIGIBLE JOBS.] To be eligible for a grant under this section, a job must pay total compensation, including benefits not mandated by law, on an annualized basis equal to or greater than 110 percent of the federal poverty guidelines for a family of four.

Subd. 4. [GRANT APPLICATION PROCESS.] The commissioner shall operate a grant application process and provide application forms to employers upon request. The application must specifically identify each job for which a grant is sought and facts sufficient to demonstrate that the employer is an eligible employer under subdivision 2 and the job is an eligible job under subdivision 3.

Subd. 5. [GRANT CRITERIA.] The commissioner shall award grants based on the following criteria:

(1) the likelihood that jobs will be retained because of a subsidy;

(2) the effect of the job retention on the community where the jobs are located and surrounding area;

(3) the availability of other jobs at similar wage and benefit levels in the locale; and

(4) that the grant is prudent based on the economic viability of the business based on historical financial information, business plans, cash flow projections, current orders, and other information the commissioner may request.

Subd. 6. [GRANT AWARDS.] An employer may not receive more than $4,000,000 in grants. A grant for one job may not exceed $10,400, consisting of a maximum of $4 an hour in wage subsidy and a maximum of $1 an hour in benefits subsidy. A grant for a particular job may not be for a period exceeding 48 consecutive months. The commissioner may award a grant for less than the per employer or per employee maximum and for less than 48 months if the commissioner determines a lower amount or lesser duration award will achieve the desired job retention. A grant must be matched by equal cost-saving efforts of the employer other than through job or wage reductions.

Subd. 7. [AUDITS, EXAMINATIONS, INSPECTIONS.] The commissioner may make audits, examinations, and inspections of the books, records, and facilities of an employer necessary to ensure the proper use of grant funds. An employer must, as a condition of receiving a grant, agree to cooperate in those audits, examinations, and inspections.

Subd. 8. [REPAYMENT OF GRANT.] An employer must certify, under oath, that grants are used for the jobs specified in the application. If the job for which a grant is received is not filled by an employee, the grant must be repaid to the extent the job was not filled during the grant period. If the job was unfilled at any time within six months of the last day that a job grant was used for a subsidy, the employer must repay the entire grant unless the commissioner determines that the job was not filled due to circumstances beyond the employer's control. Money repaid to the commissioner must be deposited in the general fund and is reappropriated to the commissioner for the purposes of this section.

Sec. 3. [APPROPRIATION.]

$2,000,000 in fiscal year 2006 and $2,000,000 in fiscal year 2007 are appropriated from the general fund to the commissioner of employment and economic development for the purposes of Minnesota Statutes, section 116J.672.

Senator Anderson from the Committee on Jobs, Energy and Community Development, to which was referred

S.F. No. 526: A bill for an act relating to economic development; creating a program to retain manufacturing jobs in Minnesota; appropriating money; proposing coding for new law in Minnesota Statutes, chapter 116J.

Reports the same back with the recommendation that the bill do pass and be re-referred to the Committee on Finance. Report adopted.

....
(Committee Chair)

March 30, 2005.....................
(Date of Committee recommendation)

To: Senator Anderson, Chair

Committee on Jobs, Energy and Community Development

Senator Bakk,

Chair of the Subcommittee on Economic Development and Tourism, to which was referred

S.F. No. 677: A bill for an act relating to economic development; providing for the reopening of certain historical sites; appropriating money.

Reports the same back with the recommendation that the bill do pass and be referred to the full committee.

....
(Subcommittee Chair)

March 21, 2005....................
(Date of Subcommittee action)

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Senate
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.

A bill for an act

relating to economic development; providing for the reopening of certain historical sites; appropriating money.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. [APPROPRIATION.]

$....... is appropriated from the general fund to the Minnesota Historical Society for operation of the following historical sites in 2005 and 2006: Kelley Farm, Hill House, Lower Sioux Agency, Fort Ridgely, Historic Forestville, the Forest History Center, and the Comstock House. This is a onetime appropriation and is not to be added to the society's base.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Senator Anderson from the Committee on Jobs, Energy and Community Development, to which was referred

S.F. No. 677: A bill for an act relating to economic development; providing for the reopening of certain historical sites; appropriating money.

Reports the same back with the recommendation that the bill do pass and be re-referred to the Committee on Finance. Report adopted.

....
(Committee Chair)

March 30, 2005.....................
(Date of Committee recommendation)

To: Senator Anderson, Chair

Committee on Jobs, Energy and Community Development

Senator Kubly,

Chair of the Subcommittee on Energy, to which was referred

S.F. No. 1784: A bill for an act relating to taxation; property; exempting certain property of an electric generation facility; amending Minnesota Statutes 2004, section 272.02, by adding a subdivision.

Reports the same back with the recommendation that the bill do pass and be referred to the full committee.

....
(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.

A bill for an act

relating to taxation; property; exempting certain property of an electric generation facility; amending Minnesota Statutes 2004, section 272.02, by adding a subdivision.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2004, section 272.02, is amended by adding a subdivision to read:

Subd. 68. [ELECTRIC GENERATION FACILITY; PERSONAL PROPERTY.] (a) Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of a simple-cycle combustion-turbine electric generation facility that exceeds 290 megawatts of installed capacity and that meets the requirements of this subdivision is exempt. At the time of construction, the facility must:

(1) be designed to utilize natural gas as a primary fuel;

(2) not be owned by a public utility as defined in section 216B.02, subdivision 4;

(3) be located within 15 miles of the mainline existing interstate natural gas pipeline and within five miles of an existing electrical transmission substation;

(4) be located outside the metropolitan area as defined under section 473.121, subdivision 2; and

(5) be designed to provide peaking capacity energy and 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.

A bill for an act

relating to taxation; property; exempting certain property of an electric generation facility; amending Minnesota Statutes 2004, section 272.02, by adding a subdivision.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2004, section 272.02, is amended by adding a subdivision to read:

Subd. 68. [ELECTRIC GENERATION FACILITY; PERSONAL PROPERTY.] (a) Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of a simple-cycle combustion-turbine electric generation facility that exceeds 290 megawatts of installed capacity and that meets the requirements of this subdivision is exempt. At the time of construction, the facility must:

(1) be designed to utilize natural gas as a primary fuel;

(2) not be owned by a public utility as defined in section 216B.02, subdivision 4;

(3) be located within 15 miles of the mainline existing interstate natural gas pipeline and within five miles of an existing electrical transmission substation;

(4) be located outside the metropolitan area as defined under section 473.121, subdivision 2; and

(5) be designed to provide peaking capacity energy and ancillary services and have satisfied all of the requirements

Senator Anderson from the Committee on Jobs, Energy and Community Development, to which was referred

S.F. No. 1784: A bill for an act relating to taxation; property; exempting certain property of an electric generation facility; amending Minnesota Statutes 2004, section 272.02, by adding a subdivision.

Reports the same back with the recommendation that the bill do pass and be re-referred to the Committee on Taxes. Report adopted.

....
(Committee Chair)

March 30, 2005...................
(Date of Committee recommendation)

To: Senator Anderson, Chair

Committee on Jobs, Energy and Community Development

Senator Kubly,

Chair of the Subcommittee on Energy, to which was referred

S.F. No. 969: A bill for an act relating to renewable fuel use by state departments; clarifying the state's policy of minimizing energy use and requiring renewable fuels wherever appropriate; proposing coding for new law in Minnesota Statutes, chapter 16C.

Reports the same back with the recommendation that the bill be amended as follows:

Page 2, line 7, delete "75" and insert "100"

And when so amended that the bill be recommended to pass and be referred to the full committee.

Gary W. Kubly
(Subcommittee Chair)

March 11, 2005
(Date of Subcommittee action)

Senator Vickerman introduced--

S.F. No. 969: Referred to the Committee on Jobs, Energy and Community Development.

A bill for an act

relating to renewable fuel use by state departments; clarifying the state's policy of minimizing energy use and requiring renewable fuels wherever appropriate; proposing coding for new law in Minnesota Statutes, chapter 16C.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. [16C.137] [MINIMIZING ENERGY USE; RENEWABLE FUELS.]

Subdivision 1. [LEGISLATIVE FINDINGS.] The legislature finds that increased use of agricultural renewable fuels such as ethanol, biodiesel, and hydrogen made from agricultural products will reduce Minnesota's dependence on imported oil and help protect our environment while providing enormous benefit to Minnesota's rural communities and agricultural economy. Furthermore, Minnesota has a unique economic advantage in the ability to produce clean, renewable, domestic fuels and Minnesota leads the nation in the production and use of ethanol and biodiesel. State agencies need to be urged, once again, to use cleaner fuels like ethanol, biodiesel, and hydrogen in state vehicles, and to purchase vehicles capable of being powered by these cleaner fuels as required by section 16C.135.

Subd. 2. [GOALS AND ACTIONS.] (a) Using 2005 as a baseline, the state of Minnesota shall reduce the use of gasoline by on-road vehicles owned by state departments by 25 percent by 2010 and by 50 percent by 2015, and the use of petroleum-based diesel fuel in diesel-fueled vehicles by ten percent by 2010 and 25 percent by 2015.

(b) To meet the goals established in paragraph (a), each state department will, whenever legally, technically, and economically feasible, subject to the specific needs of the department and responsible management of agency finances:

(1) ensure that at least 75 percent of purchases of new on-road vehicles, excluding emergency and law enforcement vehicles:

(i) use "cleaner fuels" as that term is defined in section 16C.135, subdivision 1, clauses (1), (3), and (4); or

(ii) have fuel efficiency ratings that exceed 30 miles per gallon for city usage or 35 miles per gallon for highway usage, including but not limited to hybrid electric cars and hydrogen-powered vehicles;

(2) increase its use of renewable transportation fuels, including ethanol, biodiesel, and hydrogen from agricultural products; and

(3) increase its use of Web-based Internet applications and other electronic information technologies to enhance the access to and delivery of government information and services to the public, and reduce the reliance on the department's fleet for the delivery of such information and services.

Subd. 3. [SMARTFLEET COMMITTEE.] (a) The commissioner of administration, or the commissioner's designee, shall chair a SmartFleet Committee consisting of representatives designated by the commissioners of the Pollution Control Agency, the Departments of Agriculture and Commerce, and other state departments that wish to participate. To ensure effective and efficient state participation, the SmartFleet Committee must assist state departments in implementing the requirements of this section, including providing information, guidance, sample policies and procedures, and technical and planning assistance.

(b) The SmartFleet Committee must evaluate the goals and directives established in this section by December 2006 and periodically thereafter. The committee may make recommendations to the governor and appropriate committees of the legislature for new or adjusted goals and directives, in light of the progress the state has made implementing this section, and of the availability of new or improved technologies.

(c) For the systematic and efficient monitoring of progress in implementing this section by the SmartFleet Committee, the Department of Administration shall implement a fleet reporting and information management system. Each department will use this management system to demonstrate its progress in complying with this section.

Subd. 4. [EXCLUSION.] Petroleum-based diesel fuel used in a vehicle which a department has retrofit to use ultra low sulfur diesel fuel and to add additional emissions control technologies is excluded when evaluating progress toward the reduction goals established in subdivision 2. This exclusion applies only to vehicles purchased before the model year in which the federal Environmental Protection Agency's new clean diesel emission reduction rules take effect.

Sec. 2. [EFFECTIVE DATE.]

Section 1 is effective the day following final enactment.

Senator Anderson from the Committee on Jobs, Energy and Community Development, to which was referred

S.F. No. 969: A bill for an act relating to renewable fuel use by state departments; clarifying the state's policy of minimizing energy use and requiring renewable fuels wherever appropriate; proposing coding for new law in Minnesota Statutes, chapter 16C.

Reports the same back with the recommendation that the bill be amended as follows:

Page 2, line 4, delete "will" and insert "must"

Page 2, line 7, delete "at least 75 percent of purchases of" and insert "all"

Page 2, line 8, after "vehicles" insert "purchased"

And when so amended the bill do pass. Amendments adopted. Report adopted.

....
(Committee Chair)

March 30, 2005....................
(Date of Committee recommendation)

To: Senator Anderson, Chair

Committee on Jobs, Energy and Community Development

Senator Bakk,

Chair of the Subcommittee on Economic Development and Tourism, to which was referred

S.F. No. 1564: A bill for an act relating to economic development; modifying provisions relating to job opportunity building zones and biotechnology and health sciences industry zone; amending Minnesota Statutes 2004, sections 272.02, subdivision 64; 289A.56, by adding a subdivision; 297A.68, subdivisions 37, 38; 469.310, subdivision 11, by adding a subdivision; 469.316; 469.317; 469.319, subdivision 1, by adding a subdivision; 469.320, subdivision 3; 469.330, subdivision 11; 469.337; 469.340, subdivision 1; repealing Minnesota Statutes 2004, sections 272.02, subdivision 65; 477A.08.

Reports the same back with the recommendation that the bill be amended as follows:

Page 4, delete lines 34 and 35

Page 4, line 36, delete "(2)" and insert "(1)"

Page 5, line 1, delete "(3)" and insert "(2)"

Page 5, line 3, delete "(4)" and insert "(3)"

Page 5, line 5, delete "(5)" and insert "(4)"

Page 5, line 7, delete "(6)" and insert "(5)"

Page 5, line 9, delete "(7)" and insert "(6)"

Page 5, line 11, delete "(8)" and insert "(7)"

Page 6, after line 8, insert:

"(g) A qualifying business must pay each employee compensation, including benefits not mandated by law, that on an annualized basis is equal to at least 110 percent of the federal poverty level for a family of four."

And when so amended that the bill be recommended to pass and be referred to the full committee.

....
(Subcommittee Chair)

March 21, 2005...................
(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.

A bill for an act

relating to economic development; modifying provisions relating to job opportunity building zones and biotechnology and health sciences industry zone; amending Minnesota Statutes 2004, sections 272.02, subdivision 64; 289A.56, by adding a subdivision; 297A.68, subdivisions 37, 38; 469.310, subdivision 11, by adding a subdivision; 469.316; 469.317; 469.319, subdivision 1, by adding a subdivision; 469.320, subdivision 3; 469.330, subdivision 11; 469.337; 469.340, subdivision 1; repealing Minnesota Statutes 2004, sections 272.02, subdivision 65; 477A.08.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2004, section 272.02, subdivision 64, is amended to read:

Subd. 64. [JOB OPPORTUNITY BUILDING ZONE PROPERTY.] (a) Improvements to real property, and personal property, classified under section 273.13, subdivision 24, and located within a job opportunity building zone, designated under section 469.314, are exempt from ad valorem taxes levied under chapter 275.

(b) Improvements to real property, and tangible personal property, of an agricultural production facility located within an agricultural processing facility zone, designated under section 469.314, is exempt from ad valorem taxes levied under chapter 275.

(c) For property to qualify for exemption under paragraph (a), the occupant must be a qualified business, as defined in section 469.310.

(d) The exemption applies beginning for the first assessment year after designation of the job opportunity building zone by the commissioner of employment and economic development. The exemption applies to each assessment year that begins during the duration of the job opportunity building zone ~~and to property~~. To be exempt, the property must be occupied by July 1 of the assessment year by a qualified business that has signed the business subsidy agreement and relocation agreement, if required, by July 1 of the assessment year. This exemption does not apply to:

(1) the levy under section 475.61 or similar levy provisions under any other law to pay general obligation bonds; or

(2) a levy under section 126C.17, if the levy was approved by the voters before the designation of the job opportunity building zone.

[EFFECTIVE DATE.] This section is effective for taxes payable in 2006 and thereafter.

Sec. 2. Minnesota Statutes 2004, section 289A.56, is amended by adding a subdivision to read:

Subd. 7. [BIOTECHNOLOGY AND HEALTH SCIENCES INDUSTRY ZONE REFUNDS.] Notwithstanding subdivision 3, for refunds payable under section 297A.68, subdivision 38, interest is computed from 90 days after the refund claim is filed with the commissioner.

[EFFECTIVE DATE.] This section is effective for refund claims filed on or after July 1, 2005.

Sec. 3. Minnesota Statutes 2004, section 297A.68, subdivision 37, is amended to read:

Subd. 37. [JOB OPPORTUNITY BUILDING ZONES.] (a) Purchases of tangible personal property or taxable services by a qualified business, as defined in section 469.310, are exempt if the property or services are primarily used or consumed in a job opportunity building zone designated under section 469.314.

(b) Purchase and use of construction materials ~~and~~, supplies ~~for~~, or equipment used or consumed in the construction of improvements to real property in a job opportunity building zone are exempt if the improvements after completion of construction are to be used in the conduct of a qualified business, as defined in section 469.310. This exemption applies regardless of whether the purchases are made by the business or a contractor.

(c) The exemptions under this subdivision apply to a local sales and use tax regardless of whether the local sales tax is imposed on the sales taxable as defined under this chapter.

(d) This subdivision applies to sales, if the purchase was made and delivery received during the duration of the zone.

(e) The lease of a motor vehicle by a qualified business, as defined in section 469.310, is exempt if the motor vehicle is principally garaged in the job opportunity building zone and is primarily used as part of or in direct support of the business's operations carried on in the job opportunity building zone.

[EFFECTIVE DATE.] This section is effective for leases entered into or sales made after December 31, 2003.

Sec. 4. Minnesota Statutes 2004, section 297A.68, subdivision 38, is amended to read:

Subd. 38. [BIOTECHNOLOGY AND HEALTH SCIENCES INDUSTRY ZONE.] (a) Purchases of tangible personal property or taxable services by a qualified business, as defined in section 469.330, are exempt if the property or services are primarily used or consumed in a biotechnology and health sciences industry zone designated under section 469.334.

(b) Purchase and use of construction materials ~~and~~, supplies ~~for~~, or equipment used or consumed in the construction of improvements to real property in a biotechnology and health sciences industry zone are exempt if the improvements after completion of construction are to be used in the conduct of a qualified business, as defined in section 469.330. This exemption applies regardless of whether the purchases are made by the business or a contractor.

(c) The exemptions under this subdivision apply to a local sales and use tax regardless of whether the local sales tax is imposed on the sales taxable as defined under this chapter.

(d)(1) The tax on sales of goods or services exempted under this subdivision are imposed and collected as if the applicable rate under section 297A.62 applied. Upon application by the purchaser, on forms prescribed by the commissioner, a refund equal to the tax paid must be paid to the purchaser. The application must include sufficient information to permit the commissioner to verify the sales tax paid and the eligibility of the claimant to receive the credit. No more than two applications for refunds may be filed under this subdivision in a calendar year. The provisions of section 289A.40 apply to the refunds payable under this subdivision.

(2) The amount required to make the refunds is annually appropriated to the commissioner of revenue.

(3) The aggregate amount refunded to a qualified business must not exceed the amount allocated to the qualified business under section 469.335.

(e) This subdivision applies only to sales made during the duration of the designation of the zone.

[EFFECTIVE DATE.] This section is effective for sales made after December 31, 2003.

Sec. 5. Minnesota Statutes 2004, section 469.310, subdivision 11, is amended to read:

Subd. 11. [QUALIFIED BUSINESS.] (a) ~~"Qualified business" means~~ A person carrying on a trade or business at a place of business located within a job opportunity building zone is a qualified business for the purposes of sections 469.310 to 469.320 according to the criteria in paragraphs (b) to (f).

(b) A person is a qualified business only on those parcels of land for which the person has entered into a business subsidy agreement, as required under section 469.313, with the appropriate local government unit in which the parcels are located.

(c) Prior to execution of the business subsidy agreement, the local government unit must consider the following factors:

(1) how wages plus benefits compare to 110 percent of the statewide poverty rate for a family of four;

(2) how wages compare to the regional industry average;

(3) the number of jobs that will be provided relative to overall employment in the community;

(4) the economic outlook for the industry the business will engage in;

(5) sales that will be generated from outside the state of Minnesota;

(6) how the business will build on existing regional strengths or diversify the regional economy;

(7) how the business will increase capital investment in the zone; and

(8) any other criteria the commissioner deems necessary.

~~(b)~~ (d) A person that relocates a trade or business from outside a job opportunity building zone into a zone is not a qualified business~~,~~ unless the business meets all of the requirements of paragraphs (b) and (c) and:

(1)~~(i)~~ increases full-time employment in the first full year of operation within the job opportunity building zone by ~~at least~~ a minimum of five jobs or 20 percent, whichever is greater, measured relative to the operations that were relocated and maintains the required level of employment for each year the zone designation applies; ~~or~~

~~(ii)-makes-a-capital-investment-in-the-property-located within-a-zone-equivalent-to-ten-percent-of-the-gross-revenues-of operation-that-were-relocated-in-the-immediately-preceding taxable-year,~~ and

(2) enters a binding written agreement with the commissioner that:

(i) pledges the business will meet the requirements of clause (1);

(ii) provides for repayment of all tax benefits enumerated under section 469.315 to the business under the procedures in section 469.319, if the requirements of clause (1) are not met for the taxable year or for taxes payable during the year in which the requirements were not met; and

(iii) contains any other terms the commissioner determines appropriate.

(e) The commissioner may waive the requirements under paragraph (d), clause (1), if the commissioner determines that the qualified business will substantially achieve the factors under this subdivision.

(f) A business is not a qualified business if, at its location or locations in the zone, the business is primarily engaged in making retail sales to purchasers who are physically present at the business's zone location.

[EFFECTIVE DATE.] This section is effective the day following final enactment and applies to any business entering a business subsidy agreement for a job opportunity development zone after that date, except that paragraph (b) is effective retroactively from June 9, 2003.

Sec. 6. Minnesota Statutes 2004, section 469.310, is amended by adding a subdivision to read:

Subd. 13. [RELOCATION PAYROLL PERCENTAGE.] "Relocation payroll percentage" is a fraction, the numerator of which is the zone payroll of the business for the tax year minus the payroll from the relocated operations in the last full year of operations prior to the relocation, and the denominator of which is the zone payroll of the business for the tax year. The relocation payroll percentage of a business that is not a relocating business is 100 percent.

[EFFECTIVE DATE.] This section is effective the day following final enactment but applies only to qualified businesses with business subsidy agreements that are fully executed after June 30, 2005.

Sec. 7. Minnesota Statutes 2004, section 469.316, is amended to read:

469.316 [INDIVIDUAL INCOME TAX EXEMPTION.]

Subdivision 1. [APPLICATION.] An individual, estate, or trust operating a trade or business in a job opportunity building zone, and an individual, estate, or trust making a qualifying investment in a qualified business operating in a job opportunity building zone qualifies for the exemptions from taxes imposed under chapter 290, as provided in this section.

The exemptions provided under this section apply only to the extent that the income otherwise would be taxable under chapter 290. Subtractions under this section from federal taxable income, alternative minimum taxable income, or any other base subject to tax are limited to the amount that otherwise would be included in the tax base absent the exemption under this section. This section applies only to taxable years beginning during the duration of the job opportunity building zone.

Subd. 2. [RENTS.] An individual, estate, or trust is exempt from the taxes imposed under chapter 290 on net rents derived from real or tangible personal property used by a qualified business and located in a zone for a taxable year in which the zone was designated a job opportunity building zone. If tangible personal property was used both within and outside of the zone by the qualified business, the exemption amount for the net rental income must be multiplied by a fraction, the numerator of which is the number of days the property was used in the zone and the denominator of which is the total days the property is rented by the qualified business.

Subd. 3. [BUSINESS INCOME.] An individual, estate, or trust is exempt from the taxes imposed under chapter 290 on net income from the operation of a qualified business in a job opportunity building zone. If the trade or business is carried on within and without the zone and the individual is not a resident of Minnesota, or the taxpayer is an estate or trust, the exemption must be apportioned based on the zone percentage and the relocation payroll percentage for the taxable year. If the trade or business is carried on within and without the zone and the individual is a resident of Minnesota, the exemption must be apportioned based on the zone percentage and the relocation payroll percentage for the taxable year, except the ratios under section 469.310, subdivision 7, clause (1), items (i) and (ii), must use the denominators of the property and payroll factors determined under section 290.191. No subtraction is allowed under this section in excess of 20 percent of the sum of the job opportunity building zone payroll and the adjusted basis of the property at the time that the property is first used in the job opportunity building zone by the business.

Subd. 4. [CAPITAL GAINS.] (a) An individual, estate, or trust is exempt from the taxes imposed under chapter 290 on:

(1) net gain derived on a sale or exchange of real property located in the zone and used by a qualified business. If the property was held by the individual, estate, or trust during a period when the zone was not designated, the gain must be prorated based on the percentage of time, measured in calendar days, that the real property was held by the individual, estate, or trust during the period the zone designation was in effect to the total period of time the real property was held by the individual;

(2) net gain derived on a sale or exchange of tangible personal property used by a qualified business in the zone. If the property was held by the individual, estate, or trust during a period when the zone was not designated, the gain must be prorated based on the percentage of time, measured in calendar days, that the property was held by the individual, estate, or trust during the period the zone designation was in effect to the total period of time the property was held by the individual. If the tangible personal property was used outside of the zone during the period of the zone's designation, the exemption must be multiplied by a fraction, the numerator of which is the number of days the property was used in the zone during the time of the designation and the denominator of which is the total days the property was held during the time of the designation; and

(3) net gain derived on a sale of an ownership interest in a qualified business operating in the job opportunity building zone, meeting the requirements of paragraph (b). The exemption on the gain must be multiplied by the zone percentage of the business for the taxable year prior to the sale.

(b) A qualified business meets the requirements of paragraph (a), clause (3), if it is a corporation, an S corporation, or a partnership, and for the taxable year its job opportunity building zone percentage exceeds 25 percent. For purposes of paragraph (a), clause (3), the zone percentage must be calculated by modifying the ratios under section 469.310, subdivision 7, clause (1), items (i) and (ii), to use the denominators of the property and payroll factors determined under section 290.191. Upon the request of an individual<u>, estate, or trust</u> holding an ownership interest in the entity, the entity must certify to the owner, in writing, the job opportunity building zone percentage needed to determine the exemption.

[EFFECTIVE DATE.] <u>This section is effective for tax years beginning after December 31, 2003, except that changes in subdivision 3 relating to the relocation payroll percentage are effective the day following final enactment and apply only to qualified businesses with business subsidy agreements that are fully executed after June 30, 2005.</u>

Sec. 8. Minnesota Statutes 2004, section 469.317, is amended to read:

469.317 [CORPORATE FRANCHISE TAX EXEMPTION.]

(a) A qualified business is exempt from taxation under section 290.02, the alternative minimum tax under section 290.0921, and the minimum fee under section 290.0922, on the portion of its income attributable to operations within the zone. This exemption is determined as follows:

(1) for purposes of the tax imposed under section 290.02, by multiplying its taxable net income by its zone percentage and <u>by its relocation payroll percentage and</u> subtracting the result in determining taxable income;

(2) for purposes of the alternative minimum tax under section 290.0921, by multiplying its alternative minimum taxable income by its zone percentage and <u>by its relocation payroll percentage and</u> reducing alternative minimum taxable income by this amount; and

(3) for purposes of the minimum fee under section 290.0922, by excluding property and payroll in the zone from the

computations of the fee or by exempting the entity under section 290.0922, subdivision 2, clause (7).

(b) No subtraction is allowed under this section in excess of 20 percent of the sum of the corporation's job opportunity building zone payroll and the adjusted basis of the property at the time that the property is first used in the job opportunity building zone by the corporation.

(c) This section applies only to taxable years beginning during the duration of the job opportunity building zone.

[EFFECTIVE DATE.] _This section is effective the day following final enactment but applies only to qualified businesses with business subsidy agreements that are fully executed after June 30, 2005._

Sec. 9. Minnesota Statutes 2004, section 469.319, subdivision 1, is amended to read:

Subdivision 1. [REPAYMENT OBLIGATION.] A business must repay the amount of the total tax reduction listed in section 469.315 and any refund under section 469.318 in excess of tax liability, received during the two years immediately before it ceased to operate in the zone, if the business:

(1) received tax reductions authorized by section 469.315; and

(2)(i) did not meet the goals specified in an agreement entered into with the applicant that states any obligation the qualified business must fulfill in order to be eligible for tax benefits. The commissioner _of employment and economic development_ may extend for up to one year the period for meeting any goals provided in an agreement. The applicant may extend the period for meeting other goals by documenting in writing the reason for the extension and attaching a copy of the document to its next annual report to the commissioner _of employment and economic development_; or

(ii) ceased to operate its facility located within the job opportunity building zone or otherwise ceases to be or is not a qualified business.

[EFFECTIVE DATE.] _This section is effective the day_ following final enactment.

Sec. 10. Minnesota Statutes 2004, section 469.319, is amended by adding a subdivision to read:

Subd. 6. [RECONCILIATION.] Where this section is inconsistent with section 116J.994, subdivision 3, paragraph (e), or 6, or any other provisions of sections 116J.993 to 116J.995, this section prevails.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 11. Minnesota Statutes 2004, section 469.320, subdivision 3, is amended to read:

Subd. 3. [REMEDIES.] If the commissioner determines, based on a report filed under subdivision 1 or other available information, that a zone or subzone is failing to meet its performance goals, the commissioner may take any actions the commissioner determines appropriate, including modification of the boundaries of the zone or a subzone or termination of the zone or a subzone. Before taking any action, the commissioner shall consult with the applicant and the affected local government units, including notifying them of the proposed actions to be taken. ~~The commissioner shall publish any order modifying a zone in the State Register and on the Internet.~~ The applicant may appeal the commissioner's order under the contested case procedures of chapter 14.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 12. Minnesota Statutes 2004, section 469.330, subdivision 11, is amended to read:

Subd. 11. [QUALIFIED BUSINESS.] (a) "Qualified business" means a person carrying on a trade or business at a biotechnology and health sciences industry facility located within a biotechnology and health sciences industry zone. A person is a qualified business only on those parcels of land for which it has entered into a business subsidy agreement, as required under section 469.333, with the appropriate local government unit in which the parcels are located.

(b) A person that relocates a biotechnology and health sciences industry facility from outside a biotechnology and health sciences industry zone into a zone is not a qualified business, unless the business:

(1)(i) increases full-time employment in the first full year of operation within the biotechnology and health sciences industry zone by at least 20 percent measured relative to the operations that were relocated and maintains the required level of employment for each year the zone designation applies; or

(ii) makes a capital investment in the property located within a zone equivalent to ten percent of the gross revenues of operation that were relocated in the immediately preceding taxable year; and

(2) enters a binding written agreement with the commissioner that:

(i) pledges the business will meet the requirements of clause (1);

(ii) provides for repayment of all tax benefits enumerated under section 469.336 to the business under the procedures in section 469.340, if the requirements of clause (1) are not met; and

(iii) contains any other terms the commissioner determines appropriate.

[EFFECTIVE DATE.] <u>This section is effective retroactively from June 9, 2003.</u>

Sec. 13. Minnesota Statutes 2004, section 469.337, is amended to read:

469.337 [CORPORATE FRANCHISE TAX EXEMPTION.]

(a) A qualified business is exempt from taxation under section 290.02, the alternative minimum tax under section 290.0921, and the minimum fee under section 290.0922, on the portion of its income attributable to operations of a qualified business within the biotechnology and health sciences industry zone. This exemption is determined as follows:

(1) for purposes of the tax imposed under section 290.02, by multiplying its taxable net income by its zone percentage and

subtracting the result in determining taxable income;

(2) for purposes of the alternative minimum tax under section 290.0921, by multiplying its alternative minimum taxable income by its zone percentage and reducing alternative minimum taxable income by this amount; and

(3) for purposes of the minimum fee under section 290.0922, by excluding zone property and payroll ~~in-the-zone~~ from the computations of the fee. The qualified business is exempt from the minimum fee if all of its property is located in the zone and all of its payroll is zone payroll.

(b) No subtraction is allowed under this section in excess of 20 percent of the sum of the corporation's biotechnology and health sciences industry zone payroll and the adjusted basis of the property at the time that the property is first used in the biotechnology and health sciences industry zone by the corporation.

(c) No reduction in tax is allowed in excess of the amount allocated under section 469.335.

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2003.

Sec. 14. Minnesota Statutes 2004, section 469.340, subdivision 1, is amended to read:

Subdivision 1. [REPAYMENT OBLIGATION.] A business must repay the amount of the tax reduction listed in section 469.336 and any refunds under sections 469.338 and 469.339 in excess of tax liability, received during the two years immediately before it ceased to operate in the zone, if the business:

(1) received tax reductions authorized by section 469.336; and

(2)(i) did not meet the goals specified in an agreement entered into with the applicant that states any obligation the qualified business must fulfill in order to be eligible for tax benefits. The commissioner of employment and economic development may extend for up to one year the period for meeting any goals provided in an agreement. The applicant may extend the period for meeting other goals by documenting in writing the reason for the extension and attaching a copy of the document to its next annual report to the commissioner of employment and economic development; or

(ii) ceased to operate its facility located within the biotechnology and health sciences industry zone or otherwise ceases to be or is not a qualified business.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 15. [REVISOR'S INSTRUCTION.]

The revisor shall renumber Minnesota Statutes, section 469.310, subdivision 11, as section 469.3135, and insert the following definition of "qualified business" in Minnesota Statutes, section 469.310: "'Qualified business' means the entity described in section 469.3135."

Sec. 16. [REPEALER.]

Minnesota Statutes 2004, sections 272.02, subdivision 65; and 477A.08, are repealed.

[EFFECTIVE DATE.] The repeal of section 272.02, subdivision 65, is effective for taxes payable in 2006 and thereafter. The repeal of section 477A.08 is effective for aid payable in 2005 and thereafter.

Senator Anderson from the Committee on Jobs, Energy and Community Development, to which was referred

S.F. No. 1564: A bill for an act relating to economic development; modifying provisions relating to job opportunity building zones and biotechnology and health sciences industry zone; amending Minnesota Statutes 2004, sections 272.02, subdivision 64; 289A.56, by adding a subdivision; 297A.68, subdivisions 37, 38; 469.310, subdivision 11, by adding a subdivision; 469.316; 469.317; 469.319, subdivision 1, by adding a subdivision; 469.320, subdivision 3; 469.330, subdivision 11; 469.337; 469.340, subdivision 1; repealing Minnesota Statutes 2004, sections 272.02, subdivision 65; 477A.08.

Reports the same back with the recommendation that the bill be amended as follows:

Page 4, delete lines 34 and 35

Page 4, line 36, delete "(2)" and insert "(1)"

Page 5, line 1, delete "(3)" and insert "(2)"

Page 5, line 3, delete "(4)" and insert "(3)"

Page 5, line 5, delete "(5)" and insert "(4)"

Page 5, line 7, delete "(6)" and insert "(5)"

Page 5, line 9, delete "(7)" and insert "(6)"

Page 5, line 11, delete "(8)" and insert "(7)"

Page 6, after line 8, insert:

"(g) A qualifying business must pay each employee compensation, including benefits not mandated by law, that on an annualized basis is equal to at least 110 percent of the federal poverty level for a family of four."

And when so amended the bill do pass and be re-referred to the Committee on Finance. Amendments adopted. Report adopted.

....
(Committee Chair)

March 30, 2005...................
(Date of Committee recommendation)

To: Senator Anderson, Chair

Committee on Jobs, Energy and Community Development

Senator Bakk,

Chair of the Subcommittee on Economic Development and Tourism, to which was referred

S.F. No. 514: 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.

Reports the same back with the recommendation that the bill be amended as follows:

Page 1, line 17, delete everything after "tracts" and insert "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"

Page 1, lines 18 and 19, delete the new language

And when so amended that the bill be recommended to pass and be referred to the full committee.

....
(Subcommittee Chair)

March 21, 2005....................
(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.

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.

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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 Iric Nathanson at MCCD, 612/789-7337, ext 14. E mail inathanson@mccdmn.org

Minority population in selected Twin Cities metro communities - 1990

Community	*African American*	*Asian*	*Latino*	***total***
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	
total	*26,553*	*19,774*	*9800*	***56,127***

Foreign-born arrivals in selected Twin Cities metro communities 1990-2000

Community	*Number*
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
total	*16,853*

Senator Anderson from the Committee on Jobs, Energy and Community Development, to which was referred

S.F. No. 514: 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.

Reports the same back with the recommendation that the bill be amended as follows:

Page 1, line 17, delete everything after "tracts" and insert "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"

Page 1, lines 18 and 19, delete the new language

And when so amended the bill do pass. Amendments adopted. Report adopted.

....
(Committee Chair)

March 30, 2005....................
(Date of Committee recommendation)