

Senator Ruud introduced-

S.F. No. 2377: Referred to the Committee on Taxes.

1.1 A bill for an act
1.2 relating to taxation; authorizing the town of Sylvan in Cass County to impose
1.3 a gravel tax under certain circumstances; amending Minnesota Statutes 2004,
1.4 section 298.75, by adding a subdivision.

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

1.6 Section 1. Minnesota Statutes 2004, section 298.75, is amended by adding a
1.7 subdivision to read:

1.8 Subd. 10. Tax may be imposed; Cass County. (a) If Cass County does not impose
1.9 a tax under this section, the town of Sylvan in Cass County may impose the aggregate *v and imposes approves imposition of the tax under this subdivision*
1.10 materials tax under this section.

1.11 (b) For purposes of exercising the powers contained in this section, the "town" is
2 deemed to be the "county."

1.13 (c) All provisions in this section apply to the town of Sylvan, except that, in lieu
1.14 of the distribution of the tax proceeds under subdivision 7, all proceeds of the tax must
1.15 be retained by the town.

1.16 (d) If Cass County imposes an aggregate materials tax under this section, the tax
1.17 imposed by the town of Sylvan under this subdivision is repealed on the effective date
1.18 of the Cass County tax.

1.19 EFFECTIVE DATE. This section is effective the day after the governing body of
1.20 the town of Sylvan and its chief clerical officer comply with section 645.021, subdivisions
1.21 2 and 3.

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

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State of Minnesota

S.F. No. 2377 - Aggregate Tax - Town of Sylvan

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Date: April 4, 2006

This bill authorizes the town of Sylvan in Cass County to impose the aggregate materials tax if the county does not do so. All of the proceeds of the tax would be retained by the town. If the county subsequently imposes an aggregate materials tax, the tax imposed by the town of Sylvan would be repealed on the date when the county tax begins.

JZS:dv

MINNESOTA REVENUE

AGGREGATE MATERIALS TAX Town of Sylvan in Cass County

March 29, 2006

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 2723 (Howes) / S.F. 2377 (Ruud)

The bill allows the town of Sylvan to impose an aggregate materials tax if Cass County does not. ~~The town of Sylvan would be deemed to be the county for purposes of collecting the tax, except~~ that all tax must be retained by the town. If Cass County imposes an aggregate materials tax, the tax imposed by the town of Sylvan is repealed on the effective date of the Cass County tax.

The bill would have no impact on any state funds. Revenue from the proposed tax would go to the town of Sylvan.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy

hf2723(sf2377)_1/nrg

1.1 A bill for an act
1.2 relating to state lands; adding to and deleting from state parks, state forests,
1.3 and recreation areas; providing for public and private sales and exchanges of
1.4 certain state lands; authorizing removal of certain land from the sustainable
1.5 forest incentive program; providing for disposition of certain proceeds from
1.6 tax-forfeited land sales in Itasca County; modifying prior sale provisions;
1.7 amending Laws 1999, chapter 161, section 31, subdivision 5, as amended; Laws
1.8 2005, chapter 161, section 19.

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

1.10 Section 1. **ADDITIONS TO STATE PARKS.**

1.11 **Subdivision 1. [85.012] [Subd. 14.] Crow Wing State Park, Crow Wing, Cass,**
1.12 **and Morrison Counties. The following areas are added to Crow Wing State Park,**
1.13 **Cass County:**

1.14 **(1) Government Lots 3, 4, and 5, the Southeast Quarter of the Northeast Quarter,**
1.15 **and the Northeast Quarter of the Southeast Quarter, all in Section 24, Township 133**
1.16 **North, Range 30 West;**

1.17 **(2) that part of Government Lot 4 lying southerly of Cass County State-Aid Highway**
1.18 **36 and that part of the Southeast Quarter of the Southwest Quarter lying southerly and**
1.19 **westerly of Cass County State-Aid Highway 36 and also lying westerly of the Gull River,**
1.20 **all in Section 19, Township 133 North, Range 29 West; and**

1.21 **(3) that part of Government Lot 2 lying westerly of the Gull River, Section 30,**
1.22 **Township 133 North, Range 29 West.**

1.23 **Subd. 2. [85.012] [Subd. 21.] Frontenac State Park, Goodhue County. The**
1.24 **following areas are added to Frontenac State Park, Goodhue County:**

1.25 **(1) beginning at the corners of Sections 11, 12, 13, and 14, in Township 112 North,**
1.26 **Range 13 West; thence running South along the east line of said Section 14, 660 feet;**

2.1 thence at right angles East 2,220 feet; thence at right angles North 1,522 feet; thence
 2.2 West 900 feet to the center of the Lake City and Frontenac public highway; thence South
 2.3 860 feet, more or less, along the centerline of said public highway to the north line of
 2.4 said Section 12; thence West 1,320 feet, more or less, along said north line to the point
 2.5 of beginning;

2.6 (2) that part of Government Lot 3 of Section 12 and Government Lot 1 and the
 2.7 Northeast Quarter of the Northwest Quarter of Section 13, all in Township 112 North,
 2.8 Range 13 West, described as follows: Beginning at a point 600 feet North of the southwest
 2.9 corner of the Northeast Quarter of the Northwest Quarter of said Section 13; thence run
 2.10 due North 60 feet, more or less, to south line of Convent property; thence due East 900
 2.11 feet to the southeast corner of Convent property; thence due North 1,062 feet to a point
 2.12 which is 460 feet due South of a stone monument at corner of Convent property; thence
 2.13 due East 150 feet; thence South 16 degrees East 1,104 feet, more or less, to a point which
 2.14 is 450 feet due East of the southeast corner of Convent property above described; thence
 2.15 due East 407 feet; thence due South 660 feet, more or less, to south line of Government
 2.16 Lot 1 of said Section 13, which point is 1,757 feet East of southwest corner of Northeast
 2.17 Quarter of the Northwest Quarter of said Section 13; thence West along said south line of
 2.18 Government Lot 1, 1,167 feet, more or less, to center of Wells Creek; thence northwesterly
 2.19 along center of Wells Creek 800 feet, more or less, to a point which is due East of the place
 2.20 of beginning; thence due West 100 feet to place of beginning. Also right-of-way 60 feet
 2.21 wide adjoining on the North of this tract is given, which runs East and West 150 feet; and

2.22 (3) commencing at the northeast corner of the Ursuline Convent Lands (where a
 2.23 stone is set) in the Southwest Quarter of Section 12, Township 112 North, Range 13 West;
 2.24 thence East on the line of continuation of the north line, which runs East and West of
 2.25 said "Convent Lands," a distance of 20 feet for a place of beginning; thence South and
 2.26 parallel with the east line of said "Convent Lands," a distance of 400 feet; thence East
 2.27 to the line of low water mark of Lake Pepin a distance of 750 feet, be the same more or
 2.28 less; thence in a northwesterly direction and following said line of low water mark of said
 2.29 Lake Pepin to a point where the same intersects the said continuation of said north line
 2.30 of said "Ursuline Convent Lands" if continued to said line of low water mark of said
 2.31 Lake Pepin; thence West and on said continued north line to the place of beginning, said
 2.32 premises being a part of Lot 3, Section 12.

2.33 Subd. 3. [85.012] [Subd. 27a.] Grand Portage State Park, Cook County. The
 2.34 following area is added to Grand Portage State Park, all in Section 30, Township 64 North,
 2.35 Range 7 East, Cook County: All of the Southwest Quarter of the Northeast Quarter lying
 2.36 northerly of the center line of Minnesota Trunk Highway 61.

3.1 Subd. 4. [85.012] [Subd. 42.] Mille Lacs Kathio State Park, Mille Lacs County.

3.2 The following area is added to Mille Lacs Kathio State Park, Mille Lacs County: That
3.3 part of Government Lot 1, Section 26, Township 42 North, Range 27 West, described as
3.4 follows: Beginning at the northeast corner of said Government Lot 1; thence North 89
3.5 degrees 09 minutes 54 seconds West, bearing based on Mille Lacs County Coordinate
3.6 System, along the north line of said Government Lot 1 a distance of 665.82 feet to a
3.7 3/4-inch iron rod with survey cap stamped "MN DNR LS 16098" (DNR monument);
3.8 thence South 00 degrees 00 minutes 00 seconds West a distance of 241.73 feet to a DNR
3.9 monument, thence continuing South 00 degrees 00 minutes 00 seconds West a distance of
3.10 42.18 feet to a P.K. nail in the centerline of County Road 26; thence southeasterly along the
3.11 centerline of County Road 26 a distance of 860 feet, more or less, to the east line of said
3.12 Government Lot 1; thence North 00 degrees 22 minutes 38 seconds East along the east line
3.13 of said Government Lot 1 a distance of 763 feet, more or less, to the point of beginning.

3.14 Subd. 5. [85.012] [Subd. 53b.] Split Rock Creek State Park, Pipestone County.

3.15 The following areas are added to Split Rock Creek State Park, all in Township 105 North,
3.16 Range 46 West, Pipestone County:

3.17 (1) the Northeast Quarter; the Southwest Quarter; and the Southeast Quarter, except
3.18 that part beginning at a point on the east line of said Southeast Quarter, 1,112 feet North of
3.19 the southeast corner of said Southeast Quarter; thence West 561 feet to a point; thence
3.20 North 529 feet to a point; thence East 561 feet to a point on the east line of said Southeast
3.21 Quarter; thence South along the east line of said Southeast Quarter 528 feet to the point of
3.22 beginning, all in Section 22; and

3.23 (2) the North 105 acres, more or less, of the North Half of Section 27, lying North
3.24 and West of the southeasterly right-of-way line of the former Chicago, Rock Island and
3.25 Pacific Railway Company, now abandoned, as it was originally located on and across said
3.26 Section 27 and that part of the North Half of Section 27 beginning at the northeast corner
3.27 of said Section 27; thence South 89 degrees 40 minutes 00 seconds West, a distance of
3.28 1,608.29 feet; thence South 46 degrees 05 minutes 00 seconds West, a distance of 155.63
3.29 feet; thence deflect left along a curve having a delta angle of 11 degrees 46 minutes, a
3.30 radius of 844.28 feet, for a distance of 173.39 feet; thence South 34 degrees 18 minutes 00
3.31 seconds West, a distance of 909.30 feet; thence South 89 degrees 57 minutes 00 seconds
3.32 East, a distance of 1,718.36 feet; thence North 01 degree 03 minutes 00 seconds East, a
3.33 distance of 120.70 feet; thence South 89 degrees 44 minutes 00 seconds East, a distance
3.34 of 623.70 feet to the east line of said Section 27; thence North 00 degrees 00 minutes 00
3.35 seconds East, along said east line, a distance of 882.95 feet, to the point of beginning.

4.1 Subd. 6. [85.012] [Subd. 60.] William O'Brien State Park, Washington County.

4.2 The following areas are added to William O'Brien State Park, all in Township 32 North,
4.3 Range 20 West, Washington County:

4.4 (1) the South 165.0 feet of the North 495.0 feet of the West Half of the Southeast
4.5 Quarter of Section 36;

4.6 (2) the South 165.0 feet of the North 660.0 feet of the West Half of the Southeast
4.7 Quarter of Section 36; and

4.8 (3) that part of the Northwest Quarter of the Southeast Quarter of Section 36 lying
4.9 South of the North 660 feet thereof and lying North of the South 200 feet of the North
4.10 1,326.20 feet of the West Half of the Southeast Quarter of said Section 36, except that part
4.11 thereof conveyed to the Minneapolis, St. Paul and Sault Ste. Marie Railway Company by
4.12 deed recorded in Book 74 of Deeds, page 491 in the Office of the Washington County
4.13 Recorder.

4.14 **Sec. 2. DELETIONS FROM STATE PARKS.**

4.15 Subdivision 1. [85.012] [Subd. 2.] Banning State Park, Pine County. The
4.16 following area is deleted from Banning State Park, Pine County: the West Half of the
4.17 Northwest Quarter, Section 26, Township 43 North, Range 20 West.

4.18 Subd. 2. [85.012] [Subd. 52a.] Schoolcraft State Park, Cass and Itasca Counties.
4.19 The following areas are deleted from Schoolcraft State Park, Itasca County, all in
4.20 Township 143 North, Range 25 West:

4.21 (1) Government Lots 5, 6, 9, and 12 of Section 2; and

4.22 (2) Government Lot 4 of Section 11.

4.23 Subd. 3. [85.012] [Subd. 60.] William O'Brien State Park, Washington County.

4.24 The following area is deleted from William O'Brien State Park, all in Section 26,
4.25 Township 32 North, Range 20 West, Washington County: that part of the South Half of
4.26 the Northeast Quarter lying east of Oxboro Avenue.

4.27 **Sec. 3. DELETIONS FROM STATE RECREATION AREAS.**

4.28 Subdivision 1. [85.013] [Subd. 12a.] Iron Range Off-Highway Vehicle
4.29 Recreation Area, St. Louis County. The following areas are deleted from the Iron Range
4.30 Off-Highway Vehicle Recreation Area, St. Louis County:

4.31 (1) the Southeast Quarter of the Southeast Quarter, Section 4, Township 58 North,
4.32 Range 17 West;

4.33 (2) the East Half of the Northeast Quarter and the East Half of the Southeast Quarter,
4.34 Section 8, Township 58 North, Range 17 West; and

5.1 (3) Section 9, Township 58 North, Range 17 West.

5.2 Subd. 2. [85.013] [Subd. 17a.] Minnesota Valley State Recreation Area,
5.3 Hennepin, Dakota, Scott, Carver, Sibley, and Le Sueur Counties. The following
5.4 area is deleted from the Minnesota Valley State Recreation Area, Sibley County: the
5.5 Rush River Wayside.

5.6 **Sec. 4. ADDITIONS TO RUM RIVER STATE FOREST.**

5.7 [89.021] [Subd. 43.] Rum River State Forest. The following areas are added to
5.8 Rum River State Forest:

5.9 (1) the South Half of the Southwest Quarter of Section 8, Township 39 North, Range
5.10 25 West, Kanabec County;

5.11 (2) the North Half of the Northeast Quarter of Section 25, Township 39 North,
5.12 Range 26 West, Mille Lacs County;

5.13 (3) Sections 7, 8, 9, and 10; the West Half of Section 11; the Northwest Quarter,
5.14 North Half of the Southwest Quarter, and the Southeast Quarter of the Southwest Quarter
5.15 of Section 14; the North Half of the South Half and the North Half of Section 15; the
5.16 Southwest Quarter of the Southwest Quarter, the North Half of the South Half, and the
5.17 North Half of Section 16; the North Half of Section 17; the North Half of Section 18; the
5.18 Southeast Quarter of the Southwest Quarter and the Southwest Quarter of the Southeast
5.19 Quarter of Section 24; the West Half of the Northeast Quarter and the East Half of the
5.20 Northwest Quarter of Section 25; and the South Half of the Southeast Quarter of Section
5.21 26; all in Township 40 North, Range 27 West, Mille Lacs County;

5.22 (4) the East Half of the Southwest Quarter and the Southeast Quarter of Section 36,
5.23 Township 41 North, Range 27 West, Mille Lacs County;

5.24 (5) the Southeast Quarter of the Southeast Quarter of Section 19, Township 42
5.25 North, Range 27 West, Mille Lacs County; and

5.26 (6) Section 36, Township 41 North, Range 28 West, Morrison County.

5.27 **Sec. 5. Laws 1999, chapter 161, section 31, subdivision 5, as amended by Laws 2004,**
5.28 **chapter 262, article 3, section 2, is amended to read:**

5.29
5.30 **Subd. 5. Survey. (a) Itasca county shall cause each lot to be surveyed by a licensed**
5.31 **surveyor, except that a survey is not required for Lots 11 and 12, Plat of Third River,**
5.32 **according to the plat of record in the Office of the Recorder for Itasca County.**

5.33

6.1 (b) The costs of survey shall be allocated by the county to the lots offered for sale
6.2 and the successful purchaser on each lot shall reimburse the county for the survey costs
6.3 allocated to the lot purchased. If no one purchases the lot, the county is responsible for the
6.4 survey costs. All surveying must be conducted by a licensed surveyor.

6.5 **Sec. 6. PUBLIC SALE OF SURPLUS STATE LAND BORDERING PUBLIC**
6.6 **WATER; ANOKA COUNTY.**

6.7 (a) Notwithstanding Minnesota Statutes, section 92.45, the commissioner of natural
6.8 resources may sell by public sale the surplus land bordering public water that is described
6.9 in paragraph (c).

6.10 (b) The conveyance must be in a form approved by the attorney general. The
6.11 attorney general may make necessary changes to the legal description to correct errors
6.12 and ensure accuracy.

6.13 (c) The land that may be sold is located in Anoka County and is described as follows:
6.14 That part of Government Lot 1 in Section 17, Township 33 North, Range 22 West,
6.15 commencing at a point on the southeasterly right-of-way line of County Aid Road
6.16 No. 4, as the road was laid out and constructed across said Government Lot 1 as of
6.17 January 31, 1948, which is 99 feet northeasterly from the point of the intersection
6.18 of said right-of-way line and the west line of said Section 17, running thence
6.19 southwesterly a distance of 99 feet to the said intersection of the right-of-way line
6.20 and the west line of Section 17; thence South along the west line of said Section
6.21 17 to the shoreline of Linwood Lake; thence northeasterly along the shoreline of
6.22 Linwood Lake a distance of 126 feet; and thence northwesterly in a straight line to
6.23 the point of beginning, all according to the United States government survey thereof.

6.24 (d) The land was formerly used as a water access site on Linwood Lake and is no
6.25 longer needed for natural resource purposes.

6.26 **Sec. 7. PRIVATE SALE OF TAX-FORFEITED LAND BORDERING PUBLIC**
6.27 **WATER; CLEARWATER COUNTY.**

6.28 (a) Notwithstanding Minnesota Statutes, sections 92.45 and 282.018, subdivision 1,
6.29 and the public sale requirements in Minnesota Statutes, chapter 282, Clearwater County
6.30 may sell the tax-forfeited land bordering public water described in paragraph (c) to the
6.31 city of Bagley, under the remaining provisions of Minnesota Statutes, chapter 282. The
6.32 conveyance must provide that the land described in paragraph (c) be used for the public,
6.33 and revert to the state in trust for the taxing districts, if the city of Bagley fails to provide
6.34 for public use or abandons the public use of the land.

7.1 (b) The conveyance must be in a form approved by the attorney general for the
7.2 appraised value of the land. The attorney general may make necessary changes to the legal
description to correct errors and ensure accuracy.

7.4 (c) The land to be sold is located in Clearwater County and is described as:

7.5 (1) all that part of the Northeast Quarter of the Southeast Quarter (NE1/4SE1/4)
7.6 and the Southeast Quarter of the Northeast Quarter (SE1/4NE1/4), Section Thirty (30),
7.7 Township One Hundred Forty-seven (147) North, Range Thirty-seven (37), West of the
7.8 Fifth Principal Meridian, described as follows:

7.9 Commencing at the southwest corner of Lot One (1) of Block One (1) of Pleasant
7.10 Addition of Bagley at its intersection with Highway #2 right-of-way as the point of
7.11 beginning; thence North on the West boundary line of said Lot One to the northern
7.12 boundary line of the alley North of and adjacent to Block One; thence westerly on said
7.13 north boundary line if produced to the east boundary line of Block Eight; thence South
7.14 on said east boundary line to the intersection with U.S. Highway #2 right-of-way; thence
7.15 easterly and following the northern boundary line of the U.S. Highway #2 right-of-way
7.16 to the point of beginning;

7.17 (2) Lot Eight (8), Block One (1), Lake Lamond Addition, according to the plat
7.18 thereof on file and of record in the Office of the County Recorder, Clearwater County,
7.19 Minnesota;

7.20 (3) Block Eight (8), Auditor's 2nd Subdivision of Bagley, according to the plat
7.21 thereof on file and of record in the Office of the County Recorder, Clearwater County,
7.22 Minnesota; and

7.23 (4) Lots One (1), Two (2), Three (3), and Four (4), Block Thirteen (13), Auditor's
7.24 2nd Subdivision of Bagley, according to the plat thereof on file and of record in the Office
7.25 of the County Recorder, Clearwater County, Minnesota.

7.26 (d) The county has determined that the county's land management interests would
7.27 be best served if the lands were sold to the city of Bagley.

7.28 **Sec. 8. PRIVATE SALE OF SURPLUS LAND; GOODHUE COUNTY.**

7.29 (a) Notwithstanding Minnesota Statutes, sections 85.012, 94.09, and 94.10, the
7.30 commissioner of natural resources may sell by private sale the surplus land that is located
7.31 within the boundaries of Frontenac State Park and described in paragraph (c).

7.32 (b) The conveyance must be in a form approved by the attorney general. The
7.33 conveyance shall reserve an easement to ensure public access to Frontenac State Park.
7.34 The attorney general may make necessary changes to the legal description to correct
7.35 errors and ensure accuracy.

8.1 (c) The land to be sold is located in Goodhue County and is described as follows:
8.2 That part of the East Half of the East Half of the Northwest Quarter of Section 4, Township
8.3 112 North, Range 13 West, Goodhue County, Minnesota, described as follows:

8.4 Commencing at the south quarter corner of said Section 4; thence on an assumed
8.5 bearing of North, along the north-south quarter line of said Section 4, to the centerline
8.6 of Hill Avenue, as now located and established; thence on a bearing of North, along said
8.7 north-south quarter line of said Section 4, a distance of 450.00 feet; thence on a bearing
8.8 of West, a distance of 500.00 feet to the POINT OF BEGINNING; thence continuing on
8.9 a bearing of West, a distance of 61.00 feet; thence on a bearing of South, a distance of
8.10 548 feet, more or less, to the centerline of Hill Avenue; thence northeasterly along said
8.11 centerline a distance of 65 feet, more or less, to a line which bears South from the point of
8.12 beginning; thence on a bearing of North, a distance of 526 feet, more or less to the point of
8.13 beginning. Said parcel contains 0.75 acres, more or less.

8.14 (d) The sale resolves an unintentional trespass that occurred when a pole barn was
8.15 constructed on state park land.

8.16 **Sec. 9. PRIVATE SALE OF SURPLUS STATE LAND BORDERING PUBLIC**
8.17 **WATER; HENNEPIN COUNTY.**

8.18 (a) Notwithstanding Minnesota Statutes, sections 92.45, 94.09, and 94.10, the
8.19 commissioner of natural resources may sell to a governmental subdivision of the state the
8.20 surplus land bordering public water that is described in paragraph (c).

8.21 (b) The conveyance must be in a form approved by the attorney general and may
8.22 be conveyed for less than the value of the land as determined by the commissioner. The
8.23 attorney general may make necessary changes to the legal description to correct errors
8.24 and ensure accuracy. The conveyance must provide that the land described in paragraph
8.25 (c) be used for the public and reverts to the state if the governmental subdivision fails to
8.26 provide for public use or abandons the public use of the land.

8.27 (c) The land that may be sold is located in Hennepin County and is described
8.28 as follows:

8.29 A strip of land 130 feet wide in the S1/2-NW1/4 of Section 20, Township 117 North,
8.30 Range 21 West, the center line of which strip has its beginning in the center of
8.31 Minnehaha Creek on the southeasterly right-of-way line of the Chicago, Milwaukee,
8.32 St. Paul and Pacific Railroad Company across the SW1/4-NW1/4 of said Section 20,
8.33 which point is distant 806 feet northeasterly along said railroad right-of-way line
8.34 from the west line of said Section 20; thence South 50 degrees 5 minutes East a
8.35 distance of 239 feet to a point which is 818.8 feet North of the south boundary

9.1 line of the SW1/4-NW1/4 and 412 feet West from the east boundary line of said
9.2 SW1/4-NW1/4, and thence continuing South 50 degrees 5 minutes East 100 feet;
9.3 thence East on a line parallel with and 753.8 feet distant from the south boundary
9.4 line of said SW1/4-NW1/4, to the east boundary line of said SW1/4-NW1/4.
9.5 Excepting the bed of Minnehaha Creek.

9.6 (d) The sale to a local unit of government for management for public use would
9.7 allow continued recreational use of the land while reducing cost to state government.

9.8 **Sec. 10. PUBLIC SALE OF TAX-FORFEITED LAND BORDERING PUBLIC**
9.9 **WATER; ITASCA COUNTY.**

9.10 (a) Notwithstanding Minnesota Statutes, sections 92.45 and 282.018, subdivision 1,
9.11 Itasca County may sell the tax-forfeited land described in paragraph (c) by public sale,
9.12 under the remaining provisions of Minnesota Statutes, chapter 282.

9.13 (b) The conveyance must be in a form approved by the attorney general for not
9.14 less than the appraised value of the land.

9.15 (c) The land to be sold is located in Itasca County and is described as: Lot 8,
9.16 Block 1, Anderson Addition, according to the plat on file and of record in the office of
9.17 the recorder for Itasca County.

9.18 (d) The county has determined that the county's land management interests would be
9.19 best served if the lands were returned to private ownership.

9.20 **Sec. 11. PRIVATE SALE OF TAX-FORFEITED LAND BORDERING PUBLIC**
9.21 **WATER; ITASCA COUNTY.**

9.22 (a) Notwithstanding Minnesota Statutes, sections 92.45 and 282.018, subdivision 1,
9.23 and the public sale requirements in Minnesota Statutes, chapter 282, Itasca County may
9.24 sell the tax-forfeited land described in paragraph (c) by private sale, under the remaining
9.25 provisions of Minnesota Statutes, chapter 282.

9.26 (b) The conveyance must be in a form approved by the attorney general for the
9.27 appraised value of the land.

9.28 (c) The land to be sold is located in Itasca County and is described as: Government
9.29 Lot 3, Section 27, Township 55 North, Range 26 West.

9.30 (d) The county has determined that the county's land management interests would be
9.31 best served if the lands were returned to private ownership.

9.32 **Sec. 12. SUSTAINABLE FOREST INCENTIVE ACT; PARCEL**
9.33 **REPLACEMENT; ITASCA COUNTY.**

10.1 (a) The commissioner of revenue shall allow a claimant participating in the
10.2 Sustainable Forest Incentive Act, under Minnesota Statutes, chapter 290C, to remove
10.3 parcels from the sustainable forest incentive program without penalty and enroll
10.4 replacement parcels, if the claimant:

10.5 (1) has at least 50,000 acres of land currently enrolled in the program;

10.6 (2) agrees to have at least 5,000 acres of land but not more than 8,000 acres of land
10.7 removed from the program for use in connection with a proposed steel mill in Itasca
10.8 County referenced in Laws 1999, chapter 240, article 1, section 8, subdivision 3; and

10.9 (3) makes application on or before December 31, 2010, under the Sustainable Forest
10.10 Incentive Act and this section to remove from the program and to simultaneously add to
10.11 the program parcels of like value.

10.12 (b) The application must be accompanied by a cover letter that makes reference to
10.13 this section, identifies the parcels to be removed, and identifies the parcels to be added.
10.14 For purposes of incentive payments and subsequent removals from the program, the
10.15 parcels added to the program under this section will be treated as if they were included on
10.16 the claimant's original application for the parcels removed from the program under this
10.17 section. Within 90 days of approving the application, the commissioner shall execute and
10.18 mail to the claimant a document in recordable form that releases the removed parcels from
10.19 the covenant required for parcels enrolled under the Sustainable Forest Incentive Act.

10.20 **EFFECTIVE DATE.** This section is effective the day following final enactment.

10.21 Sec. 13. **EXCHANGE OF TAX-FORFEITED LAND; PRIVATE SALE; ITASCA**
10.22 **COUNTY.**

10.23 (a) For the purpose of a land exchange for use in connection with a proposed
10.24 steel mill in Itasca County referenced in Laws 1999, chapter 240, article 1, section 8,
10.25 subdivision 3, title examination and approval of the land described in paragraph (b)
10.26 shall be undertaken as a condition of exchange of the land for class B land, and shall be
10.27 governed by Minnesota Statutes, section 94.344, subdivisions 9 and 10, and the provisions
10.28 of this section. Notwithstanding the evidence of title requirements in Minnesota Statutes,
10.29 section 94.344, subdivisions 9 and 10, the county attorney shall examine one or more title
10.30 reports or title insurance commitments prepared or underwritten by a title insurer licensed
10.31 to conduct title insurance business in this state, regardless of whether abstracts were
10.32 created or updated in the preparation of the title reports or commitments. The opinion of
10.33 the county attorney, and approval by the attorney general, shall be based on those title
10.34 reports or commitments.

10.35 (b) The land subject to this section is located in Itasca County and is described as:

11.1 (1) Sections 3, 4, 7, 10, 14, 15, 16, 17, 18, 20, 21, 22, 23, 26, 28, and 29, Township
11.2 56 North, Range 22 West;

11.3 (2) Sections 3, 4, 9, 10, 13, and 14, Township 56 North, Range 23 West;

11.4 (3) Section 30, Township 57 North, Range 22 West; and

11.5 (4) Sections 25, 26, 34, 35, and 36, Township 57 North, Range 23 West.

11.6 (c) Riparian land given in exchange by Itasca County for the purpose of the steel
11.7 mill referenced in paragraph (a), is exempt from the restrictions imposed by Minnesota
11.8 Statutes, section 94.342, subdivision 3.

11.9 (d) Notwithstanding Minnesota Statutes, sections 92.45 and 282.018, subdivision 1,
11.10 and the public sale provisions of Minnesota Statutes, chapter 282, Itasca County may sell,
11.11 by private sale, any land received in exchange for the purpose of the steel mill referenced
11.12 in paragraph (a), under the remaining provisions of Minnesota Statutes, chapter 282. The
11.13 sale must be in a form approved by the attorney general.

11.14 **EFFECTIVE DATE.** This section is effective the day following final enactment.

11.15 **Sec. 14. LAND REPLACEMENT TRUST FUND; ITASCA COUNTY.**

11.16 Notwithstanding the provisions of Minnesota Statutes, chapter 282, and any other
11.17 law relating to the apportionment of proceeds from the sale of tax-forfeited land, and
11.18 except as otherwise provided in this section, Itasca County must deposit the money
11.19 received from the sale of tax-forfeited lands within Minnesota Steel Industries permit to
11.20 mine area near Nashwauk, Minnesota, into a tax-forfeited land replacement trust fund
11.21 established by Itasca County under this section. The principal and interest from this fund
11.22 may be spent only on the purchase of lands to replace the tax-forfeited lands sold to
11.23 Minnesota Steel Industries. Lands purchased with the land replacement fund must:

11.24 (1) become subject to trust in favor of the governmental subdivision wherein they lie
11.25 and all laws related to tax-forfeited lands; and

11.26 (2) be for forest management purposes and dedicated as memorial forest under
11.27 Minnesota Statutes, section 459.06, subdivision 2.

11.28 **Sec. 15. PRIVATE SALE OF SURPLUS STATE LAND BORDERING PUBLIC**
11.29 **WATER; LAKE OF THE WOODS COUNTY.**

11.30 (a) Notwithstanding Minnesota Statutes, sections 92.45, 94.09, and 94.10, the
11.31 commissioner of natural resources may sell by private sale the surplus land bordering
11.32 public water that is described in paragraph (c).

12.1 (b) The conveyance must be in a form approved by the attorney general. The
12.2 attorney general may make necessary changes to the legal description to correct errors
12.3 and ensure accuracy.

12.4 (c) The land that may be sold is located in Lake of the Woods County and is
12.5 described as follows:

12.6 That part of Government Lot 7, Section 23, Township 168 North, Range 35 West,
12.7 described as follows:

12.8 Commencing at the northwest corner of said Government Lot 7, being a 3/4-inch
12.9 by 24 rebar with plastic cap stamped "MN DNR LS 17005"; thence on a bearing
12.10 based on the 1983 Lake of the Woods County Coordinate System (1996 Adjustment)
12.11 of North 89 degrees 35 minutes 54 seconds East along the north line of said
12.12 Government Lot 7 a distance of 640.21 feet to a 3/4-inch by 24 rebar with plastic
12.13 cap stamped "MN DNR LS 17005," and the point of beginning of the land to be
12.14 described; thence South 00 degrees 24 minutes 6 seconds East 40.00 feet to an
12.15 inplace iron rod; thence North 89 degrees 35 minutes 54 seconds East, parallel with
12.16 said north line of Government Lot 7, a distance of 142.59 feet to an inplace iron rod;
12.17 thence North 46 degrees 18 minutes 16 seconds East 58.26 feet to an inplace iron
12.18 rod on the north line of said Government Lot 7; thence South 89 degrees 35 minutes
12.19 54 seconds East, along the north line of said Government Lot 7, a distance of 184.99
12.20 feet to the point of beginning, containing 0.15 acres.

12.21 (d) The sale would resolve an unintentional trespass when a portion of a cabin
12.22 and shed were constructed on state land.

12.23 **Sec. 16. PRIVATE SALE OF SURPLUS LAND BORDERING PUBLIC WATER;**
12.24 **MILLE LACS COUNTY.**

12.25 (a) Notwithstanding Minnesota Statutes, sections 92.45, 94.09, and 94.10, the
12.26 commissioner of natural resources may sell by private sale the surplus land bordering
12.27 public water that is described in paragraph (c).

12.28 (b) The conveyance must be in a form approved by the attorney general. The
12.29 conveyance may include any personal property owned by the state and deposited in Mille
12.30 Lacs Lake as part of the breakwater under water permits numbered P.A. 59-735 and P.A.
12.31 61-230. The attorney general may make necessary changes to the legal description to
12.32 correct errors and ensure accuracy.

12.33 (c) The land to be sold is located in Mille Lacs County and is described as follows:
12.34 That part of Government Lot 1, Section 4, Township 42 North, Range 27 West, lying
12.35 between the water's edge of Mille Lacs Lake and the following described lines:

13.1 Commencing at the intersection of the east line of said Government Lot 1 and the
13.2 southerly right-of-way line of County State-Aid Highway 35, formerly Highway
3 169, which point is 72.6 feet South of the meander corner on said east line; thence
13.4 in a northwesterly direction along said southerly right-of-way line angle measured
13.5 from said east line 75 degrees 10 minutes a distance of 267.0 feet to the actual point
13.6 of beginning of the first line to be described and Point "A"; thence deflect 89 degrees
13.7 55 minutes to the right in a northeasterly direction a distance of 178 feet, more or
13.8 less, to the water's edge of Mille Lacs Lake and there terminating.

13.9 The second line begins at Point "A"; thence continuing northwesterly on said
13.10 southerly right-of-way line a distance of 17.5 feet; thence deflecting 90 degrees to
13.11 the right in a northeasterly direction a distance of 90 feet, more or less, to the water's
13.12 edge of Mille Lacs Lake and there terminating.

13.13 (d) The sale resolves an unintentional trespass that occurred when two docks were
13.14 constructed on state land.

13.15 **Sec. 17. PUBLIC SALE OF SURPLUS LAND BORDERING PUBLIC WATER;**
13.16 **MORRISON COUNTY.**

13.17 (a) Notwithstanding Minnesota Statutes, section 92.45, the commissioner of natural
13.18 resources may sell by public sale the surplus land bordering public water that is described
13.19 in paragraph (c).

13.20 (b) The conveyance must be in a form approved by the attorney general. The
13.21 attorney general may make necessary changes to the legal description to correct errors
13.22 and ensure accuracy.

23 (c) The land to be sold is located in Morrison County and is described as follows:
13.24 the Northwest Quarter of the Southwest Quarter, Section 30, Township 41 North, Range
13.25 28 West.

13.26 (d) The state has determined that the school trust land management interests would
13.27 best be served if the land was sold, as the land has no access to a public road and minimal
13.28 timber value.

13.29 **Sec. 18. PUBLIC SALE OF SURPLUS STATE LAND BORDERING PUBLIC**
13.30 **WATER; OTTER TAIL COUNTY.**

13.31 (a) Notwithstanding Minnesota Statutes, section 92.45, the commissioner of natural
13.32 resources may sell by public sale the surplus land bordering public water that is described
13.33 in paragraph (c).

14.1 (b) The conveyance must be in a form approved by the attorney general. The
14.2 attorney general may make necessary changes to the legal description to correct errors
14.3 and ensure accuracy.

14.4 (c) The land that may be sold is located in Otter Tail County and is described
14.5 as follows:

14.6 That part of the E1/2-SW1/4 of Section 24, Township 136 North, Range 39 West,
14.7 described as follows: Beginning at Right-of-Way Monument B12 as shown on
14.8 State Highway Right-of-Way Plat No. 56-7 on file and of record in the Office
14.9 of the Register of Deeds in and for said county; thence run North 40 degrees 42
14.10 minutes 47 seconds West (bearings oriented to Minnesota State Plane Grid, 00
14.11 degrees 00 minutes 00 seconds being grid north) for 651.92 feet to Right-of-Way
14.12 Monument B13; thence South 82 degrees 38 minutes 47 seconds East for 304.14
14.13 feet; thence South 73 degrees 11 minutes 03 seconds East for 266.02 feet; thence
14.14 South 16 degrees 18 minutes 57 seconds West for 67.63 feet; thence southerly along
14.15 a tangential curve concave to East having a radius of 393.31 feet and a central angle
14.16 of 78 degrees 00 minutes 00 seconds for 495.04 feet; thence North 64 degrees 11
14.17 minutes 28 seconds West for 335.11 feet to Right-of-Way Monument B12 and the
14.18 point of beginning; containing 3.35 acres, more or less.

14.19 (d) The land was transferred by the Department of Transportation to the Department
14.20 of Natural Resources upon completion of a road project in 1974 and the Department
14.21 of Natural Resources has determined the land is no longer needed for natural resource
14.22 purposes.

14.23 **Sec. 19. PUBLIC SALE OF TAX-FORFEITED LAND BORDERING PUBLIC**
14.24 **WATER; PINE COUNTY.**

14.25 (a) Notwithstanding Minnesota Statutes, sections 92.45 and 282.018, subdivision
14.26 1, Pine County may sell the tax-forfeited land described in paragraph (c) by public sale,
14.27 under the remaining provisions of Minnesota Statutes, chapter 282.

14.28 (b) The conveyance must be in a form approved by the attorney general for not less
14.29 than the appraised value of the land. The attorney general may make necessary changes to
14.30 the legal description to correct errors and ensure accuracy.

14.31 (c) The land to be sold is located in Pine County and is described as:

14.32 (1) Property ID Numbers 03.0074.000, 03.0075.000, and 03.0076.000, all in Section
14.33 9, Township 41 North, Range 20 West;

14.34 (2) Property ID Numbers 03.0089.000 and 03.0090.000, all in Section 10, Township
14.35 41 North, Range 20 West;

- 15.1 (3) Property ID Number 06.0086.000 in Section 14, Township 40 North, Range
15.2 22 West;
- 15.4 (4) Property ID Numbers 13.0053.000 and 13.0054.000, all in Section 4, Township
43 North, Range 20 West;
- 15.5 (5) Property ID Number 13.0059.000 in Section 5, Township 43 North, Range
15.6 20 West;
- 15.7 (6) Property ID Numbers 16.0198.000 and 16.0201.000, all in Section 19, Township
15.8 45 North, Range 18 West;
- 15.9 (7) Property ID Number 20.0164.000 in Section 23, Township 43 North, Range
15.10 16 West; and
- 15.11 (8) Property ID Number 45.5567.000 in Section 16, Township 42 North, Range
15.12 20 West.
- 15.13 (d) The conveyance of land described in paragraph (c), clauses (4) and (5), shall
15.14 be combined and sold as a single parcel.
- 15.15 (e) The county has determined that the county's land management interests would be
15.16 best served if the lands were returned to private ownership.

15.17 **Sec. 20. PRIVATE SALE OF TAX-FORFEITED LAND BORDERING PUBLIC**
15.18 **WATER; PINE COUNTY.**

15.19 (a) Notwithstanding Minnesota Statutes, sections 92.45 and 282.018, subdivision 1,
15.20 and the public sale requirements in Minnesota Statutes, chapter 282, Pine County may sell
15.21 by private sale the tax-forfeited land bordering public water described in paragraph (c),
15.22 under Minnesota Statutes, section 282.01, subdivision 7a.

15.23 (b) The conveyance must be in a form approved by the attorney general for the
15.24 appraised value of the land. The attorney general may make necessary changes to the legal
15.25 description to correct errors and ensure accuracy.

15.26 (c) The land to be sold is located in Pine County and is described as:

- 15.27 (1) Property ID Number 28.1134.001 in Section 36, Township 39 North, Range
15.28 22 West;
- 15.29 (2) Property ID Number 12.0300.000 in Section 20, Township 42 North, Range
15.30 21 West;
- 15.31 (3) Property ID Number 25.0107.000 in Section 9, Township 43 North, Range
15.32 19 West;
- 15.33 (4) Property ID Number 16.0190.000 in Section 18, Township 45 North, Range
15.34 18 West;

16.1 (5) Property ID Number 31.0174.000 in Section 23, Township 45 North, Range
16.2 20 West; and

16.3 (6) Property ID Number 33.5487.000 in Section 16, Township 45 North, Range
16.4 19 West.

16.5 (d) The conveyance of land described in paragraph (c), clause (6), must contain a
16.6 deed restriction on development that is 75 feet in width along the shoreline, excluding a
16.7 15-foot access strip.

16.8 (e) The county has determined that the county's land management interests would be
16.9 best served if the lands were returned to private ownership.

16.10 **Sec. 21. PUBLIC OR PRIVATE SALE OF TAX-FORFEITED LAND**
16.11 **BORDERING PUBLIC WATER; PINE COUNTY.**

16.12 (a) Notwithstanding Minnesota Statutes, sections 92.45 and 282.018, subdivision 1,
16.13 Pine County may sell the tax-forfeited land bordering public water described in paragraph
16.14 (c), by public sale or as provided in Minnesota Statutes, section 282.01, subdivision 7a,
16.15 under the remaining provisions of Minnesota Statutes, chapter 282.

16.16 (b) The conveyance must be in a form approved by the attorney general for the
16.17 appraised value of the land. The attorney general may make necessary changes to the legal
16.18 description to correct errors and ensure accuracy.

16.19 (c) The land to be sold is located in Pine County and is described as:

16.20 Property ID Number 17.0225.000 in Section 17, Township 44 North, Range 20 West.

16.21 (d) The county has determined that the county's land management interests would be
16.22 best served if the lands were returned to private ownership.

16.23 **Sec. 22. EXCHANGE OF STATE LAND WITHIN NERSTRAND BIG WOODS**
16.24 **STATE PARK; RICE COUNTY.**

16.25 (a) Notwithstanding Minnesota Statutes, section 94.342, subdivision 4, the
16.26 commissioner of natural resources may, with the approval of the Land Exchange Board as
16.27 required under the Minnesota Constitution, article XI, section 10, and according to the
16.28 remaining provisions of Minnesota Statutes, sections 94.342 to 94.346, exchange the land
16.29 located within state park boundaries that is described in paragraph (c).

16.30 (b) The conveyance must be in a form approved by the attorney general. The
16.31 attorney general may make necessary changes to the legal description to correct errors
16.32 and ensure accuracy.

16.33 (c) The state land that may be exchanged is located in Rice County and will be a
16.34 portion of the southerly one acre of the following described land:

17.1 All that part of the East 10 acres of the Northwest Quarter of the Southwest Quarter,
17.2 Section 3, Township 110 North, Range 19 West, lying South and West of County
3 State-Aid Highway 29, except the South one-half acre thereof.

17.4 The exact area to be exchanged will be determined by completion of a further site analysis.

17.5 (d) The exchange would resolve an unintentional trespass of a driveway the location
17.6 of which was not determined until after the state's acquisition of the land.

17.7 Sec. 23. Laws 2005, chapter 161, section 19, is amended to read:

17.8 **Sec. 19. PUBLIC SALE OF TAX-FORFEITED LAND BORDERING PUBLIC**
17.9 **WATER; ST. LOUIS COUNTY.**

17.10 (a) Notwithstanding Minnesota Statutes, sections 92.45 and 282.018, subdivision 1,
17.11 St. Louis County may sell the tax-forfeited lands bordering public water that are described
17.12 in paragraphs (c) to (g), under the remaining provisions of Minnesota Statutes, chapter 282.

17.13 (b) The conveyances must be in a form approved by the attorney general. The
17.14 attorney general may make necessary changes to legal descriptions to correct errors and
17.15 ensure accuracy.

17.16 (c) The land to be sold is located in St. Louis County and is described as:

17.17 (1) the westerly 400 feet of the easterly 800 feet of Lot 4, Section 13, Township 54
17.18 North, Range 17 West; and

17.19 (2) the West Half of the Northwest Quarter of the Southwest Quarter, Section 33,
17.20 Township 51 North, Range 16 West.

17.21 (d) Except as provided in clause (6), the conveyances of land under this paragraph
17.22 must retain for the state a 150-foot trout stream easement lying 75 feet on each side of
17.23 the centerline of the stream. The land to be sold is located in St. Louis County and is
17.24 described as:

17.25 (1) the Northeast Quarter of the Northeast Quarter, Section 7, Township 50 North,
17.26 Range 18 West;

17.27 (2) the North Half of the Northeast Quarter and the North Half of the Northwest
17.28 Quarter, Section 8, Township 50 North, Range 18 West;

17.29 (3) the Northwest Quarter of the Northeast Quarter, except the North Half, and that
17.30 part of the West 10 acres of the Northeast Quarter of the Northeast Quarter lying south
17.31 of Lester River and the West 10 acres of the Northeast Quarter of the Northeast Quarter
17.32 lying north of Lester River, except the North 5 acres, Section 17, Township 51 North,
.33 Range 13 West;

18.1 (4) the Northwest Quarter of the Southeast Quarter, except the West Half, and the
18.2 East 165 feet of the West Half of the Northwest Quarter of the Southeast Quarter, Section
18.3 5, Township 51 North, Range 13 West;

18.4 (5) the East Half of the Southeast Quarter of the Southeast Quarter, Section 34,
18.5 Township 58 North, Range 20 West; and

18.6 (6) Government Lot 2, Section 17, Township 51 North, Range 12 West, Wonderland
18.7 1st Addition to the town of Duluth, Lot 22, Block 1 subject to a trout stream easement 75
18.8 feet in width on the southwest side from the centerline of the stream.

18.9 (e) The conveyance of land under this paragraph must contain a deed restriction that
18.10 is 75 feet in width along the shoreline, excluding a 15-foot access strip. The land to be
18.11 sold is located in St. Louis County and is described as: Lot 6, Lot 7, and Lot 8, except
18.12 the easterly 50 feet, Erickson's Beach, town of Fayal, Section 27, Township 57 North,
18.13 Range 17 West.

18.14 (f) The conveyance of land under this paragraph must contain a deed restriction that
18.15 is 75 feet in width along the shoreline. The land to be sold is located in St. Louis County
18.16 and is described as: Lots 64 and 65, Vermilion Dells, 1st Addition Greenwood, Section 2,
18.17 Township 62 North, Range 16 West.

18.18 (g) The conveyances of land under this paragraph must retain for the state a 150-foot
18.19 conservation easement lying 75 feet on each side of the centerline of the stream. The land
18.20 to be sold is located in St. Louis County and is described as:

18.21 (1) the Northeast Quarter of the Southeast Quarter, Section 31, Township 52 North,
18.22 Range 14 West;

18.23 (2) the Northeast Quarter of the Southwest Quarter, Section 31, Township 52 North,
18.24 Range 14 West; and

18.25 (3) the South Half of the Southwest Quarter of the Southwest Quarter, except the
18.26 westerly 15 acres, Section 31, Township 52 North, Range 14 West.

18.27 (h) The county has determined that the county's land management interests would
18.28 best be served if the lands were returned to private ownership.

18.29

18.30 **Sec. 24. PUBLIC SALE OF TAX-FORFEITED LAND BORDERING PUBLIC**
18.31 **WATER; ST. LOUIS COUNTY.**

18.32 (a) Notwithstanding Minnesota Statutes, sections 92.45 and 282.018, subdivision 1,
18.33 St. Louis County may sell the tax-forfeited land bordering public water that is described
18.34 in paragraph (c), under the remaining provisions of Minnesota Statutes, chapter 282.

19.1 (b) The conveyance must be in a form approved by the attorney general.
19.2 Conveyances of the lands described in paragraph (c), clauses (4), (7), and (9), must retain
19.3 for the state the easements indicated. The attorney general may make changes to the land
19.4 descriptions to correct errors and ensure accuracy.

19.5 (c) The land to be sold is located in St. Louis County and is described as:

19.6 (1) the North Half of the Northeast Quarter of the Southwest Quarter, Section 26,
19.7 Township 60 North, Range 16 West;

19.8 (2) the northerly 400 feet of the southerly 600 feet of the Northeast Quarter of the
19.9 Southeast Quarter, Section 21, Township 56 North, Range 18 West;

19.10 (3) Lot 3, except the North 900 feet and except the South 100 feet of the North
19.11 1,000 feet of the West 600 feet and except the West 633 feet of the South 80 feet of the
19.12 North 1,080 feet and except that part lying southerly of the North 1,080 feet, Section 6,
19.13 Township 56 North, Range 20 West;

19.14 (4) the northerly 330 feet of the Northwest Quarter of the Southwest Quarter, Section
19.15 12, Township 55 North, Range 20 West;

19.16 (5) the South Half of the South Half of the Southwest Quarter of the Southwest
19.17 Quarter, Section 8, Township 55 North, Range 19 West;

19.18 (6) the Southeast Quarter and the Northeast Quarter, Section 28, Township 51 North,
19.19 Range 15 West.

19.20 (d) The county has determined that the county's land management interests would
19.21 best be served if the lands were returned to private ownership.

19.22 **Sec. 25. PUBLIC OR PRIVATE SALE OF TAX-FORFEITED LAND**
23 **BORDERING PUBLIC WATER; ST. LOUIS COUNTY.**

19.24 (a) Notwithstanding Minnesota Statutes, sections 92.45 and 282.018, subdivision 1,
19.25 and the public sale provisions of Minnesota Statutes, chapter 282, St. Louis County may
19.26 sell by public or private sale the tax-forfeited land bordering public water that is described
19.27 in paragraph (c), under the remaining provisions of Minnesota Statutes, chapter 282.

19.28 (b) The conveyance must be in a form approved by the attorney general. The
19.29 attorney general may make necessary changes to the legal description to correct errors
19.30 and ensure accuracy.

19.31 (c) The land to be sold is located in St. Louis County and is described as:

19.32 (1) that part of the Southwest Quarter of the Northwest Quarter beginning 511 feet
19.33 East of the northwest corner; running thence southwesterly to a point 511 feet South of
19.34 the northwest corner; thence North to said northwest corner; thence East to the point of

20.1 beginning and Lot 4 lying westerly of the county road, Section 3, Township 57 North,
20.2 Range 15 West;

20.3 (2) Lot 14, Michael's Beach Town of Ellsburg, Section 6, Township 55 North,
20.4 Range 17 West;

20.5 (3) an undivided 1/4 interest, Northeast Quarter of the Northeast Quarter, Section 22,
20.6 Township 63 North, Range 12 West; and

20.7 (4) an undivided 1/4 interest, Northwest Quarter of the Northwest Quarter, Section
20.8 23, Township 63 North, Range 12 West.

20.9 (d) The county has determined that the county's land management interests would
20.10 best be served if the lands were returned to private ownership.

20.11 **Sec. 26. PRIVATE SALE OF TAX-FORFEITED LAND; ST. LOUIS COUNTY.**

20.12 (a) Notwithstanding the public sale provisions of Minnesota Statutes, chapter 282,
20.13 or other law to the contrary, St. Louis County may sell by private sale the tax-forfeited
20.14 land described in paragraph (c).

20.15 (b) The conveyance must be in a form approved by the attorney general. The attorney
20.16 general may make changes to the land description to correct errors and ensure accuracy.

20.17 (c) The land to be sold is located in St. Louis County and is described as:

20.18 That part of the Southeast Quarter of the Northeast Quarter of Section 21, Township
20.19 56 North, Range 18 West, lying East of the East right-of-way line of Fermoy Road as
20.20 located on this day of recording. This parcel contains 4.23 acres, more or less.

20.21 (d) The county has determined that the county's land management interests would
20.22 best be served if the lands were returned to private ownership.

20.23 **Sec. 27. PRIVATE SALE OF TAX-FORFEITED LAND BORDERING PUBLIC**
20.24 **WATER; ST. LOUIS COUNTY.**

20.25 (a) Notwithstanding Minnesota Statutes, sections 92.45 and 282.018, subdivision 1,
20.26 and the public sale requirements in Minnesota Statutes, chapter 282, St. Louis County
20.27 may sell the tax-forfeited land bordering public water described in paragraph (c) to the
20.28 city of Chisholm, under the remaining provisions of Minnesota Statutes, chapter 282.

20.29 (b) The conveyance must be in a form approved by the attorney general for the
20.30 appraised value of the land. The attorney general may make necessary changes to the legal
20.31 description to correct errors and ensure accuracy.

20.32 (c) The land to be sold is located in St. Louis County and is described as:

20.33 The East Half (E1/2) of the Northwest Quarter (NW1/4) of Section 27, Township
20.34 58 North, Range 20 West.

21.1 (d) The county has determined that the county's land management interests would be
21.2 best served if the lands were sold to the city of Chisholm.

21.3 **Sec. 28. PUBLIC SALE OF SURPLUS STATE LAND BORDERING PUBLIC**
21.4 **WATER; WASHINGTON COUNTY.**

21.5 (a) Notwithstanding Minnesota Statutes, section 92.45, the commissioner of natural
21.6 resources may sell by public sale the surplus lands bordering public water that are
21.7 described in paragraph (c).

21.8 (b) The conveyance must be in a form approved by the attorney general. The
21.9 attorney general may make necessary changes to the legal description to correct errors
21.10 and ensure accuracy.

21.11 (c) The lands that may be sold are located in Washington County and are described
21.12 as follows:

21.13 (1) all that part of the NE1/4-SW1/4 of Section 3, Township 29 North, Range 20
21.14 West, described as follows: Beginning at a point on the north line of said tract 26 rods
21.15 West of the center of said Section 3; and running thence West along the quarter section
21.16 line to the northwest corner of said tract; thence South along the west line of said tract 80
21.17 rods to the southwest corner of the same; thence East along the south line of said tract to a
21.18 point which is 26 rods West of the southeast corner thereof; thence North parallel with
21.19 the east line of said tract 80 rods to the point of beginning;

21.20 (2) the W1/2-SW1/4 of Section 3, Township 29 North, Range 20 West, except that
21.21 part lying westerly of the following described line: Beginning at a point on the south line
21.22 of said Section 3, distant 430 feet West of the southeast corner of the SW1/4-SW1/4
21.23 of said Section 3; thence northeasterly to the northeast corner of the SW1/4-SW1/4 of
21.24 Section 3; thence northwesterly to a point on the north line of the SW1/4 of Section 3,
21.25 distance 430 feet West of the northeast corner of the NW1/4-SW1/4 of said Section 3; and

21.26 (3) all that part of the SE1/4-SW1/4 of Section 3, Township 29 North, Range 20
21.27 West, lying westerly of County State-Aid Highway 21.

21.28 (d) The Department of Corrections transferred the land to the Department of Natural
21.29 Resources in 1973 and the Department of Natural Resources has determined that the land
21.30 is no longer needed for natural resource purposes.

21.31 **Sec. 29. PUBLIC SALE OF SURPLUS STATE LAND BORDERING PUBLIC**
21.32 **WATER; WRIGHT COUNTY.**

22.1 (a) Notwithstanding Minnesota Statutes, section 92.45, the commissioner of natural
22.2 resources may sell by public sale the surplus land bordering public water that is described
22.3 in paragraph (c).

22.4 (b) The conveyance must be in a form approved by the attorney general. The
22.5 attorney general may make necessary changes to the legal description to correct errors
22.6 and ensure accuracy.

22.7 (c) The land that may be sold is located in Wright County and is described as follows:

22.8 All that part of the North 300 feet of Government Lot 2, Section 17, Township 120
22.9 North, Range 26 West, lying West of the following described line: Beginning at a
22.10 point on the north line of said lot, 134.23 feet East of the center line of Wright
22.11 County Aid Road No. 4, thence South 19 degrees, 1 minute West, 317.32 feet,
22.12 and there terminating. Subject to existing road easements. Said parcel contains
22.13 1.2 acres, more or less.

22.14 (d) The land was formerly used as a water access site on Ramsey Lake and is no
22.15 longer needed for natural resource purposes as the water access site has been relocated
22.16 to other land.

1.1 Senator moves to amend S.F. No. 2851 as follows:

1.2 Page 5, after line 26, insert:

1.3 "Sec. 5. Minnesota Statutes 2004, section 290C.02, subdivision 3, is amended to
1.4 read:

1.5 Subd. 3. **Claimant.** (a) "Claimant" means a person, as that term is defined in
1.6 section 290.01, subdivision 2, who owns forest land in Minnesota and files an application
1.7 authorized by the Sustainable Forest Incentive Act. Claimant includes a purchaser or
1.8 grantee if property enrolled in the program was sold or transferred after the original
1.9 application was filed and prior to the annual incentive payment being made. The purchaser
1.10 or grantee must notify the commissioner in writing of the sale or transfer of the property.
✓ and the commissioner of natural resources

1.11 For purposes of section 290C.11, claimant also includes any person bound by the covenant
1.12 required in section 290C.04.

3 (b) No more than one claimant is entitled to a payment under this chapter with
1.14 respect to any tract, parcel, or piece of land enrolled under this chapter that has been
1.15 assigned the same parcel identification number. When enrolled forest land is owned by
1.16 two or more persons, the owners, or in the case of property sold or transferred, the former
1.17 owner and the purchaser or grantee, must determine between them which person may
1.18 claim is eligible to claim the payments provided under sections 290C.01 to 290C.11. The
1.19 owners, transferees, or grantees must notify the commissioner in writing which person is
1.20 eligible to claim the payments.

1.21 **EFFECTIVE DATE.** This section is effective the day following final enactment.

1.22 Sec. 6. Minnesota Statutes 2004, section 290C.02, subdivision 7, is amended to read:

1.23 Subd. 7. **Forest management plan.** "Forest management plan" means a written
1.24 document providing a framework for site-specific healthy, productive, and sustainable
1.25 forest resources. A forest management plan must include at least the following: (i)
1.26 ~~owner-specific~~ forest management goals for the land; (ii) a reliable field inventory of the
1.27 individual forest cover types, their age, and density; (iii) a description of the soil type and
1.28 quality; (iv) an aerial photo and/or map of the vegetation and other natural features of the
1.29 land clearly indicating the boundaries of the land and of the forest land; (v) the proposed
1.30 future conditions of the land; (vi) prescriptions to meet proposed future conditions of
1.31 the land; (vii) a recommended timetable for implementing the prescribed activities; and
1.32 (viii) a legal description of the land encompassing the parcels included in the plan. All
3 management activities prescribed in a plan must be in accordance with the recommended
1.34 timber harvesting and forest management guidelines. The commissioner of natural
1.35 resources shall provide a framework for plan content and updating and revising plans.

2.1 **EFFECTIVE DATE. This section is effective the day following final enactment.**

2.2 Sec. 7. Minnesota Statutes 2004, section 290C.02, subdivision 8, is amended to read:

2.3 Subd. 8. **Timber harvesting and forest management guidelines.** "Timber
2.4 harvesting and forest management guidelines" means guidelines developed under section
2.5 89A.05 and adopted by the Minnesota Forest Resources Council in ~~1998~~ effect at the time
2.6 the tract, parcel, or piece of land is enrolled in the sustainable forest incentive program.

2.7 **EFFECTIVE DATE. This section is effective the day following final enactment.**

2.8 Sec. 8. Minnesota Statutes 2004, section 290C.04, is amended to read:

2.9 **290C.04 APPLICATIONS.**

2.10 (a) A landowner may apply to enroll forest land for the sustainable forest incentive
2.11 program under this chapter. The claimant must complete, sign, and submit an application
2.12 to the commissioner by September 30 in order for the land to become eligible beginning
2.13 in the next year. The application shall be on a form prescribed by the commissioner and
2.14 must include the information the commissioner deems necessary. At a minimum, the
2.15 application must show the following information for the land and the claimant: (i) the
2.16 claimant's Social Security number or state or federal business tax registration number and
2.17 date of birth, (ii) the claimant's address, (iii) the claimant's signature, (iv) the county's
2.18 parcel identification numbers for the tax parcels that completely contain the claimant's
2.19 forest land that is sought to be enrolled, (v) the number of acres eligible for enrollment
2.20 in the program, (vi) the approved plan writer's signature and identification number, and
2.21 (vii) proof, in a form specified by the commissioner, that the claimant has executed and
2.22 acknowledged in the manner required by law for a deed, and recorded, a covenant that the
2.23 land is not and shall not be developed in a manner inconsistent with the requirements and
2.24 conditions of this chapter. The covenant shall state in writing that the covenant is binding
2.25 on the claimant and the claimant's successor or assignee, and that it runs with the land
2.26 for a period of not less than eight years. The commissioner shall specify the form of the
2.27 covenant and provide copies upon request. The covenant must include a legal description
2.28 that encompasses all the forest land that the claimant wishes to enroll under this section or
2.29 the certificate of title number for that land if it is registered land.

2.30 (b) In all cases, the commissioner shall notify the claimant within 90 days after
2.31 receipt of a completed application that either the land has or has not been approved for
2.32 enrollment. A claimant whose application is denied may appeal the denial as provided in
2.33 section 290C.11, paragraph (a).

2.34 (c) Within 90 days after the denial of an application, or within 90 days after the
2.35 final resolution of any appeal related to the denial, the commissioner shall execute and

3.1 acknowledge a document releasing the land from the covenant required under this chapter.

3.2 The document must be mailed to the claimant and is entitled to be recorded.

3.3 (d) The Social Security numbers collected from individuals under this section are
3.4 private data as provided in section 13.355. The ~~state or~~ federal business tax registration
3.5 number and date of birth data collected under this section are also private data on
3.6 individuals or nonpublic data, as defined in section 13.02, subdivisions 9 and 12, but
3.7 may be shared with county assessors for purposes of tax administration and with county
3.8 treasurers for purposes of the revenue recapture under chapter 270A.

3.9 **EFFECTIVE DATE.** This section is effective the day following final enactment."

3.10 Renumber the sections in sequence and correct the internal references

3.11 Amend the title accordingly

1.1 Senator moves to amend S.F. No. 2851 as follows:

2 Page 6, after line 25, insert:

1.3 "Sec. 7. **PRIVATE SALE OF TAX-FORFEITED LAND BORDERING**
1.4 **PUBLIC WATER; CHISAGO COUNTY.**

1.5 (a) Notwithstanding Minnesota Statutes, sections 92.45 and 282.018, subdivision
1.6 1, and the public sale provisions of Minnesota Statutes, chapter 282, Chisago County
1.7 may sell by private sale the tax-forfeited land bordering public water that is described in
1.8 paragraph (c), under the remaining provisions of Minnesota Statutes, chapter 282.

1.9 (b) The conveyance must be in a form approved by the attorney general.

1.10 (c) The land to be sold is located in Chisago County and is described as:

1.11 (1) Lot 18 of Mauritz Shores, parcel number 2-1522; and

1.12 (2) Lot 19 of Mauritz Shores, parcel number 2-1523.

13 (d) The parcels shall be subject to a "no impact zone" in which all vegetation is to
1.14 be left in an unaltered state, and in which no docks or permanent structures of any kind
1.15 shall be placed. The "no impact zone" shall extend from the Ordinary High Water Level of
1.16 Green Lake to the Bluff Impact Zone as defined in the local shoreland ordinance.

1.17 (e) The county has determined that the county's land management interests would
1.18 best be served if the lands were returned to private ownership."

1.19 Page 9, after line 7, insert:

1.20 "Sec. 11. **CONVEYANCE OF TAX-FORFEITED LAND BORDERING**
1.21 **PUBLIC WATER OR WETLANDS; HENNEPIN COUNTY.**

1.22 (a) Notwithstanding Minnesota Statutes, sections 92.45, 103F.535, and 282.018,
1.23 subdivision 1, and the public sale provisions of Minnesota Statutes, chapter 282, Hennepin
1.24 County may sell or convey for no consideration to the city of Brooklyn Park the
1.25 tax-forfeited land bordering public water or wetlands that is described in paragraph (c).

1.26 (b) The conveyance must be in a form approved by the attorney general and provide
1.27 that the land reverts to the state if the city of Brooklyn Park stops using the land for the
1.28 public purposes described in paragraph (d). The conveyance is subject to restrictions
1.29 imposed by the commissioner of natural resources.

1.30 (c) The land to be conveyed is located in Hennepin County and is described as:
1.31 Unplatted, Section 30, Township 119, Range 21, the East 187.1 feet of the West 1,182.6
1.32 feet of the South 597 feet of the Southwest 1/4 of the Northeast 1/4. Also that part of the
33 Southwest 1/4 of the Northeast 1/4 lying East of the West 1,182.6 feet thereof and lying
1.34 southwesterly of Registered Land Survey No. 304 (Hennepin County tax identification
1.35 no. 30-119-21 13 0006).

2.1 (d) The county has determined that the land is needed by the city of Brooklyn
 2.2 Park for storm water retention and drainage, street and roadway, and bridge and utility
 2.3 improvement purposes.

2.4 **EFFECTIVE DATE.** This section is effective the day following final enactment.

2.5 **Sec. 12. CONVEYANCE OF TAX-FORFEITED LAND BORDERING PUBLIC**
 2.6 **WATER OR WETLANDS; HENNEPIN COUNTY.**

2.7 (a) Notwithstanding Minnesota Statutes, sections 92.45, 103F.535, and 282.018,
 2.8 subdivision 1, and the public sale provisions of Minnesota Statutes, chapter 282, Hennepin
 2.9 County may sell or convey for no consideration to the city of St. Bonifacius the
 2.10 tax-forfeited land bordering public water or wetlands that is described in paragraph (c).

2.11 (b) The conveyance must be in a form approved by the attorney general and provide
 2.12 that the land reverts to the state if the city of St. Bonifacius stops using the land for the
 2.13 public purpose described in paragraph (d). The conveyance is subject to restrictions
 2.14 imposed by the commissioner of natural resources.

2.15 (c) The land to be conveyed is located in Hennepin County and is described as:
 2.16 Outlot A, West Minnetonka Commercial and Industrial Park (Hennepin County tax
 2.17 identification no. 32-117-24 24 0011).

2.18 (d) The county has determined that the land is needed by the city of St. Bonifacius
 2.19 for a natural water drainage area.

2.20 **EFFECTIVE DATE.** This section is effective the day following final enactment.

2.21 **Sec. 13. CONVEYANCE OF TAX-FORFEITED LAND BORDERING PUBLIC**
 2.22 **WATER OR WETLANDS; HENNEPIN COUNTY.**

2.23 (a) Notwithstanding Minnesota Statutes, sections 92.45, and 103F.535, and 282.018,
 2.24 subdivision 1, and the public sale provisions of Minnesota Statutes, chapter 282, Hennepin
 2.25 County may sell or convey to the city of Minnetrista the tax-forfeited land bordering
 2.26 public water or wetlands that is described in paragraph (c).

2.27 (b) The conveyance must be in a form approved by the attorney general and provide
 2.28 that the land reverts to the state if the city of Minnetrista stops using the land for the public
 2.29 purpose described in paragraph (d). The conveyance is subject to restrictions imposed
 2.30 by the commissioner of natural resources.

2.31 (c) The land to be conveyed is located in Hennepin County and is described as:

2.32 (1) Block 10, "Minnetonka Centre" (Hennepin County tax identification no.
 2.33 27-117-24 32 0032);

2.34 (2) Block 11, "Minnetonka Centre" (Hennepin County tax identification no.
 2.35 27-117-24 32 0033);

3.1 (3) Block 12, "Minnetonka Centre" (Hennepin County tax identification no.
3.2 27-117-24 32 0034);

3.3 (4) Block 13, "Minnetrista Centre" (Hennepin County tax identification no.
3.4 27-117-24 32 0035);

3.5 (5) Block 14, "Minnetonka Centre" (Hennepin County tax identification no.
3.6 27-117-24 32 0036); and

3.7 (6) Block 15, "Minnetonka Centre" (Hennepin County tax identification no.
3.8 27-117-24 32 0037).

3.9 (d) The county has determined that the land is needed by the city of Minnetrista for
3.10 wetland purposes.

3.11 **EFFECTIVE DATE.** This section is effective the day following final enactment.

3.12 Sec. 14. **CONVEYANCE OF TAX-FORFEITED LAND BORDERING PUBLIC**
3.13 **WATER OR WETLANDS; HENNEPIN COUNTY.**

3.14 (a) Notwithstanding Minnesota Statutes, sections 92.45, 103F.535, and 282.018,
3.15 subdivision 1, and the public sale provisions of Minnesota Statutes, chapter 282, Hennepin
3.16 County may sell or convey to the city of Shorewood the tax-forfeited land bordering
3.17 public water or wetlands that is described in paragraph (c).

3.18 (b) The conveyance must be in a form approved by the attorney general and provide
3.19 that the land reverts to the state if the city of Shorewood stops using the land for the public
3.20 purpose described in paragraph (d). The conveyance is subject to restrictions imposed
3.21 by the commissioner of natural resources.

3.22 (c) The land to be conveyed is located in Hennepin County and is described as:

3.23 (1) that part of the Southwest Quarter of the Southeast Quarter of Section 31,
3.24 Township 117, Range 23, described as follows: beginning at the intersection of the east
3.25 line of said Southwest Quarter of the Southeast Quarter and the north line of the South
3.26 789.36 feet of said Southwest Quarter of the Southeast Quarter; thence West along said
3.27 north line to the center line of Smithtown Road; thence northerly and northeasterly along
3.28 said center line to its intersection with the westerly extension of the south line of Lot 5,
3.29 Auditors Subdivision No 247, Hennepin County, Minnesota; thence easterly along said
3.30 extension and along the south line of said Lot 5 to the southeast corner of said Lot 5;
3.31 thence South along the east line of said Southwest Quarter of the Southeast Quarter to the
3.32 point of beginning, subject to road (Hennepin County tax identification no. 31-117-23-43
3.33 0001); and

3.34 (2) Lot 5, Auditor's Subdivision No. 247, Hennepin County, Minnesota (Hennepin
3.35 County tax identification no. 31-117-23 43 0004).

4.1 (d) The county has determined that the land is needed by the city of Shorewood for
4.2 drainage and wetland conservation purposes.

4.3 **EFFECTIVE DATE.** This section is effective the day following final enactment."

4.4 Page 11, delete section 14, and insert:

4.5 "Sec. 19. **LAND REPLACEMENT TRUST FUND; ITASCA COUNTY.**

4.6 Notwithstanding the provisions of Minnesota Statutes, chapter 282, and any other
4.7 law relating to the apportionment of proceeds from the sale of tax-forfeited land, Itasca
4.8 County must apportion the first \$1,000,000 received from the sale of tax-forfeited lands
4.9 within Minnesota Steel Industries permit to mine area near Nashwauk, Minnesota, as
4.10 provided in Laws 1965, chapter 326, section 1, as amended. Any remaining proceeds
4.11 received from the sale must be deposited into a tax-forfeited land replacement trust fund
4.12 established by Itasca County under this section. The principal and interest from this fund
4.13 may be spent only on the purchase of lands to replace the tax-forfeited lands sold to
4.14 Minnesota Steel Industries. Lands purchased with the land replacement fund must:

4.15 (1) become subject to trust in favor of the governmental subdivision wherein they lie
4.16 and all laws related to tax-forfeited lands; and

4.17 (2) be for forest management purposes and dedicated as memorial forest under
4.18 Minnesota Statutes, section 459.06, subdivision 2.

4.19 **EFFECTIVE DATE.** This section is effective the day after compliance with
4.20 Minnesota Statutes, section 645.021, subdivision 3, by the governing body of Itasca
4.21 County."

4.22 Page 12, after line 22, insert:

4.23 "Sec. 21. **CONVEYANCE OF TAX-FORFEITED LAND BORDERING**
4.24 **PUBLIC WATER; MARSHALL COUNTY.**

4.25 (a) Notwithstanding Minnesota Statutes, sections 92.45 and 282.018, subdivision 1,
4.26 and the public sale requirements of Minnesota Statutes, chapter 282, Marshall County
4.27 may convey to the city of Warren for no consideration the tax-forfeited lands bordering
4.28 public water that are described in paragraph (c).

4.29 (b) The conveyance must be in a form approved by the attorney general and provide
4.30 that the land reverts to the state if the city of Warren stops using the land for a public
4.31 purpose.

4.32 (c) The lands to be conveyed are located in Marshall County and are described as:

4.33 (1) Parcel 59.0259.001;

4.34 (2) Parcel 59.0292.000;

4.35 (3) Parcel 59.0363.000;

5.1 (4) Parcel 59.0393.000; and

5.2 (5) Parcel 59.8400.007.

5.3 (d) The county has determined that the county's land management interests would
5.4 best be served if the lands were conveyed to the city of Warren for a public purpose.

5.5 **Sec. 22. PRIVATE SALE OF TAX-FORFEITED LAND BORDERING PUBLIC**
5.6 **WATER; MARSHALL COUNTY.**

5.7 (a) Notwithstanding Minnesota Statutes, sections 92.45 and 282.018, subdivision
5.8 1, and the public sale provisions of Minnesota Statutes, chapter 282, Marshall County
5.9 may sell by private sale the tax-forfeited land bordering public water that is described in
5.10 paragraph (c), under the remaining provisions of Minnesota Statutes, chapter 282.

5.11 (b) The conveyance must be in a form approved by the attorney general.

5.12 (c) The land to be sold is located in Marshall County and is described as:

5.13 Parcel 11.0019.001:

5.14 (d) The county has determined that the county's land management interests would
5.15 best be served if the land was sold to the Department of Natural Resources. "

5.16 Page 14, after line 22, insert:

5.17 **"Sec. 26. CONVEYANCE OF SURPLUS STATE LAND; OTTER TAIL**
5.18 **COUNTY.**

5.19 (a) Notwithstanding Minnesota Statutes, sections 94.09 to 94.16, the commissioner
5.20 of natural resources may convey to Independent School District No. 544, Fergus Falls, the
5.21 surplus land that is described in paragraph (c).

5.22 (b) The conveyance must be at market value and in a form approved by the attorney
5.23 general. The conveyance must provide that the land reverts to the state if the school
5.24 district does not use the land for a school facility.

5.25 (c) The land to be conveyed is located in Otter Tail County and is described as:

5.26 (1) the West Half of the Northeast Quarter of Section 27, Township 133 North,
5.27 Range 43 West, excepting the area designated for the State Hospital Cemetery located in
5.28 the Northeast Quarter of the Northwest Quarter of the Northeast Quarter of said section
5.29 and that part of the Southwest Quarter of the Northeast Quarter previously conveyed to
5.30 Donald Stevens pursuant to Minnesota Laws 1973, chapter 80, and described as follows:

5.31 That part of the SW1/4 of the NE1/4 of Section 27 described as follows: Beginning
5.32 at the SE corner of said SW1/4 of the NE1/4; thence on an assumed bearing of North
5.33 00 degrees 00 minutes 36 seconds West on the easterly line thereof for a distance
5.34 of 660.00 feet; thence North 89 degrees 40 minutes 12 seconds West parallel to
5.35 the southerly line thereof for a distance of 7.90 feet; thence South 00 degrees 19
5.36 minutes 48 seconds West 660.00 feet to the southerly line of said SW1/4 of the

6.1 NE1/4; thence South 89 degrees 40 minutes 12 seconds East on last said southerly
 6.2 line for a distance of 11.91 feet to point of beginning; also that part of the SW1/4 of
 6.3 the NE1/4 of Section 27 described as follows: Commencing at the SE corner of said
 6.4 SW1/4 of the NE1/4; thence on an assumed bearing of North 89 degrees 40 minutes
 6.5 12 seconds West on the southerly line of the SW1/4 of the NE1/4 for a distance of
 6.6 11.91 feet to point of beginning of tract to be described; thence North 00 degrees
 6.7 19 minutes 48 seconds East 660.00 feet; thence North 89 degrees 40 minutes 12
 6.8 seconds West parallel to the southerly line of the SW1/4 of the NE1/4 for a distance
 6.9 of 25.00 feet; thence South 00 degrees 21 minutes 50 seconds East 660.05 feet to the
 6.10 southerly line of the SW1/4 of said NE1/4 ; thence South 89 degrees 40 minutes 12
 6.11 seconds East on said southerly line for a distance of 17.00 feet to point of beginning.

6.12 Containing 73.5 acres, more or less; and

6.13 (2) the Southeast Quarter of the Northwest Quarter of Section 27, Township 133
 6.14 North, Range 43 West. Containing 40 acres.

6.15 (d) The land is no longer needed for any natural resource purpose and the state's
 6.16 land management interests would best be served if the land was conveyed to Independent
 6.17 School District No. 544, Fergus Falls, for a new school facility."

6.18 Page 15, line 27, delete "28.1134.001" and insert "28.1133.000"

6.19 Page 16, line 20, delete "Number 17.0225.000" and insert "Numbers 17.0225.000
 6.20 and 17.0226.000 all"

6.21 Page 19, line 18, delete "and" and insert "of"

6.22 Page 21, after line 2, insert:

6.23 "Sec. 36. PRIVATE SALE OF TAX-FORFEITED LAND; STEVENS
 6.24 COUNTY.

6.25 (a) Notwithstanding the public sale provisions of Minnesota Statutes, chapter 282, or
 6.26 other law to the contrary, Stevens County may sell by private sale the tax-forfeited land
 6.27 described in paragraph (c) to one or more adjoining landowners.

6.28 (b) The conveyance must be in a form approved by the attorney general for the fair
 6.29 market value of the land. The attorney general may make changes to the land description
 6.30 to correct errors and ensure accuracy.

6.31 (c) The land to be sold is located in Stevens County and is described as: a strip
 6.32 of land 66 feet wide, the center line of which follows the following measurements and
 6.33 directions: the point of beginning being a point which is on the east right-of-way line of
 6.34 T.H. 59 and 626 feet South of said north line of the Southwest Quarter of Section 18,
 6.35 Township 125 North, Range 41 West; thence due East and parallel with the north line of

7.1 said Southwest Quarter of Section 18, Township 125 North, Range 41 West, a distance of
7.2 1,310 feet, subject to easements.

7.3 (d) The county has determined that the county's land management interests would
7.4 best be served if the lands were returned to private ownership."

7.5 Renumber the sections in sequence and correct the internal references

7.6 Amend the title accordingly

MINNESOTA REVENUE

PROPERTY TAX Sustainable Forest Incentive Program - Land Exchange

March 31, 2006

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 2851 (Saxhaug) 1st Engrossment – Sections 12 & 13 Only

	Fund Impact			
	F.Y. 2006	F.Y. 2007	F.Y. 2008	F.Y. 2009
	(000's)			
General Fund	\$0	\$0	\$0	\$0

Effective the day following final enactment.

EXPLANATION OF THE BILL

Sections 12 and 13 of the bill would authorize a land exchange in the sustainable forest incentive program. A claimant would be allowed to remove parcels from the program without penalty and enroll replacement parcels of like value according to the following conditions:

- 1) the claimant has at least 50,000 acres currently enrolled in the program;
- 2) the claimant agrees to have between 5,000 and 8,000 acres removed from the program for use in connection with a proposed steel mill in Itasca County; and
- 3) the claimant submits the land exchange application by December 31, 2010.

The parcels added to the program under the exchange must be class B tax-forfeited land and would be treated as if they were included in the claimant's original application for the parcels removed.

REVENUE ANALYSIS DETAIL

- The land currently enrolled in the sustainable forest incentive program would be replaced by parcels of like value, so that payments under the program would be about the same as under current law.

Number of Taxpayers: One sustainable forest incentive claimant owning land in Itasca County.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy

COMMITTEE REPORT - WITH AMENDMENTS

Committee on TAXES

S .F. No. 2851

Resolution
 Re-referred (from another committee)

Amendments:

A-7 as amended

A-9

Committee recommendation:

- And when so amended the bill do pass.
- And when so amended the bill do pass and be placed on the Consent Calendar.
- And when so amended the bill do pass and be re-referred to the Committee on _____

No recommendation: And when so amended the bill be _____ (re-referred to the Committee on _____)
OR _____ (reported to the Senate).

4/5/06 (date of committee recommendation)

1.1 **Senator Pogemiller from the Committee on Taxes, to which was re-referred**

1.2 **S.F. No. 2851:** A bill for an act relating to state lands; adding to and deleting from
1.3 state parks, state forests, and recreation areas; providing for public and private sales and
1.4 exchanges of certain state lands; authorizing removal of certain land from the sustainable
1.5 forest incentive program; providing for disposition of certain proceeds from tax-forfeited
1.6 land sales in Itasca County; modifying prior sale provisions; amending Laws 1999,
1.7 chapter 161, section 31, subdivision 5, as amended; Laws 2005, chapter 161, section 19.

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

1.9 Page 5, after line 26, insert:

1.10 "Sec. 5. Minnesota Statutes 2004, section 290C.02, subdivision 3, is amended to
1.11 read:

1.12 Subd. 3. **Claimant.** (a) "Claimant" means a person, as that term is defined in
1.13 section 290.01, subdivision 2, who owns forest land in Minnesota and files an application
1.14 authorized by the Sustainable Forest Incentive Act. Claimant includes a purchaser or
1.15 grantee if property enrolled in the program was sold or transferred after the original
1.16 application was filed and prior to the annual incentive payment being made. The purchaser
1.17 or grantee must notify the commissioner and the commissioner of natural resources in
1.18 writing of the sale or transfer of the property. For purposes of section 290C.11, claimant
1.19 also includes any person bound by the covenant required in section 290C.04.

1.20 (b) No more than one claimant is entitled to a payment under this chapter with
1.21 respect to any tract, parcel, or piece of land enrolled under this chapter that has been
1.22 assigned the same parcel identification number. When enrolled forest land is owned by
1.23 two or more persons, the owners, or in the case of property sold or transferred, the former
1.24 owner and the purchaser or grantee, must determine between them which person may
1.25 claim is eligible to claim the payments provided under sections 290C.01 to 290C.11. The
1.26 owners, transferees, or grantees must notify the commissioner in writing which person is
1.27 eligible to claim the payments.

1.28 **EFFECTIVE DATE.** This section is effective the day following final enactment.

1.29 Sec. 6. Minnesota Statutes 2004, section 290C.02, subdivision 7, is amended to read:

1.30 Subd. 7. **Forest management plan.** "Forest management plan" means a written
1.31 document providing a framework for site-specific healthy, productive, and sustainable
1.32 forest resources. A forest management plan must include at least the following: (i)
1.33 ~~owner-specific~~ forest management goals for the land; (ii) a reliable field inventory of the
1.34 individual forest cover types, their age, and density; (iii) a description of the soil type and
1.35 quality; (iv) an aerial photo and/or map of the vegetation and other natural features of the
1.36 land clearly indicating the boundaries of the land and of the forest land; (v) the proposed
1.37 future conditions of the land; (vi) prescriptions to meet proposed future conditions of

1.38 the land; (vii) a recommended timetable for implementing the prescribed activities; and
2.1 (viii) a legal description of the land encompassing the parcels included in the plan. All
2.2 management activities prescribed in a plan must be in accordance with the recommended
2.3 timber harvesting and forest management guidelines. The commissioner of natural
2.4 resources shall provide a framework for plan content and updating and revising plans.

2.5 **EFFECTIVE DATE.** This section is effective the day following final enactment.

2.6 Sec. 7. Minnesota Statutes 2004, section 290C.02, subdivision 8, is amended to read:

2.7 Subd. 8. **Timber harvesting and forest management guidelines.** "Timber
2.8 harvesting and forest management guidelines" means guidelines developed under section
2.9 89A.05 and adopted by the Minnesota Forest Resources Council in 1998 effect at the time
2.10 the tract, parcel, or piece of land is enrolled in the sustainable forest incentive program.

2.11 **EFFECTIVE DATE.** This section is effective the day following final enactment.

2.12 Sec. 8. Minnesota Statutes 2004, section 290C.04, is amended to read:

2.13 **290C.04 APPLICATIONS.**

2.14 (a) A landowner may apply to enroll forest land for the sustainable forest incentive
2.15 program under this chapter. The claimant must complete, sign, and submit an application
2.16 to the commissioner by September 30 in order for the land to become eligible beginning
2.17 in the next year. The application shall be on a form prescribed by the commissioner and
2.18 must include the information the commissioner deems necessary. At a minimum, the
2.19 application must show the following information for the land and the claimant: (i) the
2.20 claimant's Social Security number or state or federal business tax registration number and
2.21 date of birth, (ii) the claimant's address, (iii) the claimant's signature, (iv) the county's
2.22 parcel identification numbers for the tax parcels that completely contain the claimant's
2.23 forest land that is sought to be enrolled, (v) the number of acres eligible for enrollment
2.24 in the program, (vi) the approved plan writer's signature and identification number, and
2.25 (vii) proof, in a form specified by the commissioner, that the claimant has executed and
2.26 acknowledged in the manner required by law for a deed, and recorded, a covenant that the
2.27 land is not and shall not be developed in a manner inconsistent with the requirements and
2.28 conditions of this chapter. The covenant shall state in writing that the covenant is binding
2.29 on the claimant and the claimant's successor or assignee, and that it runs with the land
2.30 for a period of not less than eight years. The commissioner shall specify the form of the
2.31 covenant and provide copies upon request. The covenant must include a legal description
2.32 that encompasses all the forest land that the claimant wishes to enroll under this section or
2.33 the certificate of title number for that land if it is registered land.

3.1 (b) In all cases, the commissioner shall notify the claimant within 90 days after
 3.2 receipt of a completed application that either the land has or has not been approved for
 enrollment. A claimant whose application is denied may appeal the denial as provided in
 3.4 section 290C.11, paragraph (a).

3.5 (c) Within 90 days after the denial of an application, or within 90 days after the
 3.6 final resolution of any appeal related to the denial, the commissioner shall execute and
 3.7 acknowledge a document releasing the land from the covenant required under this chapter.
 3.8 The document must be mailed to the claimant and is entitled to be recorded.

3.9 (d) The Social Security numbers collected from individuals under this section are
 3.10 private data as provided in section 13.355. The ~~state~~ or federal business tax registration
 3.11 number and date of birth data collected under this section are also private data on
 3.12 individuals or nonpublic data, as defined in section 13.02, subdivisions 9 and 12, but
 3.13 may be shared with county assessors for purposes of tax administration and with county
 treasurers for purposes of the revenue recapture under chapter 270A.

3.15 **EFFECTIVE DATE.** This section is effective the day following final enactment."

3.16 Page 6, after line 25, insert:

3.17 "Sec. 11. **PRIVATE SALE OF TAX-FORFEITED LAND BORDERING**
 3.18 **PUBLIC WATER; CHISAGO COUNTY.**

3.19 (a) Notwithstanding Minnesota Statutes, sections 92.45 and 282.018, subdivision
 3.20 1, and the public sale provisions of Minnesota Statutes, chapter 282, Chisago County
 3.21 may sell by private sale the tax-forfeited land bordering public water that is described in
 3.22 paragraph (c), under the remaining provisions of Minnesota Statutes, chapter 282.

3.23 (b) The conveyance must be in a form approved by the attorney general.

3.24 (c) The land to be sold is located in Chisago County and is described as:

3.25 (1) Lot 18 of Mauritz Shores, parcel number 2-1522; and

3.26 (2) Lot 19 of Mauritz Shores, parcel number 2-1523.

3.27 (d) The parcels shall be subject to a "no impact zone" in which all vegetation is to
 3.28 be left in an unaltered state, and in which no docks or permanent structures of any kind
 3.29 shall be placed. The "no impact zone" shall extend from the Ordinary High Water Level of
 3.30 Green Lake to the Bluff Impact Zone as defined in the local shoreland ordinance.

3.31 (e) The county has determined that the county's land management interests would
 3.32 best be served if the lands were returned to private ownership."

3.33 Page 9, after line 7, insert:

3.35 "Sec. 15. **CONVEYANCE OF TAX-FORFEITED LAND BORDERING**
PUBLIC WATER OR WETLANDS; HENNEPIN COUNTY.

4.1 (a) Notwithstanding Minnesota Statutes, sections 92.45, 103F.535, and 282.018,
4.2 subdivision 1, and the public sale provisions of Minnesota Statutes, chapter 282, Hennepin
4.3 County may sell or convey for no consideration to the city of Brooklyn Park the
4.4 tax-forfeited land bordering public water or wetlands that is described in paragraph (c).

4.5 (b) The conveyance must be in a form approved by the attorney general and provide
4.6 that the land reverts to the state if the city of Brooklyn Park stops using the land for the
4.7 public purposes described in paragraph (d). The conveyance is subject to restrictions
4.8 imposed by the commissioner of natural resources.

4.9 (c) The land to be conveyed is located in Hennepin County and is described as:
4.10 Unplatted, Section 30, Township 119, Range 21, the East 187.1 feet of the West 1,182.6
4.11 feet of the South 597 feet of the Southwest 1/4 of the Northeast 1/4. Also that part of the
4.12 Southwest 1/4 of the Northeast 1/4 lying East of the West 1,182.6 feet thereof and lying
4.13 southwesterly of Registered Land Survey No. 304 (Hennepin County tax identification
4.14 no. 30-119-21 13 0006).

4.15 (d) The county has determined that the land is needed by the city of Brooklyn
4.16 Park for storm water retention and drainage, street and roadway, and bridge and utility
4.17 improvement purposes.

4.18 **EFFECTIVE DATE.** This section is effective the day following final enactment.

4.19 **Sec. 16. CONVEYANCE OF TAX-FORFEITED LAND BORDERING PUBLIC**
4.20 **WATER OR WETLANDS; HENNEPIN COUNTY.**

4.21 (a) Notwithstanding Minnesota Statutes, sections 92.45, 103F.535, and 282.018,
4.22 subdivision 1, and the public sale provisions of Minnesota Statutes, chapter 282, Hennepin
4.23 County may sell or convey for no consideration to the city of St. Bonifacius the
4.24 tax-forfeited land bordering public water or wetlands that is described in paragraph (c).

4.25 (b) The conveyance must be in a form approved by the attorney general and provide
4.26 that the land reverts to the state if the city of St. Bonifacius stops using the land for the
4.27 public purpose described in paragraph (d). The conveyance is subject to restrictions
4.28 imposed by the commissioner of natural resources.

4.29 (c) The land to be conveyed is located in Hennepin County and is described as:
4.30 Outlot A, West Minnetonka Commercial and Industrial Park (Hennepin County tax
4.31 identification no. 32-117-24 24 0011).

4.32 (d) The county has determined that the land is needed by the city of St. Bonifacius
4.33 for a natural water drainage area.

4.34 **EFFECTIVE DATE.** This section is effective the day following final enactment.

5.1 **Sec. 17. CONVEYANCE OF TAX-FORFEITED LAND BORDERING PUBLIC**
5.2 **WATER OR WETLANDS; HENNEPIN COUNTY.**

5.3 (a) Notwithstanding Minnesota Statutes, sections 92.45, 103F.535, and 282.018,
5.4 subdivision 1, and the public sale provisions of Minnesota Statutes, chapter 282, Hennepin
5.5 County may sell or convey to the city of Minnetrista the tax-forfeited land bordering
5.6 public water or wetlands that is described in paragraph (c).

5.7 (b) The conveyance must be in a form approved by the attorney general and provide
5.8 that the land reverts to the state if the city of Minnetrista stops using the land for the public
5.9 purpose described in paragraph (d). The conveyance is subject to restrictions imposed
5.10 by the commissioner of natural resources.

5.11 (c) The land to be conveyed is located in Hennepin County and is described as:

5.12 (1) Block 10, "Minnetonka Centre" (Hennepin County tax identification no.
5.13 27-117-24 32 0032);

5.14 (2) Block 11, "Minnetonka Centre" (Hennepin County tax identification no.
5.15 27-117-24 32 0033);

5.16 (3) Block 12, "Minnetonka Centre" (Hennepin County tax identification no.
5.17 27-117-24 32 0034);

5.18 (4) Block 13, "Minnetrista Centre" (Hennepin County tax identification no.
5.19 27-117-24 32 0035);

5.20 (5) Block 14, "Minnetonka Centre" (Hennepin County tax identification no.
5.21 27-117-24 32 0036); and

5.22 (6) Block 15, "Minnetonka Centre" (Hennepin County tax identification no.
5.23 27-117-24 32 0037).

5.24 (d) The county has determined that the land is needed by the city of Minnetrista for
5.25 wetland purposes.

5.26 **EFFECTIVE DATE.** This section is effective the day following final enactment.

5.27 **Sec. 18. CONVEYANCE OF TAX-FORFEITED LAND BORDERING PUBLIC**
5.28 **WATER OR WETLANDS; HENNEPIN COUNTY.**

5.29 (a) Notwithstanding Minnesota Statutes, sections 92.45, 103F.535, and 282.018,
5.30 subdivision 1, and the public sale provisions of Minnesota Statutes, chapter 282, Hennepin
5.31 County may sell or convey to the city of Shorewood the tax-forfeited land bordering
5.32 public water or wetlands that is described in paragraph (c).

5.33 (b) The conveyance must be in a form approved by the attorney general and provide
5.34 that the land reverts to the state if the city of Shorewood stops using the land for the public

6.1 purpose described in paragraph (d). The conveyance is subject to restrictions imposed
6.2 by the commissioner of natural resources.

6.3 (c) The land to be conveyed is located in Hennepin County and is described as:

6.4 (1) that part of the Southwest Quarter of the Southeast Quarter of Section 31,
6.5 Township 117, Range 23, described as follows: beginning at the intersection of the east
6.6 line of said Southwest Quarter of the Southeast Quarter and the north line of the South
6.7 789.36 feet of said Southwest Quarter of the Southeast Quarter; thence West along said
6.8 north line to the center line of Smithtown Road; thence northerly and northeasterly along
6.9 said center line to its intersection with the westerly extension of the south line of Lot 5,
6.10 Auditors Subdivision No 247, Hennepin County, Minnesota; thence easterly along said
6.11 extension and along the south line of said Lot 5 to the southeast corner of said Lot 5;
6.12 thence South along the east line of said Southwest Quarter of the Southeast Quarter to the
6.13 point of beginning, subject to road (Hennepin County tax identification no. 31-117-23-43
6.14 0001); and

6.15 (2) Lot 5, Auditor's Subdivision No. 247, Hennepin County, Minnesota (Hennepin
6.16 County tax identification no. 31-117-23 43 0004).

6.17 (d) The county has determined that the land is needed by the city of Shorewood for
6.18 drainage and wetland conservation purposes.

6.19 **EFFECTIVE DATE.** This section is effective the day following final enactment."

6.20 Page 11, delete section 14 and insert:

6.21 "Sec. 23. **LAND REPLACEMENT TRUST FUND; ITASCA COUNTY.**

6.22 Notwithstanding the provisions of Minnesota Statutes, chapter 282, and any other
6.23 law relating to the apportionment of proceeds from the sale of tax-forfeited land, Itasca
6.24 County must apportion the first \$1,000,000 received from the sale of tax-forfeited lands
6.25 within Minnesota Steel Industries permit to mine area near Nashwauk, Minnesota, as
6.26 provided in Laws 1965, chapter 326, section 1, as amended. Any remaining proceeds
6.27 received from the sale must be deposited into a tax-forfeited land replacement trust fund
6.28 established by Itasca County under this section. The principal and interest from this fund
6.29 may be spent only on the purchase of lands to replace the tax-forfeited lands sold to
6.30 Minnesota Steel Industries. Lands purchased with the land replacement fund must:

6.31 (1) become subject to trust in favor of the governmental subdivision wherein they lie
6.32 and all laws related to tax-forfeited lands; and

6.33 (2) be for forest management purposes and dedicated as memorial forest under
6.34 Minnesota Statutes, section 459.06, subdivision 2.

7.1 EFFECTIVE DATE. This section is effective the day after compliance with
 7.2 Minnesota Statutes, section 645.021, subdivision 3, by the governing body of Itasca
 7.3 County."

7.4 Page 12, after line 22, insert:

7.5 "Sec. 25. CONVEYANCE OF TAX-FORFEITED LAND BORDERING
 7.6 PUBLIC WATER; MARSHALL COUNTY.

7.7 (a) Notwithstanding Minnesota Statutes, sections 92.45 and 282.018, subdivision 1,
 7.8 and the public sale requirements of Minnesota Statutes, chapter 282, Marshall County
 7.9 may convey to the city of Warren for no consideration the tax-forfeited lands bordering
 7.10 public water that are described in paragraph (c).

7.11 (b) The conveyance must be in a form approved by the attorney general and provide
 7.12 that the land reverts to the state if the city of Warren stops using the land for a public
 7.13 purpose.

(c) The lands to be conveyed are located in Marshall County and are described as:

7.15 (1) Parcel 59.0259.001;

7.16 (2) Parcel 59.0292.000;

7.17 (3) Parcel 59.0363.000;

7.18 (4) Parcel 59.0393.000; and

7.19 (5) Parcel 59.8400.007.

7.20 (d) The county has determined that the county's land management interests would
 7.21 best be served if the lands were conveyed to the city of Warren for a public purpose.

7.22 Sec. 26. PRIVATE SALE OF TAX-FORFEITED LAND BORDERING PUBLIC
 7.23 WATER; MARSHALL COUNTY.

7.24 (a) Notwithstanding Minnesota Statutes, sections 92.45 and 282.018, subdivision
 7.25 1, and the public sale provisions of Minnesota Statutes, chapter 282, Marshall County
 7.26 may sell by private sale the tax-forfeited land bordering public water that is described in
 7.27 paragraph (c), under the remaining provisions of Minnesota Statutes, chapter 282.

7.28 (b) The conveyance must be in a form approved by the attorney general.

7.29 (c) The land to be sold is located in Marshall County and is described as:

7.30 Parcel 11.0019.001.

7.31 (d) The county has determined that the county's land management interests would
 7.32 best be served if the land was sold to the Department of Natural Resources."

7.33 Page 14, after line 22, insert:

7.35 "Sec. 30. CONVEYANCE OF SURPLUS STATE LAND; OTTER TAIL
COUNTY.

8.1 (a) Notwithstanding Minnesota Statutes, sections 94.09 to 94.16, the commissioner
8.2 of natural resources may convey to Independent School District No. 544, Fergus Falls, the
8.3 surplus land that is described in paragraph (c).

8.4 (b) The conveyance must be at market value and in a form approved by the attorney
8.5 general. The conveyance must provide that the land reverts to the state if the school
8.6 district does not use the land for a school facility.

8.7 (c) The land to be conveyed is located in Otter Tail County and is described as:

8.8 (1) the West Half of the Northeast Quarter of Section 27, Township 133 North,
8.9 Range 43 West, excepting the area designated for the State Hospital Cemetery located in
8.10 the Northeast Quarter of the Northwest Quarter of the Northeast Quarter of said section
8.11 and that part of the Southwest Quarter of the Northeast Quarter previously conveyed to
8.12 Donald Stevens pursuant to Minnesota Laws 1973, chapter 80, and described as follows:

8.13 That part of the SW1/4 of the NE1/4 of Section 27 described as follows: Beginning
8.14 at the SE corner of said SW1/4 of the NE1/4; thence on an assumed bearing of North
8.15 00 degrees 00 minutes 36 seconds West on the easterly line thereof for a distance
8.16 of 660.00 feet; thence North 89 degrees 40 minutes 12 seconds West parallel to
8.17 the southerly line thereof for a distance of 7.90 feet; thence South 00 degrees 19
8.18 minutes 48 seconds West 660.00 feet to the southerly line of said SW1/4 of the
8.19 NE1/4; thence South 89 degrees 40 minutes 12 seconds East on last said southerly
8.20 line for a distance of 11.91 feet to point of beginning; also that part of the SW1/4 of
8.21 the NE1/4 of Section 27 described as follows: Commencing at the SE corner of said
8.22 SW1/4 of the NE1/4; thence on an assumed bearing of North 89 degrees 40 minutes
8.23 12 seconds West on the southerly line of the SW1/4 of the NE1/4 for a distance of
8.24 11.91 feet to point of beginning of tract to be described; thence North 00 degrees
8.25 19 minutes 48 seconds East 660.00 feet; thence North 89 degrees 40 minutes 12
8.26 seconds West parallel to the southerly line of the SW1/4 of the NE1/4 for a distance
8.27 of 25.00 feet; thence South 00 degrees 21 minutes 50 seconds East 660.05 feet to the
8.28 southerly line of the SW1/4 of said NE1/4 ; thence South 89 degrees 40 minutes 12
8.29 seconds East on said southerly line for a distance of 17.00 feet to point of beginning.
8.30 Containing 73.5 acres, more or less; and

8.31 (2) the Southeast Quarter of the Northwest Quarter of Section 27, Township 133
8.32 North, Range 43 West. Containing 40 acres.

8.33 (d) The land is no longer needed for any natural resource purpose and the state's
8.34 land management interests would best be served if the land was conveyed to Independent
8.35 School District No. 544, Fergus Falls, for a new school facility."

8.36 Page 15, line 27, delete "28.1134.001" and insert "28.1133.000"

9.1 Page 16, line 20, delete "Number 17.0225.000" and insert "Numbers 17.0225.000
9.2 and 17.0226.000 all"

Page 19, line 18, delete "and" and insert "of"

9.4 Page 21, after line 2, insert:

9.5 "Sec. 40. PRIVATE SALE OF TAX-FORFEITED LAND; STEVENS
9.6 COUNTY.

9.7 (a) Notwithstanding the public sale provisions of Minnesota Statutes, chapter 282, or
9.8 other law to the contrary, Stevens County may sell by private sale the tax-forfeited land
9.9 described in paragraph (c) to one or more adjoining landowners.

9.10 (b) The conveyance must be in a form approved by the attorney general for the fair
9.11 market value of the land. The attorney general may make changes to the land description
9.12 to correct errors and ensure accuracy.

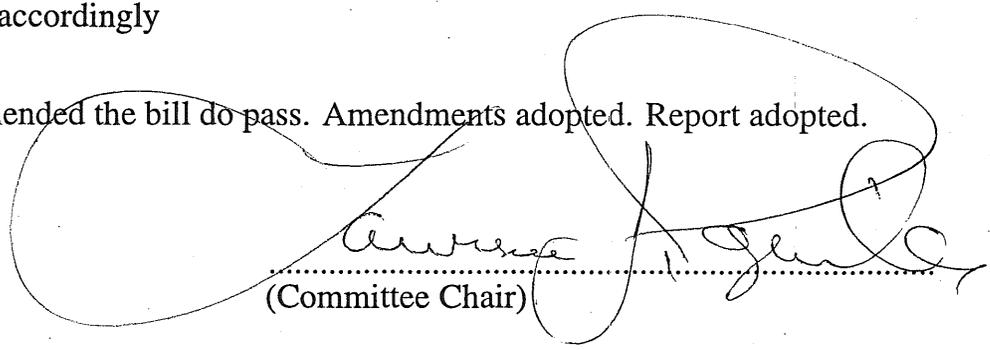
9.13 (c) The land to be sold is located in Stevens County and is described as: a strip
of land 66 feet wide, the center line of which follows the following measurements and
9.15 directions: the point of beginning being a point which is on the east right-of-way line of
9.16 T.H. 59 and 626 feet South of said north line of the Southwest Quarter of Section 18,
9.17 Township 125 North, Range 41 West; thence due East and parallel with the north line of
9.18 said Southwest Quarter of Section 18, Township 125 North, Range 41 West, a distance of
9.19 1,310 feet, subject to easements.

9.20 (d) The county has determined that the county's land management interests would
9.21 best be served if the lands were returned to private ownership."

9.22 Renumber the sections in sequence

9.23 Amend the title accordingly

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



.....
(Committee Chair)

9.25
9.26
9.27 April 5, 2006
9.28 (Date of Committee recommendation)

RESOLUTION OF THE COUNTY BOARD OF COMMISSIONERS ITASCA COUNTY, MINNESOTA

Adopted March 28, 2006

Commissioner Mandich moved the adoption of the following resolution:

Resolution No. 03-06-02 (Page 1 of 1)

RE: Proceeds of Land Sale to Minnesota Steel

Whereas, Itasca County intends to sell approximately 20,000 acres of tax forfeited land to Minnesota Steel in support of its proposed direct reduced iron plant near Nashwauk, and

Whereas, Itasca County supports establishing a Land Replacement Trust Fund from a major portion of the proceeds of the land sale, and

Whereas, Itasca County recognizes the local taxing districts have carried the burden of tax exempt properties for more than 50 years and deserve some compensation at the time of sale, now, therefore be it

Resolved, The Itasca County Board of Commissioners requests Section 14 of SF 2851 be amended to include the first million dollars received from the sale of tax forfeited land within the Minnesota Steel permit to mine area must be deposited in the forfeited tax sale fund and apportioned to the local taxing districts as provided by law.

Commissioner Klegstad seconded the motion for the adoption of the resolution and it was declared adopted upon the following vote:

Yeas 4 Nays 1 District #1 Y District #2 N
Other N/A District #3 Y District #4 Y
District #5 Y

STATE OF MINNESOTA
Office of County Coordinator
County of Itasca

I, ROBERT R. OLSON, Coordinator of County of Itasca, do hereby certify that I have compared the foregoing with the original resolution filed in my office on the 28th day of March A.D. 2006, and that the same is a true and correct copy of the whole thereof.

WITNESS MY HAND AND SEAL OF OFFICE at Grand Rapids, Minnesota, this 28th day of March, A.D. 2006.

[Signature]
Coordinator

By Deputy

Senators Kierlin and Kiscaden introduced—

S.F. No. 2518: Referred to the Committee on Taxes.

1.1 A bill for an act
1.2 relating to taxation; tax increment financing; allowing tax increment financing
1.3 districts in the cities of Chatfield and Preston to capture the state general tax.

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

1.5 Section 1. **TAX INCREMENT FINANCING; CITY OF CHATFIELD.**

1.6 **Subdivision 1. Authority. Increments for the following tax increment financing**
1.7 **districts include the tax paid by captured tax capacity under the state general tax,**
1.8 **Minnesota Statutes, section 275.025, if the conditions under subdivision 2 are satisfied:**

1.9 **(1) tax increment financing district No. 2-4 in the city of Chatfield;**

1.10 **(2) tax increment financing district 1 in the city of Preston;**

1.11 **(3) tax increment financing district 5 in the city of Preston; and**

1.12 **(4) tax increment financing district 6 in the city of Preston.**

1.13 **Subd. 2. Conditions. To qualify for the authority under this section, the following**
1.14 **conditions must be satisfied:**

1.15 **(1) the city agrees to extend the payment obligations under the note for the district**
1.16 **through the maximum duration for the district under Minnesota Statutes, section 469.176,**
1.17 **subdivision 1b; and**

1.18 **(2) all of the holders of the note agree to extend the note's maturity and payment**
1.19 **obligation at the same interest rate that applies under the existing note in return for**
1.20 **receiving reimbursement from increments from the state general tax.**

1.21 **EFFECTIVE DATE. This section is effective for the first taxes payable year**
1.22 **that begins after compliance by the governing body of the city with the requirements**
1.23 **of Minnesota Statutes, section 645.021.**

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

G-17 STATE CAPITOL
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ST. PAUL, MN 55155-1606
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JO ANNE ZOFF SELLNER
DIRECTOR

Senate

State of Minnesota

**S.F. No. 2518 - Chatfield and Preston Tax Increment
Financing Districts**

Author: Senator Bob Kierlin

Prepared by: JoAnne Zoff Sellner, Senate Counsel (651/296-3803) 

Date: April 4, 2006

This bill provides that tax increments for one tax increment financing district in the city of Chatfield, and three tax increment financing districts in the city of Preston, would include the tax paid by the captured tax capacity under the state general tax that applies to commercial industrial and seasonal residential recreational property. To qualify for this treatment, the city must agree to extend the payment obligations under the note for the district through the maximum duration permitted under law for the district, and all holders of the note must agree to extend the note's maturity and payment obligation at the same interest rate that applies under the existing note in return for receiving reimbursements from increments from the state general tax.

JZS:dv

MINNESOTA • REVENUE

PROPERTY TAX Chatfield & Preston TIF Districts

March 7, 2006

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 2760 (Davids) / S.F. 2518 (Kierlin)

	Fund Impact			
	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>
			(000's)	
General Fund	\$0	(\$34)	(\$61)	(\$61)

Effective upon local approval.

EXPLANATION OF THE BILL

Current Law: Tax increment financing (TIF) provides a means of financing municipal improvement projects. Types of districts include redevelopment districts, housing districts, economic development districts, soil condition districts, renewal and renovation districts, and hazardous substance districts. Although these types of districts have particular distinguishing characteristics, all commonly possess the authority to retain the tax dollars generated by the "retained captured net tax capacity". The captured net tax capacity equals the difference between the current year net tax capacity and the original net tax capacity of the properties within the TIF district. (The retained captured net tax capacity is after the subtraction any fiscal disparity or shared value reductions and after any prior year net tax capacity adjustments.) Activity must commence within 5 years of district creation.

The state general tax base is not subject to adjustments for tax increment financing (TIF), fiscal disparities, or the 10% transmission line tax base exclusion. The entire state general property is for state general fund purposes only. The state tax on a business property located in a TIF district does not provide any taxes for the TIF district.

Proposed Law: The bill would allow the cities of Preston and Chatfield to include the state general levy as tax increment for TIF the specified districts. Included districts are Chatfield No. 2-4 and Preston districts 1, 5, and 6. The city and note holders must agree to extend the note's maturity.

March 7, 2006

REVENUE ANALYSIS DETAIL

- Chatfield TIF district No. 2-4 had a captured net tax capacity of \$39,071 in payable 2005. It is assumed that the bill requires the state general tax rate of 51% (in pay 2006) to be multiplied by the current net tax capacity to result in additional increment of about \$20,000.
- The three Preston TIF districts had a captured net tax capacity of \$79,876 in payable 2005. It is assumed that the bill requires the state general tax rate of 51% (in pay 2006) to be multiplied by the current net tax capacity to result in additional increment of about \$41,000.
- The state levy reduction is assumed to begin in taxes payable 2007.
- ~~The fiscal year impacts of the state levy decrease would be \$34,000 in FY 2007, \$61,000 in FY 2008, and \$61,000 FY 2009.~~
- State general levy is not included in TIF increments under current law. The bill makes no provision for replacing the state general levy withheld by the TIF district, so the state general fund would decrease.

Number of Taxpayers: none.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy

hf2760(sf2518)_1/lm

1.1 A bill for an act
 1.2 relating to the city of Winona; authorizing an additional use of revenue from
 1.3 its sale and excise taxes; amending Laws 2005, First Special Session chapter
 1.4 3, article 5, section 43, subdivision 3.

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

1.6 Section 1. Laws 2005, First Special Session chapter 3, article 5, section 43, subdivision
 1.7 3, is amended to read:

1.8
 1.9 Subd. 3. **Use of revenues.** Revenues received from the taxes authorized by
 1.10 subdivisions 1 and 2 must be used to pay all or part of the capital costs of transportation
 1.11 contained in the Minnesota Department of Transportation's Winona Intermodal study
 1.12 dated June 2002 and in the resolution approved by the city council on January 3, 2005, and
 1.13 all or a part of the capital costs of flood control projects approved by resolution of the city
 1.14 council on February 6, 2006, including securing or paying debt service on bonds issued
 1.15 under subdivision 4, for the transportation and flood control projects and to pay the cost
 1.16 of collecting and administering the tax. Authorized costs include, but are not limited to,
 1.17 acquiring property and paying construction and engineering costs related to the projects.

1.18
 1.19 **EFFECTIVE DATE.** This section is effective the day after compliance by
 1.20 the governing body of the city of Winona with Minnesota Statutes, section 645.021,
 1.21 subdivision 3.

3729
S.F. XXXX

Jungbauer

1.1 A bill for an act
1.2 relating to tax increment financing; authorizing the city of Ramsey to establish a
1.3 tax increment financing district subject to special rules.

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

1.5 Section 1. **CITY OF RAMSEY; TAX INCREMENT FINANCING.**

1.6 Subdivision 1. Authority. The governing body of the city of Ramsey or a
1.7 development authority established by the city may create a tax increment financing
1.8 district, consisting of the property defined as outlot L, Ramsey Town Center Addition and
1.9 lot 2, block 1, Ramsey Town Center Addition.

1.10 Subd. 2. Special rules. Establishment of the district is subject to the requirements
1.11 of Minnesota Statutes, sections 469.174 to 469.1799 with the following exceptions:

1.12 (1) the district is deemed to be a redevelopment district without regard to the
1.13 requirements of Minnesota Statutes, section 469.174, subdivision 10;

1.14 (2) the provisions of Minnesota Statutes, section 469.176, subdivision 7, do not
1.15 apply to the district;

1.16 (3) housing receiving assistance, directly or indirectly, from the expenditures of the
1.17 district's increments must meet the requirements of Minnesota Statutes, sections 469.174,
1.18 subdivision 11, and 469.1761; and

1.19 (4) the district's increments must be used only to pay for costs related to the Sunwood
1.20 on Grand project, including land acquisition, public infrastructure, parking ramps, and
1.21 administrative expenses, whether paid directly to reimburse for payment of those costs or
1.22 to repay bonds or other obligations issued and sold to pay those costs initially.

- 2.1 EFFECTIVE DATE. This section is effective upon local approval by the governing
- 2.2 body of the city of Ramsey in compliance with the requirement of Minnesota Statutes,
- 2.3 section 645.021.

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

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Senate

State of Minnesota

S.F. No. 3729 - Ramsey Tax Increment Financing District

Author: Senator Michael Jungbauer

Prepared by: JoAnne Zoff Sellner, Senate Counsel (651/296-3803) *JZA*

Date: April 4, 2006

This bill authorizes the city of Ramsey to establish a district within a specified area of the city. The district would be subject to certain special rules:

- the district would be deemed to be a redevelopment district without being required to meet the statutory requirements that apply to designation of a redevelopment district; and
- the prohibition on inclusion of parcels that had been subject to green acres or the open space law, or the Metropolitan Agricultural Preserves Act, is made inapplicable to this district.

Housing that will receive assistance from the increments must meet the requirements of current law relating to housing districts. Increments from the district must be used only to pay for costs related to the Sunwood on Grand project, including land acquisition, public infrastructure, parking ramps, and administrative expenses.

JZS:dv

MINNESOTA REVENUE

PROPERTY TAX Ramsey TIF District

April 4, 2006

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 4073 (Abeler) S.F. 3729 (Jungbauer)

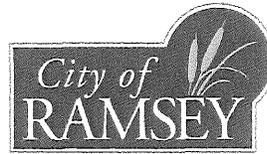
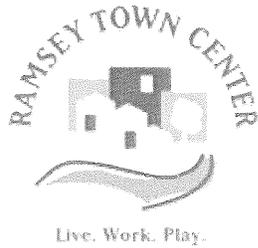
Effective upon local approval.

The bill authorizes the city of Ramsey or a development authority to create a tax increment financing (TIF) district, with boundaries as listed. The district is deemed to be a redevelopment district without regard to statutory qualifications. All parcels described are included in the district. Housing receiving assistance must meet specified requirements. The district's increments must be used only to pay for costs related to the project. The TIF district is subject to local approval by the city of Ramsey.

The proposed exceptions to the general TIF provisions may an impact on the local tax base and tax rate in the future and may result in a small increase in property tax refunds paid by the state.

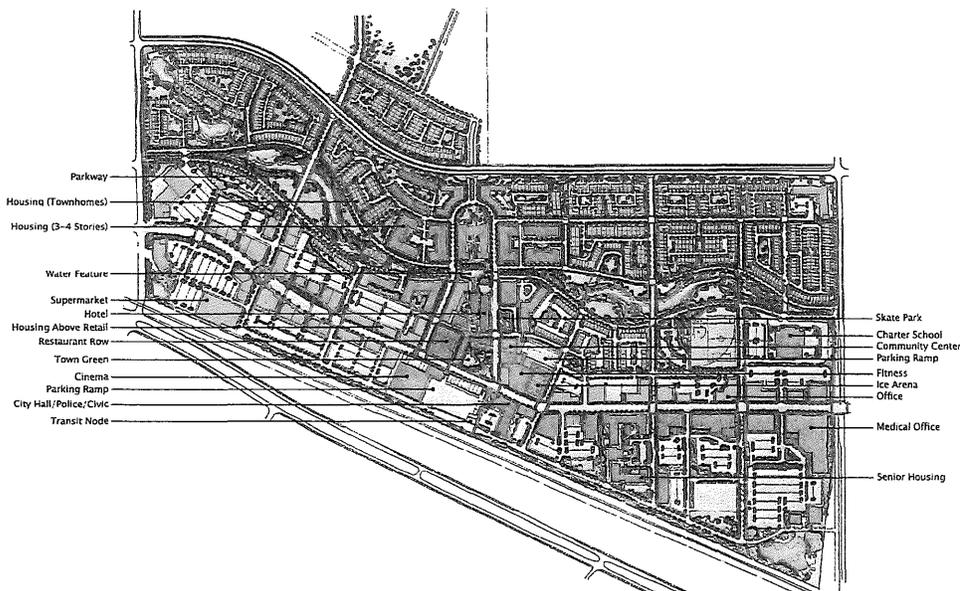
Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy

hf4073_1/lm



A Brief Summary of the Ramsey Town Center Project

Ramsey Town Center is a 370-acre, master planned, mixed-use development located on U.S. Highway 10 between Ramsey Blvd. and Armstrong Blvd. in the City of Ramsey. The Ramsey Town Center will have over 2,800 housing units, 775,000 square feet of commercial, retail, office, and civic uses, a station for the future Northstar Commuter Rail, and 25 acres of new parkland. The Ramsey Town Center design is based on New Urbanist and Transit-Oriented Design principles that emphasize pedestrian orientation, a mix of land uses, and connections to existing trails in Ramsey. The Ramsey Town Center is practical solution that will meet the community's needs for shopping, employment, and residential options and is especially important as the project will create a central and identifiable "downtown" in a city that does not have one.



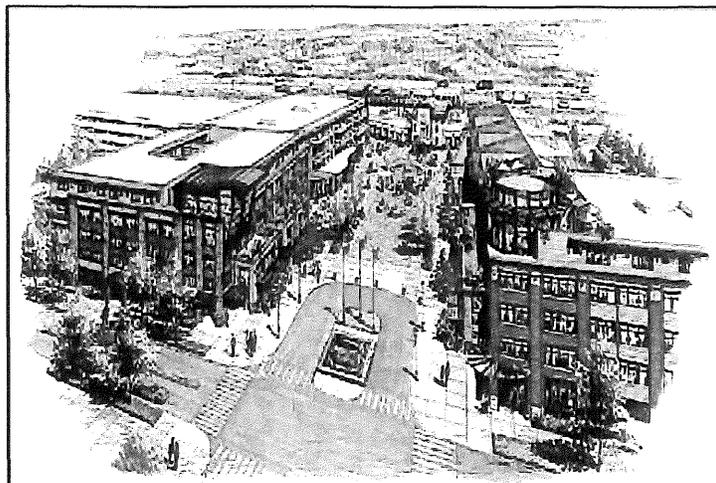
12 March 2004



RAMSEY TOWN CENTER
Ramsey, Minnesota

Site Plan

The Ramsey Town Center project is expected to have a market valuation of \$1.1 billion. At build out, the project is expected to generate an additional \$4 million in tax capacity annually to the City.



City of Ramsey Port Authority Legislation

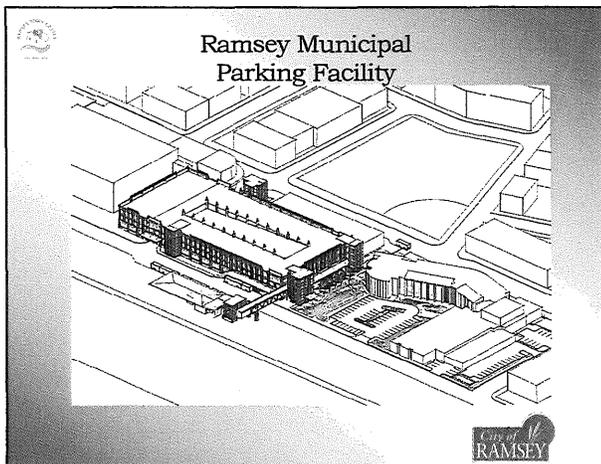
The City of Ramsey has embarked on an exciting master planned, transit oriented development that will require a great deal of City investment. The creation of a Port Authority will allow the City to effectively and efficiently pursue economic and redevelopment opportunities within the City.



- Economic Development Authority (“EDA”) law was a response to frequent requests for Port Authorities powers
- EDA law deliberately gave fewer powers than Port Authorities have – it was “port authorities light”
- Major powers not in the EDA law that Port Authorities provide.
 - Mandatory city levy (in EDA law the levy is optional), plus smaller discretionary levy
 - Issue G.O. bonds without an election (but home rule cities are subject to their charter provisions on referendum on ordinances), outside City’s net debt limit
 - Port facilities and terminals
 - More powers outside “development district” than EDA has outside “economic development district”
 - Powers strongest in “development district”, which is more flexible (based on marginal land) than an EDA’s “economic development district” (which is a TIF-law redevelopment district needing substandard buildings.

The following points summarize why the City of Ramsey is requesting special legislation.

- Acquiring property for community facilities, transportation corridors, redevelopment and affordable housing.
- The city will be developing projects, such as structured parking, a community center, an indoor winter park, and affordable housing.



Senator Jungbauer introduced—

S.F. No. 3141: Referred to the Committee on State and Local Government Operations.

A bill for an act

relating to local government; granting port authority powers to the city of Ramsey; proposing coding for new law in Minnesota Statutes, chapter 469.

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

Section 1. [469.0805] RAMSEY.

The governing body of the city of Ramsey may exercise all the powers of a port authority provided by sections 469.048 to 469.068.

Senators Moua, Dibble, Betzold and Belanger introduced-
S.F. No. 2796: Referred to the Committee on Taxes.

1.1 A bill for an act
1.2 relating to taxation; converting the transit pass credit to a refund and extending
1.3 it to additional employers; amending Minnesota Statutes 2004, section 290.06,
1.4 subdivision 28.

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

1.6 Section 1. Minnesota Statutes 2004, section 290.06, subdivision 28, is amended to read:

1.7 Subd. 28. Credit Refunds for transit passes. (a) ~~A taxpayer~~ An employer may
1.8 ~~take a credit against the tax due under this chapter~~ claim a refund equal to 30 percent
1.9 of the expense incurred by the ~~taxpayer~~ employer to provide transit passes, for use in
1.10 Minnesota, to employees of the taxpayer.

1.11 (b) As used in this subdivision, the following terms have the meanings given:

2 (1) "employer" means an individual or entity subject to tax under this chapter
1.13 or an entity that is exempt from taxation under section 290.05, but excluding entities
1.14 enumerated in section 290.05, subdivision 1, clause (b); and

1.15 (2) "transit pass" has the meaning given in section 132(f)(5)(A) of the Internal
1.16 Revenue Code.

1.17 (c) If the taxpayer employer purchases the transit passes from the transit system
1.18 operator, and resells them to the employees, the credit refund is based on the amount of
1.19 the difference between the price paid for the passes by the employer and the amount
1.20 charged to employees.

1.21 (d) The commissioner shall prescribe the forms for and the manner in which the
1.22 refund may be claimed. The commissioner must provide for paying refunds at least
1.23 quarterly. The commissioner may set a minimum amount of qualifying expenses that must
1.24 be incurred before a refund may be claimed.

2.1 (e) An amount sufficient to pay the refunds required by this subdivision is
2.2 appropriated to the commissioner of revenue.

2.3 **EFFECTIVE DATE.** This section is effective for transit passes purchased after
2.4 June 30, 2006.

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Senate

State of Minnesota

S.F. No. 2796 - Refund for Transit Pass

Author: Senator Mee Moua

Prepared by: Michelle Allen, Senate Counsel (651/296-0558)

Date: April 3, 2006

Under current law, a taxpayer may take an income tax credit for 30 percent of the expense incurred to provide transit passes to the taxpayer's employees. This bill changes that credit to a refund for which an employer may file at least quarterly. The bill defines employer as an individual or entity subject to tax or an exempt governmental entity. The bill also appropriates to the commissioner of revenue the amount necessary to pay the refunds.

MJA:dv

MINNESOTA · REVENUE

CORPORATE FRANCHISE TAX INDIVIDUAL INCOME TAX Refund for Transit Pass Expenses

April 4, 2006

Department of Revenue
Analysis of S.F. 2796 (Moua)/ H.F. 3523 (Erhardt)

	Yes	No
DOR Administrative Costs/Savings	X	

	<u>Fund Impact</u>			
	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>
General Fund	\$0	(\$2,200)	(\$2,900)	(\$3,100)

Effective for transit passes purchased after June 30, 2006

EXPLANATION OF THE BILL

Current Law: Both individual and corporate franchise taxpayers are allowed a nonrefundable tax credit equal to 30% of the net expenses incurred by an employer to provide transit passes to their employees.

Proposed Law: The transit pass credit is converted into a program where the State of Minnesota reimburses the 30% of employer-paid transit pass expenses for all employers except for federal, state, and local governments. Claims for refund would be filed with the Department of Revenue, and refunds would be paid at least quarterly.

REVENUE ANALYSIS DETAIL

- Estimates of the current law tax credit are based on those in the 2006 Tax Expenditure Budget.
- Sources at Metro Transit provided figures on the dollar volume of bus passes sold by Metro Transit through two programs: Metropass and Transit Works.
- Under the Metropass program, on average employers pay 52% of the cost of transit passes purchased for their employees.
- Metro Transit has no estimates of what the percentage is for employer-paid costs under the Transit Works program. Because the employer-paid expenses are assumed to be less than those under the Metropass program, it is assumed that on average employers pay 30% of the cost of transit passes purchased through the Transit Works program.
- Analysis of data from the Metropass program indicates that 25% of the program's participants are government employees.

REVENUE ANALYSIS DETAIL (cont.)

- The estimate of employer-paid transit expenses for the metropolitan area was increased to reflect a statewide estimate. The metro/statewide percentage of total ridership on urbanized systems of public transit was used to increase the metro area estimate into the statewide estimate.
- Five percent annual growth in employer-paid transit expenses is assumed.
- Due to effective date of bill, the estimate for FY 2007 reflects three quarterly payments under the proposal. A portion of the current-law credit for tax year 2006 would be paid in FY 2007.

Number of Taxpayers: About 200 taxpayers claim the tax credit under current law. It is estimated that at least 300 employers have transit pass expenses, and they will claim the transit pass expense refund.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy



AGENCY INITIATIVE

Regional Transit Bonding Authority

Request: The Metropolitan Council requests \$32.8 million in bonding authority for transit capital improvements.

S.F. 3320 (Pogemiller) / H.F. 3682 (Abrams)

Staff Contacts:

Judd Schetnan
651-602-1142

Arlene McCarthy
651-602-1217

- The Metropolitan Council is seeking bonding authorization to issue \$32.8 million in regional bonds for transit projects identified in the agency's transit capital plan.
This level of bonding is the level planned in the Council's 6 year Capital Improvement Program which was developed to implement the Council's policy of holding flat the property tax impact to the taxpayers in the region.
Bond proceeds would be used for basic transit infrastructure, such as replacement buses, transit bus facilities and other capital enhancements to the regional public transit system.
These improvements to the transit system are allocated to all transit providers throughout the region, including Metro Mobility, opt-out programs, and small urban and rural dial-a-ride programs.
Some of these bond proceeds are used to provide a local match for available federal funds, which allows us to take advantage of available federal transit capital funds.

- The legislature's previous investment in bonding authority for transit is getting results. In past years, bonding authority for transit has led to the purchase of buses, improvements to passenger facilities and security improvements at transit sites. All of these improvements have helped increase the efficiency of the transit system and have led to gains in ridership.
With approval of this legislation, the Metropolitan Council will be able to continue to maintain and improve the regional public transit system through the capital improvements identified in the agency's adopted transit capital program.
This request is consistent with the Metropolitan Council's regional transportation policy plan and these capital improvements are critical to the overall success of the region's public transit system. They help the system operate efficiently and will aid in the effort to increase transit ridership and mitigate congestion.



Twin Cities Regional Transit Capital Program

3/13/06

Description	2006	Fed Match
Opt Outs		
MTS/Reg Federal bus match	\$1,432,382	*
MVTA Replace small buses	\$450,000	
MVTA Replace buses	\$3,249,000	
MVTA Cameras	\$162,500	
Fare collection (upgrade)	\$250,000	
MVTA Remodeling	\$40,000	
MVTA COP	\$400,000	
Footh Replace buses	\$177,000	
SMTC Garage Expansion	\$1,500,000	
SMTC Southwest Station	\$400,000	
	8,060,882	
Other Providers		
Anoka Replace buses	\$236,000	
Carver Replace buses	\$59,000	
DARTS Replace buses	\$186,000	
Delano Replace buses	\$59,000	
Hastings Replace buses	\$118,000	
HSI Replace buses	\$140,000	
Metro Mobility Replace buses	\$1,960,000	
Metro Mobility Agency vehicles	\$1,351,118	
MTS small buses	\$490,000	
NEST Replace buses	\$118,000	
SCS Dispatching	\$50,000	
	\$6,043,118	
Metro Transit		
Bus Replacement & Growth	\$5,000,000	*
Bus Garage-FTH 2	\$2,780,000	*
Light Rail Vehicles	\$1,440,000	*
I-94 East Park & Ride	\$800,000	*
Energy Improvements at Facilities	\$600,000	*
Rail System Facility Bldg	\$600,000	*
Underground Storage Tanks Replacement	\$600,000	*
Associated Capital Maintenance - Bus	\$400,000	*
Associated Capital Maintenance - Rail	\$162,500	*
Transit Business Systems	\$500,000	*
Uninterruptible Power Source & Lightning Ar	\$400,000	*
Bus Tires	\$250,000	*
Fare Collection Equipment & Maintenance	\$169,360	*
Security and Safety Projects	\$110,000	*
Transit Enhancement Projects	\$110,000	*
LRT Modular Overhaul of Components	\$100,000	*
LRT Control Systems Replacement Equip	\$50,000	*
Major Improvements to Support Facilities	\$2,170,000	
Support Equipment	\$1,904,140	
Public Facilities Initiatives	\$300,000	
Down Transit Advantages	\$200,000	
Transit Facility Land Acquisition	\$50,000	
	\$18,696,000	
Total	\$32,800,000	

23

EXPANDING METROPASS

SF 2796 (MOUA); HF 3523 (ERHARDT)

The Problem:

The tax benefit that helps support Metro Transit's Metropass Program is available only to certain businesses

The Solution:

Expand the tax benefit to non-profits, which employ 132,000 in the metro area



The Problem: The tax benefit that helps support Metro Transit's Metropass Program is available only to certain businesses.

Transit plays a critical role in reducing energy consumption, air and water pollution, and the regional costs of development. It also improves public health in our communities and helps protect the region's remaining natural areas.

Metro Transit's Metropass Program is the region's premier employer-based transit pass program. It allows employers to buy discounted transit passes for their employees and sell them to their employees at the discounted rate. Some employers also help their employees by covering a portion of the discounted cost of the transit passes.

In 2000, the Minnesota Legislature established a tax credit for businesses that help their employees with the purchase of transit passes. Under the credit, businesses can deduct 30% of what they contribute to the purchase of the passes from what they owe for corporate income tax. Currently, 135 employers are enrolled and approximately 20,000 of their employees use Metro Transit. Metropass increased transit ridership by more than 10% in 2003.

The tax credit has helped expand the number of employees who participate in the Metropass Program. However, it is only available to employers who pay corporate income tax. Substantial numbers of employees can't benefit from the credit because their employers don't pay corporate income tax.

For example, non-profits can't take advantage of the tax credit. Non-profits in Minnesota employ more than 250,000 people and slightly more than 50% of them are located in the Twin Cities. In fact, non-profits are some of the largest employers in the region and include four of the five largest private-sector employers in St. Paul.

The Solution: Convert the tax credit to a direct refund mechanism.

The change would level the playing field for employers in the private sector, make discounted transit passes available to more employees, strengthen the region's most successful transit pass program and help the Metropolitan Council achieve its long-term goal of doubling transit ridership by 2030.

March 2006

Supported by:

- Center for Energy and Environment
- Institute for Agriculture and Trade Policy
- Kids for Saving Earth
- Neighborhood Energy Consortium
- Scenic Minnesota
- Transit for Livable Communities
- Minnesotans for an Energy-Efficient Economy

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#4

Handout #4



Transit Benefit\$

GUIDE

Take advantage of transit tax breaks and bus discount programs

STRENGTHEN EMPLOYEE RECRUITMENT AND RETENTION	OFFER EMPLOYEES A TAX-FREE BENEFIT	SAVE MONEY THROUGH A NEW STATE INCOME TAX CREDIT	HELP REDUCE TRAFFIC CONGESTION AND AIR POLLUTION
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Prepared by your regional Commuter Choice Partners

- ▶ Downtown Minneapolis Transportation Management Organization
- ▶ Saint Paul Transportation Management Organization ▶ Metro Commuter Services
- ▶ Metro Transit ▶ Midway Transportation Management Organization
- ▶ 494 Commuter Services ▶ Minnesotans for an Energy Efficient Economy

What Are Transit Benefits?

“Transit benefits” refer to programs and policies that employers offer their employees to reduce commuting costs and to encourage the use of buses and vanpools. Employers can save over 60% of the cost of bus passes by taking advantage of federal and state tax breaks and Metro Transit discounted bus-pass programs.

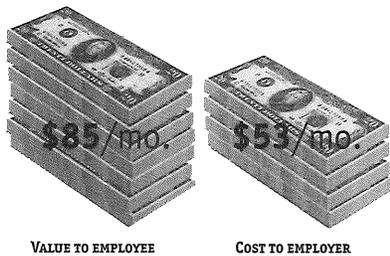


Why offer transit benefits?

- ▶ To strengthen employee recruitment and retention
- ▶ To offer employees a tax-free benefit
- ▶ To save money: No other tax-preferred benefit provides an employer a state income tax credit!
- ▶ To help reduce traffic congestion and air pollution

Save on employee commuting costs!

Make use of regional reduced-cost bus passes and state and federal tax advantages to reap substantial savings on bus passes. The table below shows the dramatic savings possible with employer-provided bus passes.



Employer-provided transit benefit

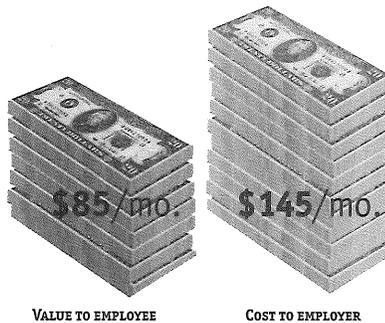
\$85/month value in bus passes

Cost to employer:

\$85.00 (tax free to employee)
(\$8.50) – average 10% savings through bus discount programs
(\$22.95) – 30% state corporate tax credit

\$53.55

Employer pays only **\$53.55/month**



Salary increase option

\$85/month in take home pay

Cost to employer:

\$85.00
+ \$40.88 (assumes 28% federal tax rate)
+ \$8.76 (assumes 6% state tax rate)
+ \$11.17 (employee FICA)

\$145.81.

Employer pays **\$145.81/month**

Employer transit incentives

1. Minnesota corporate income tax credit (30%) for bus pass and vanpool expenses

Beginning with tax year 2000, employers who subsidize the cost of bus passes for employees and who currently pay state corporate income taxes can claim a credit on their tax return.¹ The tax credit is simple: employers may reduce the amount of their state taxes by 30% of the expenditure they make on bus passes or vanpool expenses for employees.

2. Federal and state tax-free treatment of transit benefits, up to specified limits

Employers can provide transit as a tax-free employee benefit, or allow employees to pay for bus passes using pre-tax income up to \$100 per month.²

Three options are available:

- ▶ Employer-paid tax-free benefit to employees
- ▶ Employee-paid using pre-tax income
- ▶ Any combination of employer or employee financial contribution.

This step alone, with no financial contribution, will save 30–40%. Transit benefits are very easy to administer, and unlike flexible spending accounts, are not subject to complex disclosure and reporting requirements.

3. Regional discounted bus-pass programs

Three regional programs offer savings on bus passes, from 5% to 25%.

- ▶ *Metropass* is an annual unlimited-ride pass that employers purchase to sell or give to employees.
- ▶ *Transitworks!* allows employers to sell on-site, or give, 31-day and Stored Value bus passes to employees on a monthly basis.⁴
- ▶ *Commuter Checks* are transit (bus and vanpool) vouchers that employers can give or sell to employees. The vouchers can be redeemed at all bus pass sales outlets or given directly to vanpool drivers for payment of monthly fees.

"Transit is crucial to our ability to operate business downtown.

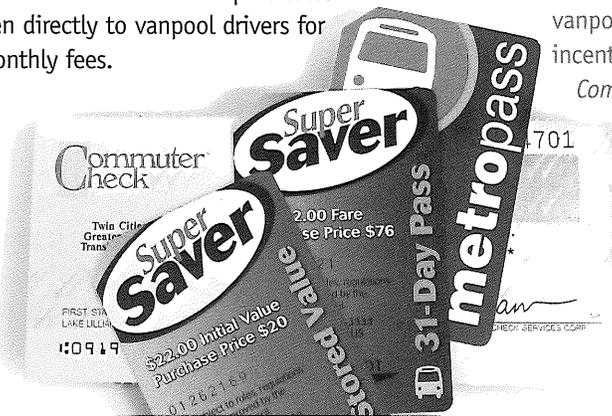
Metropass is a fabulous program."

BARBARA SHAW, TCF BANK



Vanpools³ can also take advantage of the same federal and state tax benefits as those available for bus passes. A vanpool is a vehicle with a 7-person seating capacity carrying at least 4 passengers. These vanpools can be operated by groups of employees, employers, or by private providers. Vanpools can also take advantage of free or discounted parking rates in downtown Minneapolis and downtown St. Paul.

To find out about existing vanpool routes, creating a vanpool, and new regional incentives, contact *Metro Commuter Services* at 651-602-1602 or VPSI, a private vanpool provider, at 612-331-4299.



10 Easy Steps to Implement Transit Benefits

step
1.

Determine which regional bus pass program is best for you.

You must participate in one of the three regional transit incentive programs described in this guide to take advantage of federal and state tax benefits for bus passes⁵.

Some things to consider: The Metropass program requires an up-front purchase of passes, and a two-year contract. It also offers the largest savings. Transitworks! and Commuter Checks are available to employers of any size and can be bought in bulk and inventoried. Transitworks! provides more convenience for employees but slightly more administrative commitment as bus passes are sold on-site; Commuter Checks have the advantage of being used for both bus passes and vanpool expenses.

step
2.

Meet with representatives from your human resource department, payroll department, and employee union to determine the impact of new transit benefits on existing benefits and procedures.

- ▶ It is critical to assess the impact of any salary reduction on other benefits. A salary reduction (i.e., pre-tax bus pass purchase) may affect other benefits, such as 401 (k) plans, long-term disability insurance, and Social Security.
- ▶ Unions may raise equity issues if only a subset of employees receive transit benefits. Since parking can also be set up as a pre-tax benefit (up to \$190/month), you may want to offer all employees a standard transportation allowance. However, only employer expenditures on transit or vanpool expenses are eligible for the 30% state corporate income tax credit.

- ▶ Who is eligible? Any employee except partners, more than 2% S-corporation shareholders, or independent contractors are eligible for the federal and state pre-tax benefits. Any employer that pays state corporate income tax is eligible for the 30% tax credit for transit expenses.

NOTE: Transit Benefits (Section 132 (f) of the Internal Revenue Code) may not be offered through cafeteria plans (Section 125 of the IRC).

step
3.

Decide what level of benefit to provide.

A program to meet every budget is available. Transit benefits can be arranged as:

- ▶ an employer-paid tax-free fringe benefit
- ▶ a pre-tax income (salary reduction) for employees
- ▶ any combination of employer-employee financial contribution

As a result, employers can directly subsidize transit programs as much or as little as they choose and still take advantage of substantial tax benefits.

In the employee-paid (pre-tax income) scenario, we recommend allowing only one or two salary reduction options to employees. This will help simplify program administration. With Metropass

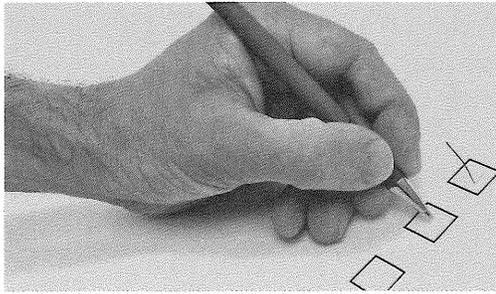


all employees can join the program for the same salary reduction each month. If you are using Transitworks! or Commuter Checks, you may want to offer two monthly salary reduction options: for example, \$85/month or \$70/month to allow for variation in bus fares paid or days commuting each month.

step
4.

Create a simple benefit plan document.

Although not required by the IRS, you should create a simple plan document that details how employees enroll in and leave the program, the relationship to other employee benefits, and how accounting records will be maintained. This will help avoid disputes with employees and serve as a guide to administer the plan.



step
5.

Create an election form
(only required with the employee-paid, pre-tax income option).

If employee bus passes are paid for entirely by the employer, no election form is necessary. In the case of employees using pre-tax income, the IRS requires that before receiving the transit benefit, employees sign a form stating that they elect to have their salary reduced (called an election form). You can use the same form to fulfill the Minnesota requirement that employers obtain written authorization from employees for any salary reduction. The form must include the date of the election, the amount of compensation to be reduced, and the period for which the election will apply.

step
6.

Create an enrollment schedule and exiting procedure.

As with other benefits, you need to create a procedure for when and how employees enroll in and exit a transit benefit program. You decide who is eligible for the benefit and the details of when employees can enroll in and exit the program. Most often, employers allow month-to-month entry and exit with a mid-month notification deadline.

step
7.

Keep accurate records of modified payroll system and pre-tax salary reductions.

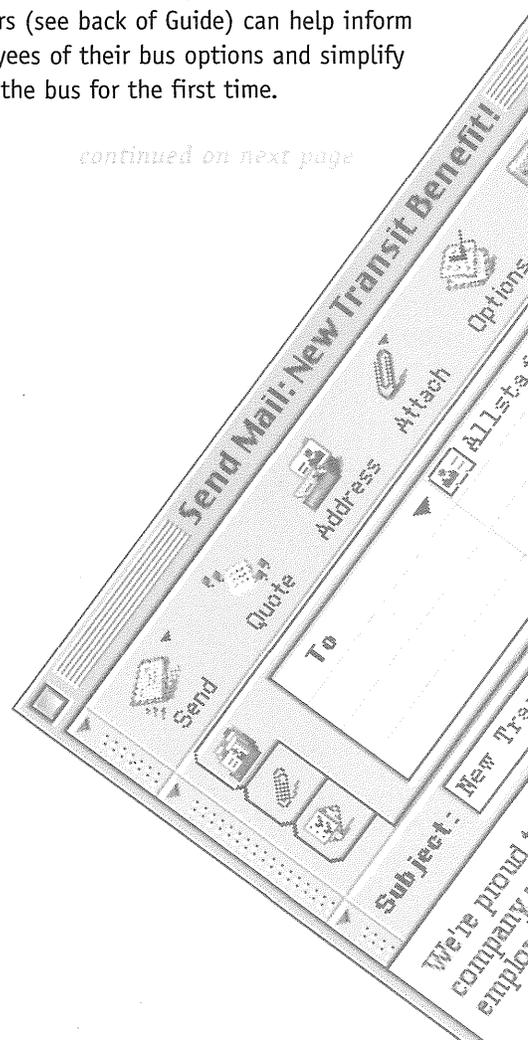
- ▶ Modify payroll system for reductions.
- ▶ Withhold salary from employees.
- ▶ Modify W-2s for reduced wages. Pre-tax transit deductions can be noted in Box 14 (miscellaneous deductions) on Form 1099.
- ▶ Keep accurate records of the purchase of bus passes from Metro Transit or the Commuter Check Corporation. Under the employee-paid, pre-tax income scenario, you must reconcile the employer expenditure on bus passes with the pre-tax salary deductions by employees.

step
8.

Introduce the new transit benefit to employees.

Employees stand to save a significant amount of money by taking advantage of employer-sponsored transit benefits. Use regular communication channels to inform employees of this new benefit. Also, your Commuter Choice Partners (see back of Guide) can help inform employees of their bus options and simplify riding the bus for the first time.

continued on next page



step
9.

Claim the 30% state transit tax credit on your tax returns.

State Corporate Franchise Tax Forms (M-4) include a line item for claiming the transit tax credit (see

www.taxes.state.mn.us/corps/forms/2002/pdf/etp.pdf). Employee-paid transit benefits (using pre-tax income) are not eligible for the MN Corporate income tax credit.

If you have questions about this new tax credit, please contact the MN Dept. of Revenue at the following numbers:

- Corporations (651-297-7000),
- Partnerships and S Corporations (651-296-3475),
- Sole Proprietors (651-296-3781).



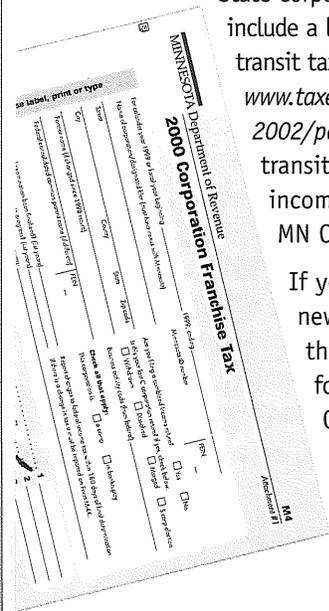
Common Questions

► **What if we have employment sites around the country?**

It should be relatively easy to implement the federal pre-tax transit benefit in any city in the U.S. Several states (Connecticut, Georgia, Maryland, New Jersey, and Washington) also offer state tax benefits for transit. Transit operators in many cities (Denver, Seattle, Phoenix, Washington, D.C., to name a few) offer some type of discount program targeted to employers. As is the case in Minnesota, if such a program exists, employers are required to participate in order to be eligible for federal pre-tax treatment of transit benefits. For help in researching programs in other locales, contact the Downtown Minneapolis TMO (612-370-3987) or the transit provider in the city in which you are interested.

► **Is it possible to take advantage of both the federal and state pre-tax transit option and the Minnesota corporate tax credit for transit?**

Yes. However, if an employer writes off the full expenditure on transit benefits as a cost of doing business on their federal and state tax returns, and claims the 30% state tax credit in the same year, then in the following year they would have to report the value of the 30% state tax credit as income. Employee-paid (pre-tax income) transit benefits are not eligible for the MN Corporate income tax credit.



step
10.

Claim net expenditure on transit as a federal and state tax deduction (i.e., business expense).

Expenditures on transit are treated as a deductible business expense for both federal and state corporate taxes, up to the \$100/month cap.²



Do these programs affect personal tax returns of employees?

No. Employees are not required to retain any records or make any note of the transit benefit on their personal income tax forms. Of course, their annual compensation will be reduced in cases with a salary reduction in 2003.

What happens at the end of the year? Is there a "use it or lose it" penalty?

No. If employees have remaining funds in a pre-tax transit account at the end of the year they may carry this amount forward to a pre-tax transit account for the next year. The risk of forfeiture may occur when an employee leaves the company: this is reduced by permitting employees to make elections on a monthly basis.

Where can I find IRS guidance?

The IRS has recently issued rules regarding changes to the treatment of "Qualified Transportation Fringe Benefits" (see the *Federal Register*, Vol. 66, No. 81, January 11, 2001). The rules provide detailed and helpful guidance in interpreting the new law.

Can I incorporate transit benefits as part of our existing Section 125 "Cafeteria Plan"?

No. Transit benefits may not be included in a cafeteria plan with, for example, dental care. They must be handled as a separate benefit program. The good news is that transit benefits do not have the burdensome reporting requirements of Section 125 benefits. For example, you do not have to submit a plan document to the IRS for approval or complete Form 5500 or other forms.

How do I provide equitable benefits across different transportation modes?

The easiest way is to offer all employees the same amount as a transportation allowance. For example: \$85/month toward whatever transportation mode they choose. Any commuting costs incurred by the employee greater than \$85/month would have to be paid for using taxable income. By using one of the regional bus pass programs described in the guide, \$85/month will fully cover bus expenses.⁴ Vanpoolers would have the majority of costs covered as the average per-employee cost for vanpools is \$80 to \$100/month. Parkers, including carpoolers, would have \$85 toward parking expenses treated as a pre-tax benefit. Finally, those employees bicycling or walking to work would receive \$85/month in taxable income.

Can an employee receive bus passes and parking on a pre-tax basis?

Yes, so long as the bus amount does not exceed \$100/month and the parking does not exceed \$190 month, or a total of \$290/month.

Where to find more information:

- ▶ Internal Revenue Service, Employee Benefits and Exempt Organizations Branch. Web: www.irs.ustreas.gov, Tel: 202-622-6040
- ▶ Federal Transit Administration website: www.fta.dot.gov. Click on *Commuter Choice*.
- ▶ Your *Commuter Choice* representative (see back cover) can provide sample documents used by other employers.

This guide was prepared with the assistance of Mark Kinney, an employee benefits attorney with Lindquist and Vennum P.L.L.P.

The material in this guide is not offered as legal advice.

January 2003

Endnotes

1. Eligible employers include Corporations (See M-4 MN Franchise Tax Return), Sole Proprietors (M-1 Tax Return), Partnerships (M-3 Tax Return) and S corporations (M-3 Tax Return). State Corporate Income Tax Forms have a new line item for claiming this tax credit.
2. The caps for transit and parking benefits are adjusted annually based on inflation. For 2004 and beyond, see www.fta.dot.gov/library/policy/cc/2003lqtd.html.
3. Vanpools are referred to as "Commuter Highway Vehicles" in IRS documents.
4. 31-day passes purchased through Transitworks! cost \$76.50 for the \$2.25 fare card, \$59.40 for the \$1.75 fare card, and \$37.80 for the \$1.25 fare card. Bus fares may increase in the future, check with Metro Transit for latest fare information.
5. Section 132 (f)(3) allows cash reimbursement for transportation fringes "only if a voucher or similar item that is exchangeable for a transit pass is not readily available."



your regional
COMMUTER CHOICE PARTNERS

Metro Transit

494 Commuter
 Services

Minnesotans for an
 Energy Efficient Economy



Transportation Management Organization



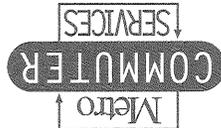
MIDWAY
TMO
 TRANSPORTATION
 MANAGEMENT
 ORGANIZATION

(612) 370-3987

DOWNTOWN MINNEAPOLIS
TRANSPORTATION MANAGEMENT
ORGANIZATION

www.metro.commuterservices.org

(651) 602-1602



Senators Belanger, McGinn, Gerlach, Metzen and Pogemiller introduced-
S.F. No. 2748: Referred to the Committee on Taxes.

A bill for an act

relating to the city of Burnsville; authorizing creation of certain tax increment financing districts; extending certain time deadlines applicable to a tax increment financing district; repealing certain tax increment financing district authority; repealing Laws 1998, chapter 389, article 11, section 18.

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

Section 1. BURNSVILLE; NORTHWEST QUADRANT TAX INCREMENT FINANCING.

Subdivision 1. Definitions. (a) For the purposes of this section, the words and phrases defined have the meanings given them in this subdivision.

(b) "Project area" means the area in the city bounded on the south, southeast, and southwest by the southerly right-of-way line of Minnesota Trunk Highway 13; on the east by the easterly right-of-way line of Interstate Highway I-35W; on the north and northwest by the Minnesota River; and on the west by the westerly corporate limits of the city; together with a single parcel to the east of said Interstate Highway I-35W described as the North 1370 feet of the West 1075 feet of the NW 1/4 of Section 34 Township 27 Range 24 in the city of Burnsville, Dakota County, except the North 50 feet thereof; provided that the project area includes the rights-of-way for all present and future highway interchanges abutting the area described in this paragraph.

(c) "Soils deficiency district" means a type of tax increment financing district consisting of a portion of the project area in which the city finds by resolution that the following conditions exist:

(1) unusual terrain or soil deficiencies for 80 percent of the acreage in the district require substantial filling, grading, or other physical preparation for use;

2.1 (2) the estimated cost of the physical preparation under clause (1), but excluding
 2.2 costs directly related to roads as defined in Minnesota Statutes, section 160.01, and local
 2.3 improvement as described in Minnesota Statutes, section 429.021, subdivision 1, clauses
 2.4 (1) to (7), (11) and (12), and 430.01, exceeds the fair market value of the land before
 2.5 completion of the preparation.

2.6 Subd. 2. Special rules. (a) If the city elects, upon the adoption of the tax increment
 2.7 financing plan for a district, the rules under this section apply to a redevelopment district,
 2.8 renewal and renovation district, soils condition district, or soils deficiency district
 2.9 established by the city of Burnsville or a development authority of the city in the project
 2.10 area.

2.11 (b) The five-year rule under Minnesota Statutes, section 469.1763, subdivisions 3
 2.12 and 4, is extended to ten years for any district.

2.13 (c) The limitations on spending tax increment outside of the district under Minnesota
 2.14 Statutes, section 469.1763, subdivision 2, do not apply, but increments may only be
 2.15 expended on improvements or activities within the project area.

2.16 (d) In the case of a soil deficiency district:

2.17 (1) increments may be collected through 20 years after the receipt by the authority of
 2.18 the first increment from the district; and

2.19 (2) except as otherwise provided in this subdivision, increments may be used only
 2.20 to: (i) acquire parcels on which the improvements described in clause (ii) will occur; (ii)
 2.21 pay for the cost of correcting the unusual terrain or soil deficiencies and the additional cost
 2.22 of installing public improvements directly caused by the deficiencies; and (iii) pay for the
 2.23 administrative expenses of the authority allocable to the district.

2.24 (e) Increments spent for any infrastructure costs (whether inside a district or outside
 2.25 a district but within the project area) are deemed to satisfy the requirements of paragraph
 2.26 (d) and Minnesota Statutes, section 469.176, subdivisions 4b and 4j.

2.27 (f) The authority to approve tax increment financing plans to establish tax increment
 2.28 financing districts under this section expires December 31, 2026.

2.29 **EFFECTIVE DATE.** This section is effective upon compliance with Minnesota
 2.30 Statutes, section 645.021, subdivision 3.

2.31 Sec. 2. **BURNSVILLE; HEART OF THE CITY TAX INCREMENT FINANCING**
 2.32 **DISTRICT.**

2.33 Notwithstanding any contrary provision of law, the five-year rule under Minnesota
 2.34 Statutes, section 469.1763, subdivisions 3 and 4, is extended to ten years for tax increment
 2.35 derived from the parcel described as Lot 2, Block 1, Nicollet Commons Park within tax

3.1 increment financing district no. 6 established by the city and its economic development
3.2 authority on April 15, 2002.

3.3 **EFFECTIVE DATE.** This section is effective upon compliance with Minnesota
3.4 Statutes, section 645.021, subdivision 3.

3.5 Sec. 3. **REPEALER; DISTRIBUTION OF CERTAIN BURNSVILLE TAX**
3.6 **INCREMENTS.**

3.7 Laws 1998, chapter 389, article 11, section 18, is repealed. The balance of tax
3.8 increments derived from tax increment financing district no. 2-1 as of the effective date
3.9 of this act must be returned to the county for distribution in accordance with Minnesota
3.10 Statutes, section 469.176, subdivision 2.

11 **EFFECTIVE DATE.** This section is effective upon compliance with Minnesota
3.12 Statutes, section 645.021, subdivision 3.

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

G-17 STATE CAPITOL
75 REV. DR. MARTIN LUTHER KING, JR. BLVD.
ST. PAUL, MN 55155-1606
(651) 296-4791
FAX: (651) 296-7747
JO ANNE ZOFF SELLNER
DIRECTOR

Senate

State of Minnesota

S.F. No. 2748 - Burnsville Tax Increment Financing

Author: Senator William Belanger, Jr

Prepared by: JoAnne Zoff Sellner, Senate Counsel (651/296-3803) JZA

Date: April 4, 2006

This bill provides special rules to be applied to two tax increment financing districts in the city of Burnsville.

Section 1 applies to the northwest quadrant tax increment financing district. It defines the project area for this district as a specified geographic area in the city, and defines a soils deficiency district to mean a district that contains unusual terrain or soil deficiencies for 80 percent of the acreage in the district where the estimate cost of physical preparation of that district, excluding certain road and local improvement costs, would exceed the fair market value of the land before completion of the preparation. The special rules that apply to this district include the following:

- the five-year rule that requires substantial completion of activities within a district is extended to ten years;
- the general prohibition on pooling does not apply, but increments may only be expended on improvements within the project area defined in the bill;
- in the case of a soil deficiency district, increments may be collected for 20 years (general law) and may be used only to acquire parcels on which the improvements must occur, to pay for the cost of correcting the unusual terrain or soil deficiencies and the additional cost of installing public improvements that are directly caused by the deficiencies, and to pay for the administrative expenses of the authority that are applicable to that district; and
- increments spent for any infrastructure costs are deemed to satisfy the requirement of the laws regarding expenditures for tax increments for soil condition districts and redevelopment districts and the requirements of this act.

The authority to approve a plan for such a district would expire at the end of 2026.

Section 2 applies to the heart of the city tax increment financing district. It provides that the five year rule would be extended to ten years for tax increment derived from a specifically described parcel within that district.

Section 3 repeals a 1998 special law that authorized creation of a soils condition tax increment financing district in the city of Burnsville for an amphitheater and related infrastructure improvements. The balance of tax increments that have been derived from that district at the current time are required to be returned to the county for distribution under the law providing for the use of excess increments.

JZS:ssg

MINNESOTA • REVENUE

PROPERTY TAX Burnsville TIF Districts

March 9, 2006

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue

Analysis of S.F. 2748 (Belanger) / H.F. 3138 (Powell)

The bill repeals a tax increment financing (TIF) district authorization enacted in 1998 for the city of Burnsville. The authorization was for an amphitheater project that was canceled. The bill authorizes a new TIF district in Burnsville that would be allowed specified exceptions to the general TIF provisions. The bill also extends the five-year rule to ten years for the Nicollet Commons Park parcel within TIF District No. 6.

The proposed exceptions to the general TIF provisions may an impact on the local tax base and tax rate in the future and may result in a small increase in property tax refunds paid by the state.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy

sf2748(hf3138)_1/lm

Kennedy

&

Graven

CHARTERED

470 Pillsbury Center
200 South Sixth Street
Minneapolis MN 55402

(612) 337-9300 telephone
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MEMORANDUM

TO: Rep. Powell
Sen. Belanger

FROM: Stephen Bubul

DATE: February 9, 2006

RE: Burnsville Special Legislation

Following is a summary and explanation of the proposed special tax increment legislation for the City of Burnsville:

Section 1. The Northwest Quadrant Project Area.

Generally, this section authorizes the creation of TIF districts in the Northwest Quadrant Project Area under certain special rules. This area is impaired by a combination of physical constraints, including three landfills, a quarry, poor soils, and substandard or obsolete buildings.

The special rules for this project area are described in subdivision 2. The city is authorized to create any of the following types of TIF districts in the defined project area:

- **Redevelopment**, which requires the presence of substandard buildings;
- **renewal and renovation**, which requires a combination of substandard and obsolete buildings;
- **soils condition**, which requires a specified level of contamination; and
- **soils deficiency**, which requires unusual soil and terrain conditions.

The first three types would be established under the general law. The "soils deficiency" district is a special district not currently provided in general law, but it is based on a district type that was included in the TIF statute before 1994.

The special rules that apply to these districts are:

- The “five year rule” is extended to ten years. (This extends the time for entering into bonds and contracts, which is needed because of the long-term redevelopment timeline in this area.)
- Tax increment may be spent anywhere in the project area, which is an exception from normal rules that permit only a specified percentage to be spent outside the district. (This is needed because of the large infrastructure costs, which occur throughout the area and not just within district boundaries.)
- Tax increments spent for infrastructure will satisfy the spending rules for all district types. (Without this provision, increment from certain districts could not be used to finance infrastructure costs for the project area.)
- The authority to create districts under these special rules expires after 20 years.

Section 2. The Heart of the City.

This section extends the five-year rule for one parcel in TIF District No. 6.

In 2002, the City and its economic development authority (EDA) created this renewal and renovation district under general law to finance part of the “Heart of the City” redevelopment. One large parcel in the TIF District remains undeveloped, though the EDA has acquired the parcel and has worked diligently to develop the site. Despite those efforts, the EDA is unlikely to meet the financing requirements for this parcel within the five-years required under current law. The extension to ten years will allow the City and EDA to complete their long-term redevelopment plans for this area.

Section 3. Repeal of Prior Special Legislation

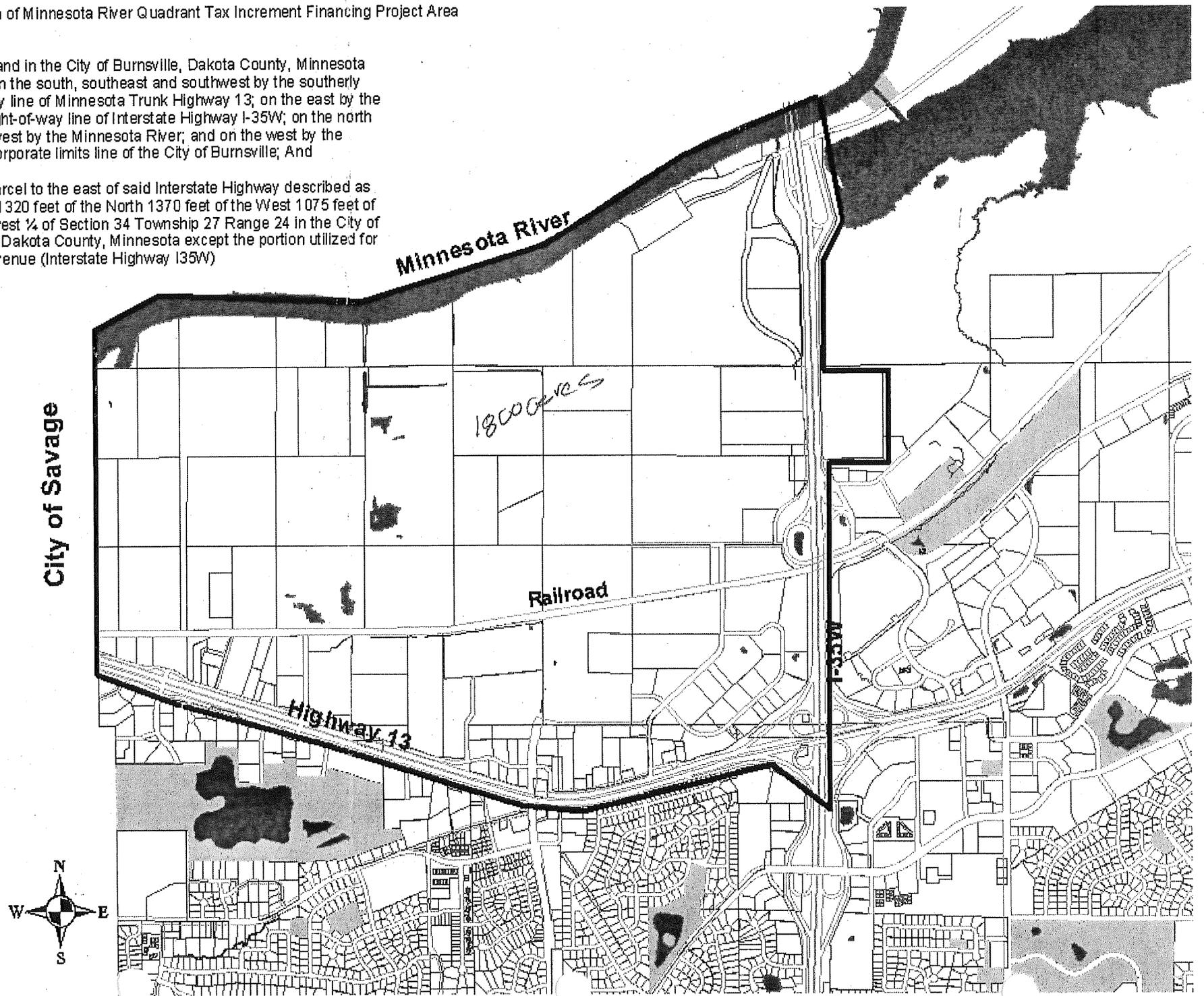
This Section repeals the 1998 special tax increment legislation that authorized the creation of a tax increment district with special rules in order to finance infrastructure related to an amphitheater. The amphitheater development has not occurred, and the TIF district created under the 1998 law has never been certified. Further, amphitheater development is no longer the major objective for the northwest quadrant area, so the existing legislation is no longer needed.

Repeal of the 1998 legislation includes return of tax increment funds collected from a 1990 TIF district that were being held for amphitheater-related infrastructure.

Description of Minnesota River Quadrant Tax Increment Financing Project Area

A tract of land in the City of Burnsville, Dakota County, Minnesota bounded on the south, southeast and southwest by the southerly right-of-way line of Minnesota Trunk Highway 13; on the east by the easterly right-of-way line of Interstate Highway I-35W; on the north and northwest by the Minnesota River; and on the west by the westerly corporate limits line of the City of Burnsville; And

A single parcel to the east of said Interstate Highway described as the South 1320 feet of the North 1370 feet of the West 1075 feet of the Northwest ¼ of Section 34 Township 27 Range 24 in the City of Burnsville, Dakota County, Minnesota except the portion utilized for Lyndale Avenue (Interstate Highway I35W)



#6

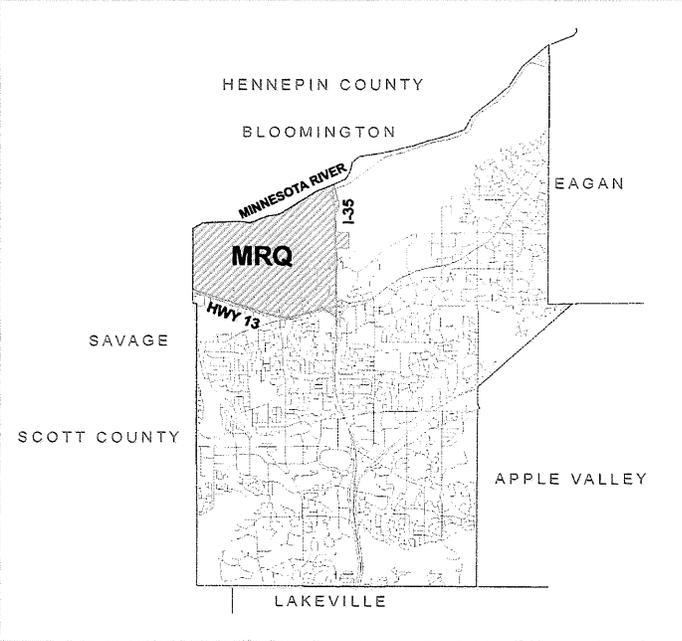
Minnesota River Quadrant
City of Burnsville
April 5, 2006

Mayor Elizabeth Kautz
Tammy Omdal, Deputy City Manager

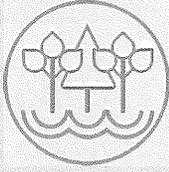


General Location

1700 Acres



HENNEPIN COUNTY
BLOOMINGTON
MINNESOTA RIVER
MRQ
HWY 13
SAVAGE
SCOTT COUNTY
EAGAN
APPLE VALLEY
LAKEVILLE

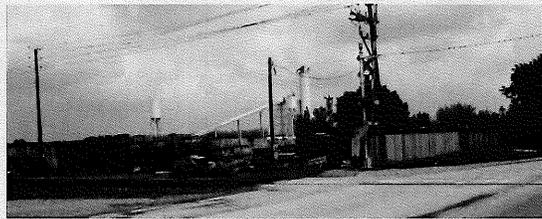


Current Conditions

- Heavy industrial area dating back to the 1950's
- Three Landfills
- Large limestone quarry
- Stock piling
- Outdoor storage
- Poor soils

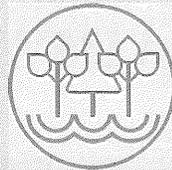


Concrete Processing and Intensive Outdoor Storage





EKS Quarry Existing Conditions

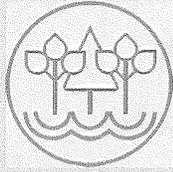


EKS Quarry Operations

- 350 Acres
- 100 feet deep
- Operations are expected to end in 2017
- Very intensive heavy trucking

N ↑





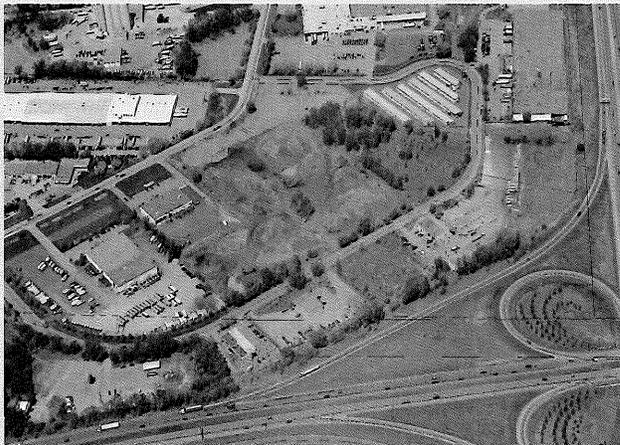
Freeway Landfill (Non-Active)

Minnesota
Pollution
Control
Agency is
working with
property
owner on
closure
agreement



NW Corner TH 13 and I35W

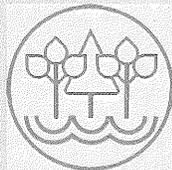
- Approx. 80 Acres
- Outdoor storage
- Stock piling of dirt
- Bad soils



N ↑



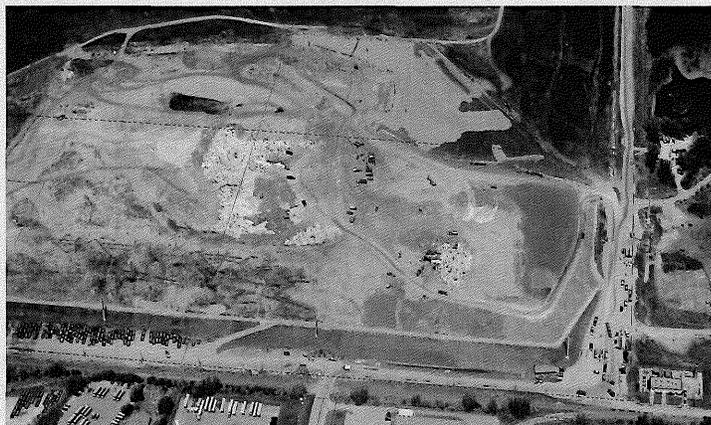
Dirt Piles along Ladybird Lane

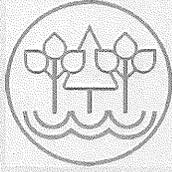


Waste Management Landfill (Active)

- 300 Acres
- Est. 1950's
- MSW & Dem-Con
- Capacity to 2019
- Heavy trucking

N ↑



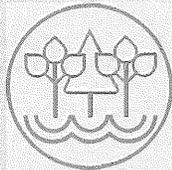


Compost Facility Cement Processing Methane Collection Facility

- Regional facilities
- Temporary uses related to quarry and landfill
- Heavy, intensive industrial use of the land

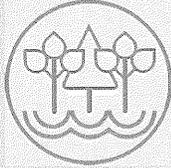


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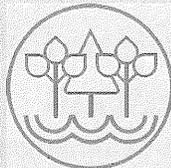
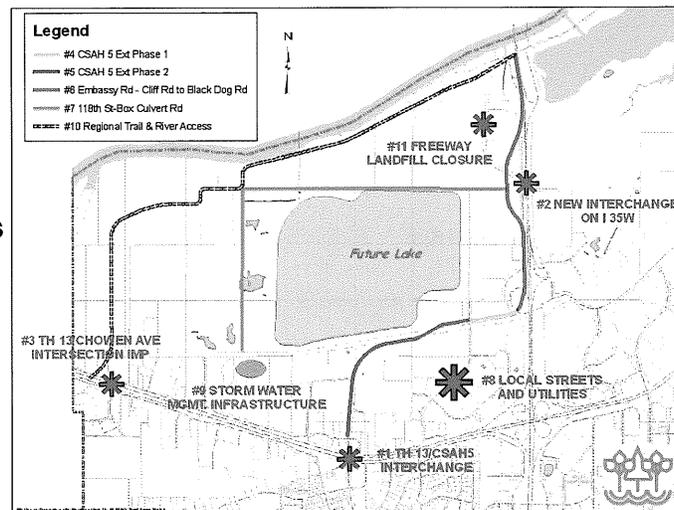
End Use Plans

- City, landowners, and business owners have been working for a decade on the vision for this area of Burnsville
- Rezoning of the area was adopted in 2002
- Landfills, quarry, and stock piling are an interim use until the resources and capacity no longer available
- Reclamation includes phased end use plans, concept land use agreements in place with landowners on the larger parcels



Major Infrastructure Needs

**\$160 million
For Public
Improvements**



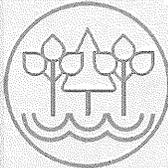
Market Values

- Current market value of developable property is approximately **\$73 million**
- Potential market value is estimated to be **\$675 million** in today's dollars
 - Infrastructure improvements will be key to reaching potential of this land
- Cost of soil remediation exceeds the value of the land
 - Average value of land in the poor soils areas is \$1.85 per SF compared to \$4.50 per SF for remediation



Market Value

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Need for Special Legislation for Minnesota River Quadrant

Project presents unique development challenges that current law does not support

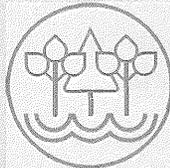
- Attempts made to redevelop different parcels for 20 years
- Life of existing interim land uses affects the timing of redevelopment
- Improvements will need to happen incrementally over an extended period of time
- Improvements are too expensive for one district to support



Need for Special Legislation for Minnesota River Quadrant

(Continued)

- Area has minimal public infrastructure and what is there is in need of improvement
- Soil conditions are poor for construction
 - areas with significant amounts of peat
 - areas with significant need for fill, grading and land preparation
 - areas that have rock immediately under the topsoil that will require blasting for the installation of utilities
 - areas with dumpsites and trash



Need for Special Legislation for Minnesota River Quadrant

(Continued)

- Pooling of TIF within the Project Area
 - Limitations in current law of spending increment outside of a district present a considerable challenge for this project area
 - Public infrastructure improvements will need to happen throughout the project area over an extended period of time – crossing district boundaries
 - Improvements will need to be phased-in as interim land uses come to an end
 - Redevelopment will happen as resources are depleted or capacity of activities, such as the landfill, is reached



Need for Special Legislation to Extend the 5-Year Rule



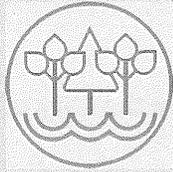
- TIF District was certified in 2002 and will expire in 2019
- Seeking to extend the deadline to 10-yrs for increment derived from the remaining parcel
 - 5-Yr rule requires that a development agreement would need to be signed by October 2007
- Of the 54-acres within the District, all of the originally identified parcels have development in place, with the exception of this last remaining parcel
 - Burnsville owns the remaining undeveloped nearly 7-acre parcel



Need for Special Legislation to Extend the 5-Year Rule (continued)



- Development of remaining parcel is key to the community's vision for this area
- Plan to seek requests for proposal for development within the next several months
 - Proposal review process and negotiations will go beyond the 5-year rule date



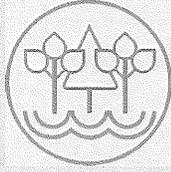
Repealer for “Amphitheater” TIF District

- 1998 TIF legislation was passed authorizing Burnsville to create a Special TIF district for the development of an amphitheater
 - Project never went forward
- Burnsville is working with the landowner, the Minnesota Pollution Control Agency, and Dakota County on closure of the landfill, according to MPCA standards
- Investigating the possibility of creating some developable land, fronting I35W, by consolidating the garbage into a smaller footprint



Repealer for “Amphitheater” TIF District (continued)

- Major hurdle to accomplish the landfill closure is the financing for the physical preparation of the soils for future development to occur
- MPCA will not pay for any “incremental” costs associated with preparing the land for future development
 - Burnsville is in a stronger position to help facilitate closure of the landfill if the new legislation is enacted
- New provisions better suit the current needs and expectations for this area - 1998 legislation is no longer needed if new legislation is passed
- City will return any excess increment derived from the original district to the county for distribution



Summary

Proposed Special TIF Legislation for the City of Burnsville

- Special TIF Legislation for the Burnsville Minnesota River Quadrant will allow the City to begin addressing the estimated \$160 million (present value) of public improvement needs for this area
- Preliminary estimates, based on conceptual development plans, show potential future development could generate \$80 Million (present value) of Tax Increment over the next 40 years
- Dakota County Board has unanimously adopted a resolution in support of the proposed special TIF legislation for Burnsville

Senator Skoe introduced-

S.F. No. 3186: Referred to the Committee on Taxes.

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A bill for an act relating to tax increment financing; modifying the definition of small city; amending Minnesota Statutes 2004, section 469.174, subdivision 27.

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

Section 1. Minnesota Statutes 2004, section 469.174, subdivision 27, is amended to read:

Subd. 27. **Small city.** "Small city" means any home rule charter or statutory city that has a population of 5,000 or less and ~~that is located ten miles or more from whose border does not abut at any point a home rule charter or statutory city, located in this state, with a population of 10,000 or more. For purposes of this definition, the distance between cities is measured by drawing a straight line from the nearest boundaries of the two cities.~~

EFFECTIVE DATE. This section is effective for districts for which the request for certification is made after the day following final enactment.

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

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JO ANNE ZOFF SELLNER
DIRECTOR

Senate

State of Minnesota

S.F. No. 3186 - Small City Definition

Author: Senator Rod Skoe

Prepared by: JoAnne Zoff Sellner, Senate Counsel (651/296-3803) *JZS*

Date: April 4, 2006

This bill amends the definition of "small city" in the tax increment financing law. Under current law, a small city is one that has a population of 5,000 or less, and that is located ten miles or more from any city in this state that has a population of 10,000 or more. This bill would change that location requirement so that the small city definition would apply to any city with a population of 5,000 or less whose border does not abut any city in this state with a population of 10,000 or more. The tax increment financing law permits small cities to use revenues from economic development districts to subsidize relatively small commercial facilities. Larger cities are prohibited from using increments from economic development districts for this purpose.

JZS:dv

MINNESOTA REVENUE

PROPERTY TAX Small City TIF Districts

April 3, 2006

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 3186 (Skoe) / H.F. 3524 (Wolti)

The bill changes a current restriction requiring small cities of less than 5,000 population to be ten miles or more from a city of 10,000 population to qualify for economic development tax increment financing (TIF) districts. The distance restriction is changed so that only small cities that abut a city of 10,000 population are not eligible.

An additional 113 small cities would be eligible for economic development TIF districts.

A few new TIF districts may an impact on the local tax base and tax rate in the future and may result in a small increase in property tax refunds paid by the state.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy

sf3186(hf3524)_1/lm



Hans Zietlow - Real Estate - Kwik Trip, Inc.

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"To serve our customers and community more effectively than anyone else by treating our customers, co-workers and suppliers as we, personally, would like to be treated."

April 4, 2006

CITY OF EYOTA

Attn: Mr. Wesley M. Bussell, Mayor
 38 South Front Street SW
 P.O. Box 328
 Eyota, MN 55934

RE: TIF for commercial development in Eyota

Dear Mr. Bussell:

I want to thank you and all the leaders in Eyota for working with us and doing everything you can to help us develop the 20-acre commercial property in Eyota.

As we had often discussed without the ability to a TIF, smaller communities like Eyota have a difficult time developing especially if they have to compete with a bigger market with the TIF advantage as Eyota does with Rochester.

For your hearing in St. Paul tomorrow, you might want to mention these items:

1. If we did not already have a small store in Eyota that needed to be rebuilt and if we did not feel the loyalty to our existing customers in this market, it would be much easier for us to spend the money in a Rochester location.
2. We would rather have bought our lot from another developer, but because the difficulty in making the numbers works for this site, a developer would not do this project.
3. Without TIF in the future, it looks like we will have a difficult time selling any lots for an amount that will allow us to recoup our costs.
4. It seems unfair that larger markets that can draw commercial business, have an advantage with the TIF over smaller markets like Eyota, where you need every tool available to make a commercial district work. It seems it should be the other way around. I think all you are asking for is a fair playing field.

I hope you can be successful with our representatives in St. Paul. I think it will still help a great deal in getting this commercial development moving in Eyota.

Sincerely,


 Hans Zietlow
 Director of Real Estate

Senator Marko introduced—

S.F. No. 3062: Referred to the Committee on State and Local Government Operations.

A bill for an act relating to local government aid; changing the city aid base for certain cities; amending Minnesota Statutes 2005 Supplement, section 477A.011, subdivision 36.

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

Section 1. Minnesota Statutes 2005 Supplement, section 477A.011, subdivision 36, is amended to read:

Subd. 36. City aid base. (a) Except as otherwise provided in this subdivision, "city aid base" is zero.

(b) The city aid base for any city with a population less than 500 is increased by \$40,000 for aids payable in calendar year 1995 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$40,000 for aids payable in calendar year 1995 only, provided that:

- (i) the average total tax capacity rate for taxes payable in 1995 exceeds 200 percent;
(ii) the city portion of the tax capacity rate exceeds 100 percent; and
(iii) its city aid base is less than \$60 per capita.

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

- (i) the city has a population in 1994 of 2,500 or more;
(ii) the city is located in a county, outside of the metropolitan area, which contains a city of the first class;
(iii) the city's net tax capacity used in calculating its 1996 aid under section 477A.013 is less than \$400 per capita; and

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

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

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

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

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

2.9 (e) The city aid base for a city is increased by \$450,000 in 1999 to 2008 and the
2.10 maximum amount of total aid it may receive under section 477A.013, subdivision 9,
2.11 paragraph (c), is also increased by \$450,000 in calendar year 1999 only, provided that:

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

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

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

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

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

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

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

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

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

2.30 (2) the net tax capacity of the city used in calculating its 1999 aid under section
2.31 477A.013 is less than \$650 per capita;

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

2.34 (4) the 1999 local government aid of the city under section 477A.013 is less than
2.35 20 percent of the amount that the formula aid of the city would have been if the need
2.36 increase percentage was 100 percent; and

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

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

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

3.7 (2) the net tax capacity of the city used in calculating its 1999 aid under section
3.8 477A.013 is less than \$455 per capita;

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

3.11 (4) the 1999 local government aid of the city under section 477A.013 is less than
3.12 38 percent of the amount that the formula aid of the city would have been if the need
3.13 increase percentage was 100 percent.

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

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

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

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

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

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

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

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

3.29 (2) the city's commercial industrial percentage used in calculating aids payable in
3.30 2000 was less than ten percent;

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

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

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

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

4.6 (1) the net tax capacity of the city used in calculating its 2000 aid under section
4.7 477A.013 is less than \$810 per capita;

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

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

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

4.13 (l) The city aid base for a city with a population of 10,000 or more which is located
4.14 outside of the seven-county metropolitan area is increased in 2002 and thereafter, and the
4.15 maximum amount of total aid it may receive under section 477A.013, subdivision 9,
4.16 paragraph (b) or (c), is also increased in calendar year 2002 only, by an amount equal to
4.17 the lesser of:

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

4.20 (2) \$2,500,000.

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

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

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

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

4.28 (n) The city aid base for a city is increased by \$150,000 in calendar years 2002 to
4.29 2011, and by an additional \$50,000 in calendar years 2007 to 2016, and the maximum
4.30 amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c),
4.31 is also increased by \$150,000 in calendar year 2002 only, and by an additional \$50,000
4.32 in calendar year 2007 only, provided that:

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

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

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

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

5.3 (o) The city aid base for a city is increased by \$200,000 beginning in calendar
5.4 year 2003 and the maximum amount of total aid it may receive under section 477A.013,
5.5 subdivision 9, paragraph (c), is also increased by \$200,000 in calendar year 2003 only,
5.6 provided that the city qualified for an increase in homestead and agricultural credit aid
5.7 under Laws 1995, chapter 264, article 8, section 18.

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

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

5.17 (r) The city aid base for a city is increased by \$25,000 in 2006 only and the
5.18 maximum total aid it may receive under section 477A.013, subdivision 9, is also increased
5.19 by \$25,000 in calendar year 2006 only if the city had a population in 2003 of at least 1,000
5.20 and has a state park for which the city provides rescue services and which comprised at
5.21 least 14 percent of the total geographic area included within the city boundaries in 2000.

5.22 (s) The city aid base for a city with a population less than 5,000 is increased in
5.23 2006 and thereafter and the minimum and maximum amount of total aid it may receive
5.24 under this section is also increased in calendar year 2006 only by an amount equal to
5.25 \$6 multiplied by its population.

5.26 **EFFECTIVE DATE.** This section is effective beginning with aids payable in 2007.

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

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Senate

State of Minnesota

S.F. No. 3062 - Newport Local Government Aid Increase

Author: Senator Sharon Marko

Prepared by: JoAnne Zoff Sellner, Senate Counsel (651/296-3803) *JAS*

Date: April 4, 2006

This bill provides that for calendar years 2007 to 2016, the city of Newport would receive an additional \$50,000 in local government aids. Current law provided an additional aid payment to that city of \$150,000 for calendar years 2002 to 2011. The \$50,000 payment would be in addition to that amount.

JZS:dv

MINNESOTA • REVENUE

PROPERTY TAX City Aid Base Increase

April 3, 2006

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 2679 (Sieben) / S.F. 3062 (Marko)

	Fund Impact			
	F.Y. 2006	F.Y. 2007	F.Y. 2008	F.Y. 2009
		(000's)		
General Fund	\$0	\$0	\$0	\$0

Effective beginning with aids payable in 2007.

EXPLANATION OF THE BILL

For the purpose of calculating local government aid, the bill would increase the city aid base by \$50,000 in calendar years 2007 to 2016 for a city, provided that:

- the city's 1999 population was between 3,000 and 4,000;
- the city is located in the seven-county metropolitan area;
- the city's pre-1940 housing percentage is less than 15%; and
- the city net tax capacity per capita for taxes payable in 2000 was less than \$900.

The maximum aid the city may receive is also increased by \$50,000 in CY 2007 only.

REVENUE ANALYSIS DETAIL

- There is no state cost associated with this change in the aid base because total aid is set to a fixed appropriation level.
- The only city eligible for this aid base increase is the city of Newport.
- The increase in aid base would shift aid to the city of Newport and away from other cities receiving local government aid.

Number of Taxpayers: 853 cities eligible to receive local government aid.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy

hf2679(sf3062)_1/nrg

#8

RESOLUTION NO. 2006-9

A RESOLUTION REQUESTING THE MINNESOTA STATE LEGISLATURE AUTHORIZE AN ADDITIONAL \$50,000 LOCAL GOVERNMENT AID (LGA) FOR TEN YEARS TO THE CITY OF NEWPORT AS A RESULT OF THE FINANCIAL SACRIFICE MADE BY THE CITY FOR THE BENEFIT OF THE STATE OF MINNESOTA AND THE DELAY OF THE I494 WAKOTA BRIDGE CONSTRUCTION

WHEREAS, The City of Newport has been impacted economically by the Trunk Highway (TH) #61/Wakota Bridge Project; and

WHEREAS, The City of Newport has lost significant taxable tax capacity as a result of the TH #61/Wakota Bridge Project; and

WHEREAS, The City of Newport demonstrated to the Legislature in 2001 the need for an additional \$225,000 LGA to off-set the impact of a decrease in tax capacity of 10.76% from the year 2000 to 2008, a Market Value loss of upwards to \$5,000,000, and a net tax base loss of an estimated \$1.6 million as a result of the TH #61/I494 Highway Improvement Project; and

WHEREAS, The City of Newport did receive and are greatly appreciative for an additional \$150,000 in LGA utilized for the purpose of economic development, the maintenance of excess storm water ponds, trail maintenance, new equipment costs, remnant property redevelopment and the loss of tax base due to business closures; and

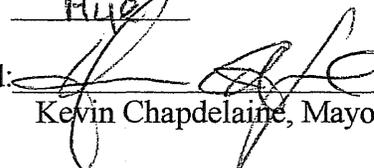
WHEREAS, The City of Newport is now further economically distressed due to the construction time delay for the completion of the I494 Wakota Bridge.

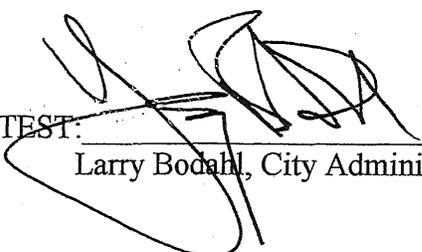
NOW, THEREFORE, BE IT RESOLVED: That the City of Newport requests the Minnesota Legislature authorize and approve an additional \$50,000 LGA for ten (10) years to assist the City of Newport in it's financial sacrifice for the benefit of the State of Minnesota's construction of the TH #61/I494 Highway Improvement Project.

Adopted by the Newport City Council this 2nd day of March, 2006

Motion by Chapdelaine, seconded by Schottmuller.

Vote:	Geraghty	<u>Aye</u>
	Wilcziek	<u>Aye</u>
	Chapdelaine	<u>Aye</u>
	Schottmuller	<u>Aye</u>
	White	<u>Aye</u>

Signed: 
Kevin Chapdelaine, Mayor

ATTEST: 
Larry Bodahl, City Administrator

Senators Bakk, Vickerman, Jungbauer and Saxhaug introduced-
S.F. No. 3455: Referred to the Committee on Transportation.

A bill for an act
relating to taxation; modifying the amount of gasoline fuel tax attributable to the
use of all-terrain vehicles; amending Minnesota Statutes 2004, section 296A.18,
subdivision 4.

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

Section 1. Minnesota Statutes 2004, section 296A.18, subdivision 4, is amended to
read:

Subd. 4. **All-terrain vehicle.** Approximately ~~0.15~~ 0.27 of one percent of all gasoline
received in or produced or brought into this state, except gasoline used for aviation
purposes, is being used for the operation of all-terrain vehicles in this state, and of the total
revenue derived from the imposition of the gasoline fuel tax, ~~0.15~~ 0.27 of one percent is
the amount of tax on fuel used in all-terrain vehicles operated in this state.

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

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Senate

State of Minnesota

**S.F. No. 3455 - All-Terrain Vehicle Gasoline Fuel Tax
Modification**

Author: Senator Thomas Bakk

Prepared by: Michelle Allen, Senate Counsel (651/296-0558)

Date: April 4, 2006

This bill increases the percentage of the amount of gasoline and gasoline tax that is attributable to all-terrain vehicle use.

MJA:dv

MINNESOTA - REVENUE

MOTOR FUELS EXCISE TAX Disposition Change – All Terrain Vehicles

April 4, 2006

Department of Revenue
Analysis of S.F. 3455 (Bakk) / H.F. 3482 (Hackbarth)

	Yes	No
DOR Administrative Costs/Savings		X

	Fund Impact			
	F.Y. 2006	F.Y. 2007	F.Y. 2008	F.Y. 2009
		(000's)		
Natural Resources Fund	\$0	\$630	\$640	\$650
Highway User Tax Distribution Fund	\$0	(\$630)	(\$640)	(\$650)

Effective date assumed to be July 1, 2006.

EXPLANATION OF THE BILL

Current Law: The state constitution requires excise taxes on highway fuels to be paid to the Highway User Tax Distribution Fund. The statutes specify percentages that are deemed to be for non-highway uses of gasoline for boat, forest road, snowmobile, all terrain vehicle, and off-road vehicle usage. The percentage specified in statute for all terrain vehicles is 0.15% and these revenues are directed to the Natural Resources Fund.

Proposed Law: The motor fuels excise tax attributable to all terrain vehicle use would be increased from 0.15% to 0.27% of gasoline tax revenue.

REVENUE ANALYSIS DETAIL

- Information on gasoline tax collections, net of refunds, was received from the Department of Transportation (February 2006 DOT Budgetary Forecast).
- It is assumed that this change would go into effect on July 1, 2006, and that the transfer to the Natural Resources Fund in fiscal year 2007 would reflect a full year of collections.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy

sf3455(hf3482) / rrs

Senators Bakk, Tomassoni, Belanger, Pogemiller and Saxhaug introduced--
S.F. No. 3456: Referred to the Committee on Taxes.

1.1 A bill for an act
1 relating to taxation; distributing proceeds of the occupation taxes to the
1.3 Minnesota minerals 21st century fund; amending Minnesota Statutes 2004,
1.4 section 298.17.

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

1.6 Section 1. Minnesota Statutes 2004, section 298.17, is amended to read:

1.7 **298.17 OCCUPATION TAXES TO BE APPORTIONED.**

1.8 Subdivision 1. Apportionment under Constitution. All occupation taxes paid by
1.9 persons, copartnerships, companies, joint stock companies, corporations, and associations,
1.10 however or for whatever purpose organized, engaged in the business of mining or
1.11 producing iron ore or other ores, when collected shall be apportioned and distributed in
1.12 accordance with the Constitution of the state of Minnesota, article X, section 3, in the
1.13 manner following: 90 percent shall be deposited in the state treasury and credited to
1.14 the general fund of which four-ninths shall be used for the support of elementary and
1.15 secondary schools; and ten percent of the proceeds of the tax imposed by this section
1.16 shall be deposited in the state treasury and credited to the general fund for the general
1.17 support of the university.

1.18 Subd. 2. Apportionment to IRRRB. Of the moneys apportioned to the general
1.19 fund by this section, and not used for the support of elementary and secondary schools or
1.20 the university, there is annually appropriated and credited to the Iron Range Resources and
1.21 Rehabilitation Board account in the special revenue fund an amount equal to that which
1.22 would have been generated by a 1.5 cent tax imposed by section 298.24 on each taxable
1.23 ton produced in the preceding calendar year, to be expended for the purposes of section
1.24 298.22. The money appropriated pursuant to this section shall be used (1) to provide

2.1 environmental development grants to local governments located within any county in
2.2 region 3 as defined in governor's executive order number 60, issued on June 12, 1970,
2.3 which does not contain a municipality qualifying pursuant to section 273.134, paragraph
2.4 (b), or (2) to provide economic development loans or grants to businesses located within
2.5 any such county, provided that the county board or an advisory group appointed by
2.6 the county board to provide recommendations on economic development shall make
2.7 recommendations to the Iron Range Resources and Rehabilitation Board regarding the
2.8 loans. Payment to the Iron Range Resources and Rehabilitation Board account shall be
2.9 made by May 15 annually.

2.10 Of the money allocated to Koochiching County, one-third must be paid to the
2.11 Koochiching County Economic Development Commission.

2.12 Subd. 3. Apportionment to Minnesota minerals 21st century fund. The
2.13 money apportioned to the general fund by this section that is not used for the support of
2.14 elementary and secondary schools or the university, and that is not apportioned under
2.15 subdivision 2, is annually appropriated to the Minnesota minerals 21st century fund
2.16 created in section 116J.423.

2.17 EFFECTIVE DATE. This section is effective for taxes paid in 2007 and subsequent
2.18 years.

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Senate

State of Minnesota

S.F. No. 3456 - Occupation Tax Proceeds

Author: Senator Thomas Bakk

Prepared by: JoAnne Zoff Sellner, Senate Counsel (651/296-3803) *JZA*

Date: April 4, 2006

This bill modifies the distribution of the proceeds of the taconite occupation tax. Under this proposal, the proceeds of the tax that are not currently dedicated for the support of elementary and secondary schools, or the university, and that are not granted to the IRRRB, will be annually appropriated to the Minnesota Minerals 21st Century Fund. Currently they are deposited in the general fund.

JZS:dv

MINNESOTA REVENUE

MINING OCCUPATION TAX Minnesota Minerals 21st Century Fund

March 30, 2006

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 3737 (Rukavina) / S.F. 3456 (Bakk)

	Fund Impact			
	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>
Minnesota Minerals 21 st Century Fund	\$0	\$550	\$910	\$910
General Fund	\$0	(\$550)	(\$910)	(\$910)

Effective for taxes paid in 2007 and subsequent years.

EXPLANATION OF THE BILL

Current Law: The current law apportionment of the occupation tax distributes 40% to elementary and secondary schools, 10% to the university, and 50% to the general fund. Of the 50% apportioned to the general fund, an amount equal to 1.5¢ per taxable ton produced in the preceding year is dedicated to the Iron Range Resources and Rehabilitation Board (IRRRB) for environmental or economic development loans or grants in Carlton and Koochiching Counties.

Proposed Law: The proposal would annually appropriate the remaining occupation tax in the general fund (after the 1.5¢ per taxable ton dedication to the IRRRB) to the Minnesota Minerals 21st Century Fund.

REVENUE ANALYSIS DETAIL

- The estimates are based on the February 2006 Forecast and information provided by the Department of Revenue Minerals Office.
- The occupation tax is due on May 1st. It is assumed that the appropriation would be made in the same fiscal year as the payment of tax.

Number of Taxpayers: None.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy

hf3737(sf3456)_1/nrg

Senator Pogemiller introduced—

S.F. No. 3690: Referred to the Committee on Taxes.

A bill for an act relating to taxation; exempting certain vending machine products from sales tax; amending Minnesota Statutes 2005 Supplement, section 297A.61, subdivision 3.

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

Section 1. Minnesota Statutes 2005 Supplement, section 297A.61, subdivision 3, is amended to read:

Subd. 3. **Sale and purchase.** (a) "Sale" and "purchase" include, but are not limited to, each of the transactions listed in this subdivision.

(b) Sale and purchase include:

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

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

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

(d) Sale and purchase include the preparing for a consideration of food.

Notwithstanding section 297A.67, subdivision 2, taxable food includes, but is not limited to, the following:

(1) prepared food sold by the retailer;

(2) soft drinks;

(3) candy;

(4) dietary supplements; and

2.1 (5) all food sold through vending machines, except milk and water.

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

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

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

2.8 (1) the privilege of admission to places of amusement, recreational areas, or athletic
2.9 events, and the making available of amusement devices, tanning facilities, reducing
2.10 salons, steam baths, turkish baths, health clubs, and spas or athletic facilities;

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

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

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

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

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

2.24 Granting of membership means both onetime initiation fees and periodic membership
2.25 dues. Sports and athletic facilities include golf courses; tennis, racquetball, handball, and
2.26 squash courts; basketball and volleyball facilities; running tracks; exercise equipment;
2.27 swimming pools; and other similar athletic or sports facilities;

2.28 (5) delivery of aggregate materials and concrete block by a third party if the delivery
2.29 would be subject to the sales tax if provided by the seller of the aggregate material or
2.30 concrete block; and

2.31 (6) services as provided in this clause:

2.32 (i) laundry and dry cleaning services including cleaning, pressing, repairing, altering,
2.33 and storing clothes, linen services and supply, cleaning and blocking hats, and carpet,
2.34 drapery, upholstery, and industrial cleaning. Laundry and dry cleaning services do not
2.35 include services provided by coin operated facilities operated by the customer;

3.1 (ii) motor vehicle washing, waxing, and cleaning services, including services
3.2 provided by coin operated facilities operated by the customer, and rustproofing,
3.3 undercoating, and towing of motor vehicles;

3.4 (iii) building and residential cleaning, maintenance, and disinfecting and
3.5 exterminating services;

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

3.12 (v) pet grooming services;

3.13 (vi) lawn care, fertilizing, mowing, spraying and sprigging services; garden planting
3.14 and maintenance; tree, bush, and shrub pruning, bracing, spraying, and surgery; indoor
3.15 plant care; tree, bush, shrub, and stump removal, except when performed as part of a land
3.16 clearing contract as defined in section 297A.68, subdivision 40; and tree trimming for
3.17 public utility lines. Services performed under a construction contract for the installation of
3.18 shrubbery, plants, sod, trees, bushes, and similar items are not taxable;

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

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

3.24 In applying the provisions of this chapter, the terms "tangible personal property"
3.25 and "sales at retail" include taxable services listed in clause (6), items (i) to (vi) and
3.26 (viii), and the provision of these taxable services, unless specifically provided otherwise.
3.27 Services performed by an employee for an employer are not taxable. Services performed
3.28 by a partnership or association for another partnership or association are not taxable if
3.29 one of the entities owns or controls more than 80 percent of the voting power of the
3.30 equity interest in the other entity. Services performed between members of an affiliated
3.31 group of corporations are not taxable. For purposes of the preceding sentence, "affiliated
3.32 group of corporations" includes those entities that would be classified as members of an
3.33 affiliated group under United States Code, title 26, section 1504, and that are eligible to
3.34 file a consolidated tax return for federal income tax purposes.

3.35 (h) A sale and a purchase includes the furnishing for a consideration of tangible
3.36 personal property or taxable services by the United States or any of its agencies or

4.1 instrumentalities, or the state of Minnesota, its agencies, instrumentalities, or political
4.2 subdivisions.

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

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

4.9 (k) A sale and a purchase includes the rental of a vehicle by a motor vehicle dealer
4.10 to a customer when (1) the vehicle is rented by the customer for a consideration, or (2)
4.11 the motor vehicle dealer is reimbursed pursuant to a service contract as defined in section
4.12 65B.29, subdivision 1, clause (1).

4.13 **EFFECTIVE DATE.** This section is effective for purchases and sales made after
4.14 **June 30, 2006.**

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**S.F. No. 3690 - Sales Tax Exemption for Milk and Water
Sold in Vending Machines**

Author: Senator Lawrence Pogemiller

Prepared by: Michelle Allen, Senate Counsel (651/296-0558)

Date: April 3, 2006

This bill exempts milk and water sold in vending machines from sales tax. Other food sold in vending machines remains subject to sales tax.

MJA:dv

MINNESOTA · REVENUE

SALES AND USE TAX Vending Machines: Milk and Water

April 3, 2006

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 3690 (Pogemiller)

	<u>Fund Impact</u>			
	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>
General Fund	\$0	(\$340)	(\$380)	(\$395)

(000's)

Effective July 1, 2006

EXPLANATION OF THE BILL

The gross receipts from all food and beverages sold from vending machines are currently taxable. The bill would exempt the gross receipts from vending machine sales of milk and water.

REVENUE ANALYSIS DETAIL

- Based on national data and information from the vending industry, Minnesota vending machine sales in 2002 were approximately \$250 million.
- For water, it was assumed that the proposal applies to noncarbonated and unsweetened water only.
- It was estimated that milk and water account for 2% of current vending machine sales.
- Annual growth from a 2002 base was estimated at 3%.
- The estimate for fiscal year 2007 was adjusted for an effective date of July 1, with 11 months of impact in the first year.

Number of Taxpayers: Approximately 75 vending machine operators

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy

Senator Pogemiller introduced—

S.F. No. 3633: Referred to the Committee on Taxes

1.1 A bill for an act
 1.2 relating to public finance; providing terms and conditions related to the issuance
 1.3 of obligations; defining terms; providing for authorization of interfund loans;
 1.4 amending Minnesota Statutes 2004, sections 103E.635, subdivision 7; 162.18,
 1.5 subdivision 1; 162.181, subdivision 1; 273.032; 365A.08; 365A.095; 373.45,
 1.6 subdivision 1; 469.035; 469.103, subdivision 2; Minnesota Statutes 2005
 1.7 Supplement, sections 469.178, subdivision 7; 475.521, subdivision 4.

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

1.9 Section 1. Minnesota Statutes 2004, section 103E.635, subdivision 7, is amended to
 1.10 read:

1.11 Subd. 7. **Sale of definitive drainage bonds.** The board must sell and negotiate the
 1.12 definitive drainage bonds ~~for at least their par value. The definitive bonds must be sold~~
 1.13 ~~in accordance with section~~ according to sections 475.56 and 475.60.

1.14 Sec. 2. Minnesota Statutes 2004, section 162.18, subdivision 1, is amended to read:

1.15 Subdivision 1. **Limitation on amount.** Any city having a population of 5,000 or
 1.16 more may in accordance with chapter 475, except as otherwise provided herein, issue and
 1.17 sell its obligations for the purpose of establishing, locating, relocating, constructing,
 1.18 reconstructing, and improving municipal state-aid streets therein. In the resolution
 1.19 providing for the issuance of the obligations, the governing body of the municipality
 1.20 shall irrevocably pledge and appropriate to the sinking fund from which the obligations
 1.21 are payable, an amount of the moneys allotted or to be allotted to the municipality from
 1.22 its account in the municipal state-aid street fund sufficient to pay the principal of and the
 1.23 interest on the obligations as they respectively come due. The obligations shall be issued
 1.24 in amounts and on terms such that the average annual amount of principal and interest due

2.1 in all subsequent calendar years on the obligations, including any similar obligations of
2.2 the municipality which are outstanding, shall not exceed ~~50~~ 90 percent of the amount of
2.3 ~~the last annual allotment preceding the bond issue received by the municipality from the~~
2.4 ~~construction account in the municipal state-aid street fund, except that the municipality~~
2.5 ~~may issue general obligation bonds for said purpose, to be purchased by it for the account~~
2.6 ~~of any one or more of its own funds, including debt redemption funds, in which case such~~
2.7 ~~bonds shall mature in not exceeding five years from their respective dates of issue, in~~
2.8 ~~principal amounts not exceeding in any calendar year, with the principal amount of all~~
2.9 ~~other municipal state-aid street obligations maturing in such year, the total amount of the~~
2.10 last annual allotment preceding the bond issue received by the municipality from the
2.11 construction account in the municipal state-aid street fund. All interest on the obligations
2.12 shall be paid out of the municipality's normal maintenance account in the municipal
2.13 state-aid street fund. Any such obligations may be made general obligations, but if
2.14 moneys of the municipality other than moneys received from the municipal state-aid street
2.15 fund, are used for payment of the obligations, the moneys so used shall be restored to the
2.16 appropriate fund from the moneys next received by the municipality from the construction
2.17 or maintenance account in the municipal state-aid street fund which are not required to be
2.18 paid into a sinking fund for obligations.

2.19 Sec. 3. Minnesota Statutes 2004, section 162.181, subdivision 1, is amended to read:

2.20 Subdivision 1. **Limitation on amount.** Except as otherwise provided herein, any
2.21 county may, in accordance with chapter 475, issue and sell its obligations, the total
2.22 amount thereof not to exceed the total of the preceding two years state-aid allotments,
2.23 for the purpose of establishing, locating, relocating, constructing, reconstructing, and
2.24 improving county state-aid highways and constructing buildings and other facilities for
2.25 maintaining county state-aid highways. In the resolution providing for the issuance of the
2.26 obligations, the county board of the county shall irrevocably pledge and appropriate to the
2.27 sinking fund from which the obligations are payable, an amount of the money allotted
2.28 or to be allotted to the county from its account in the county state-aid highway fund
2.29 sufficient to pay the principal of and the interest on the obligations as they respectively
2.30 come due. The obligations shall be issued in the amounts and on terms such that the
2.31 amount of principal and interest due in any calendar year on the obligations, including
2.32 any similar obligations of the county which are outstanding, shall not exceed ~~50~~ 90
2.33 percent of the amount of the last annual allotment preceding the bond issue received
2.34 by the county from the construction account in the county state-aid highway fund. All
2.35 interest on the obligations shall be paid out of the county's normal maintenance account

3.1 in the county state-aid highway fund. The obligations may be made general obligations,
 3.2 but if money of the county other than money received from the county state-aid highway
 3.3 fund, is used for payment of the obligations, the money so used shall be restored to the
 3.4 appropriate fund from the money next received by the county from the construction or
 3.5 maintenance account in the county state-aid highway fund which is not required to be
 3.6 paid into a sinking fund for obligations.

3.7 Sec. 4. Minnesota Statutes 2004, section 273.032, is amended to read:

3.8 **273.032 MARKET VALUE DEFINITION.**

3.9 For the purpose of determining any property tax levy limitation based on market
 3.10 value, any net debt limit based on market value, any limit on the issuance of bonds,
 3.11 certificates of indebtedness, or capital notes based on market value, any qualification
 3.12 to receive state aid based on market value, or any state aid amount based on market
 3.13 value, the terms "market value," "taxable market value," and "market valuation," whether
 3.14 equalized or unequalized, mean the total taxable market value of property within the local
 3.15 unit of government before any adjustments for tax increment, fiscal disparity, powerline
 3.16 credit, or wind energy values, but after the limited market adjustments under section
 3.17 273.11, subdivision 1a, and after the market value exclusions of certain improvements to
 3.18 homestead property under section 273.11, subdivision 16. Unless otherwise provided,
 3.19 "market value," "taxable market value," and "market valuation" ~~refer to~~ mean the taxable
 3.20 market value ~~for the previous assessment year as last finally equalized.~~

3.21 Sec. 5. Minnesota Statutes 2004, section 365A.08, is amended to read:

3.22 **365A.08 FINANCING.**

3.23 Following the creation of a subordinate service district, a town may, without
 3.24 regard to the election requirement under section 475.58, subdivision 1, issue and sell
 3.25 general obligations for street reconstruction as defined in section 475.58, subdivision 3b.
 3.26 Obligations issued under this section are subject to the debt limit of the town and are not
 3.27 excluded from net debt under section 475.51, subdivision 4. Upon adoption of the next
 3.28 annual budget following the creation of a subordinate service district the town board shall
 3.29 include in the budget appropriate provisions for the operation of the district including either
 3.30 a property tax levied only on property of the users of the service within the boundaries of
 3.31 the district or a levy of a service charge against the users of the service within the district,
 3.32 or a combination of a property tax and a service charge on the users of the service.

3.33 A tax or service charge or a combination of them may be imposed to finance a
 3.34 function or service in the district that the town ordinarily provides throughout the town

4.1 only to the extent that there is an increase in the level of the function or service provided
 4.2 in the service district over that provided throughout the town. In that case, in addition
 4.3 to the townwide tax levy, an amount necessary to pay for the increase in the level of the
 4.4 function or service may be imposed in the district.

4.5 Sec. 6. Minnesota Statutes 2004, section 365A.095, is amended to read:

4.6 **365A.095 PETITION FOR REMOVAL OF DISTRICT; PROCEDURE.**

4.7 Except when obligations are outstanding under section 365A.08, a petition signed by
 4.8 at least 75 percent of the property owners in the territory of the subordinate service district
 4.9 requesting the removal of the district may be presented to the town board. Within 30 days
 4.10 after the town board receives the petition, the town clerk shall determine the validity of the
 4.11 signatures on the petition. If the requisite number of signatures are certified as valid, the
 4.12 town board must hold a public hearing on the petitioned matter. Within 30 days after the
 4.13 end of the hearing, the town board must decide whether to discontinue the subordinate
 4.14 service district, continue as it is, or take some other action with respect to it.

4.15 Sec. 7. Minnesota Statutes 2004, section 373.45, subdivision 1, is amended to read:

4.16 Subdivision 1. **Definitions.** (a) As used in this section, the following terms have
 4.17 the meanings given.

4.18 (b) "Authority" means the Minnesota Public Facilities Authority.

4.19 (c) "Commissioner" means the commissioner of finance.

4.20 (d) "Debt obligation" means a general obligation bond issued by a county, a bond to
 4.21 which the general obligation of a county is pledged under section 469.034, subdivision 2,
 4.22 or a bond payable from a county lease obligation under section 641.24, to provide funds
 4.23 for the construction of:

4.24 (1) jails;

4.25 (2) correctional facilities;

4.26 (3) law enforcement facilities;

4.27 (4) social services and human services facilities; ~~or~~

4.28 (5) solid waste facilities; or

4.29 (6) qualified housing development projects as defined in section 469.034, subdivision

4.30 2.

4.31 Sec. 8. Minnesota Statutes 2004, section 469.035, is amended to read:

4.32 **469.035 MANNER OF BOND ISSUANCE; SALE.**

5.1 Bonds of an authority shall be authorized by its resolution. They may be issued in
5.2 one or more series and shall bear the date or dates, mature at the time or times, bear interest
5.3 at the rate or rates, be in the denomination or denominations, be in the form either coupon
5.4 or registered, carry the conversion or registration privileges, have the rank or priority, be
5.5 executed in the manner, be payable in the medium of payment at the place or places, and
5.6 be subject to the terms of redemption with or without premium, as the resolution, its trust
5.7 indenture or mortgage provides. The bonds may be sold ~~at public or private sale at not~~
5.8 ~~less than par~~ in the manner and for the price that the authority determines to be in the best
5.9 interest of the authority. Notwithstanding any other law, bonds issued pursuant to sections
5.10 469.001 to 469.047 shall be fully negotiable. In any suit, action, or proceedings involving
5.11 the validity or enforceability of any bonds of an authority or the security for the bonds,
5.12 any bond reciting in substance that it has been issued by the authority to aid in financing a
5.13 project shall be conclusively deemed to have been issued for that purpose, and the project
5.14 shall be conclusively deemed to have been planned, located, and carried out in accordance
5.15 with the purposes and provisions of sections 469.001 to 469.047.

5.16 In cities of the first class, the governing body of the city must approve all notes
5.17 executed with the Minnesota Housing Finance Agency pursuant to this section if the
5.18 interest rate on the note exceeds seven percent.

5.19 Sec. 9. Minnesota Statutes 2004, section 469.103, subdivision 2, is amended to read:

5.20 Subd. 2. **Form.** The bonds of each series issued by the authority under this section
5.21 shall bear interest at a rate or rates, shall mature at the time or times within ~~20~~ 30 years
5.22 from the date of issuance, and shall be in the form, whether payable to bearer, registrable
5.23 as to principal, or fully registrable, as determined by the authority. Section 469.102,
5.24 subdivision 6, applies to all bonds issued under this section, and the bonds and their
5.25 coupons, if any, when payable to bearer, shall be negotiable instruments.

5.26 Sec. 10. Minnesota Statutes 2005 Supplement, section 469.178, subdivision 7, is
5.27 amended to read:

5.28 Subd. 7. **Interfund loans.** The authority or municipality may advance or loan
5.29 money to finance expenditures under section 469.176, subdivision 4, from its general
5.30 fund or any other fund under which it has legal authority to do so. The loan or advance
5.31 must be authorized, by resolution of the governing body or of the authority, whichever
5.32 has jurisdiction over the fund from which the advance or loan is made, before money
5.33 is transferred, advanced, or spent, whichever is earliest. The resolution may generally
5.34 grant to the authority the power to make interfund loans under one or more tax increment

6.1 financing plans or for one or more districts. The terms and conditions for repayment of
6.2 the loan must be provided in writing and include, at a minimum, the principal amount,
6.3 the interest rate, and maximum term. The maximum rate of interest permitted to be
6.4 charged is limited to the greater of the rates specified under section 270C.40 or 549.09
6.5 as of the date or advance is made, unless the written agreement states that the maximum
6.6 interest rate will fluctuate as the interest rates specified under section 270C.40 or 549.09
6.7 are from time to time adjusted.

6.8 Sec. 11. Minnesota Statutes 2005 Supplement, section 475.521, subdivision 4, is
6.9 amended to read:

6.10 Subd. 4. **Limitations on amount.** A municipality may not issue bonds under this
6.11 section if the maximum amount of principal and interest to become due in any year on
6.12 all the outstanding bonds issued under this section, including the bonds to be issued,
6.13 will equal or exceed (1) 0.16 percent of the taxable market value of property in the
6.14 municipality, or (2) \$100,000, whichever is greater. Calculation of the limit must be
6.15 made using the taxable market value for the taxes payable year in which the obligations
6.16 are issued and sold. In the case of a municipality with a population of 2,500 or more, the
6.17 bonds are subject to the net debt limits under section 475.53. In the case of a shared facility
6.18 in which more than one municipality participates, upon compliance by each participating
6.19 municipality with the requirements of subdivision 2, the limitations in this subdivision and
6.20 the net debt represented by the bonds shall be allocated to each participating municipality
6.21 in proportion to its required financial contribution to the financing of the shared facility, as
6.22 set forth in the joint powers agreement relating to the shared facility. This section does not
6.23 limit the authority to issue bonds under any other special or general law.

A

1.1 Senator moves to amend S.F. No. 3633 as follows:

1.2 Page 6, after line 23, insert:

1.3 "Sec. 12. CARVER COUNTY AUTHORITY NAME CHANGE.

1.4 The Carver County Housing and Redevelopment Authority created under Laws,
1.5 1980, chapter 482, is renamed the Carver County Community Development Agency."

1.6 Amend the title accordingly

1.1 Senator moves to amend S.F. No. 3633 as follows:

1.2 Page 3, line 10, strike everything after the first comma

1.3 Page 3, line 11, strike everything before "any"

1.4 Page 3, line 19, reinstate the stricken language and delete the new language and
1.5 insert "for purposes of this paragraph."

1.6 Page 3, line 20, reinstate the stricken language and delete the new language

1.7 Page 3, after line 20, insert:"

1.8 For the purpose of determining any net debt limit based on market value, or any limit
1.9 on the issuance of bonds, certificates of indebtedness, or capital notes based on market
1.10 value, the terms "market value," "taxable market value," and "market valuation," whether
1.11 equalized or unequalized, mean the total taxable market value of property within the local
1.12 unit of government before any adjustments for tax increment, fiscal disparity, powerline
1.13 credit, or wind energy values, but after the limited market adjustments under section
1.14 273.11, subdivision 1a, and after the market value exclusions of certain improvements to
1.15 homestead property under section 273.11, subdivision 16. Unless otherwise provided,
1.16 "market value," "taxable market value," "market valuation" for purposes of this paragraph,
1.17 mean the taxable market value as last finally equalized."

1.18 Page 3, delete lines 23 to 26

1.19 Page 3, line 27, delete the new language

1.20 Page 4, after line 4, insert:"

1.21 In the proceedings for establishment of a subordinate service district, the town may
1.22 prepare a street reconstruction plan that describes the streets within the district to be
1.23 reconstructed, the estimated costs, and any planned reconstruction of streets within the
1.24 district over the next five years and may include the approval of the street reconstruction
1.25 plan and the issuance of obligations for street reconstruction in the notice of public hearing
1.26 for the public hearing required by section 365A.04, subdivision 2. The town board shall
1.27 approve or disapprove the plan and the issuance of obligations in the resolution adopted
1.28 pursuant to section 365A.04, subdivision 3, and the issuance of street reconstruction
1.29 obligations shall be subject to the provisions for reverse referendum contained in section
1.30 365A.06. Following the creation of the subordinate service district and approval of the
1.31 plan and the street reconstruction obligations and compliance with section 365A.06, the
1.32 town may, without regard to the election requirement under section 475.58, subdivision 1,
1.33 issue and sell general obligations for street reconstruction as defined in section 475.58,

- 2.1 subdivision 3b. Obligations issued under this section are subject to the debt limit of the
- 2.2 town and are not excluded from net debt under section 475.51, subdivision 4."

A

1.1 Senator moves to amend S.F. No. 3633 as follows:

1.2 Page 1, after line 13, insert:

1.3 "Sec. 2. Minnesota Statutes 2004, section 116A.20, subdivision 3, is amended to
1.4 read:

1.5 Subd. 3. **How payable.** The bonds shall be payable at such time or times, not to
1.6 exceed (1) 30 years from their date or (2) 40 years or the useful life of the asset, whichever
1.7 is less, if financed or guaranteed by the United States Department of Agriculture, and bear
1.8 such rate or rates of interest not exceeding eight percent per annum, payable annually or
1.9 semiannually as the county board shall by resolution determine. The years and amounts
1.10 of principal maturities shall be such as in the opinion of the county board are warranted
1.11 by the anticipated collections of the water and sewer improvement assessments without
1.12 regard to any limitations on such maturities imposed by section 475.54. "

Renumber the sections in sequence and correct the internal references

1.14 Amend the title accordingly

1.1 Senator moves to amend S.F. No. 3633 as follows:

1.2 Page 6, after line 23, insert:

1.3 "Sec. 13. Laws 2005, chapter 152, article 1, section 39, subdivision 1, is amended to
1.4 read:

1.5 Subdivision 1. [ISSUANCE; PURPOSE.] Notwithstanding any provision of
1.6 Minnesota Statutes, chapter 298, to the contrary, the commissioner of Iron Range resources
1.7 and rehabilitation ~~may shall, by June 1, 2006,~~ issue revenue bonds in a principal amount
1.8 of \$15,000,000 in one or more series, and bonds to refund those bonds. The proceeds of
1.9 the bonds must be used to make grants to school districts located in the taconite tax relief
1.10 area defined in Minnesota Statutes, section 273.134, or the taconite assistance area defined
1.11 in Minnesota Statutes, section 273.1341, to be used by the school districts to pay for
1.12 health, safety, and maintenance improvements ~~but only if the school district has levied the~~
1.13 ~~maximum amount allowable under law for those purposes.~~ The amounts of proceeds to be
1.14 distributed to each district are as follows:

- 1.15 (1) Independent School District No. 511, Aitkin, \$600,000;
- 1.16 (2) Independent School District No. 695, Chisholm, \$700,000
- 1.17 (3) Independent School District No. 166, Cook County, \$600,000;
- 1.18 (4) Independent School District No. 182, Crosby-Ironton, \$600,000;
- 1.19 (5) Independent School District No. 696, Ely, \$600,000
- 1.20 (6) Independent School District No. 2154, Eveleth-Gilbert, \$1,000,000;
- 1.21 (7) Independent School District No. 318, Grand Rapids, \$600,000;
- 1.22 (8) Independent School District No. 316, Greenway, \$1,100,000;
- 1.23 (9) Independent School District No. 701, Hibbing, \$2,100,000
- 1.24 (10) Independent School District No. 381, Lake Superior, \$600,000;
- 1.25 (11) Independent School District No. 2711, Mesabi East, \$3,600,000;
- 1.26 (12) Independent School District No. 712, Mt. Iron-Buhl, \$700,000;
- 1.27 (13) Independent School District No. 319, Nashwauk/Keewatin, \$700,000;
- 1.28 (14) Independent School District No. 2142, St. Louis County, \$600,000; and
- 1.29 (15) Independent School District No. 706, Virginia, \$900,000.

1.30 "

1.31 Renumber the sections in sequence and correct the internal references

1.32 Amend the title accordingly

A

1.1 Senator moves to amend S.F. No. 3633 as follows:

1.2 Page 6, after line 7, insert:

"Sec. 11. Minnesota Statutes 2004, section 474A.062, is amended to read:

1.4 **474A.062 HESO 120-DAY ISSUANCE EXEMPTION.**

1.5 The Minnesota Higher Education Services Office is exempt from the 120-day
1.6 issuance requirements in this chapter and may carry forward allocations for student loan
1.7 bonds into ~~three~~ one successive calendar ~~years~~ year, subject to carryforward notice
1.8 requirements of section 474A.131, subdivision 2. ~~The maximum cumulative carryforward~~
1.9 ~~is limited to \$25,000,000.~~

1.10 **EFFECTIVE DATE.** This section is effective for bond allocations made in 2006
1.11 and thereafter."

1.12 Page 6, after line 23, insert:

1.13 "Sec. 13. **UNIFIED POOL; OFFICE OF HIGHER EDUCATION;**
1.14 **TEMPORARY PRIORITY.**

1.15 Notwithstanding Minnesota Statutes, section 474A.091, subdivision 3, paragraph
1.16 (b), prior to October 1, 2006, only the following applications shall be awarded allocations
1.17 from the unified pool. Allocations shall be awarded in the following order of priority:

1.18 (1) applications for student loan bonds issued by or on behalf of the Office of
1.19 Higher Education;

1.20 (2) applications for residential rental project bonds;

1.21 (3) applications for small issue bonds for manufacturing projects; and

1.22 (4) applications for small issue bonds for agricultural development bond loan
3 projects.

1.24 **EFFECTIVE DATE.** This section is effective July 1, 2006.

1.25 Sec. 14. **UNIFIED POOL; TEMPORARY PRIORITY CHANGE.**

1.26 Notwithstanding Minnesota Statutes, section 474A.091, subdivision 3, paragraph
1.27 (c), on the first Monday in October, 2006, through the last Monday in November, 2006,
1.28 allocations shall be awarded from the unified pool in the following order of priority:

1.29 (1) applications for mortgage bonds;

1.30 (2) applications for public facility projects funded by public facility bonds;

1.31 (3) applications for small issue bonds for manufacturing projects;

1.32 (4) applications for small issue bonds for agricultural development bond loan
1.33 projects;

1.34 (5) applications for residential rental project bonds;

- 2.1 (6) applications for enterprise zone facility bonds;
- 2.2 (7) applications for governmental bonds; and
- 2.3 (8) applications for redevelopment bonds.

2.4 **EFFECTIVE DATE.** This section is effective July 1, 2006.

2.5 Sec. 15. **UNIFIED POOL; OFFICE OF HIGHER EDUCATION TOTAL**

2.6 **ALLOCATION.**

2.7 Notwithstanding Minnesota Statutes, section 474A.091, subdivision 3, paragraph (i),

2.8 the total amount of allocations for student loan bonds from the unified pool in calendar

2.9 year 2006 may not exceed 50 percent of the total in the unified pool on the day after the

2.10 last Monday in July, 2006.

2.11 **EFFECTIVE DATE.** This section is effective July 1, 2006."

2.12 Renumber the sections in sequence and correct the internal references

2.13 Amend the title accordingly

1.1 Senator moves to amend S.F. No. 3633 as follows:

1.2 Page 1, after line 13, insert:

1.3 "Sec. 2. Minnesota Statutes 2004, section 116J.552, subdivision 7, is amended to
1.4 read:

1.5 Subd. 7. **Project costs.** "Project costs" includes cleanup costs for the site ~~and the~~
1.6 ~~cost of related site acquisition~~, demolition of existing improvements, and installation of
1.7 public improvements necessary for the development authority to implement the response
1.8 action plan.

1.9 Sec. 3. Minnesota Statutes 2005 Supplement, section 116J.572, subdivision 3, is
1.10 amended to read:

1.11 Subd. 3. **Redevelopment costs or costs.** "Redevelopment costs" or "costs" means
1.12 the costs of ~~land acquisition~~, stabilizing unstable soils when infill is required, demolition,
1.13 infrastructure improvements, and ponding or other environmental infrastructure and costs
1.14 necessary for adaptive reuse of buildings, including remedial activities.

1.15 Sec. 4. Minnesota Statutes 2005 Supplement, section 116J.575, subdivision 1, is
1.16 amended to read:

1.17 Subdivision 1. **Commissioner discretion.** The commissioner may make a grant
1.18 for up to 50 percent of the eligible costs of a project. The commissioner shall, in each
1.19 grant cycle, make grants so that 50 percent of the dollar value of grants for that cycle
1.20 are for projects located outside of the metropolitan area and 50 percent are for projects
1.21 located within the metropolitan area. This allocation of funds does not apply for any grant
1.22 cycle in which the applications received by the application deadline are insufficient to
1.23 permit the equal division of grants between metropolitan and nonmetropolitan projects.

1.24 The determination of whether to make a grant for a site is within the discretion of the
1.25 commissioner, subject to this section and sections 116J.571 to 116J.574 and available
1.26 unencumbered money in the redevelopment account. ~~Notwithstanding section 116J.573,~~
1.27 ~~if the commissioner determines that the applications for grants for projects in greater~~
1.28 ~~Minnesota are less than the amount of grant funds available, the commissioner may~~
1.29 ~~make grants for projects anywhere in Minnesota.~~ The commissioner's decisions and
1.30 application of the priorities under this section are not subject to judicial review, except
1.31 for abuse of discretion."

1.32 Page 5, after line 25, insert:

1.33 "Sec. 13. Minnesota Statutes 2005 Supplement, section 469.1763, subdivision 2,
1.34 is amended to read:

2.1 Subd. 2. **Expenditures outside district.** (a) For each tax increment financing
2.2 district, an amount equal to at least 75 percent of the total revenue derived from tax
2.3 increments paid by properties in the district must be expended on activities in the district
2.4 or to pay bonds, to the extent that the proceeds of the bonds were used to finance activities
2.5 in the district or to pay, or secure payment of, debt service on credit enhanced bonds.
2.6 For districts, other than redevelopment districts for which the request for certification
2.7 was made after June 30, 1995, the in-district percentage for purposes of the preceding
2.8 sentence is 80 percent. Not more than 25 percent of the total revenue derived from tax
2.9 increments paid by properties in the district may be expended, through a development fund
2.10 or otherwise, on activities outside of the district but within the defined geographic area of
2.11 the project except to pay, or secure payment of, debt service on credit enhanced bonds.
2.12 For districts, other than redevelopment districts for which the request for certification was
2.13 made after June 30, 1995, the pooling percentage for purposes of the preceding sentence is
2.14 20 percent. The revenue derived from tax increments for the district that are expended on
2.15 costs under section 469.176, subdivision 4h, paragraph (b), may be deducted first before
2.16 calculating the percentages that must be expended within and without the district.

2.17 (b) In the case of a housing district, a housing project, as defined in section 469.174,
2.18 subdivision 11, is an activity in the district.

2.19 (c) All administrative expenses are for activities outside of the district, except that
2.20 if the only expenses for activities outside of the district under this subdivision are for
2.21 the purposes described in paragraph (d), administrative expenses will be considered as
2.22 expenditures for activities in the district.

2.23 (d) The authority may elect, in the tax increment financing plan for the district,
2.24 to increase by up to ten percentage points the permitted amount of expenditures for
2.25 activities located outside the geographic area of the district under paragraph (a). As
2.26 permitted by section 469.176, subdivision 4k, the expenditures, including the permitted
2.27 expenditures under paragraph (a), need not be made within the geographic area of the
2.28 project. Expenditures that meet the requirements of this paragraph are legally permitted
2.29 expenditures of the district, notwithstanding section 469.176, subdivisions 4b, 4c, and 4j.
2.30 To qualify for the increase under this paragraph, the expenditures must:

2.31 (1) be used exclusively to assist housing that meets the requirement for a qualified
2.32 low-income building, as that term is used in section 42 of the Internal Revenue Code;

2.33 (2) not exceed the qualified basis of the housing, as defined under section 42(c) of
2.34 the Internal Revenue Code, less the amount of any credit allowed under section 42 of
2.35 the Internal Revenue Code; and

2.36 (3) be used to:

- 3.1 (i) acquire and prepare the site of the housing;
- 3.2 (ii) acquire, construct, or rehabilitate the housing; or
- (iii) make public improvements directly related to the housing.

3.4 (e) For a district created within a biotechnology and health sciences industry zone

3.5 as defined in section 469.330, subdivision 6, or for an existing district located within

3.6 such a zone, tax increment derived from such a district may be expended outside of

3.7 the district but within the zone only for expenditures required for the construction of

3.8 public infrastructure necessary to support the activities of the zone. Public infrastructure

3.9 expenditures are considered as expenditures for activities within the district.

3.10 Sec. 14. Minnesota Statutes 2004, section 469.1763, subdivision 3, is amended to read:

3.11 Subd. 3. **Five-year rule.** (a) Revenues derived from tax increments are considered

3.12 to have been expended on an activity within the district under subdivision 2 only if one

3.13 of the following occurs:

3.14 (1) before or within five years after certification of the district, the revenues are

3.15 actually paid to a third party with respect to the activity;

3.16 (2) bonds, the proceeds of which must be used to finance the activity, are issued and

3.17 sold to a third party before or within five years after certification, the revenues are spent

3.18 to repay the bonds, and the proceeds of the bonds either are, on the date of issuance,

3.19 reasonably expected to be spent before the end of the later of (i) the five-year period, or

3.20 (ii) a reasonable temporary period within the meaning of the use of that term under section

3.21 148(c)(1) of the Internal Revenue Code, or are deposited in a reasonably required reserve

3.22 or replacement fund;

3.23 (3) binding contracts with a third party are entered into for performance of the

3.24 activity before or within five years after certification of the district and the revenues are

3.25 spent under the contractual obligation;

3.26 (4) costs with respect to the activity are paid before or within five years after

3.27 certification of the district and the revenues are spent to reimburse a party for payment

3.28 of the costs, including interest on unreimbursed costs; or

3.29 (5) expenditures are made for housing purposes as permitted by subdivision 2,

3.30 paragraph (b), or for public infrastructure purposes within a zone as permitted by

3.31 subdivision 2, paragraph (e).

3.32 (b) For purposes of this subdivision, bonds include subsequent refunding bonds if

3.33 the original refunded bonds meet the requirements of paragraph (a), clause (2).

3.34 Sec. 15. Minnesota Statutes 2004, section 469.1763, subdivision 4, is amended to read:

3.35 Subd. 4. **Use of revenues for decertification.** (a) In each year beginning with the

3.36 sixth year following certification of the district, if the applicable in-district percent of the

4.1 revenues derived from tax increments paid by properties in the district exceeds the amount
 4.2 of expenditures that have been made for costs permitted under subdivision 3, an amount
 4.3 equal to the difference between the in-district percent of the revenues derived from tax
 4.4 increments paid by properties in the district and the amount of expenditures that have
 4.5 been made for costs permitted under subdivision 3 must be used and only used to pay or
 4.6 defease the following or be set aside to pay the following:

4.7 (1) outstanding bonds, as defined in subdivision 3, paragraphs (a), clause (2), and (b);

4.8 (2) contracts, as defined in subdivision 3, paragraph (a), clauses (3) and (4); ~~or~~

4.9 (3) credit enhanced bonds to which the revenues derived from tax increments are
 4.10 pledged, but only to the extent that revenues of the district for which the credit enhanced
 4.11 bonds were issued are insufficient to pay the bonds and to the extent that the increments
 4.12 from the applicable pooling percent share for the district are insufficient; or

4.13 (4) the amount provided by the tax increment financing plan to be paid under
 4.14 subdivision 2, paragraph (e).

4.15 (b) When the outstanding bonds have been defeased and when sufficient money
 4.16 has been set aside to pay contractual obligations as defined in subdivision 3, paragraph
 4.17 (a), clauses (3) and (4), the district must be decertified and the pledge of tax increment
 4.18 discharged."

4.19 Renumber the sections in sequence and correct the internal references

4.20 Amend the title accordingly

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

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Senate

State of Minnesota

S.F. No. 3633 - Public Finance Bill

Author: Senator Lawrence Pogemiller

Prepared by: JoAnne Zoff Sellner, Senate Counsel (651/296-3803) *83A*

Date: April 4, 2006

This is the annual public finance bill.

Section 1 provides that definitive drainage bonds will no longer be required to be sold for at least their par value. Instead, they will be sold in accordance with the general provisions applicable to municipal debt which would allow them to be sold at a discount.

Sections 2 and 3 amend the provisions that limit the amount of obligations that may be issued by a city with a population of 5,000 or more for the purpose of building or improving municipal state-aid streets. The current law limits the obligations such that the average annual amount of principal and interest due in all subsequent calendar years on the obligations may not exceed 50 percent of the amount of the last annual allotment preceding the bond issue that was received by the municipality from the municipal state-aid street fund. This bill increases that threshold to 90 percent and removes the exception for bonds that were purchased by the municipality from an account of its own funds.

Section 4, as proposed to be amended by the author, provides that for purposes determining any net debt limit based on market value, or any limit on the issuance of obligations based on market value, the terms "market value," "taxable market value," and "market valuation" means the taxable market value as last finally equalized. Under current law, these definitions refer to the taxable market value for the previous assessment year.

Section 5 establishes a process for establishment of a subordinate service district that would include a street reconstruction plan. The town may include the approval of the street reconstruction plan and the issuance of obligations for the street reconstruction project in the notice of public hearings or the hearing required on the establishment of the district. The issuance of the obligations will be subject

to the current law requirement for a reverse referendum. These obligations would be subject to net debt limits under current law.

Section 6 provides that the procedure for removal of a subordinate service district from a town would not apply when obligations for the street reconstruction project remain outstanding.

Section 7 extends the application of the county credit enhancement program to bonds that are issued by a governmental entity other than a county, but to which the general obligation of the county is pledged and adds qualified housing development projects to the list of construction projects that are eligible for this program.

Section 8 authorizes housing and redevelopment authorities to sell bonds in the manner that the authority determines to be in its best interest, striking the requirement that the bonds must be sold at not less than par.

Section 9 extends the maximum maturity for revenue bonds issued by an economic development authority from 20 years to 30 years from the date of issuance.

Section 10 provides that an interfund loan must be authorized by resolution of the authority that has jurisdiction over the fund from which the advance or loan is made. Current law requires that the resolution must be made by the governing body.

Section 11 adjusts the limitations on amounts of capital improvement bonds that may be issued by cities. Current law makes this program available only if the municipality is issuing bonds for which the maximum debt service to become due in any year on all bonds issued under this provision does not exceed 0.16 percent of the taxable market value of the property in the municipality. This provision would make the limitation either that which is imposed under current law or \$100,000, whichever is greater.

JZS:ssg

MINNESOTA · REVENUE

PROPERTY TAX Public Finance

April 3, 2006

Department of Revenue
Analysis of S.F. 3633 (Pogemiller)

	Yes	No
DOR Administrative Costs/Savings		X

Fund Impact

	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>
		(000's)		
General Fund	\$0	\$0	(Negligible)	(Negligible)

EXPLANATION OF THE BILL

The bill makes a number of changes to laws relating to state and local public finance.

- For definitive drainage bonds, the phrase “par value” is replaced by the interest rate definitions in MS 475.56.
- Cities having a population of 5,000 or more may issue obligations not exceeding 90%, instead of 50%, of the last annual allotment received by the municipality from the construction account in the municipal state aid street fund. A date of issue exception is repealed.
- Counties may issue obligations not exceeding 90%, instead of 50%, of the last annual allotment received by the county from the construction account in the county state aid highway fund.
- Debt limits are to be calculated on the final equalized market values, rather than the previous assessment year’s market values.
- Following the creation of a subordinate service district, a township may issue general obligation bonds for street reconstruction. These obligations are subject to the township’s debt limit.
- While obligations are outstanding, subordinate service districts are not subject to removal petitions.
- County general obligation definition expanded to include bonds for qualified housing development projects.
- Bond issuance definition altered to remove “par” and allow the issuing authority to determine the price and manner of bond sale.
- Economic development authority revenue bonds are to mature within 30 years of issuance, rather than 20 years.
- Tax increment financing (TIF) interfund loans are to be authorized by either the municipality or TIF district, whichever authority has jurisdiction.
- New municipal bonds for capital improvements for the purpose of a city hall, public safety facility, or public works facility may not be issued if the debt service in any year for all outstanding bonds for those purposes exceeds the greater of 0.16% of taxable market value, or \$100,000.

April 3, 2006

REVENUE ANALYSIS DETAIL

- No information is available on possible additional certificates of indebtedness due to the provisions of this bill, but the amount is assumed to be relatively small.
- Additional debt obligations will require additional service of interest and principal. Where property tax levies are used to service new debt, taxes on homesteads will rise. Therefore there would be a negligible increase in property tax refunds for homeowners.

Number of Taxpayers Affected: All taxpayers in jurisdictions issuing new debt.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy

sf3633_1/lm

#9

Minnesota Solutions, Inc.

70 Grove Street
Mahtomedi, Minnesota 55115
651-653-4926 (office)
651-260-8690 (cell)

Amendment to Senate Public Finance Bill

Minnesota Solutions is a statewide consortium of cities and housing and redevelopment authorities with a singular interest in community recycling issues in the state. The proposed amendment is our redevelopment "wish list" for this session. The companion to this legislation has been referred to House Taxes where it will probably become part of the House Public Finance bill. It primarily involves two state programs that help to publicly finance blight mitigation and pollution remediation in communities throughout the state. Following is a brief summary of the two programs:

Redevelopment Account: This program was launched in 1998 as a statewide program. It is administered by DEED. For three years it served redevelopment needs throughout the state. It is the counterpart to the Contamination Cleanup Grant Program, also administered by DEED. During the Ventura Administration the program jurisdiction was changed to serve Greater Minnesota only. The program remained unfunded for a couple of years. Last year, bonding was appropriated for that program. However, statewide jurisdiction must be restored. It is in the public's interest to serve redevelopment needs everywhere in the state, not just in Greater Minnesota.

Contamination Cleanup Grant Account: This program was put into place in the early 1990's and provides state help with cleanup of contaminated land for which a development opportunity exists.

This proposal is supported by NAHRO, AMM and the League. The provisions are also supported by DEED. It does not generate new revenues. Following is a summary:

- ***Redevelopment Account:*** Restores statewide jurisdiction to the Redevelopment Account. Funding is to be split 50/50 between Greater Minnesota and the Metropolitan Area, unless insufficient applications are received from one part of the state or the other.
- ***Redevelopment Account and Contamination Cleanup Grant Program:*** Land acquisition costs are no longer an eligible use of funds for either program. The rationale for this is that land acquisition costs are a constant for a greenfield or brownfield project. They do not in themselves indicate a need for a public subsidy to help finance the extraordinary costs of redevelopment.
- ***Contamination Tax:*** The amendment clarifies that proceeds from the Contamination Tax are to provide funding for the Contamination Cleanup Grant Program. The Contamination Tax was developed in 1993. It was intended to provide funding for the Contamination Cleanup Grant Program.
- ***Bioscience Zones:*** This amendment would fix some technical problems with the TIF legislation that passed last year. Last session the legislature adopted language that would provide pooling flexibility from past, present and future TIF districts located in a bioscience zone. This amendment clarifies that public infrastructure is an eligible use of pooled increments again within the bioscience zone but outside of the district and makes other very technical changes.

1.1 A bill for an act
1.2 relating to metropolitan government; providing for the additional financing of
1.3 metropolitan area transit and paratransit capital expenditures; authorizing the
1.4 issuance of certain obligations; amending Minnesota Statutes 2004, section
1.5 473.39, by adding a subdivision.

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

1.7 Section 1. Minnesota Statutes 2004, section 473.39, is amended by adding a
1.8 subdivision to read:

1.9 Subd. 11. **Obligations.** After July 1, 2006, in addition to the authority in
1.10 subdivisions 1a, 1b, 1c, 1d, 1e, 1g, 1h, 1i, 1j, and 1k, the council may issue certificates of
1.11 indebtedness, bonds, or other obligations under this section in an amount not exceeding
1.12 \$32,800,000 for capital expenditures as prescribed in the council's regional transit master
1.13 plan and transit capital improvement program and for related costs, including the costs of
1.14 issuance and sale of the obligations.

1.15 Sec. 2. **APPLICATION.**

1.16 This act applies in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey,
1.17 Scott, and Washington.

1.18 Sec. 3. **EFFECTIVE DATE.**

1.19 This act is effective the day following final enactment.

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

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State of Minnesota

**S.F. No. 3320 - Metropolitan Council Transit Capital
Expenditures**

Author: Senator Lawrence Pogemiller

Prepared by: JoAnne Zoff Sellner, Senate Counsel (651/296-3803) 

Date: April 4, 2006

This bill authorizes the Metropolitan Council to issue obligations in an amount of up to \$32,800,000, for capital expenditures prescribed in the county's regional transit master plan and transit capital improvement program.

JZS:dv

MINNESOTA REVENUE

PROPERTY TAX Metropolitan Council Transit Bonds

April 3, 2006

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 3320 (Pogemiller), 1st Engrossment

	Fund Impact			
	F.Y. 2006	F.Y. 2007	F.Y. 2008	F.Y. 2009
		(000's)		
General Fund	\$0	\$0	\$0	(\$50)

Effective the day following final enactment.

EXPLANATION OF THE BILL

The proposal authorizes the Metropolitan Council to issue up to an additional \$32.8 million in certificates of indebtedness, bonds, or other obligations for capital expenditures prescribed in the council's regional transit master plan and transit capital improvement program. The authority is limited to the seven metropolitan counties.

REVENUE ANALYSIS DETAIL

- Bond principal and interest would be paid by increasing property tax levies.
- It is assumed that \$20.2 million of bonds would be issued in 2008 and \$12.6 million in 2009.
- Additional debt service levies would increase homeowner taxes. Property tax refunds would increase by an estimated \$50,000 in FY 2009.

Number of Taxpayers Affected: All taxpayers in the seven metropolitan counties.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy

sf3320(hf3682)_1/lm

COMMITTEE REPORT - WITH AMENDMENTS

Committee on Taxes

S .F. No. 3633

 Resolution

 Re-referred (from another committee)

Amendments:

A-2

A-3

A-4

A-5

A-6

SF 3320 amended to SF 3633, as amended

Committee recommendation:

And when so amended the bill do pass.

And when so amended the bill do pass and be placed on the Consent Calendar.

And when so amended the bill do pass and be re-referred to the Committee on _____

No recommendation: And when so amended the bill be _____ (re-referred to the Committee on _____)

OR _____ (reported to the Senate).

4/5/06 (date of committee recommendation)

1.1 **Senator Pogemiller from the Committee on Taxes, to which was referred**

1.2 **S.F. No. 3633:** A bill for an act relating to public finance; providing terms
 1.3 and conditions related to the issuance of obligations; defining terms; providing for
 1.4 authorization of interfund loans; amending Minnesota Statutes 2004, sections 103E.635,
 1.5 subdivision 7; 162.18, subdivision 1; 162.181, subdivision 1; 273.032; 365A.08;
 1.6 365A.095; 373.45, subdivision 1; 469.035; 469.103, subdivision 2; Minnesota Statutes
 1.7 2005 Supplement, sections 469.178, subdivision 7; 475.521, subdivision 4.

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

1.9 Page 1, after line 13, insert:

1.10 "Sec. 2. Minnesota Statutes 2004, section 116A.20, subdivision 3, is amended to
 1.11 read:

1.12 **Subd. 3. How payable.** The bonds shall be payable at such time or times, not to
 1.13 exceed (1) 30 years from their date or (2) 40 years or the useful life of the asset, whichever
 1.14 is less, if financed or guaranteed by the United States Department of Agriculture, and bear
 1.15 such rate or rates of interest not exceeding eight percent per annum, payable annually or
 1.16 semiannually as the county board shall by resolution determine. The years and amounts
 1.17 of principal maturities shall be such as in the opinion of the county board are warranted
 1.18 by the anticipated collections of the water and sewer improvement assessments without
 1.19 regard to any limitations on such maturities imposed by section 475.54. "

1.20 Page 3, line 10, strike everything after the first comma

1.21 Page 3, line 11, strike everything before "any"

1.22 Page 3, delete line 19 and insert ""market value," "taxable market value," and
 1.23 "market valuation" for purposes of this paragraph, refer to the taxable"

1.24 Page 3, line 20, reinstate the stricken language and delete the new language

1.25 Page 3, after line 20, insert:

1.26 "For the purpose of determining any net debt limit based on market value, or any
 1.27 limit on the issuance of bonds, certificates of indebtedness, or capital notes based on
 1.28 market value, the terms "market value," "taxable market value," and "market valuation,"
 1.29 whether equalized or unequalized, mean the total taxable market value of property
 1.30 within the local unit of government before any adjustments for tax increment, fiscal
 1.31 disparity, powerline credit, or wind energy values, but after the limited market adjustments
 1.32 under section 273.11, subdivision 1a, and after the market value exclusions of certain
 1.33 improvements to homestead property under section 273.11, subdivision 16. Unless
 1.34 otherwise provided, "market value," "taxable market value," "market valuation" for
 1.35 purposes of this paragraph, mean the taxable market value as last finally equalized."

1.36 Page 3, delete lines 23 to 26

1.37 Page 3, line 27, delete the new language

1.38 Page 4, after line 4, insert:

2.1 "In the proceedings for establishment of a subordinate service district, the town may
 2.2 prepare a street reconstruction plan that describes the streets within the district to be
 2.3 reconstructed, the estimated costs, and any planned reconstruction of streets within the
 2.4 district over the next five years and may include the approval of the street reconstruction
 2.5 plan and the issuance of obligations for street reconstruction in the notice of public hearing
 2.6 for the public hearing required by section 365A.04, subdivision 2. The town board shall
 2.7 approve or disapprove the plan and the issuance of obligations in the resolution adopted
 2.8 pursuant to section 365A.04, subdivision 3, and the issuance of street reconstruction
 2.9 obligations shall be subject to the provisions for reverse referendum contained in section
 2.10 365A.06. Following the creation of the subordinate service district and approval of the
 2.11 plan and the street reconstruction obligations and compliance with section 365A.06, the
 2.12 town may, without regard to the election requirement under section 475.58, subdivision 1,
 2.13 issue and sell general obligations for street reconstruction as defined in section 475.58,
 2.14 subdivision 3b. Obligations issued under this section are subject to the debt limit of the
 2.15 town and are not excluded from net debt under section 475.51, subdivision 4."

2.16 Page 6, after line 7, insert:

2.17 "Sec. 12. Minnesota Statutes 2004, section 473.39, is amended by adding a
 2.18 subdivision to read:

2.19 Subd. 11. **Obligations.** After July 1, 2006, in addition to the authority in
 2.20 subdivisions 1a, 1b, 1c, 1d, 1e, 1g, 1h, 1i, 1j, and 1k, the council may issue certificates of
 2.21 indebtedness, bonds, or other obligations under this section in an amount not exceeding
 2.22 \$32,800,000 for capital expenditures as prescribed in the council's regional transit master
 2.23 plan and transit capital improvement program and for related costs, including the costs of
 2.24 issuance and sale of the obligations.

2.25 **EFFECTIVE DATE.** This section is effective the day following final enactment.

2.26 Sec. 13. Minnesota Statutes 2004, section 474A.062, is amended to read:

2.27 **474A.062 HESO 120-DAY ISSUANCE EXEMPTION.**

2.28 The Minnesota Higher Education Services Office is exempt from the 120-day
 2.29 issuance requirements in this chapter and may carry forward allocations for student loan
 2.30 bonds into ~~three~~ one successive calendar ~~years~~ year, subject to carryforward notice
 2.31 requirements of section 474A.131, subdivision 2. ~~The maximum cumulative carryforward~~
 2.32 ~~is limited to \$25,000,000.~~

2.33 **EFFECTIVE DATE.** This section is effective for bond allocations made in 2006
 2.34 and thereafter."

3.1 Page 6, after line 23, insert:

3.2 "Sec. 15. Laws 2005, chapter 152, article 1, section 39, subdivision 1, is amended to
3.3 read:

3.4 Subdivision 1. [ISSUANCE; PURPOSE.] Notwithstanding any provision of
3.5 Minnesota Statutes, chapter 298, to the contrary, the commissioner of Iron Range resources
3.6 and rehabilitation ~~may~~ shall, by June 1, 2006, issue revenue bonds in a principal amount
3.7 of \$15,000,000 in one or more series, and bonds to refund those bonds. The proceeds of
3.8 the bonds must be used to make grants to school districts located in the taconite tax relief
3.9 area defined in Minnesota Statutes, section 273.134, or the taconite assistance area defined
3.10 in Minnesota Statutes, section 273.1341, to be used by the school districts to pay for
3.11 health, safety, and maintenance improvements ~~but only if the school district has levied the~~
3.12 ~~maximum amount allowable under law for those purposes.~~ The amounts of proceeds to be
3.13 distributed to each district are as follows:

- 3.14 (1) Independent School District No. 511, Aitkin, \$600,000;
- 3.15 (2) Independent School District No. 695, Chisholm, \$700,000;
- 3.16 (3) Independent School District No. 166, Cook County, \$600,000;
- 3.17 (4) Independent School District No. 182, Crosby-Ironton, \$600,000;
- 3.18 (5) Independent School District No. 696, Ely, \$600,000;
- 3.19 (6) Independent School District No. 2154, Eveleth-Gilbert, \$1,000,000;
- 3.20 (7) Independent School District No. 318, Grand Rapids, \$600,000;
- 3.21 (8) Independent School District No. 316, Greenway, \$1,100,000;
- 3.22 (9) Independent School District No. 701, Hibbing, \$2,100,000;
- 3.23 (10) Independent School District No. 381, Lake Superior, \$600,000;
- 3.24 (11) Independent School District No. 2711, Mesabi East, \$3,600,000;
- 3.25 (12) Independent School District No. 712, Mt. Iron-Buhl, \$700,000;
- 3.26 (13) Independent School District No. 319, Nashwauk/Keewatin, \$700,000;
- 3.27 (14) Independent School District No. 2142, St. Louis County, \$600,000; and
- 3.28 (15) Independent School District No. 706, Virginia, \$900,000.

3.29

3.30 Sec. 16. CARVER COUNTY AUTHORITY NAME CHANGE.

3.31 The Carver County Housing and Redevelopment Authority created under Laws,
3.32 1980, chapter 482, is renamed the Carver County Community Development Agency.

3.33 Sec. 17. UNIFIED POOL; OFFICE OF HIGHER EDUCATION; TEMPORARY
3.34 PRIORITY.

4.1 Notwithstanding Minnesota Statutes, section 474A.091, subdivision 3, paragraph
4.2 (b), prior to October 1, 2006, only the following applications shall be awarded allocations
4.3 from the unified pool. Allocations shall be awarded in the following order of priority:

4.4 (1) applications for student loan bonds issued by or on behalf of the Office of
4.5 Higher Education;

4.6 (2) applications for residential rental project bonds;

4.7 (3) applications for small issue bonds for manufacturing projects; and

4.8 (4) applications for small issue bonds for agricultural development bond loan
4.9 projects.

4.10 **EFFECTIVE DATE.** This section is effective July 1, 2006.

4.11 **Sec. 18. UNIFIED POOL; TEMPORARY PRIORITY CHANGE.**

4.12 Notwithstanding Minnesota Statutes, section 474A.091, subdivision 3, paragraph
4.13 (c), on the first Monday in October 2006, through the last Monday in November 2006,
4.14 allocations shall be awarded from the unified pool in the following order of priority:

4.15 (1) applications for mortgage bonds;

4.16 (2) applications for public facility projects funded by public facility bonds;

4.17 (3) applications for small issue bonds for manufacturing projects;

4.18 (4) applications for small issue bonds for agricultural development bond loan
4.19 projects;

4.20 (5) applications for residential rental project bonds;

4.21 (6) applications for enterprise zone facility bonds;

4.22 (7) applications for governmental bonds; and

4.23 (8) applications for redevelopment bonds.

4.24 **EFFECTIVE DATE.** This section is effective July 1, 2006.

4.25 **Sec. 19. UNIFIED POOL; OFFICE OF HIGHER EDUCATION TOTAL**
4.26 **ALLOCATION.**

4.27 Notwithstanding Minnesota Statutes, section 474A.091, subdivision 3, paragraph (i),
4.28 the total amount of allocations for student loan bonds from the unified pool in calendar
4.29 year 2006 may not exceed 50 percent of the total in the unified pool on the day after the
4.30 last Monday in July, 2006.

4.31 **EFFECTIVE DATE.** This section is effective July 1, 2006.

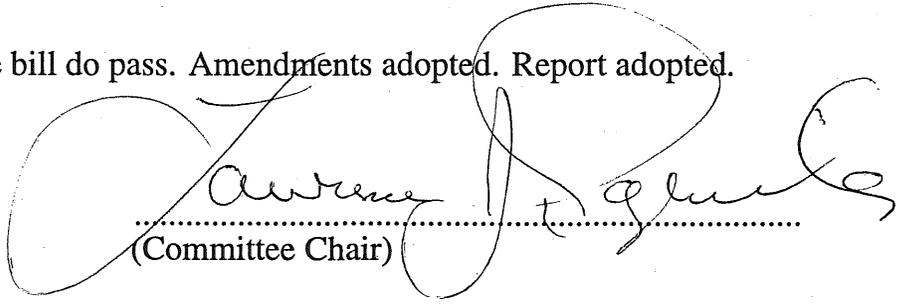
4.32 **Sec. 20. APPLICATION.**

5.1 Section 12 applies in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey,
5.2 Scott, and Washington."

Renumber the sections in sequence

5.4 Amend the title accordingly

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



.....
(Committee Chair)

5.6
5.7
5.8 April 5, 2006
5.9 (Date of Committee recommendation)

Senators Pogemiller and Belanger introduced--
S.F. No. 3131: Referred to the Committee on Taxes.

A bill for an act
relating to tax compliance; providing for income tax return processing; requiring
certain withholding returns be filed by electronic means; providing for a study
of certain audit positions within the Department of Revenue; providing for a
study of sales and use tax compliance assistance for taxpayers of limited English
proficiency; imposing a civil penalty; amending Minnesota Statutes 2004,
section 289A.09, by adding a subdivision; Minnesota Statutes 2005 Supplement,
sections 270C.01, subdivision 4; 289A.60, subdivision 21; proposing coding for
new law in Minnesota Statutes, chapter 270C.

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

Section 1. Minnesota Statutes 2005 Supplement, section 270C.01, subdivision 4, is
amended to read:

Subd. 4. **Electronic means; electronically.** "Electronic means" and "electronically"
mean a method that is electronic, as defined in section 325L.02, paragraph (e), and
that is prescribed by the commissioner. If permitted by the commissioner, it includes a
telephone communication.

EFFECTIVE DATE. This section is effective July 1, 2006.

**Sec. 2. [270C.415] INCOME TAX RETURN PROCESSING; AGREEMENT
WITH INTERNAL REVENUE SERVICE.**

The commissioner of revenue shall enter into an agreement with the United States
Internal Revenue Service to participate in a tax processing program whereby the Internal
Revenue Service processes electronically filed state returns together with the federal
returns. If possible, the ability of taxpayers to file property tax refund claims under chapter
290A with state income tax returns must be preserved.

2.1 Sec. 3. Minnesota Statutes 2004, section 289A.09, is amended by adding a subdivision
2.2 to read:

2.3 Subd. 1a. Employer returns; electronic means. If an employer is required to
2.4 remit deposits for wages paid by electronic means, under section 289A.20, subdivision 2,
2.5 paragraph (d), the employer must file each return for wages deducted and withheld under
2.6 section 290.92, subdivision 2a or 3, by electronic means.

2.7 EFFECTIVE DATE. This section is effective for returns due after June 30, 2006.

2.8 Sec. 4. Minnesota Statutes 2005 Supplement, section 289A.60, subdivision 21, is
2.9 amended to read:

2.10 Subd. 21. Penalty for failure to make payment or file return by electronic
2.11 means. (a) In addition to other applicable penalties imposed by this section, after
2.12 notification from the commissioner to the taxpayer that payments are required to be made
2.13 by electronic means under section 289A.20, subdivision 2, paragraph (e), or 4, paragraph
2.14 (c), or 289A.26, subdivision 2a, and the payments are remitted by some other means,
2.15 there is a penalty in the amount of five percent of each payment that should have been
2.16 remitted electronically.

2.17 (b) In addition to other applicable penalties imposed by this section, after notification
2.18 from the commissioner to the taxpayer that withholding tax returns are required to be filed
2.19 by electronic means under section 289A.09, subdivision 1a, if returns are filed by some
2.20 other means, a penalty is imposed in the amount of five percent of the tax payable on each
2.21 return that should have been filed electronically.

2.22 (c) After the commissioner's initial notification to the taxpayer that payments or
2.23 returns are required to be made by electronic means, the commissioner is not required to
2.24 notify the taxpayer in subsequent periods if the initial notification specified the amount
2.25 of tax liability at which a taxpayer is required to remit payments or file returns by
2.26 electronic means. The penalty can be abated under the abatement procedures prescribed
2.27 in section 270C.34, subdivision 2, if the failure to remit the payment electronically is
2.28 due to reasonable cause.

2.29 Sec. 5. JOINT STUDY BY COMMISSIONERS OF REVENUE AND
2.30 DEPARTMENT OF EMPLOYEE RELATIONS.

2.31 In order to increase compliance with income and franchise taxes and tax laws, the
2.32 commissioners of the Departments of Revenue and Employee Relations, in consultation
2.33 with the affected bargaining units, shall study the competitiveness of compensation of
2.34 tax compliance auditors within the Department of Revenue. The study shall consider

3.1 the performance of compliance auditors, including training, experience, employment
 3.2 classification, and duties. The study shall be completed by ^{October 15} ~~September 1~~, 2006, and the
 3.3 commissioner of employee relations shall implement its recommendations.

3.4 **EFFECTIVE DATE.** This section is effective the day following final enactment.

3.5 **Sec. 6. SALES AND USE TAX; SERVICES TO TAXPAYERS WITH LIMITED**
 3.6 **ENGLISH PROFICIENCY.**

3.7 The commissioner of revenue shall study and implement procedures and services
 3.8 that will assist sales and use taxpayers of limited English proficiency in complying with
 3.9 sales and use tax laws. The benefits of translating sales and use tax fact sheets, forms,
 3.10 and instructions into Spanish and other languages must be considered. In addition, the
 3.11 commissioner shall study how to direct taxpayers of limited English proficiency who
 3.12 contact the Department of Revenue by telephone to assistance in Spanish and other
 3.13 languages as determined by the commissioner. The commissioner shall report on the
 3.14 results of the study and a plan to implement them to the senate and house of representatives
 3.15 committees with jurisdiction over tax laws by February 1, 2007.

3.16 **EFFECTIVE DATE.** This section is effective the day following final enactment.

1.1 Senator moves to amend S.F. No. 3131 as follows:

1.2 Page 2, delete sections 3 and 4, and insert:

1.3 "Sec. 3. Minnesota Statutes 2004, section 289A.09, subdivision 2, is amended to
1.4 read:

1.5 Subd. 2. **Withholding statement to employee or payee and to commissioner.** (a)

1.6 A person required to deduct and withhold from an employee a tax under section 290.92,
1.7 subdivision 2a or 3, or 290.923, subdivision 2, or who would have been required to
1.8 deduct and withhold a tax under section 290.92, subdivision 2a or 3, or persons required
1.9 to withhold tax under section 290.923, subdivision 2, determined without regard to
1.10 section 290.92, subdivision 19, if the employee or payee had claimed no more than one
1.11 withholding exemption, or who paid wages or made payments not subject to withholding
1.12 under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2, to an employee or
1.13 person receiving royalty payments in excess of \$600, or who has entered into a voluntary
1.14 withholding agreement with a payee under section 290.92, subdivision 20, must give
1.15 every employee or person receiving royalty payments in respect to the remuneration paid
1.16 by the person to the employee or person receiving royalty payments during the calendar
1.17 year, on or before January 31 of the succeeding year, or, if employment is terminated
1.18 before the close of the calendar year, within 30 days after the date of receipt of a written
1.19 request from the employee if the 30-day period ends before January 31, a written statement
1.20 showing the following:

1.21 (1) name of the person;

1.22 (2) the name of the employee or payee and the employee's or payee's Social
1.23 Security account number;

1.24 (3) the total amount of wages as that term is defined in section 290.92, subdivision
1.25 1, paragraph (1); the total amount of remuneration subject to withholding under section
1.26 290.92, subdivision 20; the amount of sick pay as required under section 6051(f) of the
1.27 Internal Revenue Code; and the amount of royalties subject to withholding under section
1.28 290.923, subdivision 2; and

1.29 (4) the total amount deducted and withheld as tax under section 290.92, subdivision
1.30 2a or 3, or 290.923, subdivision 2.

1.31 (b) The statement required to be furnished by this paragraph with respect to any
1.32 remuneration must be furnished at those times, must contain the information required, and
1.33 must be in the form the commissioner prescribes.

1.34 (c) The commissioner may prescribe rules providing for reasonable extensions of
1.35 time, not in excess of 30 days, to employers or payers required to give the statements to
1.36 their employees or payees under this subdivision.

2.1 (d) A duplicate of any statement made under this subdivision and in accordance
2.2 with rules prescribed by the commissioner, along with a reconciliation in the form the
2.3 commissioner prescribes of the statements for the calendar year, including a reconciliation
2.4 of the quarterly returns required to be filed under subdivision 1, must be filed with the
2.5 commissioner on or before February 28 of the year after the payments were made.

2.6 (e) If an employer cancels the employer's Minnesota withholding account number
2.7 required by section 290.92, subdivision 24, the information required by paragraph (d),
2.8 must be filed with the commissioner within 30 days of the end of the quarter in which
2.9 the employer cancels its account number.

2.10 (f) The employer must submit the statements required to be sent to the commissioner
2.11 ~~on magnetic media, if the magnetic media was required to satisfy the federal reporting~~
2.12 ~~requirements of section 6011(c) of the Internal Revenue Code and the regulations issued~~
2.13 ~~under it by electronic means.~~

2.14 (g) A "third-party bulk filer" as defined in section 290.92, subdivision 30, paragraph
2.15 (a), clause (2), must submit the returns required by this subdivision and subdivision 1,
2.16 paragraph (a), with the commissioner by electronic means.

2.17 **EFFECTIVE DATE.** This section is effective for returns due after June 30, 2006."

2.18 Renumber the sections in sequence and correct the internal references

2.19 Amend the title accordingly

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

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Senate

State of Minnesota

S.F. No. 3131 - Tax Compliance Initiatives

Author: Senator Lawrence Pogemiller

Prepared by: Michelle Allen, Senate Counsel (651/296-0558)

Date: April 3, 2006

Section 1. This section adds telephonic communication to the definition of electronic means, if allowed by the commissioner of revenue.

Section 2. This section requires the Department of Revenue to participate with the federal government's electronic processing of returns program.

Section 3. This section requires those employers who must electronically remit deposits for wages to also electronically file returns for deducted and withheld wages.

Section 4. This section imposes a five percent penalty for failure to file withholding tax returns electronically following notification that the withholding returns are required to be filed electronically.

Section 5. This section orders the commissioners of revenue and employee relations to conduct a study on the competitiveness of compensation and the performance of tax compliance auditors within the Department of Revenue. The study must be completed by September 1, 2006, and the commissioner of employee relations must implement its recommendations.

Section 6. This section orders the commissioner of revenue to study and implement procedures and services to assist sales and use taxpayers of limited English proficiency in complying with the sales and use tax laws. The commissioner must also study how the Department of Revenue can better assist telephone callers with limited English proficiency. The commissioner is ordered to report on the results of the study and a plan to implement them to the senate and house of representatives tax committees by February 1, 2007.

MJA:dv

MINNESOTA · REVENUE

INDIVIDUAL INCOME TAX PROPERTY TAX REFUND SALES AND USE TAX Tax Compliance

April 4, 2006

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of H. F. 3479 (Hansen) / S. F. 3131 (Pogemiller)

The bill contains several provisions related to tax compliance.

- It provides for the Commissioner of Revenue to enter into an agreement with the Internal Revenue Service to participate in a program whereby the IRS processes electronically-filed state income tax returns together with the federal returns.
- It requires employer withholding returns to be filed electronically for employers required to pay electronically and provides penalties for failure to comply.
- It requires the Departments of Revenue and Employee Relations to study the competitiveness of compensation for tax compliance auditors in the Department of Revenue. The study must be completed by September 1, 2006, and the Commissioner of Employee Relations must implement its recommendations.
- It mandates that the Commissioner of Revenue study and implement procedures and services to facilitate compliance with sales and use tax laws by individuals of limited proficiency in English. The results of the study and plans for implementation are due by February 1, 2007.

The bill would have no revenue impact.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy

hf3479(sf3131)_1/gt

Senators Bakk, Vickerman, Jungbauer and Saxhaug introduced-
S.F. No. 3455: Referred to the Committee on Transportation.

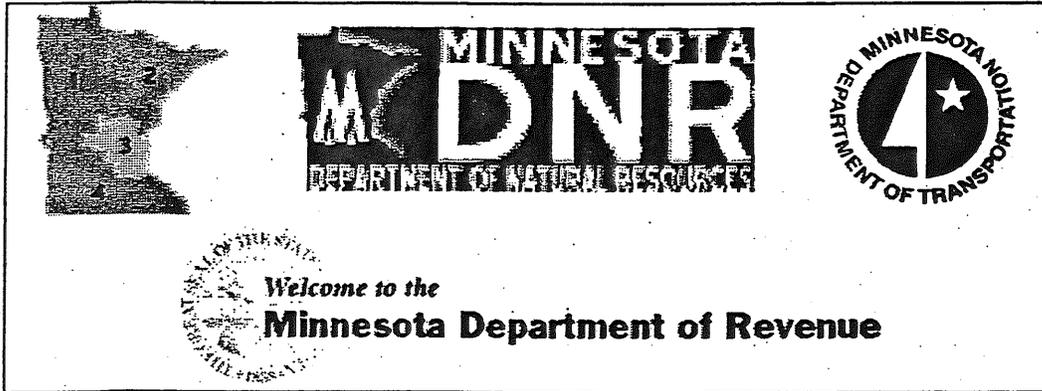
A bill for an act
relating to taxation; modifying the amount of gasoline fuel tax attributable to the
use of all-terrain vehicles; amending Minnesota Statutes 2004, section 296A.18,
subdivision 4.

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

Section 1. Minnesota Statutes 2004, section 296A.18, subdivision 4, is amended to
read:

Subd. 4. **All-terrain vehicle.** Approximately ~~0.15~~ 0.27 of one percent of all gasoline
received in or produced or brought into this state, except gasoline used for aviation
purposes, is being used for the operation of all-terrain vehicles in this state, and of the total
revenue derived from the imposition of the gasoline fuel tax, ~~0.15~~ 0.27 of one percent is
the amount of tax on fuel used in all-terrain vehicles operated in this state.

**STUDY OF ANNUAL
RECREATIONAL FUEL
CONSUMPTION BY ALL-TERRAIN
VEHICLES (ATVs)
FINAL REPORT**



FEBRUARY 2006

Prepared for:
Minnesota Departments of Natural Resources,
Revenue, and Transportation

Prepared by:
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I. UNDERSTANDING

A. Introduction. In 2005, the Minnesota Legislature requested (Laws of Minnesota, 2005, 1st Special Session, Chapter 1, Article 2, Section 3, Subd. 6) that the Departments of Natural Resources, Revenue, and Transportation determine the percentage of highway taxable gasoline used by all-terrain vehicles (ATVs) for recreation (i.e., for non-business purposes). The Departments of Natural Resources, Revenue, and Transportation hired ThomTech Design, Inc. of St. Paul to conduct this study of ATV gasoline usage.

B. Background. The study results will provide information to the Minnesota Legislature on the allocation of gasoline-tax dollars to all-terrain vehicle programs, which is specified in MS 296A.18, Subd. 4. A previous study was done in 1984 ("Three-Wheel Off-Road Vehicle Gasoline Consumption in Minnesota"), and this study provides an update of the 1984 study.

II. GOALS & OBJECTIVES

A. General. The goals of the project were (1) to estimate annual recreational gas consumption by all-terrain vehicles (ATVs), and (2) to provide information to allocate gas-consumption among different ATV-facility types, including public land, trails, and forest roads; public roads right of way; and private land, trails, and roads.

B. Approach. These recreational gas consumption estimates (the study results) were derived from ATV-owner surveys. A single mail-out survey to meet the requirements of both goals was administered as part of the study methodology. One survey was used because the requirements of the first goal are a subset of the second goal, except for the use inside and outside of Minnesota. In preparing the survey instrument, two focus groups were conducted. One focus group was devoted to each of the two goals. The purpose of each focus group was to validate the survey questions with an actual group of ATV owners.

C. Goals 1 & 2. For the two goals, the expectation was a minimum of 1500 completed surveys with a minimum return rate of 65 percent. A mail-survey technique with three mailings was administered (see Figure 1 for predicted results and Figure 2 for actual results of the three mailings). The names and addresses of ATV owners contained in the ATV-registration file maintained by the DNR formed the candidate pool. Telephone numbers were not available from this registration file. The population of ATVs for the survey was restricted to ATVs registered for recreational purposes. Figure 3 provides a diagram of the project goals.

#11

**Where ATVs Are Ridden:
An Analysis of Data Collected for the Minnesota
Department of Natural Resources**

By

Gene Larimore, JackPine Coalition

Introduction

In 2005 the Minnesota legislature directed the Minnesota Departments of Natural Resources (DNR), Revenue, and Transportation to determine the percentage of highway-taxable gasoline used by ATVs for recreation, that is, for non-business purposes. The DNR hired ThomTech Design, Inc. of St. Paul to conduct a study to find out this information.

ThomTech prepared a report describing how their study was conducted and what the study results were. The DNR released this report, *Study of Annual Recreational Fuel Consumption by All-Terrain Vehicles (ATVs) Final Report*, on March 1, 2006. The report states that "the goals of the project were (1) to estimate annual recreational gas consumption by all-terrain vehicles (ATVs) and (2) to provide information to allocate gas consumption among different ATV-facility types, including public land, trails, and forest roads; public roads right of way; and private land, trails, and roads."

In other words, goal 1 addressed the issue of ATV gas consumption and goal 2 addressed the issue of where ATVs are ridden for recreational purposes.

Thomtech Design Study Methodology

The report states that "a single mail-out survey to meet the requirements of both goals was administered as part of the study methodology. One survey was used because the requirements of the first goal are a subset of the second goal, except for the use inside and outside of Minnesota."

ThomTech Design convened two focus groups in order to test and refine the survey instrument that would be sent to randomly selected owners of appropriately registered ATVs. Focus group participants were selected from owners of registered ATVs in the Twin Cities area. One focus group dealt with goal 1, trying to determine how best to phrase questions regarding ATV gas consumption in the previous twelve months. The second focus group dealt with goal 2, trying to develop a set of questions intended to elicit information on where (in which county or counties) the survey respondent's ATV was being ridden and the number of days that the ATV was used on the different types of facilities. Over two pages of a three-and-a-half-page survey instrument were devoted to capturing data regarding goal 2.

A random sample of 2,400 registered ATV owners was drawn from the DNR file of ATVs registered for recreational use and their owners. The return rate, 77% (1,775 respondents), was good for this kind of research. Some (241) of the returned surveys were not used in ThomTech's analysis and their reasons for not using them are well described in the report. ThomTech's analysis of data regarding goal 1 was therefore based on 1534 returned surveys.

Thomtech Design Study Results

The analysis of goal 1 data (gas consumption) shows that "Minnesota had 236,683 ATVs with recreational registrations in 2005. Based on the study results, the average ATV used about 30 gallons of gasoline annually for recreation purposes."

Inexplicably, no analysis of goal 2 data was presented. After financing the investment to prepare for capturing data on goal 2 and after spending resources to actually capture the goal 2 data, the DNR chose not to require ThomTech to analyze and report on this important information.

Why It Is Important to Know Where ATVs are Ridden

The theory behind the allocation of gas tax money to the ATV account at the DNR rests on the belief that if people are riding ATVs or other off-road vehicles recreationally, the gas tax that they pay for fuel used in their recreational riding does not need to go to the Highway User Tax Distribution Fund, which, with some exceptions, receives gas tax money from fuel used for driving on public roads. Pointing to the gas tax money that recreational ATV riders pay when purchasing fuel for their machines, advocates of recreational ATV riding have lobbied to use this money to fund trail accounts at the DNR.

There is not a good rationale for using gas taxes paid by people who are riding on their own lands or the lands of other private landowners, and transferring it for use on public trails that those riders don't use. Similarly, it is inappropriate to use gas tax dollars attributable to ditch riding for ATV trails when the Highway User Tax Distribution Fund needs those dollars to repair damage to ditches done by ATV riders.

Consequently, it is important to know how much ATV riding is done on public lands and trails versus how much is done on private lands or road right-of-ways.

Additional Analysis

When Senator Marty learned that the ThomTech report had not analyzed the data obtained in the survey regarding goal 2, he requested a copy of the entire study data set. The DNR promptly provided this data in the form of a spreadsheet. Senator Marty provided this data set to me for analysis.

The data set contained 1,534 records. These records contain the responses of 1,534 respondents to the survey. In examining these records, I found there were serious inconsistencies with the data regarding goal 2. It was obvious that large numbers of respondents had not understood the directions provided in the survey. Some respondents simply left some survey questions unanswered. Others provided answers that did not make sense. I considered a record unusable for analysis if the total riding days in the county where the ATV was most often ridden did not equal the sum of riding days on private land,

public land, and ditches in that county. One could try to figure out what the respondent intended, but there is no certain way of understanding their intent. A quick review of the rejected records did not appear to change the results significantly, so I decided to reject any response that could be challenged for lack of clarity.

Of the original 1,534 records obtained from the DNR, 553 failed my simple test and were excluded from the analysis. In other words I was left with a usable data set of 981 records, 64% of the data set I had received.

An analysis of the data from the 981 records that contain usable data reveals this breakdown* of where ATV riding days are spent:

- 72% on private lands and trails
- 15% on public road ditches
- 15% on public lands and trails

*Because of rounding, these figures do not add up to 100%.

Conclusion

This analysis of data regarding where ATVs are ridden should have been completed by the DNR because it is relevant and important for the proper allocation of gas tax funds. We completed the data analysis because it is not possible to accurately allocate those funds without this information. The analysis provides results that will surprise some readers. However, an earlier report released by the DNR in 2001 reported similar findings. That report, *An OHV Recreation Planning Tool*, showed that over half of ATV owners never use ATVs registered for recreation for riding in forests. The 2001 report also demonstrated that 10% of ATV owners accounted for 57% of all forest riding. The public and the legislature have been told for years that hundreds of thousands of ATV owners were demanding a place to ride. The analysis shows that most ATV riders have a place to ride: private property.

The analysis also shows that ATV riding on public land makes up a small portion, less than 15%, of recreational ATV riding. Consequently, the gas tax money transferred from the Highway User Tax Distribution Fund to the ATV trails account should be only 15% of the recreational gas consumed by all ATVs.

Based on the analysis of all data from the new gas tax study conducted by ThomTech Design, Inc., for the Minnesota Department of Natural Resources, it is apparent that the transfer from the Highway User Tax Distribution Fund to the DNR ATV trails account should be reduced to a total of approximately \$210,000, instead of receiving an increase.