

A bill for an act

relating to higher education; providing a process for state support of a football stadium at the University of Minnesota; appropriating money; amending Minnesota Statutes 2004, sections 297A.71, by adding a subdivision; 340A.404, subdivision 4a; proposing coding for new law in Minnesota Statutes, chapter 473.

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

Section 1. [295.61] SPORTS MEMORABILIA TAX.

Subdivision 1. Tax. A tax is imposed on each sale at wholesale of sports memorabilia in the state. The rate of the tax is 13 percent of the gross revenues from the sale.

Subd. 2. Definitions. (a) For purposes of this section, the following terms have the meanings given them.

(b) "Buyer" means any person that purchases sports memorabilia at wholesale.

(c) "Commissioner" means the commissioner of revenue.

(d) "Sale" means a transfer of title or possession of tangible personal property, whether absolutely or conditionally.

(e) "Sports memorabilia" means items available for sale to the public that are sold under a license granted by a professional sports league, association or team, the National Collegiate Athletic Association (NCAA), an NCAA Division I college or university, and NCAA affiliated or corresponding member, or by an individual athlete, including:

(1) one-of-a-kind items related to sports figures, teams, or events;

(2) trading cards;

(3) photographs;

(4) clothing;

(5) sports event licensed items;

(6) sports equipment; and

2.1 (7) similar items.

2.2 (f) "Wholesale" or "sale at wholesale" means a sale to a retailer, as defined in section
2.3 297A.01, subdivision 10, for the purpose of reselling the property to a third party.

2.4 (g) "Wholesaler" means any person making wholesale sales of sports memorabilia
2.5 to purchasers in the state.

2.6 Subd. 3. **Quarterly estimated payments.** (a) Each wholesaler must make estimated
2.7 payments of the tax for the calendar year to the commissioner in quarterly installments by
2.8 April 15, July 15, October 15, and January 15 of the following calendar year.

2.9 (b) Estimated tax payments are not required if the tax for the calendar year is less
2.10 than \$500.

2.11 (c) An underpayment of estimated installments bears interest at the rate specified in
2.12 section 270.75, from the due date of the payment until paid or until the due date of the
2.13 annual return at the rate specified in section 270.75. An underpayment of an estimated
2.14 installment is the difference between the amount paid and the lesser of (1) 90 percent of
2.15 one-quarter of the tax for the calendar year, or (2) the tax for the actual gross revenues
2.16 received during the quarter.

2.17 Subd. 4. **Electronic funds-transfer payments.** A taxpayer with an aggregate tax
2.18 liability of \$120,000 or more during a fiscal year ending June 30, must remit all liabilities
2.19 by funds-transfer as defined in section 336.4A-104, paragraph (a), in the next calendar
2.20 year. The funds-transfer payment date, as defined in section 336.4A-401, is on or before
2.21 the first funds-transfer business day after the date the tax is due.

2.22 Subd. 5. **Annual return.** The taxpayer must file an annual return reconciling the
2.23 estimated payments by March 15 of the following calendar year.

2.24 Subd. 6. **Form of returns.** The estimated payments and annual return must contain
2.25 the information and be in the form prescribed by the commissioner.

2.26 Subd. 7. **Use tax.** If the tax is not paid under this section, a tax is imposed on
2.27 possession for sale or use of sports memorabilia in the state. The rate of tax equals the rate
2.28 under this section, and must be paid by the possessor of the items.

2.29 Subd. 8. **Application of other chapters.** Unless specifically provided otherwise by
2.30 this section, the enforcement, interest, and penalty provisions under chapter 294, appeal
2.31 provisions in sections 289.65 and 289A.43, criminal penalties under section 289A.63,
2.32 refund provisions in section 289A.50, and collection and rulemaking provisions under
2.33 chapter 270, apply to the tax under this section.

2.34 Subd. 9. **Disposition of revenues.** The commissioner shall deposit all revenues,
2.35 including interest and penalties, derived from the tax imposed under this section in the
2.36 state treasury.

3.1 **EFFECTIVE DATE.** This section is effective for sales after December 31, 2006.

3.2 Sec. 2. **DEFINITIONS.**

3.3 Subdivision 1. **Applicability.** The definitions in this section apply to sections 3 to 9.

3.4 Subd. 2. **Commissioner.** "Commissioner" means the commissioner of finance.

3.5 Subd. 3. **Stadium.** "Stadium" means an athletic stadium suitable for intercollegiate
3.6 National Collegiate Athletic Association (NCAA) Division I football games and related
3.7 infrastructure improvements constructed on the University of Minnesota's east bank
3.8 campus in the city of Minneapolis.

3.9 Subd. 4. **Board.** "Board" means the Board of Regents of the University of
3.10 Minnesota.

3.11 Subd. 5. **Commission.** "Commission" means the Metropolitan Sports Facilities
3.12 Commission.

3.13 Sec. 3. **ACTIVITIES; CONTRACTS.**

3.14 The legislature recognizes that the board has all powers necessary or convenient for
3.15 designing, constructing, equipping, improving, controlling, operating, and maintaining the
3.16 stadium and may enter into contracts that are, in its judgment, in the best interests of the
3.17 public for those purposes. Notwithstanding contrary law, the board may adopt the fair
3.18 and competitive design and construction procurement procedures in connection with
3.19 the stadium that it considers to be in the public interest. The total cost of the stadium,
3.20 including the costs of issuing bonds and purchasing bond insurance or other credit
3.21 enhancements or funding reserves, plus the costs of mitigation required by section 6, must
3.22 not exceed \$248,000,000. The board must ensure to the greatest extent practicable, that
3.23 materials derived from American-made steel are used in the construction of the stadium.
3.24 Minnesota Statutes, sections 16B.33 and 16B.335, do not apply to the stadium.

3.25 Sec. 4. **ENVIRONMENTAL REVIEW.**

3.26 The commissioner must not make an annual payment required by this act until the
3.27 board has completed an environmental review of the stadium project and the commissioner
3.28 determines that the board is performing the duties of the responsible governmental unit
3.29 as prescribed in the Minnesota Environmental Policy Act, Minnesota Statutes, chapter
3.30 116D, and the rules adopted under that chapter. The legislature ratifies the Environmental
1 Quality Board's designation of the board as a responsible governmental unit.

3.32 Sec. 5. **CONDITIONS FOR PAYMENT TO THE UNIVERSITY.**

4.1 Subdivision 1. **Nonstate revenues required.** Before the commissioner may make
4.2 the first payment to the board authorized in this section, the commissioner must certify
4.3 that the board has received at least \$75,300,000 in pledges, gifts, sponsorships, and other
4.4 nonstate general fund revenue support for the construction of the stadium.

4.5 Subd. 2. **Prohibited funding sources.** No part of the money required to be obtained
4.6 by the board under subdivision 1 may be derived from:

4.7 (1) increased fees or charges imposed on students attending the University of
4.8 Minnesota; or

4.9 (2) money paid by any nonpublic entity as consideration for the right to determine
4.10 the name of the stadium.

4.11 Subd. 3. **Annual state payments; appropriation.** On July 1 of each year after
4.12 certification by the commissioner, but no earlier than July 1, 2007, and for so long
4.13 thereafter as any bonds issued by the board for the construction of the stadium are
4.14 outstanding, the state must transfer to the board up to \$12,900,000 to reimburse the board
4.15 for its stadium costs, provided that bonds issued to pay the state's share of the costs shall
4.16 not exceed \$172,700,000.

4.17 Up to \$12,900,000 is appropriated annually from the general fund for the purpose
4.18 of this section. The board must certify to the commissioner the amount of the annual
4.19 payments of principal and interest required to service bonds issued by the university for
4.20 the construction of the stadium, and the actual amount of the state's annual payment to the
4.21 university must equal the amount required to service the bonds representing the state's
4.22 share of the costs. Except to the extent of the annual appropriation described in this section,
4.23 the state is not required to pay any part of the cost of designing or constructing the stadium.

4.24 Subd. 4. **Affordable student access.** Before the first payment is made under
4.25 subdivision 3, the board must certify to the commissioner that a provision for affordable
4.26 access for university students to the university sporting events held at the football stadium
4.27 has been made.

4.28 Sec. 6. **NO FULL FAITH AND CREDIT.**

4.29 Any bonds or other obligations issued by the board under this act are not public debt
4.30 of the state, and the full faith and credit and the taxing powers of the state are not pledged
4.31 for their payment, or of any payments that the state agrees to make under this act.

4.32 Sec. 7. **MITIGATION FUND.**

4.33 The Board of Regents is requested to cooperate with the reconstituted stadium
4.34 area advisory group described in the University of Minnesota On-Campus Football

5.1 Stadium-Final EIS, dated February 13, 2006, to mitigate the impact of the construction
5.2 and operation of the stadium. The board shall also establish a mitigation fund for the
5.3 support of community initiatives that relate to the impacts of the operation of the stadium.
5.4 The university shall deposit \$1,000,000 into a fund to be managed by the Board. Income
5.5 from the fund shall be made available exclusively to pay for mitigation activities. The use
5.6 of the funds must be coordinated through the reconstituted stadium area advisory group.

5.7 **Sec. 8. NEIGHBORHOOD IMPACT REPORT.**

5.8 The Board of Regents and the city of Minneapolis are requested to work with the
5.9 reconstituted stadium area advisory group described in the University of Minnesota
5.10 On-Campus Football Stadium-Final EIS, dated February 13, 2006, to assess and prepare a
5.11 report of the impact of the university on the surrounding community and the relationship
5.12 of the community to the university. The report shall include, but not be limited to, an
5.13 assessment of:

5.14 (1) the direct and indirect impacts of the university on the surrounding community,
5.15 addressing issues of public safety, transportation, and housing quality, availability, and
5.16 affordability;

5.17 (2) opportunities and strategies to improve coordination between the university,
5.18 surrounding residential and business areas, and the city of Minneapolis;

5.19 (3) strategies for strengthening and revitalizing the neighborhoods and commercial
5.20 business areas and supporting economic development; and

5.21 (4) identification of the best practices and strategies for building partnerships among
5.22 the stakeholders.

5.23 The report shall include consensus recommendations from the University of
5.24 Minnesota, the city of Minneapolis, and the reconstituted stadium area advisory group for
5.25 short- and long-term solutions to ongoing issues and concerns and shall include projected
5.26 costs and benefits of the recommendations made. The report shall be submitted to the
5.27 governor and the legislature by January 15, 2007.

5.28 **Sec. 9. EMINENT DOMAIN.**

5.29 The board may not acquire the fire station number 19 building for the construction
5.30 of the stadium and related infrastructure, either directly or indirectly, through the exercise
5.31 of the power of eminent domain.

5.32 **Sec. 10. Minnesota Statutes 2004, section 297A.71, is amended by adding a**
5.33 **subdivision to read:**

6.1 **Subd. 37. Construction materials; University of Minnesota football stadium.**
6.2 Materials, supplies, or equipment used or consumed in connection with the construction,
6.3 equipping, or improvement of a football stadium constructed for use by the University
6.4 of Minnesota are exempt. This subdivision expires one year after substantial completion
6.5 of the football stadium.

6.6 Sec. 11. Minnesota Statutes 2004, section 340A.404, subdivision 4a, is amended to
6.7 read:

6.8 Subd. 4a. **State-owned recreation; entertainment facilities.** Notwithstanding any
6.9 other law, local ordinance, or charter provision, the commissioner may issue on-sale
6.10 intoxicating liquor licenses:

6.11 (1) to the state agency administratively responsible for, or to an entity holding a
6.12 concession or facility management contract with such agency for beverage sales at, the
6.13 premises of any Giants Ridge Recreation Area building or recreational improvement area
6.14 owned by the state in the town of White, St. Louis County;

6.15 (2) to the state agency administratively responsible for, or to an entity holding a
6.16 concession or facility management contract with such agency for beverage sales at, the
6.17 premises of any Ironworld Discovery Center building or facility owned by the state at
6.18 Chisholm; and

6.19 (3) to the Board of Regents of the University of Minnesota for events at Northrop
6.20 Auditorium and spectator suites and club facilities in any intercollegiate football stadium
6.21 constructed by the university on its Minneapolis campus.

6.22 The commissioner shall charge a fee for licenses issued under this subdivision in an
6.23 amount comparable to the fee for comparable licenses issued in surrounding cities.

6.24 Sec. 12. **[473.5955] TERMINATION OF LEASE.**

6.25 The lease between the Board of Regents of the University of Minnesota and the
6.26 commission dated May 19, 1982, that requires the University of Minnesota football team
6.27 to play its home football games at the Hubert H. Humphrey Metrodome until July 1,
6.28 2012, may be terminated by the board and the commission effective on or after the date
6.29 designated by the board as the date of completion of the stadium on the University of
6.30 Minnesota's east bank campus in the city of Minneapolis.

6.31 Sec. 13. **EFFECTIVE DATE.**

6.32 Sections 1 to 10 are effective the day following final enactment.

ROLL CALL VOTE

Date: 5/3/06

Senator Limmer requested a Roll Call Vote on:

1. ___ adoption of _____ amendment
2. X passage of S.F. No. 2460 as amended
3. ___ adoption of _____ motion _____

SENATOR	YES	NO	PASS	ABSENT
Pogemiller	✓			
Bakk	✓			
Belanger		✓		
Betzold	✓			
Johnson		✓		
Limmer		✓		
Marty	✓			
McGinn		✓		
Moua	✓			
Ortman		✓		
Skoe	✓			
Tomassoni	✓			
TOTALS	<u>7</u>	<u>5</u>		

There being 7 Yes votes and 5 No votes the Motion:

Prevailed X

Did Not Prevail _____

COMMITTEE REPORT - WITH AMENDMENTS

Committee on Taxes

S .F. No. 2460

Resolution

Re-referred (from another committee)

Amendments:

A-8

A-11

pg 4, line 14, delete "clubs" and insert "club facilities"

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).

5/3/06 (date of committee recommendation)



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For Immediate Release

5/2/2006

NEWS RELEASE KRINKIE ANNOUNCES \$1 BILLION TAX CUT BILL

ST. PAUL – State Rep. Phil Krinkie (R-Lino Lakes) today released details of a proposed House omnibus tax bill that includes an already passed property tax rebate and which provides for more than \$1 billion in tax reductions over three years. The legislation includes income tax rate reductions, levy relief for schools and increased funding for Local Government Aid (LGA).

“We have a plan for real tax reform and relief,” said Krinkie, chair of the House Tax Committee. “Not only does this bill fund LGA and levy reductions, it also reduces income taxes for all income earners. This is a balanced approach to tax reform which provides tax relief to every working family in Minnesota.”

The proposed tax relief package utilizes a projected \$1.1 billion surplus in the 2008-09 fiscal years.

The bill provides more than \$400 million in income tax reductions. It would reduce income tax rates on the bottom and middle tax brackets. The current 5.35% rate would drop to 5% and the middle 7.05% rate would drop to 6.75%. In addition, the bill would eliminate the marriage penalty in the state income tax code.

“While Minnesota’s property tax burden is average when compared to other states, our income taxes remain some of the highest in the nation,” Krinkie said. “If you want to provide Minnesota with real tax relief, we should target that relief to where it hurts most.”

The bill would also provide significant additional state aid to local units of government by fully funding LGA (\$118 million) and spending some \$100 million for K-12 levy relief. The bill will also give veterans pension tax relief, offers deductibility for health insurance premiums and charitable donations, and accelerates the move to the single sales factor for business taxes. The bill would also increase the homestead exemption for farmers and offers a new way for school districts to raise referendum dollars.

“At a time when the state has positive revenue forecasts and budget surpluses, the Minnesota Senate wants to raise your taxes,” said House Speaker Steve Sviggum. “House Republicans are providing tax relief. This is a comprehensive solution that addresses the high taxes we bear in Minnesota.”

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Posted on Wed, May. 03, 2006

House GOP unveils tax plan

BY PATRICK SWEENEY

Pioneer Press

Republicans in the Minnesota House called today for about \$800 million in tax cuts — most of which would not go into effect until 2009.

The signature component of the package of tax cuts is a \$400 million reduction over two years in state income taxes that would be accomplished by lowering two of the three income tax rates that kick in as Minnesotans' incomes rise. The income tax cuts would not be available until state residents pay their 2008 state income taxes in the spring of 2009.

Some pieces of the House package overlap with a tax bill already passed by the Senate, but the two bills differ dramatically in most respects. For example, the Senate bill would significantly reduce the tax breaks available to businesses with foreign operations in order to afford tax cuts for individuals.

The House Republican bill largely banks on an improving economy to produce enough state revenue over the next three years so the state could afford the income tax cuts by the time they become available. Part of the money that would pay for the tax cuts is already predicted as a revenue surplus during the budget cycle that runs from mid-2007 to mid-2009.

The Senate is virtually certain to reject that approach, and the income tax cuts are not likely to become law this year.

Other major parts of the tax cuts proposed by the House Republicans include:

- A \$100 million reduction in school property taxes that lawmakers approved just last summer.
- A \$118 million increase in state aid to local governments to help cities restrain property tax increases.
- About \$75 million in new income tax deductions, also available in 2009, for people who pay health insurance premiums.
- Increased deductions for people who make charitable donations, but do not file itemized returns.

The House tax plan was announced at a news conference by House Taxes Committee Chairman Phil Krinkie and House Speaker Steve Sviggum. The Taxes Committee is scheduled to consider the proposal late this afternoon.

On Tuesday, the House approved another tax bill that would give homeowners \$276 million worth of property tax rebates this fall — provided the state Supreme Court upholds a 75-cents-a-pack cigarette fee that lawmakers and Gov. Tim Pawlenty enacted last summer.

Patrick Sweeney covers state government and its effect on Minnesotans. He can be reached at psweeney@pioneerpress.com or 651-228-5253.