

Senators Reiter, Bachmann and McGinn introduced-
S.F. No. 2551: Referred to the Committee on Taxes.

A bill for an act
relating to taxation; individual income; providing an income tax checkoff to fund
benefits for survivors of law enforcement officers and firefighters and providing
for maintenance of peace officer and firefighter memorials; establishing an
advisory council; requiring a report; proposing coding for new law in Minnesota
Statutes, chapter 290.

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

Section 1. [290.433] PUBLIC SAFETY OFFICER CHECKOFF.

Subdivision 1. Public safety officer memorial and survivor account. Every individual who files an income tax return may designate on their original return that \$1 or more shall be added to the tax or deducted from the refund that would otherwise be payable by or to that individual and paid into a public safety officer memorial and survivor account in the special revenue fund. The commissioner of revenue shall, on the income tax return, notify filers of their right to designate that a portion of their tax or refund shall be paid into the public safety officer memorial and survivor account. The sum of the amounts so designated to be paid must be credited to the account. The account may be used by the commissioner of public safety to make grants to public safety officer associations that assist in building and preserving state memorial monuments, assist the families of public safety officers killed in the line of duty, award scholarships to surviving family members, and otherwise provide services relating to public safety officers killed in the line of duty. All interest earned on money accrued, gifts to the program, contributions to the program, and reimbursements of expenditures must be credited to the account. All money in the account is appropriated to the commissioner of public safety for purposes of this section.

Subd. 2. Use of funds. The state pledges and agrees with all contributors to the account to use the funds contributed solely for the maintenance of public safety officer

2.1 memorials and for the benefit of survivors of Minnesota public safety officers killed in the
 2.2 line of duty and further agrees that it will not impose additional conditions or restrictions
 2.3 that will limit or otherwise restrict the ability of the commissioner of public safety, in
 2.4 consultation with the public safety officer memorial and survivor account advisory council,
 2.5 to award grants from the available funds in the most efficient and effective manner.

2.6 Subd. 3. Report. The commissioner of public safety must report by January 1
 2.7 of each year to the chairs and ranking minority members of the legislative committees
 2.8 and divisions with jurisdiction over criminal justice policy and funding on the number,
 2.9 amounts, and use of grants issued from the account in the previous year.

2.10 Subd. 4. ^{ci}Advisory counsel. A public safety officer memorial and survivor
 2.11 account advisory council is established to advise the commissioner of public safety on
 2.12 the distribution of grants under this section. The council must consist of eight members,
 2.13 one from each of the following organizations: the Minnesota Law Enforcement Memorial
 2.14 Association, the Minnesota Police and Peace Officers Association, the Minnesota Chiefs
 2.15 of Police Association, the Minnesota Sheriffs Association, the Minnesota State Fire
 2.16 Department Association, the Minnesota State Fire Chiefs Association, the Minnesota
 2.17 Ambulance Association, and the Minnesota Emergency Medical Services Association.
 2.18 The council member is the executive director or president of the organization, or that
 2.19 person's designee. Members must serve without compensation. The commissioner
 2.20 must consider the advisory council's recommendations ~~before awarding grants under~~
 2.21 ~~this section.~~ *in recommending the departmental*

funding needs to

budget to the Governor and legislature.

2.22 Subd. 5. Definitions. As used in this section, "killed in the line of duty" and "public
 2.23 safety officer" have the meanings given in section 299A.41.

2.24 EFFECTIVE DATE. This section is effective for income tax returns for taxable
 2.25 years beginning after December 31, 2005.

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

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S.F. No. 2551 - Public Safety Officer Checkoff

Author: Senator Mady Reiter

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

Date: May 4, 2006

This bill allows individuals to designate on their income tax returns that \$1 be paid into a public safety officer memorial and survivor account. The account may be used by the commissioner of public safety to make grants to public safety officer associations that build and preserve state memorial monuments or assist family members of officers killed in the line of duty.

MJA:dv

MINNESOTA REVENUE

INDIVIDUAL INCOME TAX Public Safety Memorial Checkoff

April 24, 2006

Department of Revenue
Analysis of H.F. 2995 (Vandever) / S.F. 2551 (Reiter)

	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)			
Public Safety Officer Memorial and Survivor Account, Special Revenue Fund	\$0	\$260	\$280	\$310

Effective beginning with tax year 2006.

EXPLANATION OF THE BILL

Current Law: A taxpayer-funded nongame wildlife checkoff is on the individual income tax return, property tax refund return, and corporate franchise tax return.

Proposed Law: This bill would establish a new taxpayer-funded checkoff on the individual income tax form allowing the taxpayer to designate \$1 or more to be added to the tax or deducted from the refund to be paid into a public safety officer memorial and survivor account.

REVENUE ANALYSIS DETAIL

- The current nongame wildlife checkoff is used on about 3% of income tax returns with an average of \$14.89 in tax year 2004 for a total of \$1.0 million from approximately 68,000 returns.
- It will be assumed a new checkoff will not match that level for several years, even though it might appeal to a different segment of the taxpaying public.
- It is estimated that the proposed checkoff would be used on 25,000 returns the first year at an average of \$10.50 for a total designated revenue amount of \$263,000. Growth is estimated at 8% annually.
- Tax year impacts are allocated to the following fiscal year.

Number of Taxpayers: An estimated 25,000 returns in the first year.

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

hf2995/sf2551/gt

COMMITTEE REPORT - WITH AMENDMENTS

Committee on TAXES

S .F. No. 2551

 Resolution

 Re-referred (from another committee)

Amendments:

pg 2, line 10, delete "counsel" and insert "council" in its place

on line 12, pg 2, delete "the distribution of grants under this section" and insert "funding needs to", followed by lines 1.18 through 1.20 on pg 1

delete ~~all~~ everything except subdivision 41 on pg 2, as amended and on pg 2, line 20, delete "before awarding grants under this section" and insert "in recommending the departmental budget to the Governor and

Committee recommendation: legislature"

 And when so amended the bill do pass.

 And when so amended the bill do pass and be placed on the Consent Calendar.

X And when so amended the bill do pass and be re-referred to the Committee on

Finance

No recommendation: And when so amended the bill be (re-referred to the Committee on)

OR (reported to the Senate).

5/10/06 (date of committee recommendation)

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Printed Page No. 567

State of Minnesota HOUSE OF REPRESENTATIVES

EIGHTY-FOURTH SESSION

HOUSE FILE NO. 4142

April 11, 2006

Authored by Krinkie; DeLaForest; Anderson, B.; Blaine; Gazelka and others The bill was read for the first time and referred to the Committee on Taxes

April 26, 2006

Committee Recommendation and Adoption of Report: To Pass as Amended and re-referred to the Committee on Ways and Means

May 1, 2006

Committee Recommendation and Adoption of Report: To Pass as Amended Read Second Time

May 2, 2006

Fiscal Calendar, Amended Read Third Time as Amended Passed by the House as Amended and transmitted to the Senate to include Floor Amendments

A bill for an act relating to taxation; providing a property tax rebate; providing for the sale of certain state lands to offset administrative costs of the rebate; appropriating money.

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

Section 1. PROPERTY TAX REBATE.

Subdivision 1. Eligibility; amount. (a) An owner of a homestead is eligible for a property tax rebate under this section, unless the property taxes on the homestead are delinquent within the meaning of Minnesota Statutes, section 290A.10.

(b) On or before October 1, 2006, the commissioner of revenue shall pay the eligible owner a property tax rebate equal to nine percent of the property taxes payable in 2006 on the homestead.

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

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

(c) "Homestead" means property qualifying as a homestead under Minnesota Statutes, section 290A.03, subdivision 6, for property taxes payable in 2006.

(d) "Owner" means the individual or trust that is the taxpayer of record for the homestead when the property tax statement was prepared for property taxes payable in 2006.

(e) "Property taxes payable" has the meaning given in Minnesota Statutes, section 290A.03, subdivision 13, except that any adjustments provided under Minnesota Statutes, section 290A.03, subdivision 13, to line 1 of the property tax statement do not apply.

2.1 Subd. 3. County to provide data. (a) The county auditor shall provide the
2.2 following data to the commissioner of revenue for each homestead in the county:

- 2.3 (1) the name or names of the property owner or owners;
2.4 (2) the mailing address of the property owner;
2.5 (3) the amount of property taxes payable in 2006 for the property; and
2.6 (4) whether property taxes are delinquent on the homestead within the meaning
2.7 of Minnesota Statutes, section 290A.10.

2.8 (b) The county auditor shall provide the data to the commissioner electronically in
2.9 the format and manner and at the time or times specified by the commissioner.

2.10 Subd. 4. Joint rebate rules. If a homestead is owned by two or more persons as
2.11 joint tenants or tenants in common, the commissioner shall pay the rebate to all of the
2.12 tenants jointly.

2.13 Subd. 5. Deceased individuals. If a rebate is received by the estate of a deceased
2.14 individual after the probate estate has been closed, and if the original rebate check is
2.15 returned to the commissioner with a copy of the decree of descent or final account of the
2.16 estate and addresses of the beneficiaries, the commissioner may issue separate checks in
2.17 proportion to their share in the residuary estate in the names of the residuary beneficiaries
2.18 of the estate.

2.19 Subd. 6. Application of other law. (a) The property tax rebate is a "Minnesota tax
2.20 law" for purposes of Minnesota Statutes, section 270B.01, subdivision 8.

2.21 (b) The property tax rebate is "an overpayment of any tax collected by the
2.22 commissioner" for purposes of Minnesota Statutes, section 270C.64, and payment of the
2.23 rebate is a refund of taxes under Minnesota Statutes, section 289A.50.

2.24 Subd. 7. Lapse of entitlement. If the commissioner of revenue cannot locate an
2.25 individual entitled to a rebate by July 1, 2008, or if an individual to whom a rebate was
2.26 issued has not cashed the check by July 1, 2008, the right to the rebate lapses and the
2.27 check must be deposited in the general fund.

2.28 Subd. 8. Claims for unpaid rebates. Individuals entitled to a tax rebate under
2.29 subdivision 1 but who did not receive one, and individuals who receive a rebate that was
2.30 incorrectly computed, must file a claim with the commissioner before July 1, 2008, in a
2.31 form prescribed by the commissioner. These claims must be treated as if they are a claim
2.32 for refund under Minnesota Statutes, section 289A.50, subdivisions 4 and 7.

2.33 Subd. 9. Illegally cashed checks. If a rebate check is cashed by someone other
2.34 than the payee or payees of the check, and the commissioner of revenue determines that
2.35 the check has been forged or improperly endorsed or the commissioner determines that
2.36 a rebate was overstated or erroneously issued, the commissioner may issue an order of

3.1 assessment for the amount of the check or the amount the check is overstated against
3.2 the person or persons cashing it. The assessment must be made within two years after
3.3 the check is cashed, but if cashing the check constitutes theft under Minnesota Statutes,
3.4 section 609.52, or forgery under Minnesota Statutes, section 609.631, the assessment can
3.5 be made at any time. The assessment may be appealed administratively and judicially. The
3.6 commissioner may take action to collect the assessment in the same manner as provided by
3.7 Minnesota Statutes, chapter 270C, for any other order of the commissioner assessing tax.

3.8 Subd. 10. Authority to contract with vendor. Notwithstanding Minnesota Statutes,
3.9 sections 9.031, 16A.40, 16B.49, and any other law to the contrary, the commissioner
3.10 of revenue may take whatever actions the commissioner deems necessary to pay the
3.11 rebates required by this section, and may, in consultation with the commissioner of
3.12 finance, contract with a private vendor or vendors to process, print, and mail the rebate
3.13 checks or warrants required under this section and receive and disburse state funds to pay
3. those checks or warrants.

3.15 Subd. 11. Adjustments. A property tax rebate of \$276,570,000 is authorized
3.16 for fiscal year 2006. The commissioner of finance shall certify by July 15, 2006,
3.17 the preliminary fiscal 2006 general fund net nondedicated revenues. If certified
3.18 net nondedicated revenues are less than the amount forecast in February 2006, the
3.19 commissioner shall proportionally decrease all rebates under this section to rebate the
3.20 entire amount of the certified net nondedicated revenues. The adjustments under this
3.21 subdivision are not a rule subject to Minnesota Statutes, chapter 14.

3.22 Subd. 12. Contingent upon resolution of lawsuit. No property tax rebates must be
3.23 paid under this section, unless the Minnesota Supreme Court reverses the district court's
3 order, dated December 20, 2005, finding the health impact fee under Minnesota Statutes,
3.25 section 256.9658, unconstitutional and in violation of the settlement agreement in State v.
3.26 Philip Morris, Inc., No. C1-94-8565 (Minnesota District Court, Second Judicial District),
3.27 and allows the state to continue imposing and collecting the health impact fee. If this
3.28 contingency is not satisfied by August 1, 2006, no rebates must be paid, and any land sales
3.29 under section 2 and the appropriations in section 3, subdivision 1, are canceled.

3.30 EFFECTIVE DATE. This section is effective the day after final enactment.

3.31 **Sec. 2. SALE OF STATE LAND.**

3.32 Subdivision 1. State land sales. The commissioner of administration shall
3 coordinate with the head of each department or agency having control of state-owned land
3.34 to identify and sell at least \$1,100,000 of state-owned land. This amount is in addition to
3.35 land sales required in Laws 2005, chapter 156, article 2, section 45, or under any other

4.1 law. Sales should be completed according to law and as provided in this section as soon as
4.2 practicable but no later than June 30, 2007. Notwithstanding Minnesota Statutes, sections
4.3 16B.281, 16B.282, 94.09, and 94.10, or any other law to the contrary, the commissioner
4.4 may offer land for public sale by only providing notice of lands or an offer of sale of lands
4.5 to state departments or agencies, the University of Minnesota, cities, counties, towns,
4.6 school districts, or other public entities.

4.7 Subd. 2. Anticipated savings. Notwithstanding Minnesota Statutes, section
4.8 94.16, subdivision 3, or other law to the contrary, the amount of the proceeds from the
4.9 sale of land under this section that exceeds the actual expenses of selling the land must
4.10 be deposited in the general fund, except as otherwise provided by the commissioner of
4.11 finance. Notwithstanding Minnesota Statutes, section 16B.283 or 94.11, the commissioner
4.12 of finance may establish the timing of payments for land purchased under this section. If
4.13 the total of all money deposited into the general fund from the proceeds of the sale of land
4.14 under this section is anticipated to be less than \$1,260,000, the governor must allocate the
4.15 amount of the difference as reductions to general fund operating expenditures for other
4.16 executive agencies for the biennium ending June 30, 2007.

4.17 Subd. 3. Sale of state lands revolving loan fund. \$55,000 is appropriated from
4.18 the general fund in fiscal year 2007 to the commissioner of administration for purposes
4.19 of paying the actual expenses of selling state-owned lands to achieve the anticipated
4.20 savings required in this section. From the gross proceeds of land sales under this section,
4.21 the commissioner of administration must cancel the amount of the appropriation in this
4.22 subdivision to the general fund by June 30, 2007.

4.23 **Sec. 3. APPROPRIATIONS; TRANSFER.**

4.24 **Subdivision 1. Appropriation; administration.**

4.25 (a) \$907,900 is appropriated in fiscal year 2006 from the general fund to the
4.26 commissioner of revenue to administer the property tax rebates in section 1. Any
4.27 unencumbered balance remaining on June 30, 2006, does not cancel but is available
4.28 for expenditure by the commissioner of revenue until June 30, 2007. Notwithstanding
4.29 Minnesota Statutes, section 16A.285, the commissioner of revenue may not use this
4.30 appropriation for any purpose other than administering the property tax rebates. This is a
4.31 onetime appropriation and may not be added to the agency's budget base.

4.32 (b) \$186,000 is appropriated in fiscal year 2006 from the general fund to the
4.33 commissioner of finance to pay the cost of clearing property tax rebate checks through
4.34 commercial banks. Any unencumbered balance remaining on June 30, 2006, does
4.35 not cancel but is available for expenditure by the commissioner until June 30, 2007.

5.1 Notwithstanding Minnesota Statutes, section 16A.285, the commissioner may not use this
5.2 appropriation for any purpose other than paying the cost of clearing rebate checks.

5.3 Subd. 2. Transfer; tax relief account. The balance in the tax relief account under
5.4 Minnesota Statutes, section 16A.1522, subdivision 4, is transferred to the general fund.

5.5 EFFECTIVE DATE. This section is effective the day after final enactment.

A

1.1 Senator moves to amend H.F. No. 4142 as follows:

1.2 Page 3, delete lines 22 to 29

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and Fiscal Analysis**

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H.F. No. 4142 - Property Tax Rebate

Author: Senator Brian LeClair

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

Date: May 8, 2006

This bill provides for a state-paid property tax rebate to homeowners, equal to nine percent of the property taxes payable in 2006 on a homestead.

Section 1 requires payment of a rebate to owners of homesteads equal to nine percent of the 2006 property taxes payable on the homestead. The payment must be made by the Commissioner of Revenue no later than October 1, 2006. The eligible owner is the individual or trust that is the taxpayer of record for the homestead when the property tax statement was prepared for property taxes payable in 2006. For agricultural homesteads, the rebate is limited to the tax on the house, garage, and one acre. If taxes are delinquent on the homestead, no rebate will be paid.

The bill requires the County Auditor to provide data to the Commissioner of Revenue that would identify each homestead in the county. If a homestead is owned by two or more persons as joint tenants or tenants in common, the rebate is payable to all of the tenants jointly. If the rebate is received by the estate of a deceased individual after the probate estate has closed, and the original rebate check is returned to the Commissioner of Revenue, the commissioner may issue separate checks to the beneficiaries in proportion to their shares in the estate.

The property tax rebate is subject to the revenue recapture law. If by July 1, 2008, the Commissioner of Revenue is unable to locate an individual entitled to a rebate, or the individual to whom a rebate was issued has not cashed the check, the right to the rebate lapses. Individuals who should have received a tax rebate, but did not receive one or did not receive the correct amount, are required to file a claim with the commissioner before July 1, 2008, to claim the proper rebate. The bill authorizes the commissioner to order an assessment if a rebate check is forged, improperly endorsed, or if the commissioner determines that the rebate was overstated or erroneously issued. The commissioner is authorized to contract with a vendor to implement the rebate process.

The bill specifically authorizes a property tax rebate in a total amount of \$276,570,000. By July 15, 2006, the Commissioner of Finance is required to certify the preliminary fiscal 2006 General Fund net nondedicated revenues. If that is found to be less than the amount forecast in February 2006, the Commissioner of Revenue must proportionally reduce all rebates so that the amount of the rebate is equal to the amount of the certified net nondedicated revenue.

The bill makes payment of the property tax rebate contingent on the Minnesota Supreme Court's reversal of the district court's order that found that the health impact fee was unconstitutional and in violation of the settlement agreement in *State vs. Phillip Morris, Inc.* If the state is not authorized in the Supreme Court's decision to continue to impose and collect the health impact fee by August 1, 2006, no rebates will be paid, and the land sale under section 2 and the appropriation in section 3 are canceled.

Section 2 [Sale of State Land.] The Commissioner of Administration is required to coordinate with the head of each department or agency that controls state-owned land to identify and sell state-owned land worth at least \$1,100,000. This sale would be in addition to any that is required under previous law. The sales must be completed no later than June 30, 2007. Certain procedural rules that apply to state land sales are made inapplicable to this sale. Instead, the commissioner is authorized to offer the land for public sale by only providing notice of the lands or an offer to sell the land to state departments or agencies, the University of Minnesota, local governments, and other public entities.

The net proceeds of the land sale are required to be deposited in the General Fund. If the proceeds of the land sales that are deposited in the General Fund are less than \$1,260,000, the Governor must allocate the difference as reductions to operating expenditures for other executive agencies for the biennium ending June 30, 2007. \$55,000 is appropriated to the Commissioner of Administration to pay the expenses of selling the state-owned land; a portion of the proceeds of the land sales must be used to cancel the amount of the appropriation by June 30, 2007.

Section 3 [Appropriations.] \$907,900 is appropriated in fiscal year 2006 from the General Fund to the Commissioner of Revenue to administer the rebates. \$186,000 is appropriated to the Commissioner of Finance to pay the cost of clearing the rebate checks.

The balance in the Tax Relief Account under Minnesota Statutes, section 16A.1522, subdivision 4, is transferred to the General Fund.

JZS:cs

MINNESOTA · REVENUE

PROPERTY TAX Property Tax Rebate

May 5, 2006

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of H.F. 4142 (Krinkie), 3rd Engrossment

	Fund Impact			
	F.Y. 2006	F.Y. 2007	F.Y. 2008	F.Y. 2009
		(000's)		
Transfer from Tax Relief Account	\$316,716	\$0	\$0	\$0
Property Tax Rebate	(\$276,570)	\$0	\$0	\$0
Income Tax Offset	\$0	\$12,200	\$0	\$0
State Land Sales	\$0	\$1,100	\$0	\$0
Appropriations for Admin. Costs	(\$1,094)	(\$55)	\$0	\$0
General Fund Net Impact	\$39,052	\$13,245	\$0	\$0

Effective the day after final enactment

EXPLANATION OF THE BILL

The bill authorizes a property tax rebate to homeowners equal to 9% of their payable 2006 property taxes. Rebates must be paid on or before October 1, 2006, by the Commissioner of Revenue. Counties are to provide address and tax information to the department. Other qualifications and procedures for special circumstances are described. Checks may be cashed and claims for unpaid rebates filed until July 1, 2008. The Commissioner of Revenue may contract with vendors. For administration of the rebate, \$907,900 is appropriated in fiscal year 2006 from the general fund to the Commissioner of Revenue, and \$186,000 is appropriated to the Commissioner of Finance for costs related to the rebate checks. The commissioner may decrease proportionately the rebates if forecast revenues are not realized.

The Commissioner of Administration is required to sell at least \$1,100,000 of state land. Proceeds from the sales go to the general fund. In fiscal year 2007, \$55,000 is appropriated from the general fund to the Commissioner of Administration for the expenses of selling the land. From the proceeds of the land sales, the Commissioner of Administration must cancel the \$55,000 appropriation to the general fund.

The rebate is contingent on the Minnesota Supreme Court reversing the lower court's order finding the health impact fee unconstitutional and in violation of the tobacco settlement agreement. Also, if this contingency is not met, the land sales and administrative appropriations in the bill would be canceled.

The balance in the tax relief account is transferred to the general fund.

REVENUE ANALYSIS DETAIL

Property Tax Rebate

- The bill authorizes \$276,570,000 for rebates.
- There is no impact on other property tax aids, credits, or the property tax refund.
- There are approximately 1.5 million homesteads that would receive the rebate.

Income Tax Offset

- Taxpayers who itemize deductions would need to reduce the real estate taxes deducted on Schedule A for tax year 2006 by the amount of the rebate.
- Simulation results were obtained using the House Income Tax Simulation (HITS 5.4) model. The simulations assume the same economic conditions used by the Minnesota Department of Finance for the forecast published in February 2006. The model uses a stratified sample of 2003 individual income tax returns compiled by the Minnesota Department of Revenue. The simulation was run for Minnesota residents only.
- Real estate taxes deducted on Schedule A can include taxes on property other than a homestead, such as a cabin or land held for investment. (Taxes on property used in a trade or business are a business expense that is deducted on Schedule C, E, or F and would not be deducted on Schedule A.) The estimate was reduced by 7% to reflect the real estate taxes deducted on Schedule A that are for property other than homesteads.
- The impact for tax year 2006 was allocated to fiscal year 2007.
- An estimated 799,000 income tax returns would be affected, with an average state income tax increase of \$15 per return.

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

Projected Property Taxes Payable in 2007
Compared to Estimated Property Taxes Payable in 2006

Statewide

	Market Value				Tax Capacity				Net Tax			
	Pay 2006	Pay 2007	Difference	Pct Chg	Pay 2006	Pay 2007	Difference	Pct Chg	Pay 2006	Pay 2007	Difference	Pct Chg
Res Homestead	279,412,835	304,956,873	25,544,038	9.1%	2,814,294	3,075,437	261,143	9.3%	2,981,345	3,261,199	279,854	9.4%
Res Nonhomestead	26,658,771	30,816,470	4,157,699	15.6%	286,383	331,379	44,996	15.7%	334,668	381,197	46,529	13.9%
Apartments	19,140,597	19,778,896	638,299	3.3%	229,803	237,374	7,572	3.3%	276,212	280,020	3,808	1.4%
Seasonal Rec	17,465,060	20,238,590	2,773,531	15.9%	175,393	203,491	28,099	16.0%	174,272	194,614	20,342	11.7%
New Construction	0	11,173,235	11,173,235	0.0%	0	128,519	128,519	0.0%	0	158,666	158,666	0.0%
C/I First tier	9,073,765	9,477,360	403,595	4.4%	136,106	142,160	6,054	4.4%	235,250	242,107	6,857	2.9%
C/I Second tier	49,513,082	54,276,519	4,763,436	9.6%	990,262	1,085,530	95,269	9.6%	1,658,148	1,775,127	116,978	7.1%
Public Utility	7,138,419	7,281,160	142,741	2.0%	142,355	145,202	2,847	2.0%	215,338	217,251	1,913	0.9%
Ag hstd: House	10,879,881	11,969,846	1,089,964	10.0%	108,906	119,861	10,954	10.1%	91,197	102,984	11,786	12.9%
Ag hstd: Land	30,645,016	34,619,066	3,974,050	13.0%	194,357	223,915	29,558	15.2%	147,812	171,544	23,731	16.1%
Ag Nonhomestead	14,489,147	16,538,882	2,049,735	14.1%	144,892	165,389	20,497	14.1%	129,241	146,350	17,109	13.2%
Total	464,416,573	521,126,896	56,710,323	12.2%	5,222,751	5,858,258	635,507	12.2%	6,243,485	6,931,058	687,573	11.0%

Tax Capacity Spread Levies

	Pay 2006	Pay 2007	Difference	Pct Chg
County	1,996,217	2,219,245	223,028	11.2%
School	1,037,088	1,152,004	114,916	11.1%
City/Town	1,482,378	1,615,950	133,573	9.0%
Special Dist	215,834	226,128	10,294	4.8%
Total	4,731,517	5,213,328	481,811	10.2%

Market Value Spread Levies

	Pay 2006	Pay 2007	Difference	Pct Chg
County	2,612	2,612	0	0.0%
School	530,246	628,191	97,945	18.5%
City/Town	26,370	29,362	2,993	11.3%
Special Dist	0	0	0	0.0%
Total	559,228	660,166	100,938	18.0%

Tax Rates

	Pay 2006	Pay 2007	Pay 2006	Pay 2007
	NTC	NTC	MV	MV
County	42.58	42.15	0.006	0.006
School	22.12	21.88	1.318	
City/Town	31.62	30.69	0.066	
Special Dist	4.60	4.29	0.000	
Total	100.92	99.02	1.390	

Tax Base

	Pay 2006	Pay 2007	Difference	Pct Chg
Tax Capacity:	5,222,751	5,858,258	635,507	12.2%
TIF Value	258,522	289,700	31,178	12.1%
FD Contribution:	275,690	303,462	27,772	10.1%
Taxable Value:	4,688,539	5,265,096	576,557	12.3%
FD Distribution:	275,701	303,350	27,649	10.0%

Homestead Property Tax Examples

	Pay 2006	Pay 2007	Difference	Pct Chg
Low Value:	133,200	145,300	1,277	1.410
Average Value:	199,700	217,900	2,100	2,301
High Value:	266,100	290,500	2,922	3,192

Handout #1

Projected Property Taxes Payable in 2007 Compared to Estimated Property Taxes Payable in 2006

Metro Area

	Market Value				Tax Capacity				Net Tax			
	Pay 2006	Pay 2007	Difference	Pct Chg	Pay 2006	Pay 2007	Difference	Pct Chg	Pay 2006	Pay 2007	Difference	Pct Chg
Res Homestead	190,480,810	208,030,425	17,549,615	9.2%	1,924,397	2,105,113	180,717	9.4%	2,096,743	2,270,529	173,786	8.3%
Res Nonhomestd	17,613,465	20,737,979	3,124,514	17.7%	190,537	224,580	34,042	17.9%	222,202	254,814	32,611	14.7%
Apartments	15,254,355	15,565,251	310,896	2.0%	184,829	188,608	3,779	2.0%	220,015	218,251	-1,764	-0.8%
Seasonal Rec	421,221	462,388	41,167	9.8%	4,764	5,209	445	9.3%	4,939	5,236	297	6.0%
New Construction	0	6,101,612	6,101,612	0.0%	0	73,337	73,337	0.0%	0	90,689	90,689	0.0%
C/I First tier	3,850,840	4,066,048	215,208	5.6%	57,763	60,991	3,228	5.6%	98,537	101,101	2,563	2.6%
C/I Second tier	38,571,162	42,725,914	4,154,752	10.8%	771,423	854,518	83,095	10.8%	1,291,510	1,389,876	98,366	7.6%
Public Utility	2,455,817	2,504,934	49,116	2.0%	49,008	49,988	980	2.0%	78,872	78,238	-634	-0.8%
Ag hstd: House	1,267,239	1,367,239	100,000	7.9%	12,772	13,798	1,026	8.0%	11,187	12,082	895	8.0%
Ag hstd: Land	1,435,585	1,652,747	217,162	15.1%	8,755	10,298	1,543	17.6%	5,546	6,512	965	17.4%
Ag Nonhomestd	1,028,810	1,186,821	158,011	15.4%	10,288	11,868	1,580	15.4%	9,112	10,214	1,101	12.1%
Total	272,379,304	304,401,357	32,022,053	11.8%	3,214,536	3,598,308	383,773	11.9%	4,038,664	4,437,540	398,876	9.9%

Tax Capacity Spread Levies

	Pay 2006	Pay 2007	Difference	Pct Chg
County	1,003,728	1,107,936	104,208	10.4%
School	641,930	697,770	55,841	8.7%
City/Town	915,897	994,154	78,257	8.5%
Special Dist	184,573	193,001	8,428	4.6%
Total	2,746,128	2,992,861	246,733	9.0%

Market Value Spread Levies

	Pay 2006	Pay 2007	Difference	Pct Chg
County	2,200	2,200	0	0.0%
School	388,686	444,950	56,263	14.5%
City/Town	24,578	27,404	2,826	11.5%
Special Dist	0	0	0	0.0%
Total	415,465	474,554	59,090	14.2%

Tax Rates

	Pay 2006	Pay 2007	Pay 2006	Pay 2007
	NTC	NTC	MV	MV
County	36.75	36.19	0.008	0.007
School	23.50	22.79	1.443	1.479
City/Town	33.53	32.48	0.091	0.091
Special Dist	6.76	6.31	0.000	0.000
Total	100.53	97.77	1.543	1.577

Tax Base

	Pay 2006	Pay 2007	Difference	Pct Chg
Tax Capacity:	3,214,536	3,598,308	383,773	11.9%
TIF Value	209,906	236,822	26,916	12.8%
FD Contribution:	273,064	300,391	27,328	10.0%
Taxable Value:	2,731,566	3,061,095	329,529	12.1%
FD Distribution:	273,064	300,266	27,203	10.0%

Homestead Property Tax Examples

	Pay 2006	Pay 2007	Difference	Pct Chg
Low Value:	166,400	181,700	1,707	8.6%
Average Value:	249,400	272,400	2,744	8.1%
High Value:	332,500	363,100	3,783	7.8%

**Projected Property Taxes Payable in 2007
Compared to Estimated Property Taxes Payable in 2006**

Greater Minnesota

	Market Value				Tax Capacity				Net Tax			
	Pay 2006	Pay 2007	Difference	Pct Chg	Pay 2006	Pay 2007	Difference	Pct Chg	Pay 2006	Pay 2007	Difference	Pct Chg
Res Homestead	88,932,025	96,926,448	7,994,423	9.0%	889,897	970,323	80,426	9.0%	884,602	990,670	106,068	12.0%
Res Nonhomestd	9,045,307	10,078,491	1,033,185	11.4%	95,846	106,799	10,953	11.4%	112,465	126,383	13,918	12.4%
Apartments	3,886,242	4,213,645	327,404	8.4%	44,974	48,766	3,793	8.4%	56,197	61,769	5,572	9.9%
Seasonal Rec	17,043,839	19,776,203	2,732,364	16.0%	170,629	198,283	27,653	16.2%	169,333	189,378	20,045	11.8%
New Construction	0	5,071,622	5,071,622	0.0%	0	55,181	55,181	0.0%	0	67,978	67,978	0.0%
C/I First tier	5,222,925	5,411,312	188,387	3.6%	78,344	81,170	2,826	3.6%	136,713	141,006	4,294	3.1%
C/I Second tier	10,941,920	11,550,605	608,685	5.6%	218,838	231,012	12,174	5.6%	366,639	385,251	18,612	5.1%
Public Utility	4,682,601	4,776,226	93,624	2.0%	93,347	95,213	1,866	2.0%	136,466	139,013	2,547	1.9%
Ag hstd: House	9,612,642	10,602,607	989,965	10.3%	96,134	106,063	9,929	10.3%	80,011	90,901	10,891	13.6%
Ag hstd: Land	29,209,432	32,966,319	3,756,887	12.9%	185,602	213,618	28,015	15.1%	142,266	165,032	22,766	16.0%
Ag Nonhomestd	13,460,337	15,352,060	1,891,724	14.1%	134,604	153,521	18,917	14.1%	120,129	136,136	16,008	13.3%
Total	192,037,269	216,725,539	24,688,270	12.9%	2,008,215	2,259,949	251,734	12.5%	2,204,820	2,493,518	288,697	13.1%

Tax Capacity Spread Levies

	Pay 2006	Pay 2007	Difference	Pct Chg
County	992,489	1,111,309	118,820	12.0%
School	395,158	454,234	59,076	14.9%
City/Town	566,481	621,797	55,316	9.8%
Special Dist	31,261	33,128	1,867	6.0%
Total	1,985,389	2,220,467	235,078	11.8%

Market Value Spread Levies

	Pay 2006	Pay 2007	Difference	Pct Chg
County	412	412	0	0.0%
School	141,560	183,241	41,682	29.4%
City/Town	1,791	1,958	167	9.3%
Special Dist	0	0	0	0.0%
Total	143,763	185,611	41,848	29.1%

Tax Rates

	Pay 2006	Pay 2007	Pay 2006	Pay 2007
	NTC	NTC	MV	MV
County	50.72	50.43	0.003	0.003
School	20.19	20.61	1.064	1.233
City/Town	28.95	28.21	0.013	0.013
Special Dist	1.60	1.50	0.000	0.000
Total	101.46	100.75	1.081	1.249

Tax Base

	Pay 2006	Pay 2007	Difference	Pct Chg
Tax Capacity:	2,008,215	2,259,949	251,734	12.5%
TIF Value	48,616	52,878	4,262	8.8%
FD Contribution:	2,626	3,071	445	16.9%
Taxable Value:	1,956,973	2,204,001	247,028	12.6%
FD Distribution:	2,637	3,084	446	16.9%

Homestead Property Tax Examples

	Pay 2006	Pay 2007	Difference	Pct Chg
Low Value:	93,300	101,700	759	14.7%
Average Value:	139,900	152,400	1,324	12.6%
High Value:	186,400	203,200	1,888	11.8%

Projected Property Taxes Payable in 2007 Compared to Estimated Property Taxes Payable in 2006

Northwest cities

	Market Value				Tax Capacity				Net Tax			
	Pay 2006	Pay 2007	Difference	Pct Chg	Pay 2006	Pay 2007	Difference	Pct Chg	Pay 2006	Pay 2007	Difference	Pct Chg
Res Homestead	4,198,413	4,544,221	345,808	8.2%	41,925	45,389	3,464	8.3%	49,799	55,089	5,290	10.6%
Res Nonhomestd	464,687	521,934	57,248	12.3%	4,933	5,540	607	12.3%	6,728	7,603	876	13.0%
Apartments	398,110	437,837	39,727	10.0%	4,567	5,024	457	10.0%	6,133	6,807	675	11.0%
Seasonal Rec	133,420	154,504	21,084	15.8%	1,337	1,549	212	15.8%	1,685	1,906	221	13.1%
New Construction	0	227,454	227,454	0.0%	0	2,630	2,630	0.0%	0	3,718	3,718	0.0%
C/I First tier	535,840	546,818	10,978	2.0%	8,038	8,202	165	2.0%	14,785	15,048	263	1.8%
C/I Second tier	816,459	842,053	25,593	3.1%	16,329	16,841	512	3.1%	25,774	26,551	777	3.0%
Public Utility	115,205	117,509	2,304	2.0%	2,294	2,340	46	2.0%	3,836	3,881	46	1.2%
Ag hstd: House	17,162	18,316	1,154	6.7%	171	183	12	6.7%	206	224	18	8.8%
Ag hstd: Land	30,169	34,166	3,997	13.2%	185	210	25	13.6%	214	244	30	14.2%
Ag Nonhomestd	31,517	35,821	4,304	13.7%	315	358	43	13.7%	424	482	58	13.7%
Total	6,740,981	7,480,634	739,652	11.0%	80,095	88,266	8,172	10.2%	109,582	121,554	11,972	10.9%

Tax Capacity Spread Levies

	Pay 2006	Pay 2007	Difference	Pct Chg
County	42,997	47,557	4,560	10.6%
School	16,839	19,247	2,408	14.3%
City/Town	36,584	39,477	2,893	7.9%
Special Dist	2,552	2,837	284	11.1%
Total	98,972	109,118	10,146	10.3%

Market Value Spread Levies

	Pay 2006	Pay 2007	Difference	Pct Chg
County	0	0	0	0.0%
School	6,861	8,765	1,904	27.8%
City/Town	256	281	25	9.9%
Special Dist	0	0	0	0.0%
Total	7,117	9,046	1,930	27.1%

Tax Rates

	Pay 2006	Pay 2007	Pay 2006	Pay 2007
	NTC	NTC	MV	MV
County	56.69	56.81	0.000	0.000
School	22.20	22.99	1.051	1.212
City/Town	48.24	47.16	0.039	0.039
Special Dist	3.37	3.39	0.000	0.000
Total	130.50	130.35	1.090	1.251

Tax Base

	Pay 2006	Pay 2007	Difference	Pct Chg
Tax Capacity:	80,095	88,266	8,172	10.2%
TIF Value	4,256	4,552	296	7.0%
FD Contribution:	0	0	0	0.0%
Taxable Value:	75,839	83,714	7,875	10.4%
FD Distribution:	0	0	0	0.0%

Homestead Property Tax Examples

	Pay 2006	Pay 2007	Difference	Pct Chg
Low Value:	62,000	67,100	629	9.8%
Average Value:	93,000	100,600	1,026	12.6%
High Value:	123,900	134,100	1,491	11.6%

**Projected Property Taxes Payable in 2007
Compared to Estimated Property Taxes Payable in 2006**

Northwest towns

	Market Value				Tax Capacity				Net Tax			
	Pay 2006	Pay 2007	Difference	Pct Chg	Pay 2006	Pay 2007	Difference	Pct Chg	Pay 2006	Pay 2007	Difference	Pct Chg
Res Homestead	4,726,353	5,257,429	531,076	11.2%	47,346	52,702	5,356	11.3%	38,875	44,607	5,732	14.7%
Res Nonhomestd	399,911	440,918	41,008	10.3%	4,245	4,681	435	10.3%	4,172	4,649	478	11.5%
Apartments	9,416	10,183	767	8.1%	117	127	10	8.1%	98	106	9	9.0%
Seasonal Rec	3,050,400	3,505,957	455,557	14.9%	30,389	34,964	4,575	15.1%	29,644	33,022	3,378	11.4%
New Construction	0	356,989	356,989	0.0%	0	3,521	3,521	0.0%	0	3,473	3,473	0.0%
C/I First tier	134,521	143,483	8,963	6.7%	2,018	2,152	134	6.7%	2,983	3,139	155	5.2%
C/I Second tier	132,760	139,119	6,359	4.8%	2,655	2,782	127	4.8%	3,981	4,131	150	3.8%
Public Utility	447,658	456,611	8,953	2.0%	8,924	9,103	178	2.0%	13,706	13,956	250	1.8%
Ag hstd: House	1,302,748	1,438,862	136,114	10.4%	13,015	14,377	1,362	10.5%	10,786	12,276	1,490	13.8%
Ag hstd: Land	4,568,280	5,172,279	603,999	13.2%	28,316	32,591	4,275	15.1%	23,034	26,913	3,879	16.8%
Ag Nonhomestd	2,594,386	2,949,694	355,308	13.7%	25,944	29,497	3,553	13.7%	24,947	28,341	3,393	13.6%
Total	17,366,434	19,871,525	2,505,092	14.4%	162,971	186,497	23,526	14.4%	152,226	174,613	22,387	14.7%

Tax Capacity Spread Levies

	Pay 2006	Pay 2007	Difference	Pct Chg
County	87,356	99,399	12,043	13.8%
School	28,521	34,056	5,535	19.4%
City/Town	24,158	25,948	1,789	7.4%
Special Dist	5,454	5,999	545	10.0%
Total	145,489	165,401	19,913	13.7%

Market Value Spread Levies

	Pay 2006	Pay 2007	Difference	Pct Chg
	0	0	0	0.0%
	8,238	10,647	2,410	29.3%
	0	0	0	0.0%
	0	0	0	0.0%
Total	8,238	10,647	2,410	29.3%

Tax Rates

	Pay 2006	Pay 2007	Pay 2006	Pay 2007
	NTC	NTC	MV	MV
	53.63	53.32	0.000	0.000
	17.51	18.27	1.132	1.292
	14.83	13.92	0.000	0.000
	3.35	3.22	0.000	0.000
Total	89.31	88.73	1.132	1.292

Tax Base

	Pay 2006	Pay 2007	Difference	Pct Chg
Tax Capacity:	162,971	186,497	23,526	14.4%
TIF Value	52	59	7	13.1%
FD Contribution:	0	0	0	0.0%
Taxable Value:	162,919	186,439	23,519	14.4%
FD Distribution:	0	0	0	0.0%

Homestead Property Tax Examples

	Pay 2006	Pay 2007	Difference	Pct Chg		
Low Value:	100,100	111,400	725	860	135	18.6%
Average Value:	150,100	167,000	1,273	1,475	202	15.9%
High Value:	200,100	222,600	1,821	2,091	269	14.8%

Projected Property Taxes Payable in 2007 Compared to Estimated Property Taxes Payable in 2006

North Central cities

	Market Value				Tax Capacity				Net Tax			
	Pay 2006	Pay 2007	Difference	Pct Chg	Pay 2006	Pay 2007	Difference	Pct Chg	Pay 2006	Pay 2007	Difference	Pct Chg
Res Homestead	3,243,856	3,561,252	317,396	9.8%	32,598	35,850	3,252	10.0%	32,321	35,953	3,632	11.2%
Res Nonhomestd	463,671	516,881	53,210	11.5%	4,966	5,537	571	11.5%	5,973	6,728	755	12.6%
Apartments	219,156	231,766	12,610	5.8%	2,426	2,568	142	5.9%	3,129	3,359	230	7.4%
Seasonal Rec	1,573,977	1,829,653	255,676	16.2%	16,096	18,775	2,679	16.6%	16,638	18,413	1,775	10.7%
New Construction	0	232,157	232,157	0.0%	0	2,802	2,802	0.0%	0	3,460	3,460	0.0%
C/I First tier	455,755	475,266	19,511	4.3%	6,836	7,129	293	4.3%	11,977	12,394	417	3.5%
C/I Second tier	865,330	937,741	72,411	8.4%	17,307	18,755	1,448	8.4%	28,924	31,105	2,181	7.5%
Public Utility	79,017	80,597	1,580	2.0%	1,570	1,602	31	2.0%	2,771	2,804	32	1.2%
Ag hstd: House	26,567	29,901	3,334	12.6%	266	299	33	12.6%	274	311	38	13.8%
Ag hstd: Land	30,242	34,894	4,652	15.4%	167	193	26	15.4%	131	150	19	14.7%
Ag Nonhomestd	35,921	40,861	4,939	13.8%	359	409	49	13.8%	348	388	40	11.5%
Total	6,993,493	7,970,969	977,476	14.0%	82,591	93,918	11,327	13.7%	102,485	115,065	12,580	12.3%

Tax Capacity Spread Levies

	Pay 2006	Pay 2007	Difference	Pct Chg
County	35,779	40,032	4,253	11.9%
School	16,011	17,998	1,987	12.4%
City/Town	31,689	35,372	3,682	11.6%
Special Dist	658	662	4	0.6%
Total	84,137	94,064	9,927	11.8%

Market Value Spread Levies

	Pay 2006	Pay 2007	Difference	Pct Chg
County	0	0	0	0.0%
School	4,214	5,578	1,364	32.4%
City/Town	60	66	6	9.9%
Special Dist	0	0	0	0.0%
Total	4,274	5,644	1,370	32.1%

Tax Rates

	Pay 2006	Pay 2007	Pay 2006	Pay 2007
	NTC	NTC	MV	MV
County	45.06	44.31	0.000	0.000
School	20.16	19.92	0.774	0.912
City/Town	39.91	39.15	0.011	0.011
Special Dist	0.83	0.73	0.000	0.000
Total	105.95	104.12	0.785	0.923

Tax Base

	Pay 2006	Pay 2007	Difference	Pct Chg
Tax Capacity:	82,591	93,918	11,327	13.7%
TIF Value	3,181	3,578	397	12.5%
FD Contribution:	0	0	0	0.0%
Taxable Value:	79,410	90,340	10,930	13.8%
FD Distribution:	0	0	0	0.0%

Homestead Property Tax Examples

	Pay 2006	Pay 2007	Difference	Pct Chg
Low Value:	79,900	87,700	609	7.6%
Average Value:	119,800	131,500	1,099	9.2%
High Value:	159,700	175,300	1,589	9.9%

**Projected Property Taxes Payable in 2007
Compared to Estimated Property Taxes Payable in 2006**

Taconite towns

	Market Value				Tax Capacity				Net Tax			
	Pay 2006	Pay 2007	Difference	Pct Chg	Pay 2006	Pay 2007	Difference	Pct Chg	Pay 2006	Pay 2007	Difference	Pct Chg
Res Homestead	4,313,715	4,834,390	520,675	12.1%	43,214	48,481	5,267	12.2%	26,249	31,474	5,225	19.9%
Res Nonhomestd	316,222	359,953	43,730	13.8%	3,252	3,702	450	13.9%	3,047	3,493	447	14.7%
Apartments	4,775	5,072	296	6.2%	60	63	4	6.2%	56	59	3	5.5%
Seasonal Rec	3,979,783	4,620,454	640,672	16.1%	39,617	46,077	6,460	16.3%	38,198	42,768	4,570	12.0%
New Construction	0	218,190	218,190	0.0%	0	2,210	2,210	0.0%	0	2,079	2,079	0.0%
C/I First tier	79,832	83,670	3,839	4.8%	1,197	1,255	58	4.8%	1,809	1,878	69	3.8%
C/I Second tier	129,977	132,949	2,973	2.3%	2,600	2,659	59	2.3%	3,973	4,040	67	1.7%
Public Utility	250,386	255,394	5,008	2.0%	4,987	5,087	100	2.0%	7,534	7,693	159	2.1%
Ag hstd: House	176,319	192,323	16,004	9.1%	1,759	1,919	160	9.1%	1,129	1,269	140	12.4%
Ag hstd: Land	230,706	275,684	44,978	19.5%	1,276	1,528	253	19.8%	631	785	154	24.4%
Ag Nonhomestd	542,420	636,252	93,832	17.3%	5,424	6,363	938	17.3%	4,754	5,568	814	17.1%
Total	10,024,135	11,614,331	1,590,196	15.9%	103,385	119,344	15,959	15.4%	87,379	101,106	13,727	15.7%

Tax Capacity Spread Levies

	Pay 2006	Pay 2007	Difference	Pct Chg
County	56,930	63,424	6,494	11.4%
School	10,414	14,040	3,627	34.8%
City/Town	16,097	17,560	1,463	9.1%
Special Dist	2,316	2,349	32	1.4%
Total	85,757	97,374	11,616	13.5%

Market Value Spread Levies

	Pay 2006	Pay 2007	Difference	Pct Chg
	0	0	0	0.0%
	3,090	4,656	1,566	50.7%
	0	0	0	0.0%
	0	0	0	0.0%
Total	3,090	4,656	1,566	50.7%

Tax Rates

	Pay 2006	Pay 2007	Pay 2006	Pay 2007
	NTC	NTC	MV	MV
	55.64	53.69	0.000	0.000
	10.18	11.88	0.567	0.753
	15.73	14.86	0.000	0.000
	2.26	1.99	0.000	0.000
Total	83.81	82.42	0.567	0.753

Tax Base

	Pay 2006	Pay 2007	Difference	Pct Chg
Tax Capacity:	103,385	119,344	15,959	15.4%
TIF Value	265	285	20	7.7%
FD Contribution:	765	892	127	16.6%
Taxable Value:	102,356	118,168	15,812	15.4%
FD Distribution:	563	659	95	16.9%

Homestead Property Tax Examples

	Pay 2006	Pay 2007	Difference	Pct Chg
Low Value:	104,100	116,600	363	35.5%
Average Value:	156,000	174,900	874	22.3%
High Value:	208,000	233,100	1,386	18.6%

Projected Property Taxes Payable in 2007 Compared to Estimated Property Taxes Payable in 2006

Duluth area

	Market Value				Tax Capacity				Net Tax			
	Pay 2006	Pay 2007	Difference	Pct Chg	Pay 2006	Pay 2007	Difference	Pct Chg	Pay 2006	Pay 2007	Difference	Pct Chg
Res Homestead	4,766,758	5,272,040	505,282	10.6%	47,693	52,780	5,087	10.7%	46,567	51,671	5,104	11.0%
Res Nonhomestd	638,812	755,297	116,485	18.2%	6,863	8,117	1,254	18.3%	7,657	8,888	1,231	16.1%
Apartments	310,104	349,321	39,217	12.6%	3,599	4,052	453	12.6%	4,004	4,401	397	9.9%
Seasonal Rec	100,956	113,621	12,664	12.5%	1,022	1,152	130	12.7%	1,181	1,282	101	8.6%
New Construction	0	163,194	163,194	0.0%	0	1,852	1,852	0.0%	0	2,259	2,259	0.0%
C/I First tier	208,722	211,597	2,875	1.4%	3,131	3,174	43	1.4%	5,049	4,960	-89	-1.8%
C/I Second tier	759,772	787,536	27,764	3.7%	15,195	15,751	555	3.7%	24,246	24,281	35	0.1%
Public Utility	120,289	122,693	2,404	2.0%	2,400	2,448	48	2.0%	3,825	3,768	-57	-1.5%
Ag hstd: House	14,972	15,945	973	6.5%	150	160	10	6.6%	138	149	11	7.9%
Ag hstd: Land	14,295	15,814	1,519	10.6%	80	88	9	11.2%	53	59	6	11.5%
Ag Nonhomestd	22,580	25,797	3,217	14.2%	226	258	32	14.2%	229	254	25	10.9%
Total	6,957,260	7,832,854	875,594	12.6%	80,360	89,833	9,474	11.8%	92,949	101,972	9,023	9.7%

Tax Capacity Spread Levies

	Pay 2006	Pay 2007	Difference	Pct Chg
County	47,939	53,272	5,333	11.1%
School	9,097	9,714	616	6.8%
City/Town	16,623	16,979	357	2.1%
Special Dist	3,344	3,362	18	0.5%
Total	77,003	83,326	6,323	8.2%

Market Value Spread Levies

	Pay 2006	Pay 2007	Difference	Pct Chg
	0	0	0	0.0%
	5,219	7,518	2,298	44.0%
	80	80	0	0.0%
	0	0	0	0.0%
Total	5,300	7,598	2,298	43.4%

Tax Rates

	Pay 2006	Pay 2007	Pay 2006	Pay 2007
	NTC	NTC	MV	MV
	65.11	64.34	0.000	0.000
	12.36	11.73	0.767	0.982
	22.57	20.51	0.012	0.010
	4.54	4.06	0.000	0.000
Total	104.58	100.63	0.779	0.992

Tax Base

	Pay 2006	Pay 2007	Difference	Pct Chg
Tax Capacity:	80,360	89,833	9,474	11.8%
TIF Value	6,727	7,031	304	4.5%
FD Contribution:	0	0	0	0.0%
Taxable Value:	73,633	82,802	9,169	12.5%
FD Distribution:	0	0	0	0.0%

Homestead Property Tax Examples

	Pay 2006	Pay 2007	Difference	Pct Chg
Low Value:	104,000	115,000	890	12.7%
Average Value:	155,900	172,400	1,689	11.1%
High Value:	207,800	229,900	2,150	10.5%

Projected Property Taxes Payable in 2007
Compared to Estimated Property Taxes Payable in 2006

East Central cities

	Market Value				Tax Capacity				Net Tax			
	Pay 2006	Pay 2007	Difference	Pct Chg	Pay 2006	Pay 2007	Difference	Pct Chg	Pay 2006	Pay 2007	Difference	Pct Chg
Res Homestead	3,377,667	3,752,425	374,758	11.1%	33,755	37,507	3,752	11.1%	40,681	46,574	5,892	14.5%
Res Nonhomestd	392,370	424,667	32,297	8.2%	4,145	4,482	337	8.1%	5,665	6,161	496	8.8%
Apartments	208,107	227,858	19,751	9.5%	2,371	2,597	225	9.5%	3,198	3,529	331	10.4%
Seasonal Rec	69,828	79,095	9,267	13.3%	714	807	93	13.0%	1,069	1,167	98	9.2%
New Construction	0	230,577	230,577	0.0%	0	2,556	2,556	0.0%	0	3,646	3,646	0.0%
C/I First tier	283,461	295,620	12,159	4.3%	4,252	4,434	182	4.3%	7,888	8,162	274	3.5%
C/I Second tier	524,913	559,283	34,370	6.5%	10,498	11,186	687	6.5%	19,014	20,238	1,224	6.4%
Public Utility	81,179	82,803	1,624	2.0%	1,613	1,645	32	2.0%	2,973	3,016	43	1.4%
Ag hstd: House	79,120	88,246	9,125	11.5%	792	884	92	11.6%	877	1,010	133	15.1%
Ag hstd: Land	60,102	65,393	5,291	8.8%	342	373	32	9.3%	282	314	33	11.5%
Ag Nonhomestd	37,350	42,917	5,567	14.9%	374	429	56	14.9%	461	527	66	14.3%
Total	5,114,097	5,848,883	734,786	14.4%	58,856	66,901	8,045	13.7%	82,108	94,343	12,235	14.9%

Tax Capacity Spread Levies

	Pay 2006	Pay 2007	Difference	Pct Chg
County	32,760	36,597	3,836	11.7%
School	14,326	17,220	2,894	20.2%
City/Town	24,940	28,269	3,330	13.4%
Special Dist	533	581	48	9.1%
Total	72,559	82,667	10,108	13.9%

Market Value Spread Levies

	Pay 2006	Pay 2007	Difference	Pct Chg
	42	40	-2	-3.8%
	3,250	4,743	1,492	45.9%
	120	132	12	9.9%
	0	0	0	0.0%
Total	3,412	4,915	1,503	44.0%

Tax Rates

	Pay 2006	Pay 2007	Pay 2006	Pay 2007
	NTC	NTC	MV	MV
	58.16	57.10	0.008	0.007
	25.43	26.87	0.657	0.839
	44.28	44.11	0.024	0.023
	0.95	0.91	0.000	0.000
Total	128.81	128.98	0.690	0.869

Tax Base

	Pay 2006	Pay 2007	Difference	Pct Chg
Tax Capacity:	58,856	66,901	8,045	13.7%
TIF Value	2,524	2,802	278	11.0%
FD Contribution:	0	0	0	0.0%
Taxable Value:	56,332	64,099	7,767	13.8%
FD Distribution:	0	0	0	0.0%

Homestead Property Tax Examples

	Pay 2006	Pay 2007	Difference	Pct Chg
Low Value:	99,100	110,100	1,062	17.0%
Average Value:	148,600	165,100	1,778	15.2%
High Value:	198,100	220,000	2,494	14.4%

Projected Property Taxes Payable in 2007 Compared to Estimated Property Taxes Payable in 2006

East Central towns

	Market Value				Tax Capacity				Net Tax			
	Pay 2006	Pay 2007	Difference	Pct Chg	Pay 2006	Pay 2007	Difference	Pct Chg	Pay 2006	Pay 2007	Difference	Pct Chg
Res Homestead	5,101,126	5,690,452	589,326	11.6%	51,000	56,906	5,906	11.6%	49,986	56,686	6,700	13.4%
Res Nonhomestd	491,963	549,607	57,645	11.7%	5,181	5,785	604	11.7%	5,633	6,268	634	11.3%
Apartments	4,156	4,437	280	6.7%	52	55	4	6.7%	54	58	4	6.9%
Seasonal Rec	1,388,736	1,613,676	224,940	16.2%	13,875	16,126	2,251	16.2%	15,612	17,254	1,643	10.5%
New Construction	0	302,119	302,119	0.0%	0	3,003	3,003	0.0%	0	3,332	3,332	0.0%
C/I First tier	92,052	96,496	4,444	4.8%	1,381	1,447	67	4.8%	2,170	2,228	58	2.7%
C/I Second tier	65,428	70,103	4,674	7.1%	1,309	1,402	93	7.1%	2,034	2,137	103	5.0%
Public Utility	166,336	169,663	3,327	2.0%	3,314	3,380	66	2.0%	5,378	5,440	62	1.1%
Ag hstd: House	1,140,333	1,265,674	125,341	11.0%	11,397	12,652	1,255	11.0%	10,288	11,615	1,327	12.9%
Ag hstd: Land	1,076,269	1,203,445	127,175	11.8%	5,997	6,726	729	12.2%	3,994	4,456	462	11.6%
Ag Nonhomestd	442,369	515,370	73,001	16.5%	4,424	5,154	730	16.5%	4,489	5,081	592	13.2%
Total	9,968,769	11,481,041	1,512,272	15.2%	97,928	112,637	14,708	15.0%	99,639	114,555	14,916	15.0%

Tax Capacity Spread Levies

	Pay 2006	Pay 2007	Difference	Pct Chg
County	57,683	64,687	7,004	12.1%
School	23,629	27,548	3,920	16.6%
City/Town	17,330	18,987	1,658	9.6%
Special Dist	826	825	-2	-0.2%
Total	99,468	112,048	12,579	12.6%

Market Value Spread Levies

	Pay 2006	Pay 2007	Difference	Pct Chg
	135	137	2	1.2%
	4,783	6,872	2,090	43.7%
	0	0	0	0.0%
	0	0	0	0.0%
Total	4,917	7,009	2,092	42.5%

Tax Rates

	Pay 2006	Pay 2007	Pay 2006	Pay 2007
	NTC	NTC	MV	MV
	58.97	57.49	0.019	0.017
	24.16	24.48	0.674	0.846
	17.72	16.88	0.000	0.000
	0.84	0.73	0.000	0.000
Total	101.69	99.58	0.693	0.863

Tax Base

	Pay 2006	Pay 2007	Difference	Pct Chg
Tax Capacity:	97,928	112,637	14,708	15.0%
TIF Value	86	90	3	3.8%
FD Contribution:	0	0	0	0.0%
Taxable Value:	97,842	112,547	14,705	15.0%
FD Distribution:	0	0	0	0.0%

Homestead Property Tax Examples

	Pay 2006	Pay 2007	Difference	Pct Chg
Low Value:	116,100	129,600	993	15.4%
Average Value:	174,100	194,300	1,675	13.7%
High Value:	232,100	258,900	2,358	12.9%

Projected Property Taxes Payable in 2007
Compared to Estimated Property Taxes Payable in 2006

Central Minnesota cities

Market Value

Tax Capacity

Net Tax

	Market Value				Tax Capacity				Net Tax			
	Pay 2006	Pay 2007	Difference	Pct Chg	Pay 2006	Pay 2007	Difference	Pct Chg	Pay 2006	Pay 2007	Difference	Pct Chg
Res Homestead	11,163,079	12,122,192	959,114	8.6%	111,620	121,229	9,609	8.6%	123,126	134,132	11,007	8.9%
Res Nonhomestd	1,227,332	1,387,773	160,441	13.1%	13,200	14,933	1,733	13.1%	15,982	17,905	1,923	12.0%
Apartments	899,924	969,248	69,324	7.7%	10,531	11,331	800	7.6%	12,749	13,726	977	7.7%
Seasonal Rec	78,782	89,206	10,423	13.2%	846	955	109	12.9%	1,025	1,145	120	11.7%
New Construction	0	864,864	864,864	0.0%	0	9,895	9,895	0.0%	0	12,991	12,991	0.0%
C/I First tier	646,218	679,979	33,761	5.2%	9,693	10,200	506	5.2%	16,708	17,300	592	3.5%
C/I Second tier	2,220,478	2,455,956	235,477	10.6%	44,410	49,119	4,710	10.6%	74,451	80,725	6,275	8.4%
Public Utility	1,001,724	1,021,758	20,034	2.0%	20,014	20,415	400	2.0%	25,814	26,337	523	2.0%
Ag hstd: House	134,263	139,441	5,178	3.9%	1,348	1,401	53	3.9%	1,477	1,516	39	2.6%
Ag hstd: Land	117,303	125,372	8,069	6.9%	666	716	50	7.5%	526	558	33	6.2%
Ag Nonhomestd	115,153	132,656	17,503	15.2%	1,152	1,327	175	15.2%	1,247	1,383	136	10.9%
	17,604,255	19,988,444	2,384,189	13.5%	213,480	241,520	28,040	13.1%	273,105	307,719	34,614	12.7%

Tax Capacity Spread Levies

Market Value Spread Levies

Tax Rates

County	Tax Capacity Spread Levies				Market Value Spread Levies				Tax Rates			
	Pay 2006	Pay 2007	Difference	Pct Chg	Pay 2006	Pay 2007	Difference	Pct Chg	Pay 2006	Pay 2007	Pay 2006	Pay 2007
County	85,566	96,469	10,902	12.7%	0	0	0	0.0%	NTC	NTC	MV	MV
School	53,707	57,192	3,485	6.5%	19,067	24,759	5,692	29.9%	42.55	42.42	0.000	0.000
City/Town	78,979	88,785	9,806	12.4%	428	471	42	9.9%	26.71	25.15	1.104	1.262
Special Dist	4,068	4,438	370	9.1%	0	0	0	0.0%	39.27	39.04	0.025	0.024
Total	222,320	246,883	24,563	11.0%	19,495	25,230	5,734	29.4%	2.02	1.95	0.000	0.000
									110.55	108.56	1.128	1.286

Tax Base

Homestead Property Tax Examples

Tax Base				Homestead Property Tax Examples					
	Pay 2006	Pay 2007	Difference	Pct Chg		Pay 2006	Pay 2007	Difference	Pct Chg
Tax Capacity:	213,480	241,520	28,040	13.1%	Low Value:	114,200	124,100	1,122	11.1%
TIF Value	12,383	14,097	1,714	13.8%	Average Value:	171,300	186,000	1,869	9.9%
FD Contribution:	0	0	0	0.0%	High Value:	228,300	247,900	2,615	9.4%
Taxable Value:	201,097	227,423	26,326	13.1%					
FD Distribution:	0	0	0	0.0%					

Projected Property Taxes Payable in 2007 Compared to Estimated Property Taxes Payable in 2006

Central Minnesota towns

	Market Value				Tax Capacity				Net Tax			
	Pay 2006	Pay 2007	Difference	Pct Chg	Pay 2006	Pay 2007	Difference	Pct Chg	Pay 2006	Pay 2007	Difference	Pct Chg
Res Homestead	6,266,719	6,917,810	651,091	10.4%	62,735	69,287	6,552	10.4%	56,147	63,092	6,945	12.4%
Res Nonhomestd	503,199	576,412	73,213	14.5%	5,360	6,138	778	14.5%	5,263	6,003	741	14.1%
Apartments	3,954	4,286	332	8.4%	49	54	4	8.4%	47	51	4	8.9%
Seasonal Rec	805,744	945,291	139,547	17.3%	8,095	9,503	1,408	17.4%	8,189	9,296	1,107	13.5%
New Construction	0	315,983	315,983	0.0%	0	3,215	3,215	0.0%	0	3,379	3,379	0.0%
C/I First tier	140,457	150,191	9,734	6.9%	2,107	2,253	146	6.9%	3,068	3,221	153	5.0%
C/I Second tier	147,652	166,066	18,414	12.5%	2,953	3,321	368	12.5%	4,157	4,582	424	10.2%
Public Utility	165,803	169,119	3,316	2.0%	3,296	3,361	66	2.0%	4,850	4,881	32	0.7%
Ag hstd: House	1,362,421	1,486,052	123,631	9.1%	13,629	14,870	1,241	9.1%	11,607	12,980	1,372	11.8%
Ag hstd: Land	1,604,896	1,741,811	136,916	8.5%	9,155	10,002	847	9.2%	6,368	6,979	611	9.6%
Ag Nonhomestd	396,346	453,155	56,809	14.3%	3,963	4,532	568	14.3%	3,551	3,993	442	12.5%
Total	11,397,189	12,926,176	1,528,987	13.4%	111,342	126,536	15,194	13.6%	103,247	118,456	15,209	14.7%

Tax Capacity Spread Levies

	Pay 2006	Pay 2007	Difference	Pct Chg
County	47,896	54,234	6,338	13.2%
School	29,025	32,566	3,541	12.2%
City/Town	20,280	21,972	1,692	8.3%
Special Dist	1,355	1,445	89	6.6%
Total	98,557	110,218	11,660	11.8%

Market Value Spread Levies

	Pay 2006	Pay 2007	Difference	Pct Chg
	0	0	0	0.0%
	8,297	11,146	2,849	34.3%
	41	41	0	0.0%
	0	0	0	0.0%
Total	8,338	11,187	2,849	34.2%

Tax Rates

	Pay 2006	Pay 2007	Pay 2006	Pay 2007
	NTC	NTC	MV	MV
	43.10	42.95	0.000	0.000
	26.12	25.79	0.962	1.139
	18.25	17.40	0.005	0.004
	1.22	1.14	0.000	0.000
Total	88.70	87.28	0.967	1.143

Tax Base

	Pay 2006	Pay 2007	Difference	Pct Chg
Tax Capacity:	111,342	126,536	15,194	13.6%
TIF Value	198	222	24	12.4%
FD Contribution:	0	0	0	0.0%
Taxable Value:	111,145	126,314	15,169	13.6%
FD Distribution:	0	0	0	0.0%

Homestead Property Tax Examples

	Pay 2006	Pay 2007	Difference	Pct Chg
Low Value:	143,400	158,300	1,167	14.2%
Average Value:	215,000	237,300	1,936	12.8%
High Value:	286,600	316,400	2,705	12.2%

Projected Property Taxes Payable in 2007 Compared to Estimated Property Taxes Payable in 2006

Southwest cities

	Market Value				Tax Capacity				Net Tax			
	Pay 2006	Pay 2007	Difference	Pct Chg	Pay 2006	Pay 2007	Difference	Pct Chg	Pay 2006	Pay 2007	Difference	Pct Chg
Res Homestead	4,617,817	4,914,289	296,472	6.4%	46,128	49,096	2,968	6.4%	58,998	64,276	5,278	8.9%
Res Nonhomestd	426,786	468,072	41,286	9.7%	4,471	4,901	430	9.6%	6,867	7,618	751	10.9%
Apartments	319,992	338,013	18,020	5.6%	3,682	3,891	209	5.7%	5,452	5,840	389	7.1%
Seasonal Rec	19,571	22,463	2,892	14.8%	211	241	30	14.3%	342	380	39	11.3%
New Construction	0	164,145	164,145	0.0%	0	2,060	2,060	0.0%	0	3,414	3,414	0.0%
C/I First tier	544,785	554,720	9,935	1.8%	8,172	8,321	149	1.8%	16,404	16,626	223	1.4%
C/I Second tier	779,513	778,186	-1,327	-0.2%	15,590	15,564	-27	-0.2%	29,723	30,045	322	1.1%
Public Utility	79,186	80,770	1,584	2.0%	1,565	1,597	31	2.0%	3,154	3,207	53	1.7%
Ag hstd: House	19,905	21,088	1,183	5.9%	199	211	12	5.9%	264	288	23	8.8%
Ag hstd: Land	45,694	52,092	6,398	14.0%	301	345	44	14.7%	391	454	63	16.2%
Ag Nonhomestd	50,273	55,668	5,395	10.7%	503	557	54	10.7%	745	830	85	11.3%
Total	6,903,522	7,449,505	545,983	7.9%	80,822	86,782	5,960	7.4%	122,340	132,978	10,638	8.7%

Tax Capacity Spread Levies

	Pay 2006	Pay 2007	Difference	Pct Chg
County	43,235	46,119	2,884	6.7%
School	15,116	17,046	1,930	12.8%
City/Town	47,183	50,435	3,252	6.9%
Special Dist	1,349	1,448	98	7.3%
Total	106,883	115,048	8,165	7.6%

Market Value Spread Levies

	Pay 2006	Pay 2007	Difference	Pct Chg
County	169	167	-1	-0.8%
School	9,299	11,342	2,043	22.0%
City/Town	218	239	22	9.9%
Special Dist	0	0	0	0.0%
Total	9,686	11,749	2,063	21.3%

Tax Rates

	Pay 2006	Pay 2007	Pay 2006	Pay 2007
	NTC	NTC	MV	MV
County	56.11	55.74	0.025	0.023
School	19.62	20.60	1.373	1.553
City/Town	61.24	60.95	0.032	0.033
Special Dist	1.75	1.75	0.000	0.000
Total	138.72	139.04	1.430	1.608

Tax Base

	Pay 2006	Pay 2007	Difference	Pct Chg
Tax Capacity:	80,822	86,782	5,960	7.4%
TIF Value	3,772	4,038	265	7.0%
FD Contribution:	0	0	0	0.0%
Taxable Value:	77,050	82,744	5,695	7.4%
FD Distribution:	0	0	0	0.0%

Homestead Property Tax Examples

	Pay 2006	Pay 2007	Difference	Pct Chg
Low Value:	56,300	59,900	636	8.4%
Average Value:	84,300	89,800	993	10.9%
High Value:	112,400	119,700	1,449	9.9%

Projected Property Taxes Payable in 2007 Compared to Estimated Property Taxes Payable in 2006

Southwest towns

	Market Value				Tax Capacity				Net Tax			
	Pay 2006	Pay 2007	Difference	Pct Chg	Pay 2006	Pay 2007	Difference	Pct Chg	Pay 2006	Pay 2007	Difference	Pct Chg
Res Homestead	2,537,835	2,846,141	308,306	12.1%	25,408	28,509	3,100	12.2%	23,412	26,795	3,383	14.4%
Res Nonhomestd	285,025	310,079	25,054	8.8%	2,948	3,208	260	8.8%	3,136	3,411	275	8.8%
Apartments	3,643	3,776	133	3.7%	46	47	2	3.7%	43	45	2	4.5%
Seasonal Rec	513,730	598,210	84,480	16.4%	5,136	5,985	850	16.5%	5,959	6,648	689	11.6%
New Construction	0	178,940	178,940	0.0%	0	1,737	1,737	0.0%	0	1,816	1,816	0.0%
C/I First tier	104,743	109,059	4,315	4.1%	1,571	1,636	65	4.1%	2,400	2,461	61	2.5%
C/I Second tier	134,144	135,444	1,300	1.0%	2,683	2,709	26	1.0%	3,888	3,877	-11	-0.3%
Public Utility	333,519	340,189	6,670	2.0%	6,629	6,761	133	2.0%	9,442	9,460	17	0.2%
Ag hstd: House	1,319,018	1,450,397	131,379	10.0%	13,181	14,496	1,314	10.0%	10,214	11,550	1,336	13.1%
Ag hstd: Land	8,471,700	9,633,270	1,161,569	13.7%	55,597	64,843	9,247	16.6%	43,884	50,609	6,725	15.3%
Ag Nonhomestd	4,172,010	4,796,042	624,032	15.0%	41,720	47,960	6,240	15.0%	36,165	40,719	4,554	12.6%
Total	17,875,366	20,401,546	2,526,180	14.1%	154,918	177,892	22,973	14.8%	138,544	157,391	18,847	13.6%

Tax Capacity Spread Levies

	Pay 2006	Pay 2007	Difference	Pct Chg
County	87,306	98,221	10,915	12.5%
School	27,439	32,524	5,085	18.5%
City/Town	20,001	20,992	991	5.0%
Special Dist	2,304	2,431	127	5.5%
Total	137,051	154,168	17,117	12.5%

Market Value Spread Levies

	Pay 2006	Pay 2007	Difference	Pct Chg
	66	68	1	2.0%
	6,475	8,281	1,807	27.9%
	0	0	0	0.0%
	0	0	0	0.0%
Total	6,541	8,349	1,808	27.6%

Tax Rates

	Pay 2006	Pay 2007	Pay 2006	Pay 2007
	NTC	NTC	MV	MV
	56.50	55.34	0.014	0.013
	17.76	18.32	1.369	1.557
	12.94	11.83	0.000	0.000
	1.49	1.37	0.000	0.000
Total	88.69	86.86	1.383	1.569

Tax Base

	Pay 2006	Pay 2007	Difference	Pct Chg
Tax Capacity:	154,918	177,892	22,973	14.8%
TIF Value	383	391	8	2.1%
FD Contribution:	0	0	0	0.0%
Taxable Value:	154,535	177,500	22,965	14.9%
FD Distribution:	0	0	0	0.0%

Homestead Property Tax Examples

	Pay 2006	Pay 2007	Difference	Pct Chg		
Low Value:	91,100	102,200	644	768	124	19.3%
Average Value:	136,600	153,200	1,151	1,337	186	16.1%
High Value:	182,100	204,200	1,658	1,906	247	14.9%

Projected Property Taxes Payable in 2007
Compared to Estimated Property Taxes Payable in 2006

South Central cities

	Market Value				Tax Capacity				Net Tax			
	Pay 2006	Pay 2007	Difference	Pct Chg	Pay 2006	Pay 2007	Difference	Pct Chg	Pay 2006	Pay 2007	Difference	Pct Chg
Res Homestead	5,204,546	5,553,769	349,223	6.7%	52,012	55,505	3,494	6.7%	56,538	62,926	6,388	11.3%
Res Nonhomestead	511,368	570,996	59,628	11.7%	5,444	6,074	630	11.6%	6,776	7,726	950	14.0%
Apartments	444,872	494,625	49,753	11.2%	5,220	5,806	586	11.2%	5,971	6,804	833	14.0%
Seasonal Rec	24,094	28,408	4,314	17.9%	236	278	42	17.9%	333	383	50	14.9%
New Construction	0	262,888	262,888	0.0%	0	2,984	2,984	0.0%	0	3,925	3,925	0.0%
C/I First tier	436,526	445,328	8,802	2.0%	6,548	6,680	132	2.0%	11,595	11,875	280	2.4%
C/I Second tier	955,242	963,208	7,966	0.8%	19,105	19,264	159	0.8%	31,037	31,441	404	1.3%
Public Utility	95,452	97,361	1,909	2.0%	1,903	1,942	38	2.0%	2,989	3,049	59	2.0%
Ag hstd: House	13,130	13,979	849	6.5%	131	139	9	6.5%	160	175	15	9.3%
Ag hstd: Land	25,102	27,838	2,736	10.9%	164	183	20	12.0%	182	207	26	14.1%
Ag Nonhomestead	37,803	43,258	5,456	14.4%	378	433	55	14.4%	444	509	65	14.6%
Total	7,748,133	8,501,658	753,525	9.7%	91,140	99,289	8,149	8.9%	116,025	129,020	12,995	11.2%

Tax Capacity Spread Levies

	Pay 2006	Pay 2007	Difference	Pct Chg
County	40,336	44,270	3,934	9.8%
School	14,000	16,113	2,112	15.1%
City/Town	42,818	47,262	4,444	10.4%
Special Dist	528	546	18	3.4%
Total	97,683	108,191	10,508	10.8%

Market Value Spread Levies

	Pay 2006	Pay 2007	Difference	Pct Chg
County	0	0	0	0.0%
School	9,321	11,682	2,361	25.3%
City/Town	204	227	22	10.8%
Special Dist	0	0	0	0.0%
Total	9,526	11,909	2,383	25.0%

Tax Rates

	Pay 2006	Pay 2007	Pay 2006	Pay 2007
	NTC	NTC	MV	MV
County	46.80	47.04	0.000	0.000
School	16.24	17.12	1.219	1.394
City/Town	49.68	50.22	0.027	0.027
Special Dist	0.61	0.58	0.000	0.000
Total	113.34	114.96	1.246	1.421

Tax Base

	Pay 2006	Pay 2007	Difference	Pct Chg
Tax Capacity:	91,140	99,289	8,149	8.9%
TIF Value	4,953	5,174	221	4.5%
FD Contribution:	0	0	0	0.0%
Taxable Value:	86,187	94,115	7,928	9.2%
FD Distribution:	0	0	0	0.0%

Homestead Property Tax Examples

	Pay 2006	Pay 2007	Difference	Pct Chg
Low Value:	75,300	80,400	646	738
Average Value:	113,000	120,500	1,151	1,292
High Value:	150,600	160,700	1,658	1,848
			92	142
			190	11.5%

**Projected Property Taxes Payable in 2007
Compared to Estimated Property Taxes Payable in 2006**

South Central towns

	Market Value				Tax Capacity				Net Tax			
	Pay 2006	Pay 2007	Difference	Pct Chg	Pay 2006	Pay 2007	Difference	Pct Chg	Pay 2006	Pay 2007	Difference	Pct Chg
Res Homestead	2,151,912	2,373,344	221,432	10.3%	21,531	23,754	2,222	10.3%	17,052	19,436	2,384	14.0%
Res Nonhomestead	223,989	250,921	26,932	12.0%	2,306	2,583	277	12.0%	2,118	2,413	295	13.9%
Apartments	3,862	4,143	281	7.3%	48	52	4	7.3%	46	49	3	7.0%
Seasonal Rec	142,736	168,019	25,283	17.7%	1,433	1,686	253	17.7%	1,248	1,418	170	13.6%
New Construction	0	100,912	100,912	0.0%	0	976	976	0.0%	0	909	909	0.0%
C/I First tier	61,643	63,801	2,158	3.5%	925	957	32	3.5%	1,265	1,298	33	2.6%
C/I Second tier	77,784	78,996	1,212	1.6%	1,556	1,580	24	1.6%	2,082	2,107	26	1.2%
Public Utility	244,078	248,960	4,882	2.0%	4,862	4,960	97	2.0%	6,405	6,498	93	1.5%
Ag hstd: House	1,033,915	1,135,029	101,114	9.8%	10,337	11,349	1,012	9.8%	7,467	8,588	1,121	15.0%
Ag hstd: Land	5,186,843	5,822,204	635,361	12.2%	34,687	39,804	5,117	14.8%	25,271	29,544	4,273	16.9%
Ag Nonhomestead	2,141,360	2,378,909	237,549	11.1%	21,414	23,789	2,375	11.1%	16,720	18,708	1,988	11.9%
Total	11,268,121	12,625,237	1,357,116	12.0%	99,099	111,490	12,391	12.5%	79,673	90,969	11,296	14.2%

Tax Capacity Spread Levies

	Pay 2006	Pay 2007	Difference	Pct Chg
County	49,602	55,915	6,313	12.7%
School	16,738	20,043	3,305	19.7%
City/Town	11,613	12,108	495	4.3%
Special Dist	619	637	18	2.9%
Total	78,572	88,703	10,131	12.9%

Market Value Spread Levies

	Pay 2006	Pay 2007	Difference	Pct Chg
	0	0	0	0.0%
	4,823	5,987	1,164	24.1%
	0	0	0	0.0%
	0	0	0	0.0%
Total	4,823	5,987	1,164	24.1%

Tax Rates

	Pay 2006	Pay 2007	Pay 2006	Pay 2007
	NTC	NTC	MV	MV
	50.07	50.17	0.000	0.000
	16.90	17.98	1,268	1,414
	11.72	10.86	0.000	0.000
	0.62	0.57	0.000	0.000
Total	79.32	79.59	1,268	1,414

Tax Base

	Pay 2006	Pay 2007	Difference	Pct Chg
Tax Capacity:	99,099	111,490	12,391	12.5%
TIF Value	37	39	2	5.4%
FD Contribution:	0	0	0	0.0%
Taxable Value:	99,062	111,451	12,389	12.5%
FD Distribution:	0	0	0	0.0%

Homestead Property Tax Examples

	Pay 2006	Pay 2007	Difference	Pct Chg
Low Value:	99,200	109,400	629	19.4%
Average Value:	148,700	164,000	1,129	16.2%
High Value:	198,200	218,600	1,629	15.0%

Projected Property Taxes Payable in 2007 Compared to Estimated Property Taxes Payable in 2006

Olmsted County

Market Value

	Pay 2006	Pay 2007	Difference	Pct Chg
Res Homestead	6,521,170	6,773,039	251,869	3.9%
Res Nonhomestd	751,595	810,158	58,563	7.8%
Apartments	401,486	451,941	50,455	12.6%
Seasonal Rec	9,309	10,223	914	9.8%
New Construction	0	378,486	378,486	0.0%
C/I First tier	249,294	259,849	10,556	4.2%
C/I Second tier	1,434,049	1,500,708	66,659	4.6%
Public Utility	53,842	54,893	1,051	2.0%
Ag hstd: House	347,062	383,392	36,329	10.5%
Ag hstd: Land	599,809	686,453	86,644	14.4%
Ag Nonhomestd	191,741	219,112	27,371	14.3%
Total	10,559,358	11,528,254	968,896	9.2%

Tax Capacity

	Pay 2006	Pay 2007	Difference	Pct Chg
Res Homestead	65,376	67,918	2,541	3.9%
Res Nonhomestd	7,960	8,581	621	7.8%
Apartments	4,695	5,285	590	12.6%
Seasonal Rec	111	122	11	10.3%
New Construction	0	4,164	4,164	0.0%
C/I First tier	3,739	3,898	158	4.2%
C/I Second tier	28,681	30,014	1,333	4.6%
Public Utility	1,072	1,093	21	2.0%
Ag hstd: House	3,493	3,863	371	10.6%
Ag hstd: Land	3,782	4,403	620	16.4%
Ag Nonhomestd	1,917	2,191	274	14.3%
Total	120,828	131,532	10,705	8.9%

Net Tax

	Pay 2006	Pay 2007	Difference	Pct Chg
Res Homestead	72,983	78,618	5,635	7.7%
Res Nonhomestd	9,954	11,027	1,073	10.8%
Apartments	5,929	6,838	909	15.3%
Seasonal Rec	145	166	21	14.2%
New Construction	0	5,713	5,713	0.0%
C/I First tier	6,510	6,816	306	4.7%
C/I Second tier	49,445	51,846	2,401	4.9%
Public Utility	1,787	1,835	48	2.7%
Ag hstd: House	3,271	3,823	552	16.9%
Ag hstd: Land	3,171	3,837	666	21.0%
Ag Nonhomestd	1,860	2,163	303	16.3%
Total	155,055	172,682	17,627	11.4%

Tax Capacity Spread Levies

	Pay 2006	Pay 2007	Difference	Pct Chg
County	61,223	68,906	7,683	12.5%
School	30,198	32,514	2,315	7.7%
City/Town	43,151	47,044	3,893	9.0%
Special Dist	0	0	0	0.0%
Total	134,573	148,463	13,891	10.3%

Market Value Spread Levies

	Pay 2006	Pay 2007	Difference	Pct Chg
County	0	0	0	0.0%
School	10,832	13,847	3,015	27.8%
City/Town	0	0	0	0.0%
Special Dist	0	0	0	0.0%
Total	10,832	13,847	3,015	27.8%

Tax Rates

	Pay 2006	Pay 2007	Pay 2006	Pay 2007
	NTC	NTC	MV	MV
County	51.33	53.08	0.000	0.000
School	25.32	25.05	1.111	1.308
City/Town	36.18	36.24	0.000	0.000
Special Dist	0.00	0.00	0.000	0.000
Total	112.84	114.36	1.111	1.308

Tax Base

	Pay 2006	Pay 2007	Difference	Pct Chg
Tax Capacity:	120,828	131,532	10,705	8.9%
TIF Value	1,565	1,714	149	9.5%
FD Contribution:	0	0	0	0.0%
Taxable Value:	119,262	129,818	10,556	8.9%
FD Distribution:	0	0	0	0.0%

Homestead Property Tax Examples

	Pay 2006	Pay 2007	Difference	Pct Chg
Low Value:	113,900	118,300	1,142	8.7%
Average Value:	170,800	177,400	1,898	7.9%
High Value:	227,700	236,500	2,655	7.5%

Projected Property Taxes Payable in 2007 Compared to Estimated Property Taxes Payable in 2006

Southeast cities

Market Value

	Pay 2006	Pay 2007	Difference	Pct Chg
Res Homestead	9,178,029	9,802,311	624,282	6.8%
Res Nonhomestd	824,894	889,603	64,709	7.8%
Apartments	515,781	538,362	22,581	4.4%
Seasonal Rec	56,224	63,355	7,130	12.7%
New Construction	0	419,873	419,873	0.0%
C/I First tier	702,138	723,989	21,850	3.1%
C/I Second tier	1,338,112	1,414,487	76,374	5.7%
Public Utility	551,314	562,340	11,026	2.0%
Ag hstd: House	36,201	39,571	3,370	9.3%
Ag hstd: Land	68,355	78,728	10,373	15.2%
Ag Nonhomestd	58,467	66,213	7,746	13.2%
Total	13,329,517	14,598,832	1,269,315	9.5%

Tax Capacity

	Pay 2006	Pay 2007	Difference	Pct Chg
Res Homestead	91,736	97,985	6,250	6.8%
Res Nonhomestd	8,823	9,513	689	7.8%
Apartments	5,956	6,217	261	4.4%
Seasonal Rec	595	668	73	12.2%
New Construction	0	4,985	4,985	0.0%
C/I First tier	10,532	10,860	328	3.1%
C/I Second tier	26,762	28,290	1,527	5.7%
Public Utility	11,011	11,231	220	2.0%
Ag hstd: House	362	396	34	9.3%
Ag hstd: Land	425	494	69	16.3%
Ag Nonhomestd	585	662	77	13.2%
Total	156,788	171,301	14,513	9.3%

Net Tax

	Pay 2006	Pay 2007	Difference	Pct Chg
Res Homestead	98,368	111,766	13,399	13.6%
Res Nonhomestd	10,893	12,226	1,333	12.2%
Apartments	7,107	7,782	674	9.5%
Seasonal Rec	771	886	115	14.9%
New Construction	0	7,015	7,015	0.0%
C/I First tier	18,191	19,028	837	4.6%
C/I Second tier	44,502	47,828	3,326	7.5%
Public Utility	16,152	16,736	584	3.6%
Ag hstd: House	398	451	54	13.5%
Ag hstd: Land	411	498	87	21.3%
Ag Nonhomestd	648	757	108	16.7%
Total	197,441	224,973	27,532	13.9%

Tax Capacity Spread Levies

	Pay 2006	Pay 2007	Difference	Pct Chg
County	65,841	73,086	7,245	11.0%
School	30,752	36,167	5,415	17.6%
City/Town	65,741	74,839	9,098	13.8%
Special Dist	2,358	2,486	128	5.4%
Total	164,692	186,578	21,886	13.3%

Market Value Spread Levies

	Pay 2006	Pay 2007	Difference	Pct Chg
County	0	0	0	0.0%
School	20,276	24,382	4,106	20.3%
City/Town	298	327	29	9.7%
Special Dist	0	0	0	0.0%
Total	20,574	24,709	4,135	20.1%

Tax Rates

	Pay 2006	Pay 2007	Pay 2006	Pay 2007
	NTC	NTC	MV	MV
County	43.88	44.55	0.000	0.000
School	20.49	22.04	1.544	1.697
City/Town	43.81	45.61	0.023	0.023
Special Dist	1.57	1.52	0.000	0.000
Total	109.76	113.72	1.567	1.719

Tax Base

	Pay 2006	Pay 2007	Difference	Pct Chg
Tax Capacity:	156,788	171,301	14,513	9.3%
TIF Value	6,737	7,229	492	7.3%
FD Contribution:	0	0	0	0.0%
Taxable Value:	150,051	164,072	14,021	9.3%
FD Distribution:	0	0	0	0.0%

Homestead Property Tax Examples

	Pay 2006	Pay 2007	Difference	Pct Chg
Low Value:	87,200	93,200	800	9.3%
Average Value:	130,800	139,700	1,386	10.6%
High Value:	174,300	186,200	1,971	11.3%

Projected Property Taxes Payable in 2007
Compared to Estimated Property Taxes Payable in 2006

Southeast towns

Market Value

	Pay 2006	Pay 2007	Difference	Pct Chg
Res Homestead	3,753,229	4,082,659	329,430	8.8%
Res Nonhomestd	373,849	409,882	36,033	9.6%
Apartments	2,490	2,657	167	6.7%
Seasonal Rec	175,525	191,169	15,644	8.9%
New Construction	0	196,659	196,659	0.0%
C/I First tier	83,019	85,438	2,419	2.9%
C/I Second tier	59,738	61,875	2,137	3.6%
Public Utility	246,236	251,161	4,925	2.0%
Ag hstd: House	1,613,193	1,795,944	182,751	11.3%
Ag hstd: Land	5,460,329	6,150,412	690,083	12.6%
Ag Nonhomestd	1,774,602	2,012,570	237,967	13.4%
Total	13,542,211	15,240,425	1,698,213	12.5%

Tax Capacity

	Pay 2006	Pay 2007	Difference	Pct Chg
Res Homestead	37,569	40,879	3,309	8.8%
Res Nonhomestd	3,884	4,261	377	9.7%
Apartments	31	33	2	6.7%
Seasonal Rec	1,769	1,925	156	8.8%
New Construction	0	1,916	1,916	0.0%
C/I First tier	1,245	1,282	36	2.9%
C/I Second tier	1,195	1,237	43	3.6%
Public Utility	4,905	5,003	98	2.0%
Ag hstd: House	16,152	17,990	1,838	11.4%
Ag hstd: Land	35,347	40,666	5,319	15.0%
Ag Nonhomestd	17,746	20,126	2,380	13.4%
Total	119,844	135,318	15,474	12.9%

Net Tax

	Pay 2006	Pay 2007	Difference	Pct Chg
Res Homestead	31,511	35,518	4,007	12.7%
Res Nonhomestd	3,707	4,127	420	11.3%
Apartments	30	34	3	10.5%
Seasonal Rec	1,688	1,796	108	6.4%
New Construction	0	1,883	1,883	0.0%
C/I First tier	1,814	1,854	40	2.2%
C/I Second tier	1,694	1,746	53	3.1%
Public Utility	7,019	7,187	168	2.4%
Ag hstd: House	12,825	14,888	2,063	16.1%
Ag hstd: Land	26,694	31,297	4,603	17.2%
Ag Nonhomestd	14,991	17,076	2,085	13.9%
Total	101,973	117,406	15,433	15.1%

Tax Capacity Spread Levies

	Pay 2006	Pay 2007	Difference	Pct Chg
County	55,138	63,113	7,975	14.5%
School	24,258	28,623	4,365	18.0%
City/Town	19,479	20,339	860	4.4%
Special Dist	758	767	9	1.2%
Total	99,633	112,842	13,209	13.3%

Market Value Spread Levies

	Pay 2006	Pay 2007	Difference	Pct Chg
County	0	0	0	0.0%
School	8,534	10,681	2,147	25.2%
City/Town	0	0	0	0.0%
Special Dist	0	0	0	0.0%
Total	8,534	10,681	2,147	25.2%

Tax Rates

	Pay 2006	Pay 2007	Pay 2006	Pay 2007
	NTC	NTC	MV	MV
County	46.04	46.67	0.000	0.000
School	20.25	21.16	1.388	1.557
City/Town	16.26	15.04	0.000	0.000
Special Dist	0.63	0.57	0.000	0.000
Total	83.19	83.44	1.388	1.557

Tax Base

	Pay 2006	Pay 2007	Difference	Pct Chg
Tax Capacity:	119,844	135,318	15,474	12.9%
TIF Value	77	77	0	0.0%
FD Contribution:	0	0	0	0.0%
Taxable Value:	119,767	135,241	15,474	12.9%
FD Distribution:	0	0	0	0.0%

Homestead Property Tax Examples

	Pay 2006	Pay 2007	Difference	Pct Chg
Low Value:	116,300	126,500	861	15.4%
Average Value:	174,400	189,700	1,477	13.5%
High Value:	232,500	252,900	2,094	12.7%

**Projected Property Taxes Payable in 2007
Compared to Estimated Property Taxes Payable in 2006**

Anoka County

Market Value

Tax Capacity

Net Tax

	Market Value				Tax Capacity				Net Tax			
	Pay 2006	Pay 2007	Difference	Pct Chg	Pay 2006	Pay 2007	Difference	Pct Chg	Pay 2006	Pay 2007	Difference	Pct Chg
Res Homestead	20,352,308	22,559,801	2,207,493	10.8%	203,690	225,849	22,158	10.9%	203,323	229,340	26,017	12.8%
Res Nonhomestd	1,366,050	1,454,772	88,722	6.5%	14,857	15,823	966	6.5%	15,919	17,085	1,166	7.3%
Apartments	960,500	1,010,718	50,218	5.2%	11,265	11,854	589	5.2%	11,991	12,689	697	5.8%
Seasonal Rec	71,818	75,968	4,149	5.8%	860	902	42	4.9%	862	913	52	6.0%
New Construction	0	840,323	840,323	0.0%	0	9,766	9,766	0.0%	0	11,705	11,705	0.0%
C/I First tier	447,646	459,803	12,157	2.7%	6,715	6,897	182	2.7%	11,015	11,192	177	1.6%
C/I Second tier	2,951,519	3,157,801	206,282	7.0%	59,030	63,156	4,126	7.0%	95,103	100,473	5,370	5.6%
Public Utility	217,933	222,291	4,359	2.0%	4,356	4,443	87	2.0%	6,979	7,027	48	0.7%
Ag hstd: House	123,149	133,214	10,064	8.2%	1,235	1,336	101	8.2%	1,137	1,259	123	10.8%
Ag hstd: Land	92,174	104,366	12,192	13.2%	562	649	87	15.4%	364	438	74	20.3%
Ag Nonhomestd	71,211	79,144	7,932	11.1%	712	791	79	11.1%	646	713	67	10.4%
Total	26,654,309	30,098,201	3,443,892	12.9%	303,283	341,466	38,183	12.6%	347,338	392,834	45,497	13.1%

Tax Capacity Spread Levies

Market Value Spread Levies

Tax Rates

	Tax Capacity Spread Levies				Market Value Spread Levies				Tax Rates			
	Pay 2006	Pay 2007	Difference	Pct Chg	Pay 2006	Pay 2007	Difference	Pct Chg	Pay 2006	Pay 2007	Pay 2006	Pay 2007
County	84,576	96,268	11,692	13.8%	0	0	0	0.0%	NTC	NTC	MV	MV
School	57,120	66,500	9,380	16.4%	38,481	45,904	7,423	19.3%	32.39	32.64	0.000	0.000
City/Town	88,184	97,214	9,030	10.2%	872	958	86	9.9%	21.88	22.55	1.457	1.539
Special Dist	12,842	13,309	467	3.6%	0	0	0	0.0%	33.77	32.96	0.033	0.032
Total	242,722	273,290	30,568	12.6%	39,353	46,862	7,510	19.1%	92.96	92.66	1.490	1.571

Tax Base

Homestead Property Tax Examples

	Tax Base				Homestead Property Tax Examples				
	Pay 2006	Pay 2007	Difference	Pct Chg	Pay 2006	Pay 2007	Difference	Pct Chg	
Tax Capacity:	303,283	341,466	38,183	12.6%	Low Value:	144,500	160,200	1,316	14.6%
TIF Value	18,852	20,912	2,060	10.9%	Average Value:	216,700	240,200	2,160	13.3%
FD Contribution:	23,314	25,608	2,294	9.8%	High Value:	288,900	320,200	3,003	12.7%
Taxable Value:	261,117	294,946	33,829	13.0%					
FD Distribution:	34,877	38,346	3,469	9.9%					

**Projected Property Taxes Payable in 2007
Compared to Estimated Property Taxes Payable in 2006**

Washington County

	Market Value				Tax Capacity				Net Tax			
	Pay 2006	Pay 2007	Difference	Pct Chg	Pay 2006	Pay 2007	Difference	Pct Chg	Pay 2006	Pay 2007	Difference	Pct Chg
Res Homestead	18,373,718	19,383,967	1,010,248	5.5%	185,360	195,759	10,400	5.6%	176,861	181,095	4,234	2.4%
Res Nonhomestd	1,685,115	2,350,856	665,741	39.5%	18,238	25,514	7,276	39.9%	17,959	24,283	6,324	35.2%
Apartments	629,951	614,202	-15,749	-2.5%	7,370	7,186	-184	-2.5%	7,601	7,129	-472	-6.2%
Seasonal Rec	129,414	147,013	17,598	13.6%	1,395	1,580	185	13.3%	1,286	1,392	106	8.2%
New Construction	0	907,711	907,711	0.0%	0	10,926	10,926	0.0%	0	11,952	11,952	0.0%
C/I First tier	262,002	324,530	62,528	23.9%	3,930	4,868	938	23.9%	6,296	7,498	1,202	19.1%
C/I Second tier	1,877,419	2,165,825	288,405	15.4%	37,548	43,316	5,768	15.4%	59,530	65,608	6,079	10.2%
Public Utility	270,185	275,589	5,404	2.0%	5,388	5,496	108	2.0%	7,929	7,763	-165	-2.1%
Ag hstd: House	301,351	309,352	8,001	2.7%	3,038	3,120	82	2.7%	2,498	2,544	46	1.8%
Ag hstd: Land	169,173	175,284	6,111	3.6%	959	996	37	3.8%	431	434	3	0.7%
Ag Nonhomestd	195,254	212,957	17,703	9.1%	1,953	2,130	177	9.1%	1,527	1,591	63	4.1%
Total	23,893,584	26,867,286	2,973,702	12.4%	265,180	300,892	35,712	13.5%	281,917	311,289	29,372	10.4%

Tax Capacity Spread Levies

	Pay 2006	Pay 2007	Difference	Pct Chg
County	64,683	70,504	5,821	9.0%
School	53,480	57,879	4,399	8.2%
City/Town	70,665	77,725	7,060	10.0%
Special Dist	12,882	12,724	-158	-1.2%
Total	201,711	218,832	17,122	8.5%

Market Value Spread Levies

	Pay 2006	Pay 2007	Difference	Pct Chg
County	0	0	0	0.0%
School	38,306	44,708	6,401	16.7%
City/Town	1,050	1,154	104	9.9%
Special Dist	0	0	0	0.0%
Total	39,357	45,862	6,505	16.5%

Tax Rates

	Pay 2006	Pay 2007	Pay 2006	Pay 2007
	NTC	NTC	MV	MV
County	26.82	25.66	0.000	0.000
School	22.17	21.06	1.637	1.698
City/Town	29.30	28.29	0.045	0.044
Special Dist	5.34	4.63	0.000	0.000
Total	83.63	79.64	1.682	1.742

Tax Base

	Pay 2006	Pay 2007	Difference	Pct Chg
Tax Capacity:	265,180	300,892	35,712	13.5%
TIF Value	7,286	8,680	1,394	19.1%
FD Contribution:	16,688	17,434	745	4.5%
Taxable Value:	241,206	274,779	33,573	13.9%
FD Distribution:	19,830	21,803	1,972	9.9%

Homestead Property Tax Examples

	Pay 2006	Pay 2007	Difference	Pct Chg
Low Value:	184,200	194,400	1,644	2.8%
Average Value:	276,200	291,400	2,718	2.6%
High Value:	368,200	388,400	3,747	2.4%

Projected Property Taxes Payable in 2007
Compared to Estimated Property Taxes Payable in 2006

Dakota County

Market Value

Tax Capacity

Net Tax

	Market Value				Tax Capacity				Net Tax			
	Pay 2006	Pay 2007	Difference	Pct Chg	Pay 2006	Pay 2007	Difference	Pct Chg	Pay 2006	Pay 2007	Difference	Pct Chg
Res Homestead	28,010,576	29,746,641	1,736,064	6.2%	281,003	298,594	17,591	6.3%	291,689	314,057	22,368	7.7%
Res Nonhomestd	1,991,731	2,205,862	214,132	10.8%	20,818	23,054	2,235	10.7%	22,777	25,346	2,569	11.3%
Apartments	1,740,952	1,812,331	71,379	4.1%	21,539	22,422	883	4.1%	22,452	23,370	918	4.1%
Seasonal Rec	38,228	39,838	1,610	4.2%	490	509	19	4.0%	462	484	23	4.9%
New Construction	0	975,688	975,688	0.0%	0	12,034	12,034	0.0%	0	15,049	15,049	0.0%
C/I First tier	483,762	505,295	21,533	4.5%	7,256	7,579	323	4.5%	11,855	12,206	351	3.0%
C/I Second tier	4,261,798	4,732,681	470,883	11.0%	85,236	94,654	9,418	11.0%	136,331	148,717	12,386	9.1%
Public Utility	491,446	501,275	9,829	2.0%	9,790	9,985	196	2.0%	14,913	14,974	61	0.4%
Ag hstd: House	229,962	252,312	22,351	9.7%	2,313	2,546	232	10.0%	1,958	2,211	253	12.9%
Ag hstd: Land	367,390	423,282	55,892	15.2%	2,385	2,806	421	17.7%	1,444	1,742	297	20.6%
Ag Nonhomestd	237,566	268,127	30,561	12.9%	2,376	2,681	306	12.9%	1,982	2,232	250	12.6%
Total	37,853,411	41,463,333	3,609,922	9.5%	433,207	476,865	43,658	10.1%	505,863	560,387	54,524	10.8%

Tax Capacity Spread Levies

Market Value Spread Levies

Tax Rates

County	Tax Capacity Spread Levies				Market Value Spread Levies				Tax Rates			
	Pay 2006	Pay 2007	Difference	Pct Chg	Pay 2006	Pay 2007	Difference	Pct Chg	Pay 2006	Pay 2007	Pay 2006	Pay 2007
County	99,617	110,249	10,632	10.7%	2,200	2,200	0	0.0%	NTC	NTC	MV	MV
School	95,805	105,249	9,444	9.9%	65,547	75,331	9,784	14.9%	26.29	26.49	0.059	0.054
City/Town	127,160	138,846	11,687	9.2%	2,631	2,892	261	9.9%	25.29	25.29	1.761	1.849
Special Dist	18,986	19,969	983	5.2%	0	0	0	0.0%	33.56	33.36	0.071	0.071
Total	341,568	374,313	32,745	9.6%	70,378	80,423	10,045	14.3%	5.01	4.80	0.000	0.000
									90.15	89.93	1.890	1.974

Tax Base

Homestead Property Tax Examples

	Tax Base				Homestead Property Tax Examples				
	Pay 2006	Pay 2007	Difference	Pct Chg	Pay 2006	Pay 2007	Difference	Pct Chg	
Tax Capacity:	433,207	476,865	43,658	10.1%	Low Value:	167,500	177,800	1,300	0.8%
TIF Value	19,315	22,344	3,029	15.7%	Average Value:	251,100	266,600	15,500	6.2%
FD Contribution:	34,998	38,299	3,301	9.4%	High Value:	334,700	355,400	20,700	6.2%
Taxable Value:	378,894	416,222	37,328	9.9%					
FD Distribution:	37,752	41,507	3,755	9.9%					

Projected Property Taxes Payable in 2007
Compared to Estimated Property Taxes Payable in 2006

Carver and Scott Counties

	Market Value				Tax Capacity				Net Tax			
	Pay 2006	Pay 2007	Difference	Pct Chg	Pay 2006	Pay 2007	Difference	Pct Chg	Pay 2006	Pay 2007	Difference	Pct Chg
Res Homestead	15,183,550	16,528,245	1,344,694	8.9%	152,929	166,730	13,801	9.0%	170,131	181,768	11,637	6.8%
Res Nonhomestead	1,340,239	1,603,411	263,172	19.6%	14,365	17,219	2,854	19.9%	16,434	19,215	2,781	16.9%
Apartments	366,863	402,813	35,949	9.8%	4,264	4,681	417	9.8%	4,948	5,287	339	6.9%
Seasonal Rec	51,254	54,870	3,615	7.1%	562	601	39	7.0%	635	645	10	1.6%
New Construction	0	929,691	929,691	0.0%	0	10,192	10,192	0.0%	0	12,387	12,387	0.0%
C/I First tier	319,552	352,731	33,179	10.4%	4,793	5,291	498	10.4%	8,148	8,753	605	7.4%
C/I Second tier	1,613,637	1,798,911	185,275	11.5%	32,273	35,978	3,705	11.5%	53,851	58,408	4,558	8.5%
Public Utility	154,401	157,489	3,088	2.0%	3,085	3,147	62	2.0%	4,851	4,815	-36	-0.7%
Ag hstd: House	452,503	501,175	48,672	10.8%	4,556	5,051	495	10.9%	3,804	4,143	339	8.9%
Ag hstd: Land	659,670	782,107	122,437	18.6%	3,979	4,841	862	21.7%	2,614	3,087	474	18.1%
Ag Nonhomestead	278,625	332,989	54,364	19.5%	2,786	3,330	544	19.5%	2,498	2,817	319	12.8%
Total	20,420,294	23,444,431	3,024,137	14.8%	223,592	257,061	33,469	15.0%	267,913	301,325	33,412	12.5%

Tax Capacity Spread Levies

	Pay 2006	Pay 2007	Difference	Pct Chg
County	74,561	82,560	7,999	10.7%
School	59,145	63,598	4,453	7.5%
City/Town	59,483	67,840	8,357	14.0%
Special Dist	9,984	10,226	242	2.4%
Total	203,173	224,225	21,051	10.4%

Market Value Spread Levies

	Pay 2006	Pay 2007	Difference	Pct Chg
County	0	0	0	0.0%
School	26,126	33,571	7,444	28.5%
City/Town	2,789	3,063	274	9.8%
Special Dist	0	0	0	0.0%
Total	28,916	36,634	7,718	26.7%

Tax Rates

	Pay 2006	Pay 2007	Pay 2006	Pay 2007
	NTC	NTC	MV	MV
County	36.97	35.52	0.000	0.000
School	29.32	27.36	1.344	1.508
City/Town	29.49	29.19	0.144	0.138
Special Dist	4.95	4.40	0.000	0.000
Total	100.73	96.46	1.488	1.645

Tax Base

	Pay 2006	Pay 2007	Difference	Pct Chg
Tax Capacity:	223,592	257,061	33,469	15.0%
TIF Value	8,183	9,699	1,516	18.5%
FD Contribution:	13,711	14,917	1,206	8.8%
Taxable Value:	201,699	232,445	30,746	15.2%
FD Distribution:	17,143	18,848	1,705	9.9%

Homestead Property Tax Examples

	Pay 2006	Pay 2007	Difference	Pct Chg
Low Value:	176,000	191,600	1,821	7.8%
Average Value:	263,900	287,300	2,916	7.3%
High Value:	351,800	383,000	4,011	7.1%

Projected Property Taxes Payable in 2007 Compared to Estimated Property Taxes Payable in 2006

Northern Hennepin County

Market Value

	Pay 2006	Pay 2007	Difference	Pct Chg
Res Homestead	17,714,059	19,226,077	1,512,018	8.5%
Res Nonhomestd	1,131,980	1,266,198	134,218	11.9%
Apartments	1,076,124	1,095,656	19,532	1.8%
Seasonal Rec	12,435	12,548	112	0.9%
New Construction	0	609,489	609,489	0.0%
C/I First tier	306,822	321,840	15,018	4.9%
C/I Second tier	3,219,308	3,630,151	410,843	12.8%
Public Utility	196,308	200,235	3,926	2.0%
Ag hstd: House	81,965	86,698	4,733	5.8%
Ag hstd: Land	82,655	92,181	9,525	11.5%
Ag Nonhomestd	111,630	131,962	20,332	18.2%
Total	23,933,287	26,673,034	2,739,747	11.4%

Tax Capacity

	Pay 2006	Pay 2007	Difference	Pct Chg
Res Homestead	177,391	192,625	15,235	8.6%
Res Nonhomestd	12,148	13,595	1,447	11.9%
Apartments	12,928	13,162	234	1.8%
Seasonal Rec	165	166	1	0.8%
New Construction	0	7,594	7,594	0.0%
C/I First tier	4,602	4,828	225	4.9%
C/I Second tier	64,386	72,603	8,217	12.8%
Public Utility	3,914	3,992	78	2.0%
Ag hstd: House	829	879	50	6.0%
Ag hstd: Land	477	541	63	13.2%
Ag Nonhomestd	1,116	1,320	203	18.2%
Total	277,956	311,303	33,347	12.0%

Net Tax

	Pay 2006	Pay 2007	Difference	Pct Chg
Res Homestead	210,848	225,308	14,459	6.9%
Res Nonhomestd	15,264	16,679	1,415	9.3%
Apartments	16,761	16,547	-214	-1.3%
Seasonal Rec	204	201	-2	-1.2%
New Construction	0	10,583	10,583	0.0%
C/I First tier	8,179	8,320	141	1.7%
C/I Second tier	112,429	122,645	10,216	9.1%
Public Utility	6,764	6,691	-74	-1.1%
Ag hstd: House	933	991	58	6.2%
Ag hstd: Land	401	456	55	13.8%
Ag Nonhomestd	1,217	1,392	175	14.4%
Total	373,001	409,814	36,813	9.9%

Tax Capacity Spread Levies

	Pay 2006	Pay 2007	Difference	Pct Chg
County	94,495	103,902	9,407	10.0%
School	56,832	62,397	5,565	9.8%
City/Town	82,944	88,430	5,486	6.6%
Special Dist	19,081	19,768	687	3.6%
Total	253,352	274,498	21,145	8.3%

Market Value Spread Levies

	Pay 2006	Pay 2007	Difference	Pct Chg
County	0	0	0	0.0%
School	37,647	44,145	6,498	17.3%
City/Town	2,848	3,130	282	9.9%
Special Dist	0	0	0	0.0%
Total	40,495	47,275	6,780	16.7%

Tax Rates

	Pay 2006	Pay 2007	Pay 2006	Pay 2007
	NTC	NTC	MV	MV
County	41.01	40.14	0.000	0.000
School	24.67	24.10	1.588	1.671
City/Town	36.00	34.16	0.120	0.118
Special Dist	8.28	7.64	0.000	0.000
Total	109.96	106.03	1.708	1.790

Tax Base

	Pay 2006	Pay 2007	Difference	Pct Chg
Tax Capacity:	277,956	311,303	33,347	12.0%
TIF Value	22,260	25,167	2,907	13.1%
FD Contribution:	25,275	27,248	1,974	7.8%
Taxable Value:	230,421	258,887	28,466	12.4%
FD Distribution:	28,828	31,739	2,911	10.1%

Homestead Property Tax Examples

	Pay 2006	Pay 2007	Difference	Pct Chg
Low Value:	149,500	162,300	1,661	7.4%
Average Value:	224,200	243,300	2,678	6.9%
High Value:	298,800	324,400	3,692	6.7%

Projected Property Taxes Payable in 2007
Compared to Estimated Property Taxes Payable in 2006

Southeast Hennepin County

	Market Value				Tax Capacity				Net Tax			
	Pay 2006	Pay 2007	Difference	Pct Chg	Pay 2006	Pay 2007	Difference	Pct Chg	Pay 2006	Pay 2007	Difference	Pct Chg
Res Homestead	20,504,835	22,368,840	1,864,005	9.1%	208,147	227,678	19,531	9.4%	231,478	249,059	17,581	7.6%
Res Nonhomestd	1,364,627	1,546,588	181,961	13.3%	14,502	16,452	1,950	13.4%	16,871	18,633	1,762	10.4%
Apartments	2,071,461	2,121,004	49,543	2.4%	25,379	25,987	607	2.4%	29,682	29,600	-81	-0.3%
Seasonal Rec	6,110	6,266	157	2.6%	61	63	2	2.6%	75	72	-2	-3.2%
New Construction	0	316,736	316,736	0.0%	0	4,055	4,055	0.0%	0	5,383	5,383	0.0%
C/I First tier	335,234	339,827	4,593	1.4%	5,029	5,097	69	1.4%	8,624	8,505	-119	-1.4%
C/I Second tier	6,389,409	6,979,956	590,548	9.2%	127,788	139,599	11,811	9.2%	213,259	226,094	12,835	6.0%
Public Utility	167,465	170,814	3,349	2.0%	3,340	3,406	67	2.0%	5,605	5,557	-47	-0.8%
Ag hstd: House	758	863	105	13.8%	8	9	1	15.7%	9	10	1	13.4%
Ag hstd: Land	183	192	9	5.1%	1	1	0	5.1%	0	1	0	3.7%
Ag Nonhomestd	54	61	7	12.7%	1	1	0	12.7%	1	1	0	9.0%
	30,840,134	33,851,147	3,011,013	9.8%	384,255	422,349	38,094	9.9%	505,602	542,915	37,312	7.4%

Tax Capacity Spread Levies

	Pay 2006	Pay 2007	Difference	Pct Chg
County	127,618	137,420	9,802	7.7%
School	59,792	64,431	4,639	7.8%
City/Town	103,115	107,857	4,742	4.6%
Special Dist	29,105	30,329	1,224	4.2%
Total	319,629	340,036	20,407	6.4%

Market Value Spread Levies

	Pay 2006	Pay 2007	Difference	Pct Chg
County	0	0	0	0.0%
School	44,436	50,922	6,485	14.6%
City/Town	599	658	59	9.9%
Special Dist	0	0	0	0.0%
Total	45,035	51,580	6,545	14.5%

Tax Rates

	Pay 2006	Pay 2007	Pay 2006	Pay 2007
	NTC	NTC	MV	MV
County	41.01	40.14	0.000	0.000
School	19.21	18.82	1.443	1.506
City/Town	33.14	31.50	0.019	0.019
Special Dist	9.35	8.86	0.000	0.000
Total	102.72	99.31	1.462	1.526

Tax Base

	Pay 2006	Pay 2007	Difference	Pct Chg
Tax Capacity:	384,255	422,349	38,094	9.9%
TIF Value	30,760	34,085	3,326	10.8%
FD Contribution:	42,321	45,877	3,557	8.4%
Taxable Value:	311,175	342,386	31,211	10.0%
FD Distribution:	20,246	22,260	2,014	9.9%

Homestead Property Tax Examples

	Pay 2006	Pay 2007	Difference	Pct Chg
Low Value:	179,300	195,600	1,893	8.0%
Average Value:	268,800	293,300	3,024	7.6%
High Value:	358,400	391,000	4,156	7.3%

Projected Property Taxes Payable in 2007
Compared to Estimated Property Taxes Payable in 2006

Southwest Hennepin County

	Market Value				Tax Capacity				Net Tax			
	Pay 2006	Pay 2007	Difference	Pct Chg	Pay 2006	Pay 2007	Difference	Pct Chg	Pay 2006	Pay 2007	Difference	Pct Chg
Res Homestead	26,530,066	28,956,860	2,426,794	9.1%	274,341	300,609	26,269	9.6%	300,807	322,695	21,888	7.3%
Res Nonhomestd	2,531,105	2,860,899	329,794	13.0%	27,814	31,536	3,721	13.4%	30,166	33,354	3,188	10.6%
Apartments	1,581,132	1,689,999	108,866	6.9%	19,412	20,756	1,344	6.9%	21,977	22,815	838	3.8%
Seasonal Rec	96,499	108,710	12,211	12.7%	1,062	1,199	136	12.8%	1,214	1,311	97	8.0%
New Construction	0	659,853	659,853	0.0%	0	8,085	8,085	0.0%	0	9,715	9,715	0.0%
C/I First tier	323,982	338,758	14,776	4.6%	4,860	5,081	222	4.6%	8,171	8,279	108	1.3%
C/I Second tier	5,300,479	5,878,381	577,902	10.9%	106,010	117,568	11,558	10.9%	169,970	183,148	13,178	7.8%
Public Utility	204,772	208,868	4,095	2.0%	4,084	4,165	82	2.0%	6,599	6,526	-73	-1.1%
Ag hstd: House	75,539	81,444	5,905	7.8%	773	836	63	8.2%	829	903	74	8.9%
Ag hstd: Land	62,390	73,128	10,738	17.2%	380	452	72	18.9%	285	346	61	21.3%
Ag Nonhomestd	116,214	139,299	23,085	19.9%	1,162	1,393	231	19.9%	1,084	1,285	201	18.5%
Total	36,822,179	40,996,199	4,174,020	11.3%	439,897	491,680	51,783	11.8%	541,101	590,376	49,276	9.1%

Tax Capacity Spread Levies

	Pay 2006	Pay 2007	Difference	Pct Chg
County	160,494	175,998	15,504	9.7%
School	81,467	87,919	6,452	7.9%
City/Town	100,392	108,646	8,253	8.2%
Special Dist	32,932	34,349	1,417	4.3%
Total	375,285	406,911	31,627	8.4%

Market Value Spread Levies

	Pay 2006	Pay 2007	Difference	Pct Chg
County	0	0	0	0.0%
School	57,585	65,434	7,850	13.6%
City/Town	3,591	3,947	356	9.9%
Special Dist	0	0	0	0.0%
Total	61,175	69,381	8,206	13.4%

Tax Rates

	Pay 2006	Pay 2007	Pay 2006	Pay 2007
	NTC	NTC	MV	MV
County	41.01	40.14	0.000	0.000
School	20.82	20.05	1.576	1.609
City/Town	25.65	24.78	0.098	0.097
Special Dist	8.42	7.83	0.000	0.000
Total	95.90	92.80	1.674	1.706

Tax Base

	Pay 2006	Pay 2007	Difference	Pct Chg
Tax Capacity:	439,897	491,680	51,783	11.8%
TIF Value	9,965	11,311	1,345	13.5%
FD Contribution:	38,595	41,865	3,271	8.5%
Taxable Value:	391,337	438,504	47,167	12.1%
FD Distribution:	16,442	18,077	1,635	9.9%

Homestead Property Tax Examples

	Pay 2006	Pay 2007	Difference	Pct Chg
Low Value:	240,400	262,400	2,552	7.6%
Average Value:	360,400	393,400	4,011	7.3%
High Value:	480,400	524,300	5,411	7.5%

Projected Property Taxes Payable in 2007
Compared to Estimated Property Taxes Payable in 2006

Suburban Ramsey County

Market Value

	Pay 2006	Pay 2007	Difference	Pct Chg
Res Homestead	15,624,825	16,905,389	1,280,564	8.2%
Res Nonhomestd	1,172,151	1,442,684	270,533	23.1%
Apartments	1,376,160	1,374,784	-1,376	-0.1%
Seasonal Rec	12,683	14,361	1,678	13.2%
New Construction	0	329,097	329,097	0.0%
C/I First tier	318,601	324,184	5,583	1.8%
C/I Second tier	3,993,811	4,333,596	339,785	8.5%
Public Utility	187,608	191,360	3,752	2.0%
Ag hstd: House	1,925	2,080	155	8.1%
Ag hstd: Land	1,823	2,062	238	13.1%
Ag Nonhomestd	16,346	20,040	3,694	22.6%
Total	22,705,933	24,939,636	2,233,703	9.8%

Tax Capacity

	Pay 2006	Pay 2007	Difference	Pct Chg
Res Homestead	157,345	170,460	13,115	8.3%
Res Nonhomestd	12,444	15,341	2,898	23.3%
Apartments	16,330	16,313	-16	-0.1%
Seasonal Rec	137	156	20	14.4%
New Construction	0	4,176	4,176	0.0%
C/I First tier	4,779	4,863	84	1.8%
C/I Second tier	79,876	86,672	6,796	8.5%
Public Utility	3,751	3,826	75	2.0%
Ag hstd: House	19	21	2	8.1%
Ag hstd: Land	10	11	1	13.1%
Ag Nonhomestd	163	200	37	22.6%
Total	274,854	302,040	27,186	9.9%

Net Tax

	Pay 2006	Pay 2007	Difference	Pct Chg
Res Homestead	165,580	178,435	12,855	7.8%
Res Nonhomestd	13,810	16,760	2,951	21.4%
Apartments	18,447	18,192	-255	-1.4%
Seasonal Rec	161	176	15	9.5%
New Construction	0	5,285	5,285	0.0%
C/I First tier	7,970	7,930	-40	-0.5%
C/I Second tier	131,121	139,298	8,178	6.2%
Public Utility	6,175	6,155	-20	-0.3%
Ag hstd: House	18	19	1	6.5%
Ag hstd: Land	7	8	1	12.1%
Ag Nonhomestd	135	159	23	17.3%
Total	343,424	372,419	28,996	8.4%

Tax Capacity Spread Levies

	Pay 2006	Pay 2007	Difference	Pct Chg
County	107,988	118,509	10,521	9.7%
School	46,276	47,527	1,251	2.7%
City/Town	56,027	60,024	3,997	7.1%
Special Dist	14,639	16,709	2,070	14.1%
Total	224,930	242,768	17,838	7.9%

Market Value Spread Levies

	Pay 2006	Pay 2007	Difference	Pct Chg
County	0	0	0	0.0%
School	31,636	34,686	3,051	9.6%
City/Town	2,099	2,302	204	9.7%
Special Dist	0	0	0	0.0%
Total	33,734	36,989	3,254	9.6%

Tax Rates

	Pay 2006	Pay 2007	Pay 2006	Pay 2007
	NTC	NTC	MV	MV
County	46.79	46.84	0.000	0.000
School	20.05	18.78	1.398	1.396
City/Town	24.28	23.72	0.093	0.093
Special Dist	6.34	6.60	0.000	0.000
Total	97.47	95.95	1.491	1.488

Tax Base

	Pay 2006	Pay 2007	Difference	Pct Chg
Tax Capacity:	274,854	302,040	27,186	9.9%
TIF Value	15,774	17,343	1,569	9.9%
FD Contribution:	28,309	31,680	3,370	11.9%
Taxable Value:	230,771	253,017	22,247	9.6%
FD Distribution:	22,252	24,465	2,213	9.9%

Homestead Property Tax Examples

	Pay 2006	Pay 2007	Difference	Pct Chg
Low Value:	162,200	175,400	1,596	8.3%
Average Value:	243,100	263,000	2,578	7.8%
High Value:	324,100	350,600	3,561	7.5%

**Projected Property Taxes Payable in 2007
Compared to Estimated Property Taxes Payable in 2006**

Minneapolis

	Market Value				Tax Capacity				Net Tax			
	Pay 2006	Pay 2007	Difference	Pct Chg	Pay 2006	Pay 2007	Difference	Pct Chg	Pay 2006	Pay 2007	Difference	Pct Chg
Res Homestead	16,964,301	19,763,411	2,799,110	16.5%	171,484	200,189	28,705	16.7%	224,902	257,349	32,447	14.4%
Res Nonhomestd	3,296,884	3,832,475	535,591	16.2%	36,478	42,395	5,917	16.2%	50,796	56,974	6,178	12.2%
Apartments	3,347,842	3,327,755	-20,087	-0.6%	41,084	40,838	-247	-0.6%	56,691	54,412	-2,279	-4.0%
Seasonal Rec	1,621	1,657	36	2.2%	20	20	0	1.8%	27	27	0	-1.6%
New Construction	0	184,787	184,787	0.0%	0	2,154	2,154	0.0%	0	3,168	3,168	0.0%
C/I First tier	625,824	658,663	32,839	5.2%	9,387	9,880	493	5.2%	17,425	17,698	273	1.6%
C/I Second tier	6,103,235	6,814,962	711,727	11.7%	122,065	136,299	14,235	11.7%	223,963	241,512	17,549	7.8%
Public Utility	347,474	354,423	6,949	2.0%	6,937	7,075	139	2.0%	12,062	11,889	-173	-1.4%
Ag Nonhomestd	1,017	1,221	203	20.0%	10	12	2	20.0%	13	15	2	16.4%
Total	30,688,199	34,939,354	4,251,156	13.9%	387,465	438,863	51,398	13.3%	585,879	643,045	57,165	9.8%

Tax Capacity Spread Levies

	Pay 2006	Pay 2007	Difference	Pct Chg
County	107,943	119,462	11,519	10.7%
School	75,884	83,085	7,201	9.5%
City/Town	173,218	191,304	18,085	10.4%
Special Dist	21,902	21,890	-12	-0.1%
Total	378,948	415,741	36,793	9.7%

Market Value Spread Levies

	Pay 2006	Pay 2007	Difference	Pct Chg
County	0	0	0	0.0%
School	31,295	31,358	63	0.2%
City/Town	8,100	9,300	1,200	14.8%
Special Dist	0	0	0	0.0%
Total	39,395	40,658	1,263	3.2%

Tax Rates

	Pay 2006	Pay 2007	Pay 2006	Pay 2007
	NTC	NTC	MV	MV
County	36.36	35.59	0.000	0.000
School	25.56	24.75	1.021	0.899
City/Town	58.34	56.99	0.264	0.267
Special Dist	7.38	6.52	0.000	0.000
Total	127.63	123.85	1.286	1.165

Tax Base

	Pay 2006	Pay 2007	Difference	Pct Chg
Tax Capacity:	387,465	438,863	51,398	13.3%
TIF Value	57,774	64,644	6,871	11.9%
FD Contribution:	32,779	38,546	5,767	17.6%
Taxable Value:	296,913	335,673	38,760	13.1%
FD Distribution:	39,578	43,515	3,936	9.9%

Homestead Property Tax Examples

	Pay 2006	Pay 2007	Difference	Pct Chg
Low Value:	139,200	162,200	1,708	15.4%
Average Value:	208,700	243,200	2,747	14.4%
High Value:	278,200	324,100	3,786	13.9%

**Projected Property Taxes Payable in 2007
Compared to Estimated Property Taxes Payable in 2006**

St. Paul

	Market Value				Tax Capacity				Net Tax			
	Pay 2006	Pay 2007	Difference	Pct Chg	Pay 2006	Pay 2007	Difference	Pct Chg	Pay 2006	Pay 2007	Difference	Pct Chg
Res Homestead	11,222,571	12,591,196	1,368,625	12.2%	112,708	126,620	13,912	12.3%	121,124	131,422	10,298	8.5%
Res Nonhomestd	1,733,582	2,174,233	440,651	25.4%	18,872	23,651	4,779	25.3%	22,207	26,485	4,278	19.3%
Apartments	2,103,369	2,115,989	12,620	0.6%	25,257	25,409	152	0.6%	29,465	28,210	-1,255	-4.3%
Seasonal Rec	1,157	1,157	0	0.0%	12	12	0	0.0%	16	15	-1	-5.9%
New Construction	0	348,236	348,236	0.0%	0	4,355	4,355	0.0%	0	5,461	5,461	0.0%
C/I First tier	427,416	440,417	13,001	3.0%	6,411	6,606	195	3.0%	10,855	10,719	-135	-1.2%
C/I Second tier	2,860,548	3,233,649	373,101	13.0%	57,211	64,673	7,462	13.0%	95,954	103,972	8,018	8.4%
Public Utility	218,225	222,590	4,365	2.0%	4,365	4,452	87	2.0%	6,995	6,841	-155	-2.2%
Ag hstd: House	87	101	14	15.9%	1	1	0	15.9%	1	1	0	15.4%
Ag hstd: Land	126	145	19	15.1%	1	1	0	15.1%	0	0	0	14.7%
Ag Nonhomestd	893	1,022	130	14.5%	9	10	1	14.5%	10	11	1	9.1%
Total	18,567,974	21,128,736	2,560,762	13.8%	224,847	255,790	30,943	13.8%	286,626	313,136	26,510	9.2%

Tax Capacity Spread Levies

	Pay 2006	Pay 2007	Difference	Pct Chg
County	81,753	93,064	11,311	13.8%
School	56,130	59,186	3,057	5.4%
City/Town	54,708	56,267	1,560	2.9%
Special Dist	12,219	13,727	1,508	12.3%
Total	204,810	222,245	17,436	8.5%

Market Value Spread Levies

	Pay 2006	Pay 2007	Difference	Pct Chg
County	0	0	0	0.0%
School	17,627	18,891	1,264	7.2%
City/Town	0	0	0	0.0%
Special Dist	0	0	0	0.0%
Total	17,627	18,891	1,264	7.2%

Tax Rates

	Pay 2006	Pay 2007	Pay 2006	Pay 2007
	NTC	NTC	MV	MV
County	43.48	43.44	0.000	0.000
School	29.85	27.63	0.952	0.897
City/Town	29.09	26.26	0.000	0.000
Special Dist	6.50	6.41	0.000	0.000
Total	108.92	103.74	0.952	0.897

Tax Base

	Pay 2006	Pay 2007	Difference	Pct Chg
Tax Capacity:	224,847	255,790	30,943	13.8%
TIF Value	19,739	22,637	2,898	14.7%
FD Contribution:	17,075	18,918	1,843	10.8%
Taxable Value:	188,033	214,235	26,202	13.9%
FD Distribution:	36,115	39,707	3,592	9.9%

Homestead Property Tax Examples

	Pay 2006	Pay 2007	Difference	Pct Chg		
Low Value:	125,500	140,800	1,227	1341	114	9.3%
Average Value:	188,200	211,100	2,026	2,197	171	8.4%
High Value:	250,800	281,400	2,824	3,052	228	8.1%

Senators Tomassoni, Ortman and Belanger introduced--
S.F. No. 1735: Referred to the Committee on Taxes.

1 A bill for an act

2 relating to taxation; making the capital equipment
3 exemption an up front exemption in two phases;
4 amending Minnesota Statutes 2004, sections 297A.68,
5 subdivision 5; 297A.75, subdivisions 1, 3.

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

7 Section 1. Minnesota Statutes 2004, section 297A.68,
8 subdivision 5, is amended to read:

9 Subd. 5. [CAPITAL EQUIPMENT.] (a) Capital equipment is
10 exempt, as follows:

11 (1) For sales and purchases of repair and replacement parts
12 under paragraph (b), clause (5), the tax is not imposed.

13 (2) For all other sales and purchases of capital equipment
14 (i) if the sales are made before July 1, 2007, the tax must be
15 imposed and collected as if the rate under section 297A.62,
16 subdivision 1, applied, and then refunded in the manner provided
17 in section 297A.75, and (ii) if the sales are made on or after
18 July 1, 2007, the tax is not imposed.

19 "Capital equipment" means machinery and equipment purchased
20 or leased, and used in this state by the purchaser or lessee
21 primarily for manufacturing, fabricating, mining, or refining
22 tangible personal property to be sold ultimately at retail if
23 the machinery and equipment are essential to the integrated
24 production process of manufacturing, fabricating, mining, or
25 refining. Capital equipment also includes machinery and

1 equipment used to electronically transmit results retrieved by a
2 customer of an on-line computerized data retrieval system.

3 (b) Capital equipment includes, but is not limited to:

4 (1) machinery and equipment used to operate, control, or
5 regulate the production equipment;

6 (2) machinery and equipment used for research and
7 development, design, quality control, and testing activities;

8 (3) environmental control devices that are used to maintain
9 conditions such as temperature, humidity, light, or air pressure
10 when those conditions are essential to and are part of the
11 production process;

12 (4) materials and supplies used to construct and install
13 machinery or equipment;

14 (5) repair and replacement parts, including accessories,
15 whether purchased as spare parts, repair parts, or as upgrades
16 or modifications to machinery or equipment;

17 (6) materials used for foundations that support machinery
18 or equipment;

19 (7) materials used to construct and install special purpose
20 buildings used in the production process;

21 (8) ready-mixed concrete equipment in which the ready-mixed
22 concrete is mixed as part of the delivery process regardless if
23 mounted on a chassis and leases of ready-mixed concrete trucks;
24 and

25 (9) machinery or equipment used for research, development,
26 design, or production of computer software.

27 (c) Capital equipment does not include the following:

28 (1) motor vehicles taxed under chapter 297B;

29 (2) machinery or equipment used to receive or store raw
30 materials;

31 (3) building materials, except for materials included in
32 paragraph (b), clauses (6) and (7);

33 (4) machinery or equipment used for nonproduction purposes,
34 including, but not limited to, the following: plant security,
35 fire prevention, first aid, and hospital stations; support
36 operations or administration; pollution control; and plant

1 cleaning, disposal of scrap and waste, plant communications,
2 space heating, cooling, lighting, or safety;

3 (5) farm machinery and aquaculture production equipment as
4 defined by section 297A.61, subdivisions 12 and 13;

5 (6) machinery or equipment purchased and installed by a
6 contractor as part of an improvement to real property; or

7 (7) any other item that is not essential to the integrated
8 process of manufacturing, fabricating, mining, or refining.

9 (d) For purposes of this subdivision:

10 (1) "Equipment" means independent devices or tools separate
11 from machinery but essential to an integrated production
12 process, including computers and computer software, used in
13 operating, controlling, or regulating machinery and equipment;
14 and any subunit or assembly comprising a component of any
15 machinery or accessory or attachment parts of machinery, such as
16 tools, dies, jigs, patterns, and molds.

17 (2) "Fabricating" means to make, build, create, produce, or
18 assemble components or property to work in a new or different
19 manner.

20 (3) "Integrated production process" means a process or
21 series of operations through which tangible personal property is
22 manufactured, fabricated, mined, or refined. For purposes of
23 this clause, (i) manufacturing begins with the removal of raw
24 materials from inventory and ends when the last process prior to
25 loading for shipment has been completed; (ii) fabricating begins
26 with the removal from storage or inventory of the property to be
27 assembled, processed, altered, or modified and ends with the
28 creation or production of the new or changed product; (iii)
29 mining begins with the removal of overburden from the site of
30 the ores, minerals, stone, peat deposit, or surface materials
31 and ends when the last process before stockpiling is completed;
32 and (iv) refining begins with the removal from inventory or
33 storage of a natural resource and ends with the conversion of
34 the item to its completed form.

35 (4) "Machinery" means mechanical, electronic, or electrical
36 devices, including computers and computer software, that are

1 purchased or constructed to be used for the activities set forth
2 in paragraph (a), beginning with the removal of raw materials
3 from inventory through completion of the product, including
4 packaging of the product.

5 (5) "Machinery and equipment used for pollution control"
6 means machinery and equipment used solely to eliminate, prevent,
7 or reduce pollution resulting from an activity described in
8 paragraph (a).

9 (6) "Manufacturing" means an operation or series of
10 operations where raw materials are changed in form, composition,
11 or condition by machinery and equipment and which results in the
12 production of a new article of tangible personal property. For
13 purposes of this subdivision, "manufacturing" includes the
14 generation of electricity or steam to be sold at retail.

15 (7) "Mining" means the extraction of minerals, ores, stone,
16 or peat.

17 (8) "On-line data retrieval system" means a system whose
18 cumulation of information is equally available and accessible to
19 all its customers.

20 (9) "Primarily" means machinery and equipment used 50
21 percent or more of the time in an activity described in
22 paragraph (a).

23 (10) "Refining" means the process of converting a natural
24 resource to an intermediate or finished product, including the
25 treatment of water to be sold at retail.

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

28 Sec. 2. Minnesota Statutes 2004, section 297A.75,
29 subdivision 1, is amended to read:

30 Subdivision 1. [TAX COLLECTED.] The tax on the gross
31 receipts from the sale of the following exempt items must be
32 imposed and collected as if the sale were taxable and the rate
33 under section 297A.62, subdivision 1, applied. The exempt items
34 include:

35 (1) capital equipment exempt on which the tax is imposed
36 and collected under section 297A.68, subdivision 5;

1 (2) building materials for an agricultural processing
2 facility exempt under section 297A.71, subdivision 13;

3 (3) building materials for mineral production facilities
4 exempt under section 297A.71, subdivision 14;

5 (4) building materials for correctional facilities under
6 section 297A.71, subdivision 3;

7 (5) building materials used in a residence for disabled
8 veterans exempt under section 297A.71, subdivision 11;

9 (6) chair lifts, ramps, elevators, and associated building
10 materials exempt under section 297A.71, subdivision 12;

11 (7) building materials for the Long Lake Conservation
12 Center exempt under section 297A.71, subdivision 17;

13 (8) materials, supplies, fixtures, furnishings, and
14 equipment for a county law enforcement and family service center
15 under section 297A.71, subdivision 26; and

16 (9) materials and supplies for qualified low-income housing
17 under section 297A.71, subdivision 23.

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

20 Sec. 3. Minnesota Statutes 2004, section 297A.75,
21 subdivision 3, is amended to read:

22 Subd. 3. [APPLICATION.] (a) The application must include
23 sufficient information to permit the commissioner to verify the
24 tax paid. If the tax was paid by a contractor, subcontractor,
25 or builder, under subdivision 1, clause (4), (5), (6), (7), (8),
26 or (9), the contractor, subcontractor, or builder must furnish
27 to the refund applicant a statement including the cost of the
28 exempt items and the taxes paid on the items unless otherwise
29 specifically provided by this subdivision. The provisions of
30 sections 289A.40 and 289A.50 apply to refunds under this section.

31 (b) An applicant may not file more than two applications
32 per calendar year for refunds for taxes paid on capital
33 equipment exempt on which the tax is imposed and collected under
34 section 297A.68, subdivision 5.

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

A

1.1 Senator moves to amend S.F. No. 1735 as follows:

1.2 Delete everything after the enacting clause and insert:

1.3 "Section 1. Minnesota Statutes 2005 Supplement, section 297A.68, subdivision 5,
1.4 is amended to read:

1.5 Subd. 5. **Capital equipment.** (a) Capital equipment is exempt: as follows:

1.6 (1) For sales and purchases of repair and replacement parts under paragraph (b),
1.7 clause (5), the tax is not imposed.

1.8 (2) For all other sales and purchases of capital equipment (i) if the sales are made
1.9 before July 1, 2007, the tax must be imposed and collected as if the rate under section
1.10 297A.62, subdivision 1, applied, and then refunded in the manner provided in section
1.11 297A.75, and (ii) if the sales are made on or after July 1, 2007, the tax is not imposed.

1.12 "Capital equipment" means machinery and equipment purchased or leased, and used
1.13 in this state by the purchaser or lessee primarily for manufacturing, fabricating, mining,
1.14 or refining tangible personal property to be sold ultimately at retail if the machinery and
1.15 equipment are essential to the integrated production process of manufacturing, fabricating,
1.16 mining, or refining. Capital equipment also includes machinery and equipment used
1.17 primarily to electronically transmit results retrieved by a customer of an on-line
1.18 computerized data retrieval system.

1.19 (b) Capital equipment includes, but is not limited to:

1.20 (1) machinery and equipment used to operate, control, or regulate the production
1.21 equipment;

1.22 (2) machinery and equipment used for research and development, design, quality
1.23 control, and testing activities;

1.24 (3) environmental control devices that are used to maintain conditions such as
1.25 temperature, humidity, light, or air pressure when those conditions are essential to and are
1.26 part of the production process;

1.27 (4) materials and supplies used to construct and install machinery or equipment;

1.28 (5) repair and replacement parts, including accessories, whether purchased as spare
1.29 parts, repair parts, or as upgrades or modifications to machinery or equipment;

1.30 (6) materials used for foundations that support machinery or equipment;

1.31 (7) materials used to construct and install special purpose buildings used in the
1.32 production process;

1.33 (8) ready-mixed concrete equipment in which the ready-mixed concrete is mixed
4 as part of the delivery process regardless if mounted on a chassis, repair parts for
1.35 ready-mixed concrete trucks, and leases of ready-mixed concrete trucks; and

2.1 (9) machinery or equipment used for research, development, design, or production
2.2 of computer software.

2.3 (c) Capital equipment does not include the following:

2.4 (1) motor vehicles taxed under chapter 297B;

2.5 (2) machinery or equipment used to receive or store raw materials;

2.6 (3) building materials, except for materials included in paragraph (b), clauses (6)
2.7 and (7);

2.8 (4) machinery or equipment used for nonproduction purposes, including, but not
2.9 limited to, the following: plant security, fire prevention, first aid, and hospital stations;
2.10 support operations or administration; pollution control; and plant cleaning, disposal of
2.11 scrap and waste, plant communications, space heating, cooling, lighting, or safety;

2.12 (5) farm machinery and aquaculture production equipment as defined by section
2.13 297A.61, subdivisions 12 and 13;

2.14 (6) machinery or equipment purchased and installed by a contractor as part of an
2.15 improvement to real property;

2.16 (7) machinery and equipment used by restaurants in the furnishing, preparing, or
2.17 serving of prepared foods as defined in section 297A.61, subdivision 31;

2.18 (8) machinery and equipment used to furnish the services listed in section 297A.61,
2.19 subdivision 3, paragraph (g), clause (6), items (i) to (vi) and (viii);

2.20 (9) machinery or equipment used in the transportation, transmission, or distribution
2.21 of petroleum, liquefied gas, natural gas, water, or steam, in, by, or through pipes, lines,
2.22 tanks, mains, or other means of transporting those products. This clause does not apply to
2.23 machinery or equipment used to blend petroleum or biodiesel fuel as defined in section
2.24 239.77; or

2.25 (10) any other item that is not essential to the integrated process of manufacturing,
2.26 fabricating, mining, or refining.

2.27 (d) For purposes of this subdivision:

2.28 (1) "Equipment" means independent devices or tools separate from machinery but
2.29 essential to an integrated production process, including computers and computer software,
2.30 used in operating, controlling, or regulating machinery and equipment; and any subunit or
2.31 assembly comprising a component of any machinery or accessory or attachment parts of
2.32 machinery, such as tools, dies, jigs, patterns, and molds.

2.33 (2) "Fabricating" means to make, build, create, produce, or assemble components or
2.34 property to work in a new or different manner.

2.35 (3) "Integrated production process" means a process or series of operations through
2.36 which tangible personal property is manufactured, fabricated, mined, or refined. For

3.1 purposes of this clause, (i) manufacturing begins with the removal of raw materials
3.2 from inventory and ends when the last process prior to loading for shipment has been
3.3 completed; (ii) fabricating begins with the removal from storage or inventory of the
3.4 property to be assembled, processed, altered, or modified and ends with the creation
3.5 or production of the new or changed product; (iii) mining begins with the removal of
3.6 overburden from the site of the ores, minerals, stone, peat deposit, or surface materials and
3.7 ends when the last process before stockpiling is completed; and (iv) refining begins with
3.8 the removal from inventory or storage of a natural resource and ends with the conversion
3.9 of the item to its completed form.

3.10 (4) "Machinery" means mechanical, electronic, or electrical devices, including
3.11 computers and computer software, that are purchased or constructed to be used for the
3.12 activities set forth in paragraph (a), beginning with the removal of raw materials from
3.13 inventory through completion of the product, including packaging of the product.

3.14 (5) "Machinery and equipment used for pollution control" means machinery and
3.15 equipment used solely to eliminate, prevent, or reduce pollution resulting from an activity
3.16 described in paragraph (a).

3.17 (6) "Manufacturing" means an operation or series of operations where raw materials
3.18 are changed in form, composition, or condition by machinery and equipment and which
3.19 results in the production of a new article of tangible personal property. For purposes of
3.20 this subdivision, "manufacturing" includes the generation of electricity or steam to be
3.21 sold at retail.

3.22 (7) "Mining" means the extraction of minerals, ores, stone, or peat.

3.23 (8) "On-line data retrieval system" means a system whose cumulation of information
is equally available and accessible to all its customers.

3.25 (9) "Primarily" means machinery and equipment used 50 percent or more of the time
3.26 in an activity described in paragraph (a).

3.27 (10) "Refining" means the process of converting a natural resource to an intermediate
3.28 or finished product, including the treatment of water to be sold at retail.

3.29 (11) This subdivision does not apply to telecommunications equipment as
3.30 provided in subdivision 35, and does not apply to wire, cable, fiber, poles, or conduit
3.31 for telecommunications services.

3.32 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
3.33 June 30, 2006.

3.34 Sec. 2. Minnesota Statutes 2005 Supplement, section 297A.75, subdivision 1, is
3.35 amended to read:

4.1 **Subdivision 1. Tax collected.** The tax on the gross receipts from the sale of the
4.2 following exempt items must be imposed and collected as if the sale were taxable and the
4.3 rate under section 297A.62, subdivision 1, applied. The exempt items include:

4.4 (1) capital equipment exempt on which the tax is imposed and collected under
4.5 section 297A.68, subdivision 5;

4.6 (2) building materials for an agricultural processing facility exempt under section
4.7 297A.71, subdivision 13;

4.8 (3) building materials for mineral production facilities exempt under section
4.9 297A.71, subdivision 14;

4.10 (4) building materials for correctional facilities under section 297A.71, subdivision
4.11 3;

4.12 (5) building materials used in a residence for disabled veterans exempt under section
4.13 297A.71, subdivision 11;

4.14 (6) elevators and building materials exempt under section 297A.71, subdivision 12;

4.15 (7) building materials for the Long Lake Conservation Center exempt under section
4.16 297A.71, subdivision 17;

4.17 (8) materials, supplies, fixtures, furnishings, and equipment for a county law
4.18 enforcement and family service center under section 297A.71, subdivision 26;

4.19 (9) materials and supplies for qualified low-income housing under section 297A.71,
4.20 subdivision 23; and

4.21 (10) materials, supplies, and equipment for municipal electric utility facilities under
4.22 section 297A.71, subdivision 35.

4.23 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
4.24 June 30, 2006.

4.25 Sec. 3. Minnesota Statutes 2005 Supplement, section 297A.75, subdivision 3, is
4.26 amended to read:

4.27 **Subd. 3. Application.** (a) The application must include sufficient information
4.28 to permit the commissioner to verify the tax paid. If the tax was paid by a contractor,
4.29 subcontractor, or builder, under subdivision 1, clause (4), (5), (6), (7), (8), (9), or (10),
4.30 the contractor, subcontractor, or builder must furnish to the refund applicant a statement
4.31 including the cost of the exempt items and the taxes paid on the items unless otherwise
4.32 specifically provided by this subdivision. The provisions of sections 289A.40 and
4.33 289A.50 apply to refunds under this section.

5.1 (b) An applicant may not file more than two applications per calendar year for
5.2 refunds for taxes paid on capital equipment ~~exempt~~ on which the tax is imposed and
collected under section 297A.68, subdivision 5.

5.4 EFFECTIVE DATE. This section is effective for sales and purchases made after
5.5 June 30, 2006."

5.6 Correct the title numbers accordingly

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

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Senate

State of Minnesota

S.F. No. 1735 - Upfront Capital Equipment Exemption, as proposed to be amended by the author.

Author: Senator David Tomassoni

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

Date: May 4, 2006

This bill eliminates the refund requirement for sales tax paid on capital equipment, making the exemption available at the time of purchase. The change would be effective on July 1, 2006, for repair and replacement parts for capital equipment. The removal of the refund requirement for tax paid on all other capital equipment is effective July 1, 2007.

MJA:dv

MINNESOTA REVENUE

SALES AND USE TAX Capital Equipment

May 4, 2006

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue

Analysis of S.F. 1735 (Tomassoni), Delete Everything Amendment (A06-1605)

	Fund Impact			
	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>
			(000's)	
Repair and Replacement Parts	\$0	(\$16,900)	(\$5,100)	(\$2,600)
Other Capital Equipment	\$0	\$0	(\$82,200)	(\$22,500)
General Fund Total	\$0	(\$16,900)	(\$87,300)	(\$25,100)

Effective July 1, 2006, for repair and replacement parts

Effective July 1, 2007, for other capital equipment

EXPLANATION OF THE BILL

Current Law: Machinery and equipment that are essential to the integrated production process are exempt from sales and use tax when used by the purchaser or lessee primarily for manufacturing, fabricating, mining, or refining tangible personal property (goods) to be sold ultimately at retail. The exemption also applies to machinery and equipment used for electronically transmitting results retrieved by a customer of an on-line computerized data retrieval system, and for the commercial production of electricity, hot water, and steam. The definition of capital equipment includes repair and replacement parts and accessories; certain computer software, equipment foundations; special purpose buildings, and machinery and equipment used for research and development.

To qualify, the items must be acquired by the user. Machinery and equipment purchased by a contractor under a lump-sum contract are not exempt.

The exemption is administered as a tax refund. Tax must be paid on the purchase, lease, or use of the equipment and a claim for refund submitted to the Department of Revenue. A business may file no more than two capital equipment refund claims in a calendar year, but a claim can be for multiple transactions.

Proposed Law: Effective for sales made on or after July 1, 2006, the bill repeals the refund requirement for tax paid on repair and replacement parts for capital equipment, making the exemption available at time of purchase. Effective for sales made on or after July 1, 2007, the bill repeals the refund requirement for tax paid on all other capital equipment, making the exemption available at time of purchase or lease. Capital equipment other than parts would remain exempt by refund for sales made from July 1, 2006, through June 30, 2007.

REVENUE ANALYSIS DETAIL

- The estimate was based on data from the 2002 U.S. Census report *Annual Capital Expenditures*. These are the most recent statistics available to date. The national data were apportioned to Minnesota chiefly on the state's share of the U.S. manufacturing sector gross product.
- Total estimated qualifying expenditures were adjusted to exclude contractor purchases and non-essential equipment and to include parts, accessories, foundations, and special purpose buildings.
- Total adjusted expenditures were multiplied by the 6.5% tax rate and increased annually by growth in expenditures for industrial equipment based on data published in February 2006 by Global Insight, Inc., to arrive at amounts for fiscal years 2007 to 2009.
- Projected capital equipment sales tax refunds prepared for the February 2006 state revenue forecast were subtracted from the estimated tax on total qualifying expenditures to arrive at preliminary annual revenue impacts.
- The estimates for capital equipment were further adjusted to account for tax refunds for purchases prior to July 1, 2007, which will be paid after the bill's effective date. A portion of the refunds granted each year reflects tax paid in previous years. Businesses have 3-1/2 years from the date of purchase to file refund claims.
- The revenue estimate for repair and replacement parts was done separately and followed the same steps used for capital equipment as described above, except that a July 1, 2006, effective date was calculated. It was assumed that accessories for equipment are included in the parts exemption.
- The revenue impact from an up-front exemption plus refund claims payable for purchases in a prior year is greatest in the first year and declines until after four to five years capital equipment refunds are negligible or sporadic.

Number of Taxpayers: There are approximately 10,000 potential beneficiaries. Between 2,000 and 2,500 capital equipment refund claims are received each year. A sizeable number of claims seek refunds for tax paid on parts and accessories.

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

This Document can be made available in alternative formats upon request

State of Minnesota

Printed Page No. 401

HOUSE OF REPRESENTATIVES

EIGHTY-FOURTH SESSION

HOUSE FILE NO. 3374

March 13, 2006

Authored by Bradley, Abeler, Thissen and Wilkin

The bill was read for the first time and referred to the Committee on Health Policy and Finance

March 20, 2006

To Pass and re-referred to the Committee on Governmental Operations and Veterans Affairs

March 27, 2006

To Pass

Read Second Time

1.1 A bill for an act
1.2 relating to human services; changing a Council on Disability provision;
1.3 amending Minnesota Statutes 2004, section 256.482, subdivision 8.

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

1.5 Section 1. Minnesota Statutes 2004, section 256.482, subdivision 8, is amended to read:

1.6 Subd. 8. **Sunset.** Notwithstanding section 15.059, subdivision 5, the Council on
1.7 Disability shall not sunset until June 30, ~~2007~~ 2011.

1.8 **EFFECTIVE DATE.** This section is effective upon final enactment.

1.1 Senator moves to amend H.F. No. 3374 as follows:

1.2 Page 1, after line 8, insert:

1.3 "Sec. 2. **[295.61] SPORTS MEMORABILIA TAX.**

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

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

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

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

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

1.12 (e) "Sports memorabilia" means items available for sale to the public that are sold
1.13 under a license granted by either:

1.14 (1) a professional baseball, football, basketball, or hockey league, association, or
1.15 team;

1.16 (2) the National Collegiate Athletic Association (NCAA);

1.17 (3) an NCAA Division I college or university, excluding any multidivision
1.18 classification NCAA member schools that have only one Division I sport; or

1.19 (4) an individual athlete.

1.20 Sports memorabilia includes:

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

1.22 (2) trading cards;

1.23 (3) photographs;

1.24 (4) clothing;

1.25 (5) sports event licensed items;

1.26 (6) sports equipment; and

1.27 (7) similar items.

1.28 (f) "Wholesale" or "sale at wholesale" means a sale to a retailer, as defined in section
1.29 297A.61, subdivision 9, for the purpose of reselling the property to a third party.

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

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

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

2.3 (c) An underpayment of estimated installments bears interest at the rate specified in
2.4 section 270C.40, from the due date of the payment until paid or until the due date of the
2.5 annual return at the rate specified in section 270C.40. An underpayment of an estimated
2.6 installment is the difference between the amount paid and the lesser of (1) 90 percent of
2.7 one-quarter of the tax for the calendar year, or (2) the tax for the actual gross revenues
2.8 received during the quarter.

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

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

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

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

2.21 Subd. 8. **Application of other chapters.** Unless specifically provided otherwise by
2.22 this section, the enforcement, interest, and penalty provisions under chapter 270C, appeal
2.23 provisions in sections 289A.43 and 289A.65, criminal penalties under section 289A.63,
2.24 refund provisions in section 289A.50, and collection and rulemaking provisions under
2.25 chapter 270C, apply to the tax under this section.

2.26 Subd. 9. **Disposition of revenues.** The commissioner shall deposit all revenues,
2.27 including interest and penalties, derived from the tax imposed under this section in the
2.28 state treasury. A portion of the proceeds from the tax imposed in subdivision 1 are
2.29 intended to fund the continuation of the Council on Disability.

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

2.31 Amend the title accordingly

ROLL CALL VOTE

Date: 5/10/06

Senator Limmer requested a Roll Call Vote on:

1. adoption of SCH 3374A-2 amendment
2. passage of F. No.
3. adoption of motion

SENATOR	YES	NO	PASS	ABSENT
Pogemiller	✓			
Bakk				✓
Belanger				✓
Betzold	✓			
Johnson				✓
Limmer		✓		
Marty	✓			
McGinn		✓	MM	
Moua	✓			
Ortman		✓		
Skoe	✓			
Tomassoni	✓			
TOTALS	6	3		3

There being 6 Yes votes and 3 No votes the Motion:

Prevailed X

Did Not Prevail

1.1 A bill for an act
1.2 relating to public safety; establishing the fire safety account from revenues on fire
1.3 premiums and assessments; abolishing the fire insurance tax; proposing coding
1.4 for new law in Minnesota Statutes, chapter 299F; repealing Minnesota Statutes
1.5 2004, section 297I.05, subdivision 6.

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

1.7 Section 1. **[299F.012] FIRE SAFETY ACCOUNT.**

1.8 **Subdivision 1. Insurance policies surcharge.** (a) Except as otherwise provided
1.9 in subdivision 6, each insurer engaged in writing policies of homeowners insurance
1.10 authorized in section 60A.06, subdivision 1, clause (1)(c), or commercial fire policies
1.11 shall collect a surcharge equal to .75 percent of the gross premiums and assessments, less
1.12 return premiums, on direct business received by the company, or by its agents for it, for
1.13 homeowner's and commercial fire insurance policies in this state. The definitions under
1.14 section 297I.01 apply for purposes of this section.

1.15 (b) The surcharge amount collected under paragraph (a) may not be considered
1.16 premium for any purpose, including the computation of premium tax or agents'
1.17 commissions. The surcharge amount must be separately stated on either a billing or policy
1.18 declaration sent to an insured. Insurers shall remit the revenue derived from this section
1.19 at least quarterly to the Department of Revenue for deposit in the fire safety account
1.20 established pursuant to subdivision 2.

1.21 **Subd. 2. Fire safety account, annual transfers, allocation.** A special account, to
1.22 be known as the fire safety account, is created in the state treasury. The account consists of
1.23 the proceeds under subdivision 1. \$250,000 of the revenue in the account each year is
1.24 appropriated to the Department of Revenue to offset the cost of collecting and transferring
1.25 the funds. Revenue in excess of \$250,000 is appropriated to the Department of Public

2.1 Safety and must be used for the activities and programs identified by the commissioner of
2.2 the Department of Public Safety as essential fire service programs within Minnesota.

2.3 Subd. 3. Authorized programs within department. From the revenues
2.4 appropriated under subdivision 2, the commissioner of public safety shall expend funds
2.5 for the activities and programs identified by the advisory committee established under
2.6 subdivision 4 and recommended to the commissioner of public safety. These funds are to
2.7 be used to provide resources needed for identified activities and programs of the Minnesota
2.8 fire service and to ensure the State Fire Marshal Division responsibilities are fulfilled.

2.9 Subd. 4. Fire service advisory committee. The Fire Service Advisory Committee
2.10 shall provide recommendations to the commissioner of public safety on fire service related
2.11 issues and shall consist of representatives of each of the following organizations: two
2.12 appointed by the president of the Minnesota State Fire Chiefs Association, two appointed
2.13 by the president of the Minnesota State Fire Department Association, two appointed by the
2.14 president of the Minnesota Professional Firefighters, two appointed by the president of the
2.15 League of Minnesota Cities, one appointed by the president of the Minnesota Association
2.16 of Townships, one appointed by the president of the Insurance Federation of Minnesota,
2.17 one appointed jointly by the presidents of the Minnesota Chapter of the International
2.18 Association of Arson Investigators and the Fire Marshals Association of Minnesota, and
2.19 the commissioner of public safety or the commissioner's designee. The commissioner of
2.20 public safety must ensure that at least three of the members of the advisory committee
2.21 work and reside in counties outside of the seven-county metropolitan area. The committee
2.22 shall provide funding recommendations to the commissioner of public safety from the
2.23 fire safety fund for the following purposes:

2.24 (1) for the Minnesota Board of Firefighter Training and Education;

2.25 (2) for programs and staffing for the State Fire Marshal Division; and

2.26 (3) for fire-related regional response team programs and any other fire service
2.27 programs that have the potential for statewide impact.

2.28 Subd. 5. Report; accounting; carryover. The commissioner of public safety shall,
2.29 by December 1 of each year, (1) provide an accounting of how the funds in the fire safety
2.30 account were spent in the preceding fiscal year and (2) report any funds not spent in a
2.31 fiscal year to the chairs of the committees of the house of representatives and the senate
2.32 having jurisdiction over public safety finance. Money in the account does not cancel but
2.33 remains available for expenditures for the programs identified in subdivisions 3 and 4.

2.34 Subd. 6. Exemptions. (a) This section does not apply to a farmers' mutual fire
2.35 insurance company or township mutual fire insurance company in Minnesota organized
2.36 under chapter 67A.

3.1 (b) An insurer described in section 297I.05, subdivisions 3 and 4, authorized to
3.2 transact business in Minnesota shall elect to remit to the Department of Revenue for
3.3 deposit in the fire safety account either (1) the surcharge amount collected under this
3.4 section or (2) a tax of one-half of one percent on the gross fire premiums and assessments,
3.5 less return premiums, on all direct business received by the insurer during the year.

3.6 (c) For purposes of this subdivision, "gross fire premiums and assessments" includes
3.7 premiums on policies covering fire risks only on automobiles, whether written under
3.8 floater form or otherwise.

3.9 **Sec. 2. REPEALER.**

3.10 Minnesota Statutes 2004, section 297I.05, subdivision 6, is repealed.

3.11 **Sec. 3. EFFECTIVE DATE; APPLICATION.**

3.12 Sections 1 and 2 are effective July 1, 2007, and apply to policies written or renewed
3.13 on or after that date.

APPENDIX

Repealed Minnesota Statutes: S2941-1

2971.05 TAX IMPOSED.

Subd. 6. **Fire insurance tax.** A tax is imposed on every licensed company, including reciprocals or interinsurance exchanges, doing business in this state, except farmers' mutual fire insurance companies and township fire insurance companies. The rate of tax is equal to one-half of one percent of the gross fire premiums and assessments, less return premiums, on all direct business received by the company in this state, or by its agents for it, in cash or otherwise, during the year. "Gross fire premiums and assessments" includes premiums on policies covering fire risks only on automobiles, whether written under floater form or otherwise.

1.1 Senator moves to amend S.F. No. 2941 as follows:

Delete everything after the enacting clause and insert:

1.3 "Section 1. [2971.06] SURCHARGES ON FIRE SAFETY PREMIUMS.

1.4 Subdivision 1. Insurance policies surcharge. (a) Except as otherwise provided
1.5 in subdivision 2, each insurer engaged in writing policies of homeowner's insurance
1.6 authorized in section 60A.06, subdivision 1, clause (1)(c), or commercial fire policies or
1.7 commercial nonliability policies shall collect a surcharge equal to 0.65 percent of the
1.8 gross premiums and assessments, less return premiums, on direct business received by
1.9 the company, or by its agents for it, for homeowner's insurance policies, commercial fire
1.10 policies, and commercial nonliability insurance policies in this state.

1.11 (b) The surcharge amount collected under paragraph (a) may not be considered
1.12 premium for any other purpose. The surcharge amount must be separately stated on either
3 a billing or policy declaration sent to an insured.

1.14 (c) Amounts collected by the commissioner under this section must be deposited in
1.15 the fire safety account established pursuant to subdivision 3.

1.16 Subd. 2. Exemptions. (a) This section does not apply to a farmers' mutual fire
1.17 insurance company or township mutual fire insurance company in Minnesota organized
1.18 under chapter 67A.

1.19 (b) An insurer described in section 2971.05, subdivisions 3 and 4, authorized to
1.20 transact business in Minnesota shall elect to remit to the Department of Revenue for
1.21 deposit in the fire safety account either (1) the surcharge amount collected under this
1.22 section, or (2) a surcharge of one-half of one percent on the gross fire premiums and
3 assessments, less return premiums, on all direct business received by the insurer or agents
1.24 of the insurer in Minnesota, in cash or otherwise, during the year.

1.25 (c) For purposes of this subdivision, "gross fire premiums and assessments" includes
1.26 premiums on policies covering fire risks only on automobiles, whether written or under
1.27 floater form or otherwise.

1.28 Subd. 3. Fire safety account, annual transfers, allocation. A special account, to
1.29 be known as the fire safety account, is created in the state treasury. The account consists of
1.30 the proceeds under subdivisions 1 and 2. \$468,000 in fiscal year 2008 and \$2,268,000 in
1.31 each year thereafter is transferred from the fire safety account in the special revenue fund
1.32 to the general fund to offset the loss of revenue caused by the repeal of the one-half of one
3 percent tax on fire insurance premiums. The general fund base appropriation for the fire
1.34 marshal program is reduced by \$2,832,000 in fiscal year 2008 and each year thereafter.

2.1 The base funding for the fire marshal program from the fire safety account in the special
2.2 revenue fund shall be \$2,832,000 in fiscal year 2008 and each year thereafter.

2.3 Sec. 2. Minnesota Statutes 2004, section 297I.30, is amended by adding a subdivision
2.4 to read:

2.5 Subd. 8. Fire insurance surcharge. On or before May 15, August 15, November
2.6 15, and February 15 of each year, every insurer required to pay the surcharge under section
2.7 297I.06, subdivisions 1 and 2, shall file a return with the commissioner for the preceding
2.8 three-month period ending March 31, June 30, September 30, and December 31, setting
2.9 forth any information the commissioner reasonably requires on forms prescribed by the
2.10 commissioner.

2.11 Sec. 3. **[299F.012] FIRE SAFETY ACCOUNT.**

2.12 Subdivision 1. Authorized programs within department. From the revenues
2.13 appropriated from the fire safety account, established under section 297I.06, subdivision
2.14 3, the commissioner of public safety may expend funds for the activities and programs
2.15 identified by the advisory committee established under subdivision 2 and recommended to
2.16 the commissioner of public safety. The commissioner shall not expend funds without the
2.17 recommendation of the advisory committee established under subdivision 2. These funds
2.18 are to be used to provide resources needed for identified activities and programs of the
2.19 Minnesota fire service and to ensure the State Fire Marshal Division responsibilities are
2.20 fulfilled.

2.21 Subd. 2. Fire Service Advisory Committee. The Fire Service Advisory Committee
2.22 shall provide recommendations to the commissioner of public safety on fire service related
2.23 issues and shall consist of representatives of each of the following organizations: two
2.24 appointed by the president of the Minnesota State Fire Chiefs Association, two appointed
2.25 by the president of the Minnesota State Fire Department Association, two appointed by
2.26 the president of the Minnesota Professional Fire Fighters, two appointed by the president
2.27 of the League of Minnesota Cities, one appointed by the president of the Minnesota
2.28 Association of Townships, one appointed by the president of the Insurance Federation
2.29 of Minnesota, one appointed jointly by the presidents of the Minnesota Chapter of the
2.30 International Association of Arson Investigators and the Fire Marshals Association of
2.31 Minnesota, and the commissioner of public safety or the commissioner's designee. The
2.32 commissioner of public safety must ensure that at least three of the members of the
2.33 advisory committee work and reside in counties outside of the seven-county metropolitan
2.34 area. The committee shall provide funding recommendations to the commissioner of
2.35 public safety from the fire safety fund for the following purposes:

3.1 (1) for the Minnesota Board of Firefighter Training and Education;
3.2 (2) for programs and staffing for the State Fire Marshal Division; and
3.3 (3) for fire-related regional response team programs and any other fire service
3.4 programs that have the potential for statewide impact.

3.5 Subd. 3. **Report; accounting; carryover.** The commissioner of public safety shall,
3.6 by December 1 of each year, (1) provide an accounting of how the funds in the fire safety
3.7 account were spent in the preceding fiscal year and (2) report any funds not spent in a
3.8 fiscal year to the chairs of the committees of the house of representatives and the senate
3.9 having jurisdiction over public safety finance. Money in the account does not cancel but
3.10 remains available for expenditures for the programs identified in subdivisions 1 and 2.

3.11 Sec. 4. **REPEALER.**

3.12 Minnesota Statutes 2004, section 297I.05, subdivision 6, is repealed.

3.13 Sec. 5. **EFFECTIVE DATE; APPLICATION.**

3.14 Sections 1 to 4 are effective July 1, 2007, and apply to policies written or renewed
3.15 on or after that date."

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

G-17 STATE CAPITOL
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JO ANNE ZOFF SELLNER
DIRECTOR

Senate

State of Minnesota

S.F. No. 2941 - Fire Safety Account and Abolishing Fire Insurance Tax

Author: Senator Ann Rest

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

Date: April 25, 2006

This bill abolishes the fire insurance tax in Minnesota Statutes, section 2971.05. The fire insurance tax is currently imposed on insurance companies, except farmer's mutual insurance companies and township fire insurance companies. The fire insurance tax is equal to one-half of one percent of the gross fire premiums and assessments, less return premiums, on all direct business received by an insurance company in this state.

Section 1. In place of the fire insurance tax, this bill establishes an insurance policy surcharge equal to .65 percent of the gross premiums and assessments, less return premiums, on all direct business received by an insurance company for homeowner's insurance policies and commercial fire insurance policies in this state. The surcharge may not be considered premium or included in computation of premium tax or agents' commission. The surcharge amount must be separately stated on either the billing or policy declaration sent to the insured. Insurers must remit the revenue derived from the surcharge to Department of Revenue for deposit in the fire safety account.

Farmers' and townships' mutual fire insurance companies in Minnesota are exempt from the surcharge. Mutual property and casualty companies with total assets of \$5,000,000 or less at the end of the calendar year or which had total assets less than \$1,600,000,000 on December 31, 1989, may elect to remit either: (1) the surcharge; or (2) a surcharge of one-half of one percent on the gross fire premiums and assessments on all direct business received by the insurer in Minnesota during the year.

The fire safety account is created in the state treasury and all funds from the surcharge are to be deposited in it. \$468,000 in fiscal year 2008 and \$2,268,000 in each year thereafter is transferred from the fire safety account to the general fund to offset the loss of revenue caused by the repeal of the fire insurance tax. The base funding for the fire marshal program from the fire safety account

shall be \$2,832,000 in fiscal year 2008 and each year thereafter. Accordingly, the general fund base appropriation for the fire marshal program is reduced by that same amount.

Section 2. This section provides for quarterly filing of returns related to the surcharge.

Section 3. This section establishes the fire safety account and an a fire service advisory committee that provides recommendations on the disbursements of the funds in the fire safety account.

Section 4. This section repeals the fire insurance tax.

Section 5. This section provides an effective date of July 1, 2007.

MJA:dv

MINNESOTA · REVENUE

**GROSS PREMIUM TAX
INSURANCE SURCHARGE**
Repeal 0.5% Tax on Fire Insurance
Enact Insurance Surcharge

April 26, 2006

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue

Analysis of S.F. 2941 (Rest), As Proposed to be Amended (DV0054)

	Fund Impact			
	F.Y. 2006	F.Y. 2007	F.Y. 2008	F.Y. 2009
			(000's)	
Repeal of Fire Insurance Tax	\$0	\$0	(\$3,300)	(\$5,100)
Transfer from Fire Safety Account	\$0	\$0	\$468	\$2,268
Reduction of Appropriation for Fire Marshal Program	<u>\$0</u>	<u>\$0</u>	<u>\$2,832</u>	<u>\$2,832</u>
General Fund Total	\$0	\$0	\$0	\$0
Insurance Surcharge	\$0	\$0	\$7,400	\$11,600
Transfer to General Fund	<u>\$0</u>	<u>\$0</u>	<u>(\$468)</u>	<u>(\$2,268)</u>
Fire Safety Account Total	\$0	\$0	\$6,932	\$9,332

Effective for policies written or renewed on or after July 1, 2007

EXPLANATION OF THE BILL

Current Law: Besides the general 2% gross premium tax, fire insurance premiums are subject to an additional 0.5% gross premium tax. The tax base is split evenly between individuals and businesses.

Proposed Law: The additional 0.5% gross premium tax on fire insurance is repealed. However, mutual insurance companies subject to the general 1% and 1.26% gross premium tax can elect to continue to pay a surcharge that is the lesser of the 0.5% gross premium tax on fire premiums or the surcharge proposed by the bill.

Under the bill (except as noted above), a 0.65% surcharge would be levied on premiums from homeowner policies, commercial fire policies, and commercial non-liability policies. The tax base for the surcharge differs from the tax base used to compute the current law 0.5% tax on fire premiums. Under the bill, the tax base is split 70% / 30% between individuals and businesses.

The proceeds from the surcharge are dedicated to a newly-created fire safety account. In FY 2008, \$468,000 is transferred from the account to the general fund. In each subsequent year, \$2,268,000 is transferred. The general fund base appropriation for the fire marshal program is reduced by 2,832,000 each year, beginning in FY 2008.

EXPLANATION OF THE BILL (Continued)

When compared to the tax base under current law, the surcharge tax base for individuals is approximately two times as large. Under current law, the tax base for individuals extends to a portion of premiums beyond homeowner multi-peril policies such as the fire peril portion of auto insurance. Under the bill, the tax base for individuals includes only homeowner multi-peril policies. The entire value of these policies would be subject to the surcharge. Under current law, 1/3 of premiums for homeowner multi-peril policies are subject to fire premium tax because that is the portion deemed to cover fire peril.

The tax base for businesses under the surcharge is approximately the same as the tax base for the current law 0.5% fire premium tax. Under current law, the tax base for business extends to a portion of premiums beyond commercial fire and commercial non-liability multi-peril policies such as the fire peril portion of auto insurance, allied lines and commercial liability multi-peril.

Under the bill, the tax base for business includes only commercial fire and commercial non-liability policies. Commercial non-liability policies are assumed to be commercial multi-peril non-liability policies. Under the bill, 100% of commercial multi-peril non-liability premiums would be subject to the surcharge. Under current law, 55% of commercial multi-peril non-liability premiums is subject to the fire premium tax.

The bill defines the tax base for business as commercial policies. Since there is no definition of the term commercial, its application remains unclear. Because its application remains unclear, farm owner insurance was excluded from tax base subject to the surcharge because it is neither commercial nor homeowner insurance.

REVENUE ANALYSIS DETAIL

0.5% Gross Premium Tax on Fire Premiums

- Tax year 2004 data from returns filed in 2005 was used to make the estimate. The reduction in tax was calculated on a per-firm basis.
- The revenue loss associated with tax year 2004 is projected to grow by the projected rate of growth in insurance premium tax collections that was published in the February 2006 Department of Finance forecast.
- The effect of retaliatory taxation was computed using the tax rates in effect during calendar year 2004. Retaliatory taxation reduces the revenue loss from this bill about \$0.4 million per year. This analysis assumes that other states will keep their present rates at the same level as under current law. If tax rates in retaliatory states were reduced to match the repeal of 0.5% tax, the revenue loss from this bill would increase by about \$0.4 million per year.
- The revenue loss associated with calendar year 2007 premiums is reduced 50% to account for the effective date of policies written or renewed after July 1, 2007.

REVENUE ANALYSIS DETAIL (Continued)

0.65% Surcharge on Selected Homeowner and Commercial Policies

- Tax year 2004 data from returns filed in 2005 was used to make the estimate. The surcharge was calculated on a per-firm basis.
- The revenue gain associated with tax year 2004 is projected to grow by the projected rate of growth in insurance premium tax collections that was published in the February 2006 Department of Finance forecast.
- Most companies subject to the 1% and 1.26% gross premium tax would elect to pay a 0.5% gross premium tax on fire premiums instead of the surcharge.
- Farm owners policies are not subject to the surcharge because these policies are not assumed to be commercial insurance policies
- Surcharge revenue associated with calendar year 2007 premiums is reduced 50% to account for the effective date of policies written or renewed after July 1, 2007.

Number of Taxpayers: 421 taxpayers pay the fire premiums tax per year. About 170 taxpayers would pay no surcharge under the bill, because they lack premiums from homeowner policies or commercial policies subject to the surcharge. The 250 other taxpayers would pay more tax than under current law.

For the most part, companies subject to the 1% or 1.26% tax would pay the same tax as under current law. However, some of these companies would pay less tax than current law because they have the option of paying the lesser of 0.5% fire premium tax or the 0.65% surcharge.

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

MINNESOTA · REVENUE

**GROSS PREMIUM TAX
INSURANCE SURCHARGE**
Repeal 0.5% Tax on Fire Insurance
Enact Insurance Surcharge

May 10, 2006

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue

Analysis of S.F. 2941 (Rest), As Proposed to be Amended (DV0054) **Analysis Revised to Include
Base Funding from Fire Safety
Account**

	Fund Impact			
	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>
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Reduction of Appropriation for Fire Marshal Program	<u>\$0</u>	<u>\$0</u>	<u>\$2,832</u>	<u>\$2,832</u>
General Fund Net Impact	\$0	\$0	\$0	\$0
Insurance Surcharge	\$0	\$0	\$7,400	\$11,600
Transfer to General Fund	\$0	\$0	(\$468)	(\$2,268)
Base Funding for Fire Marshal Program	<u>\$0</u>	<u>\$0</u>	<u>(\$2,832)</u>	<u>(\$2,832)</u>
Fire Safety Account Net Impact	\$0	\$0	\$4,100	\$6,500

Effective for policies written or renewed on or after July 1, 2007

EXPLANATION OF THE BILL

Current Law: Besides the general 2% gross premium tax, fire insurance premiums are subject to an additional 0.5% gross premium tax. The tax base is split evenly between individuals and businesses.

Proposed Law: The additional 0.5% gross premium tax on fire insurance is repealed. However, mutual insurance companies subject to the general 1% and 1.26% gross premium tax can elect to continue to pay a surcharge that is the lesser of the 0.5% gross premium tax on fire premiums or the surcharge proposed by the bill.

Under the bill (except as noted above), a 0.65% surcharge would be levied on premiums from homeowner policies, commercial fire policies, and commercial non-liability policies. The tax base for the surcharge differs from the tax base used to compute the current law 0.5% tax on fire premiums. Under the bill, the tax base is split 70% / 30% between individuals and businesses.

EXPLANATION OF THE BILL (Continued)

The proceeds from the surcharge are dedicated to a newly-created fire safety account. In FY 2008, \$468,000 is transferred from the account to the general fund. In each subsequent year, \$2,268,000 is transferred. The general fund base appropriation for the fire marshal program is reduced by \$2,832,000 each year, beginning in FY 2008. Beginning with FY 2008, the base funding for the fire marshal program from the fire safety account is \$2,832,000 for each year.

When compared to the tax base under current law, the surcharge tax base for individuals is approximately two times as large. Under current law, the tax base for individuals extends to a portion of premiums beyond homeowner multi-peril policies such as the fire peril portion of auto insurance. Under the bill, the tax base for individuals includes only homeowner multi-peril policies. The entire value of these policies would be subject to the surcharge. Under current law, 1/3 of premiums for homeowner multi-peril policies are subject to fire premium tax because that is the portion deemed to cover fire peril.

The tax base for businesses under the surcharge is approximately the same as the tax base for the current law 0.5% fire premium tax. Under current law, the tax base for business extends to a portion of premiums beyond commercial fire and commercial non-liability multi-peril policies such as the fire peril portion of auto insurance, allied lines and commercial liability multi-peril.

Under the bill, the tax base for business includes only commercial fire and commercial non-liability policies. Commercial non-liability policies are assumed to be commercial multi-peril non-liability policies. Under the bill, 100% of commercial multi-peril non-liability premiums would be subject to the surcharge. Under current law, 55% of commercial multi-peril non-liability premiums is subject to the fire premium tax.

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REVENUE ANALYSIS DETAIL*0.5% Gross Premium Tax on Fire Premiums*

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REVENUE ANALYSIS DETAIL (Continued)

- The effect of retaliatory taxation was computed using the tax rates in effect during calendar year 2004. Retaliatory taxation reduces the revenue loss from this bill about \$0.4 million per year. This analysis assumes that other states will keep their present rates at the same level as under current law. If tax rates in retaliatory states were reduced to match the repeal of 0.5% tax, the revenue loss from this bill would increase by about \$0.4 million per year.
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For the most part, companies subject to the 1% or 1.26% tax would pay the same tax as under current law. However, some of these companies would pay less tax than current law because they have the option of paying the lesser of 0.5% fire premium tax or the 0.65% surcharge.

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. 2941

Resolution

Re-referred (from another committee)

Amendments:

DV0054

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

Finance

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

OR (reported to the Senate).

5/10/06 (date of committee recommendation)

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Page No. **401**

State of Minnesota
HOUSE OF REPRESENTATIVES

**EIGHTY-FOURTH
SESSION**

HOUSE FILE No. 3374

March 13, 2006

Authored by Bradley, Abeler, Thissen and Wilkin

The bill was read for the first time and referred to the Committee on Health Policy and Finance

March 20, 2006

To Pass and re-referred to the Committee on Governmental Operations and Veterans Affairs

March 27, 2006

To Pass

Read Second Time

1.1 A bill for an act
2 relating to human services; changing a Council on Disability provision;
1.3 amending Minnesota Statutes 2004, section 256.482, subdivision 8.

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

1.5 Section 1. Minnesota Statutes 2004, section 256.482, subdivision 8, is amended to read:

1.6 Subd. 8. **Sunset.** Notwithstanding section 15.059, subdivision 5, the Council on
1.7 Disability shall not sunset until June 30, ~~2007~~ 2011.

1.8 **EFFECTIVE DATE.** This section is effective upon final enactment.

N/A

1.1 Senator moves to amend H.F. No. XXXX as follows:

1.2 Page .., after line .., insert:

1.3 "Sec. Minnesota Statutes 2005 Supplement, section 216B.241, subdivision 1b,
1.4 is amended to read:

1.5 Subd. 1b. **Conservation improvement by cooperative association or**
1.6 **municipality.** (a) This subdivision applies to:

1.7 (1) a cooperative electric association that provides retail service to its members;

1.8 (2) a municipality that provides electric service to retail customers; and

1.9 (3) a municipality with gross operating revenues in excess of \$5,000,000 from sales
1.10 of natural gas to retail customers.

1.11 (b) Each cooperative electric association and municipality subject to this subdivision
1.12 shall spend and invest for energy conservation improvements under this subdivision
1.13 the following amounts:

1.14 (1) for a municipality, 0.5 percent of its gross operating revenues from the sale of
1.15 gas and 1.5 percent of its gross operating revenues from the sale of electricity, excluding
1.16 gross operating revenues from electric and gas service provided in the state to large
1.17 electric customer facilities; and

1.18 (2) for a cooperative electric association, 1.5 percent of its gross operating revenues
1.19 from service provided in the state, excluding gross operating revenues from service
1.20 provided in the state to large electric customer facilities indirectly through a distribution
1.21 cooperative electric association.

1.22 (c) Each municipality and cooperative electric association subject to this subdivision
1.23 shall identify and implement energy conservation improvement spending and investments
1.24 that are appropriate for the municipality or association, except that a municipality or
1.25 association may not spend or invest for energy conservation improvements that directly
1.26 benefit a large electric customer facility for which the commissioner has issued an
1.27 exemption under subdivision 1a, paragraph (b).

1.28 (d) Each municipality and cooperative electric association subject to this subdivision
1.29 may spend and invest annually up to ten percent of the total amount required to be spent
1.30 and invested on energy conservation improvements under this subdivision on research
1.31 and development projects that meet the definition of energy conservation improvement
1.32 in subdivision 1 and that are funded directly by the municipality or cooperative electric
1.33 association.

1.34 (e) Load-management activities that do not reduce energy use but that increase the
1.35 efficiency of the electric system may be used to meet 50 percent of the conservation
1.36 investment and spending requirements of this subdivision.

2.1 (f) A generation and transmission cooperative electric association that provides
2.2 energy services to cooperative electric associations that provide electric service at retail to
2.3 consumers may invest in energy conservation improvements on behalf of the associations
2.4 it serves and may fulfill the conservation, spending, reporting, and energy savings goals on
2.5 an aggregate basis. A municipal power agency or other not-for-profit entity that provides
2.6 energy service to municipal utilities that provide electric service at retail may invest in
2.7 energy conservation improvements on behalf of the municipal utilities it serves and may
2.8 fulfill the conservation, spending, reporting, and energy savings goals on an aggregate
2.9 basis, under an agreement between the municipal power agency or not-for-profit entity
2.10 and each municipal utility for funding the investments.

2.11 (g) At least every four years, on a schedule determined by the commissioner, each
2.12 municipality or cooperative shall file an overview of its conservation improvement plan
2.13 with the commissioner. With this overview, the municipality or cooperative shall also
2.14 provide an evaluation to the commissioner detailing its energy conservation improvement
2.15 spending and investments for the previous period. The evaluation must briefly describe
2.16 each conservation program and must specify the energy savings or increased efficiency in
2.17 the use of energy within the service territory of the utility or association that is the result
2.18 of the spending and investments. The evaluation must analyze the cost-effectiveness
2.19 of the utility's or association's conservation programs, using a list of baseline energy
2.20 and capacity savings assumptions developed in consultation with the department.
2.21 The commissioner shall review each evaluation and make recommendations, where
2.22 appropriate, to the municipality or association to increase the effectiveness of conservation
2.23 improvement activities. Up to three percent of a utility's conservation spending obligation
2.24 under this section may be used for program pre-evaluation, testing, and monitoring and
2.25 program evaluation. The overview and evaluation filed by a municipality with less than
2.26 60,000,000 kilowatt hours in annual retail sales of electric service may consist of a letter
2.27 from the governing board of the municipal utility to the department providing the amount
2.28 of annual conservation spending required of that municipality and certifying that the
2.29 required amount has been spent on conservation programs pursuant to this subdivision.

2.30 (h) The commissioner shall also review each evaluation for whether a portion of the
2.31 money spent on residential conservation improvement programs is devoted to programs
2.32 that directly address the needs of renters and low-income persons unless an insufficient
2.33 number of appropriate programs are available. For the purposes of this subdivision and
2.34 subdivision 2, "low-income" means an income at or below 50 percent of the state median
2.35 income.

3.1 (i) As part of its spending for conservation improvement, a municipality or
3.2 association may contribute to the energy and conservation account. A municipality or
3.3 association may propose to the commissioner to designate that all or a portion of funds
3.4 contributed to the account be used for research and development projects that can best
3.5 be implemented on a statewide basis. Any amount contributed must be remitted to the
3.6 commissioner by February 1 of each year.

3.7 (j) A municipality may spend up to 50 percent of its required spending under this
3.8 section to refurbish an existing district heating or cooling system. This paragraph expires
3.9 July 1, 2007.

3.10 (k) After July 1, 2007, and until July 1, 2011, expenditures made by a municipality
3.11 to refurbish an existing heating or cooling system qualify under paragraph (e) as
3.12 load-management activities that increase the efficiency of the electric system."

13 Renumber the sections in sequence and correct the internal references

3.14 Amend the title accordingly

X

1.1 Senator moves to amend H.F. No. 3374 as follows:

1.2 Page ..., after line ..., insert:

1.3 "Sec. Minnesota Statutes 2004, section 272.029, subdivision 2, is amended to
1.4 read:

1.5 Subd. 2. **Definitions.** (a) For the purposes of this section, the term:

1.6 (1) "wind energy conversion system" has the meaning given it in section 216C.06,
1.7 subdivision 19, and also includes a substation that is used and owned ~~in whole or in~~
1.8 ~~part by~~ ^{one or more} a wind energy conversion ~~facility,~~ ^{facilities.}

1.9 (2) "large scale wind energy conversion system" means a wind energy conversion
1.10 system of more than 12 megawatts, as measured by the nameplate capacity of the system
1.11 or as combined with other systems as provided in paragraph (b);

1.12 (3) "medium scale wind energy conversion system" means a wind energy conversion
1.13 system of over two and not more than 12 megawatts, as measured by the nameplate
1.14 capacity of the system or as combined with other systems as provided in paragraph (b); and

1.15 (4) "small scale wind energy conversion system" means a wind energy conversion
1.16 system of two megawatts and under, as measured by the nameplate capacity of the system
1.17 or as combined with other systems as provided in paragraph (b).

1.18 (b) For systems installed and contracted for after January 1, 2002, the total size of a
1.19 wind energy conversion system under this subdivision shall be determined according to
1.20 this paragraph. Unless the systems are interconnected with different distribution systems,
1.21 the nameplate capacity of one wind energy conversion system shall be combined with the
1.22 nameplate capacity of any other wind energy conversion system that is:

- 1.23 (1) located within five miles of the wind energy conversion system;
- 1.24 (2) constructed within the same calendar year as the wind energy conversion system;
- 1.25 and
- 1.26 (3) under common ownership.

1.27 In the case of a dispute, the commissioner of commerce shall determine the total size
1.28 of the system, and shall draw all reasonable inferences in favor of combining the systems.

1.29 (c) In making a determination under paragraph (b), the commissioner of commerce
1.30 may determine that two wind energy conversion systems are under common ownership
1.31 when the underlying ownership structure contains similar persons or entities, even if the
1.32 ownership shares differ between the two systems. Wind energy conversion systems are
1.33 not under common ownership solely because the same person or entity provided equity
1.34 financing for the systems.

- 2.1 **EFFECTIVE DATE.** This section is effective for taxes levied in 2006, payable
- 2.2 in 2007, and thereafter."
- 2.3 Renumber the sections in sequence and correct the internal references
- 2.4 Amend the title accordingly

X

1.1 Senator moves to amend H.F. No. 3374 as follows:

1.2 Page ..., after line ..., insert:

1.3 "Sec. ... Minnesota Statutes 2004, section 298.227, is amended to read:

1.4 **298.227 TACONITE ECONOMIC DEVELOPMENT FUND.**

1.5 An amount equal to that distributed pursuant to each taconite producer's taxable
1.6 production and qualifying sales under section 298.28, subdivision 9a, shall be held by
1.7 the Iron Range Resources and Rehabilitation Board in a separate taconite economic
1.8 development fund for each taconite and direct reduced ore producer. Money from the
1.9 fund for each producer shall be released by the commissioner after review by a joint
1.10 committee consisting of an equal number of representatives of the salaried employees and
1.11 the nonsalaried production and maintenance employees of that producer. The District 11
1.12 director of the United States Steelworkers of America, on advice of each local employee
1.13 president, shall select the employee members. In nonorganized operations, the employee
1.14 committee shall be elected by the nonsalaried production and maintenance employees.

1.15 The review must be completed no later than six months after the producer presents a
1.16 proposal for expenditure of the funds to the committee. The funds held pursuant to this
1.17 section may be released only for acquisition of equipment and facilities for the producer
1.18 or for research and development in Minnesota on new mining, or taconite, iron, or steel
1.19 production technology, but only if the producer provides a matching expenditure to be
1.20 used for the same purpose of at least 50 percent of the distribution based on 14.7 cents
1.21 per ton beginning with distributions in 2002. If a producer uses money from the fund for
1.22 procuring haulage trucks, mobile equipment, and mining shovels more than once in a
1.23 three-year period, the second and subsequent purchases of such pieces of equipment must
1.24 be assembled by employees of the producer on the producer's property in this state. If a
1.25 taconite production facility is sold after operations at the facility had ceased, any money
1.26 remaining in the fund for the former producer may be released to the purchaser of the
1.27 facility on the terms otherwise applicable to the former producer under this section. If a
1.28 producer fails to provide matching funds for a proposed expenditure within six months
1.29 after the commissioner approves release of the funds, the funds are available for release to
1.30 another producer in proportion to the distribution provided and under the conditions of
1.31 this section. Any portion of the fund which is not released by the commissioner within
1.32 two years of its deposit in the fund shall be divided between the taconite environmental
1.33 protection fund created in section 298.223 and the Douglas J. Johnson economic protection
1.34 trust fund created in section 298.292 for placement in their respective special accounts.
1.35 Two-thirds of the unreleased funds shall be distributed to the taconite environmental
1.36 protection fund and one-third to the Douglas J. Johnson economic protection trust fund. "

- 2.1 Renumber the sections in sequence and correct the internal references
- 2.2 Amend the title accordingly

1.1 Senator moves to amend H.F. No. 3374 as follows:

1.2 Page ..., after line ..., insert:

1.3 "Sec. **COOK-ORR HOSPITAL DISTRICT; ADDITION OF TERRITORY.**

1.4 The board of the hospital district created under Laws 1988, chapter 645, may
1.5 enter into an agreement with the Tribal Council of the Bois Forte Band of Minnesota
1.6 Chippewa that would permit the reservation lands of the Bois Forte Band at Nett Lake
1.7 and Lake Vermilion to be included in the territory of the hospital district. The agreement
1.8 must establish the terms and conditions under which the territory would be so expanded,
1.9 including the amount of or means for determining the amount of the contribution by the
1.10 Bois Forte Band to the district."

1.11 Renumber the sections in sequence and correct the internal references

1.12 Amend the title accordingly

2

H.F. 3374 Omnibus Taxes Bill

Note: Negative numbers represent revenue losses (tax expenditures) or appropriations.
Positive numbers represent revenue gains or budget savings.

May 10, 2006

Dollars in Thousands					Senate	Senate	Senate	Senate	Senate	Senate
Line#	Bill #	Author	List	Fund	FY 2006	FY 2007	FY 2006-07	FY 2008	FY 2009	FY 2008-09
1	ONE-TIME GENERAL FUND FUNDING									
2										
3	3550	Pogemiller	Passed	GF	Standard Deduction Married - Retroactive to Tax Year 2005	0	(33,200)	(33,200)	0	0
4	3550	Pogemiller	Passed	GF	Administrative Cost		(629)	(629)	0	0
5	3550	Pogemiller	Passed	GF	Federal Conformity - Energy, Gulf Opportunity Zone, Katrina	(5,190)	0	(5,190)	0	0
6	3131	Pogemiller		GF	Aid to Counties - Targeted Case Management Aid	0	(60,000)	(60,000)	0	0
7	3131	Pogemiller		GF	Local Government Aid One-Time Adjustments	(26,033)	(52,067)	(78,100)	0	0
8	3131	Wiger	C 2006	GF	Reinstate Cuts in Market Value Credit	0	(16,645)	(16,645)	0	0
9	3131	Skoe	C 2006	GF	Mahnomen County Temporary County and City Aids	0	(600)	(600)	0	0
10	3131	Higgins	C 2006		Voting Equipment Sales Tax Exemption	0	(2,275)	(2,275)	0	0
11	3131	Betzold	C 2006	GF	Commuter Rail Construction Sales Tax Refund	0	(8,400)	(8,400)	0	0
12	3131	Stumpf	2005	GF	Thief River Falls Retroactive Exemption for Arena Construction	0	(350)	(350)	0	0
13										
14					One-Time Spending - Subtotal	(31,223)	(174,166)	(205,389)	0	0

Handout #2

H.F. 3374 Omnibus Taxes Bill

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May 10, 2006

Dollars in Thousands					Senate	Senate	Senate	Senate	Senate	Senate
Line#	Bill #	Author	List	Fund	FY 2006	FY 2007	FY 2006-07	FY 2008	FY 2009	FY 2008-09
15										
16	GENERAL FUND REVENUE CHANGES									
17										
18	Federal Conformity									
19				Energy Tax Incentives Act of 2005						
20	3550	Pogemiller	Passed	GF Individual Income Tax	(560)	(60)	(600)	0	40	40
21	3550	Pogemiller	Passed	GF Corporate Franchise Tax	(40)	(1,900)	(1,940)	(3,000)	(3,740)	(6,740)
22	3550	Pogemiller	Passed	GF Total	(600)	(1,960)	(2,560)	(3,000)	(3,700)	(6,700)
23				Gulf Opportunity Zone Act of 2005						
24	3550	Pogemiller	Passed	GF Individual Income Tax	(85)	(140)	(225)	(50)	10	(40)
25	3550	Pogemiller	Passed	GF Corporate Franchise Tax	(300)	(410)	(710)	(200)	(20)	(220)
26	3550	Pogemiller	Passed	GF Total	(385)	(550)	(935)	(250)	(10)	(260)
27				Katrina Emergency Tax Relief Act of 2005						
28	3550	Pogemiller	Passed	GF Individual Income Tax	(3,885)	90	(3,795)	65	0	65
29	3550	Pogemiller	Passed	GF Corporate Franchise Tax	(320)	(120)	(440)	(10)	0	(10)
30	3550	Pogemiller	Passed	GF Total	(4,205)	(30)	(4,235)	55	0	55
31				Federal Conformity - Subtotal	(5,190)	(2,540)	(7,730)	(3,195)	(3,710)	(6,905)
32										
33	3550	Pogemiller	Passed	GF Standard Deduction Married Filers 2006-08	0	(28,700)	(28,700)	(14,800)	(6,500)	(21,300)
34	3550	Pogemiller	Passed	GF Retroactive to Tax Year 2005 - One time	0	(33,200)	(33,200)	0	0	0
35	3550	Pogemiller	Passed	GF Administrative costs - One time	0	(629)	(629)	0	0	0
36				Subtotal	0	(62,529)	(62,529)	(14,800)	(6,500)	(21,300)
37										
38	Adjustments to AMT									
39		Pogemiller	Passed	GF Alternative Minimum Tax Exemption Amounts	0	(23,800)	(23,800)	(28,100)	(31,800)	(59,900)
40	3550	Pogemiller	Passed	GF Repeal Exclusion of Deferred Compensation for Nonresidents	0	2,100	2,100	2,200	2,400	4,600
41				Subtotal	0	(21,700)	(21,700)	(25,900)	(29,400)	(55,300)
42										
43	Individ. Income & Corporate Franchise Tax									
44	3131	Cohen	C 2006	GF Film Production Tax Credit	0	(3,100)	(3,100)	(3,200)	(3,400)	(6,600)
45	3131	Pogemiller		GF Active Military Income Credit	0	(8,100)	(8,100)	(2,300)	(2,300)	(4,600)
46	3131	Vickerman		GF Military Pension Income Subtraction	0	0	0	(4,100)	(8,600)	(12,700)
47	3131	Pogemiller	2005	GF 10% Credit for Historic Structure Rehabilitation	0	(2,520)	(2,520)	(2,640)	(3,080)	(5,720)
48	3131	Sams	C 2006	GF Dairy Investment Credit as amended	0	(4,795)	(4,795)	(5,323)	(5,851)	(11,174)
49	3131	Kubly	C 2006	GF Beginning Farmer Credit amended Management Credit only	0	0	0	(125)	(138)	(263)
50	3131	Marty	2005	GF Prohibit the Deduction of Fines and Penalties	0	75	75	75	75	150
51	3131	Skoe	C 2006	GF Bovine Testing Credit	0	(390)	(390)	(390)	0	(390)
52				Subtotal	0	(18,830)	(18,830)	(18,003)	(23,294)	(41,297)

H.F. 3374 Omnibus Taxes Bill

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May 10, 2006

Dollars in Thousands					Senate	Senate	Senate	Senate	Senate	Senate	
Line#	Bill #	Author	List	Fund	FY 2006	FY 2007	FY 2006-07	FY 2008	FY 2009	FY 2008-09	
53											
54	Corporate Franchise Tax										
55	3131	Pogemiller	A 2006	GF	Foreign Operating Income Treatment Modification	0	160,600	160,600	123,200	122,600	245,800
56	3131	Moua	C 2006	GF	Refund for Transit Pass Expenses as amended	0	(370)	(370)	(510)	(540)	(1,050)
57					Subtotal	0	160,230	160,230	122,690	122,060	244,750
58											
59	Sales and Use Tax and Misc.										
60	3131	Pogemiller	C 2006	GF	Exemption for Milk Only Sold in Vending Machines	0	(220)	(220)	(245)	(250)	(495)
61	3131	Saxhaug	C 2006	GF	Exemption for Public Safety Radio Communication Products - Itasca County	0	(319)	(319)	(64)	0	(64)
62	3131	Rest	A 2006	GF	International Economic Development Zone - various taxes primarily sales and use.	0	0	0	1,900	600	2,500
63	3131	Betzold	C 2006	GF	Commuter Rail Construction Sales Tax Refund	0	(8,400)	(8,400)	0	0	0
64	3131	Betzold	C 2006	GF	Fuel Sales Tax Exemption Refund for Commuter Rail	0	0	0	0	(25)	(25)
65	3131	Moua	C 2006	GF	Exemption for Construction of Low Income Housing by Limited Partnerships	0	(1,280)	(1,280)	(1,440)	(1,485)	(2,925)
66	3131	Bonoff	A 2006	GF	Lower St. Anthony Hydro Electric Generaton Facility Exempt from Various Taxes	0	(120)	(120)	(120)	0	(120)
67	3131	Marty	C 2006	GF	Exemption for Re-Refined Motor Oil and Recycled Copier and Printing Papers	0	(100)	(100)	(115)	(120)	(235)
68	3131	Marty	C 2006	GF	Car Sharing Motor Vehicle Tax Exemption	0	(6)	(6)	(12)	(24)	(36)
69	3131	Stumpf			JOBZ Qualified Business in Kittson County	0	(45)	(45)	(45)	(45)	(90)
70	3131	Higgins	C 2006		Voting Equipment Sales Tax Exemption - One time	0	(2,275)	(2,275)	0	0	0
71	3131	Stumpf	2005	GF	Thief River Falls Retroactive Exemption for Arena Construction - One time	0	(350)	(350)	0	0	0
72					Subtotal	0	(13,115)	(13,115)	(141)	(1,349)	(1,490)
73											
74		Pogemiller		GF	13% Sports Memorabilia Wholesale Tax	0	3,000	3,000	12,400	12,800	25,200
75					Subtotal	0	3,000	3,000	12,400	12,800	25,200
76											
77	3131	Bakk	A 2006	GF	Minnesota Minerals 21st Century Fund Occupation Tax - Transfer from General Fund	0	(550)	(550)	(910)	(910)	(1,820)
78				MMMTC	Transfer In to Minn. Minerals 21st Century Fund	0	550	550	910	910	1,820
79											
80	GENERAL FUND REVENUE CHANGES SUBTOTAL					(5,190)	43,966	38,776	72,141	69,697	141,838
81											

H.F. 3374 Omnibus Taxes Bill

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May 10, 2006

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Line#	Bill #	Author	List	Fund	FY 2006	FY 2007	FY 2006-07	FY 2008	FY 2009	FY 2008-09
82	GENERAL FUND EXPENDITURE CHANGES									
83										
84	Property Tax									
85	3309	Frederickson	A 2006	GF	Native Prairie Property Tax Exemption	0	0	0	(20)	(20)
86	3578	Moua	A 2006	GF	Property tax classification for low income rental property (Class 4d) extension	0	0	0	(33)	(33)
87	3320	Pogemiller		GF	Metropolitan Council Transit Bonding	0	0	0	(50)	(50)
88	2592	Vickerman	A 2006	GF	Ag. Homestead Land Bracket Adjusted for Inflation	0	0	0	(340)	(400)
89	2896	Dibble	B 2006	GF	Retroactive Rebate for Property Tax Refunds with Tuition Waiver Income	0	(120)	(120)	0	0
90	2570	Saxhaug	A 2006	GF	Biomass Electric Generating Facility Eligibility Extension	0	0	0	(20)	(20)
91	A-10	Murphy		GF	EMS Special Taxing District Levy Authority	0	0	0	(9)	(9)
92					Subtotal	0	(120)	(120)	(373)	(532)
93										
94	K-12 Property Tax Relief									
95	3131	Pogemiller / Stumpf	C 2006	GF	K - 12 Operating Capital Equalization	0	0	0	(51,363)	(60,316)
96	3131	Pogemiller / Stumpf	C 2006	GF	K - 12 Debt Service Equalization	0	0	0	(6,736)	(6,172)
97	3131	Pogemiller / Stumpf	C 2006	GF	Property Tax Refund	0	0	0	1,900	1,920
98	3131	Pogemiller / Stumpf		GF	Misc. Education Property Tax Reduction	0	0	0	(2,593)	(2,259)
99					Subtotal	0	0	0	(58,792)	(66,827)
100										
101	Aids and Credits									
102	3131	Pogemiller	C 2006	GF	Local Government Aid - Full Funding	0	0	0	[-58,000]	[-60,000]
103		Pogemiller		GF	Local Government Aid - Full Funding. Spending in FY 08-09 funded with resources available in FY 07.	0	(41,000)	(41,000)	(44,000)	(33,000)
104		Moua		GF	Agricultural Market Value Credit - Calculation for Fractional Homesteads	0	0	0	15	15
105		Moua		GF	Disparity Reduction Aid - Timing of Adjustment for Class Rate Changes	0	0	0	75	75
106	3131	Marko	C 2006	GF	Newport aid increase of \$50,000	0	0	0	(50)	(50)
107	3131	Limmer	C 2006	GF	Osseo aid increase of \$89,000	0	0	0	(89)	(89)
108	3131	Pogemiller		GF	Aid to Counties - Targeted Case Management Aid - One time	0	(60,000)	(60,000)	0	0
109	3131	Pogemiller		GF	Local Government Aid One-Time Adjustments - One time	(26,033)	(52,067)	(78,100)	0	0
110	3131	Wiger	C 2006	GF	Reinstate Cuts in Market Value Credit - One time	0	(16,645)	(16,645)	0	0
111	3131	Skoe	C 2006	GF	Mahnomen County Temporary County & City Aids - One time	0	(600)	(600)	0	0

H.F. 3374 Omnibus Taxes Bill

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Line#	Bill #	Author	List	Fund	FY 2006	FY 2007	FY 2006-07	FY 2008	FY 2009	FY 2008-09	
112	3131	Rudd	C 2006	GF	Local Trunk Highway Improvements Pequot Lakes	0	(2,500)	(2,500)	0	0	0
113	3131	Koering	C 2006	GF	Local Trunk Highway Improvements Nisswa	0	(2,500)	(2,500)	0	0	0
114	3131	Pogemiller		GF	County Referendum Cost Reimbursement	0	(122)	(122)	0	0	0
115	3131	Pogemiller		GF	Downtown Minneapolis Law Enforcement Needs	0	(2,000)	(2,000)	0	0	0
116					Subtotal	(26,033)	(177,434)	(203,467)	(44,049)	(33,049)	(77,098)
118	GENERAL FUND EXPENDITURE CHANGES SUBTOTAL					(26,033)	(177,554)	(203,587)	(103,214)	(100,408)	(203,622)
120	BALANCE GENERAL FUND REVENUE AND EXPENDITURE CHANGES					(31,223)	(133,588)	(164,811)	(31,073)	(30,711)	(61,784)
126	AVAILABLE GENERAL FUND RESOURCES										
127				GF	50% of Forecast General Fund Balance	0	44,000	44,000	44,000	44,000	88,000
128				GF	Transfer from Tax Relief Account to General Fund	31,223	126,204	157,427	0	0	0
129					Note: \$316,716 is transferred from the TRA to the GF. \$159,289 is reserved for Spending Committees						
130					Subtotal	31,223	170,204	201,427	44,000	44,000	88,000
132	GRAND TOTAL - GENERAL FUND					0	36,616	36,616	12,927	13,289	26,216
151	OTHER FUNDS										
154	Health Care Access Fund										
155	DV0033	Betzold	C 2006	MCAF	Increase rate and refund amount for MnCare Research Credit	0	0	0	(2,500)	(2,500)	(5,000)
157	Taconite Environmental Protection Fund										
158	DV0039	Tomassoni	C 2006	TEPF	Distribution of Excess Proceeds	0	0	0	0	0	0
161	ITEMS WITH NON-MONETARY OR NEGLIGIBLE FINANCIAL IMPACT										
163	3633	Pogemiller			Public Finance Bill	0	0	0	neg.	neg.	neg.
164	3131	Pogemiller			Tax Compliance Initiatives	0	0	0	0	0	0
165	DV0025	Pogemiller	A 2006		Fiscal Disparties and Uncompensated Care Reimbursement	0	0	0	0	0	0
166	CS0012	Bakk			Ethanol and JOBZ time extension	0	0	0	0	0	0

H.F. 3374 Omnibus Taxes Bill

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Line#	Bill #	Author	List	Fund	FY 2006	FY 2007	FY 2006-07	FY 2008	FY 2009	FY 2008-09
167	A06-1507 & A-6	Bakk			0	0	0	0	0	0
168	A-5	Dille			0	0	0	0	0	0
169										
170	Property Tax									
171	3625	Pogemiller	A 2006	GF	0	0	0	0	0	0
172	3061	Bakk	B 2006	GF	0	0	0	0	0	0
173	3089	Murphy	A 2006	GF	0	0	0	0	0	0
174	2507	Murphy	A 2006	GF	0	0	0	0	Unk.	
175	3497	Pogemiller	A 2006	GF	0	0	0	0	0	0
176	2570	Saxhaug	A 2006	GF	0	0	0	0	0	0
177	A-2	Hottinger			0	0	0	0	0	0
178										
179	Mortgage Registry / Deed Taxes									
180	2481	Rest	A 2006		0	0	0	0	0	0
181	DV0037	Betzold	B 2006		0	0	0	0	0	0
182	A-3	Tomassoni			0	0	0	0	0	0
183										
184	Local Sales and Use Taxes									
185	2546	Solon	A 2006		0	0	0	0	0	0
186	DV0034	Bakk	A 2006		0	0	0	0	0	0
187			2005				0			0
188	3733	Kierlin	A 2006		0	0	0	0	0	0
189	2590 A1	Vickerman	A 2006		0	0	0	0	0	0
190	2901	Sparks	A 2006		0	0	0	0	0	0
191	3218	Koering	B 2006		0	0	0	0	0	0
192	2768	Koering	B 2006		0	0	0	0	0	0
193	3423	Ruud	A 2006		0	0	0	0	0	0
194	2482	Lourey	A 2006		0	0	0	0	0	0
195	3624	Bakk	B 2006		0	0	0	0	0	0
196	2590	Vickerman	B 2006		0	0	0	0	0	0
197	3426	Day	A 2006		0	0	0	0	0	0

H.F. 3374 Omnibus Taxes Bill

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Line#	Bill #	Author	List	Fund	FY 2006	FY 2007	FY 2006-07	FY 2008	FY 2009	FY 2008-09
198	3010	Hottinger	B 2006		0	0	0	0	0	0
199	2536	Day	A 2006		0	0	0	0	0	0
200			2005		0	0	0	0	0	0
201										
202	Tax Increment Financing									
203	3186	Skoe	B 2006		0	0	0	0	0	0
204	DV0038	Marty	A 2006		0	0	0	0	0	0
205	2748	Belanger	A 2006		0	0	0	0	0	0
206	3729	Jungbauer	B 2006		0	0	0	0	0	0
207			B 2006		0	0	0	0	0	0
208	3745	Pogemiller	A 2006		0	0	0	0	0	0
209	DV0041	Chaudhary	A 2006		0	0	0	0	0	0
210					0	0	0	0	0	0
211										
212	Aggregate Materials Tax									
213	2377	Rudd	A 2006		0	0	0	0	0	0
214										
215	Misc.									
216	3729	Jungbauer	B 2006		0	0	0	0	0	0
217	3646	Kiscaden	A 2006		0	0	0	0	0	0
218	PUB-2	Dille			0	0	0	0	0	0
219	A-8	Pogemiller			0	0	0	0	0	0
220	A-15	Fischbach			0	0	0	0	0	0

1.1 Senator moves to amend H.F. No. XXXX as follows:

1.2 Page .., after line .., insert:

1.3 "Sec. Minnesota Statutes 2005 Supplement, section 216B.241, subdivision 1b,
1.4 is amended to read:

1.5 Subd. 1b. **Conservation improvement by cooperative association or**
1.6 **municipality.** (a) This subdivision applies to:

1.7 (1) a cooperative electric association that provides retail service to its members;

1.8 (2) a municipality that provides electric service to retail customers; and

1.9 (3) a municipality with gross operating revenues in excess of \$5,000,000 from sales
1.10 of natural gas to retail customers.

1.11 (b) Each cooperative electric association and municipality subject to this subdivision
1.12 shall spend and invest for energy conservation improvements under this subdivision
1.13 the following amounts:

1.14 (1) for a municipality, 0.5 percent of its gross operating revenues from the sale of
1.15 gas and 1.5 percent of its gross operating revenues from the sale of electricity, excluding
1.16 gross operating revenues from electric and gas service provided in the state to large
1.17 electric customer facilities; and

1.18 (2) for a cooperative electric association, 1.5 percent of its gross operating revenues
1.19 from service provided in the state, excluding gross operating revenues from service
1.20 provided in the state to large electric customer facilities indirectly through a distribution
1.21 cooperative electric association.

1.22 (c) Each municipality and cooperative electric association subject to this subdivision
1.23 shall identify and implement energy conservation improvement spending and investments
1.24 that are appropriate for the municipality or association, except that a municipality or
1.25 association may not spend or invest for energy conservation improvements that directly
1.26 benefit a large electric customer facility for which the commissioner has issued an
1.27 exemption under subdivision 1a, paragraph (b).

1.28 (d) Each municipality and cooperative electric association subject to this subdivision
1.29 may spend and invest annually up to ten percent of the total amount required to be spent
1.30 and invested on energy conservation improvements under this subdivision on research
1.31 and development projects that meet the definition of energy conservation improvement
1.32 in subdivision 1 and that are funded directly by the municipality or cooperative electric
1.33 association.

1.34 (e) Load-management activities that do not reduce energy use but that increase the
1.35 efficiency of the electric system may be used to meet 50 percent of the conservation
1.36 investment and spending requirements of this subdivision.

2.1 (f) A generation and transmission cooperative electric association that provides
2.2 energy services to cooperative electric associations that provide electric service at retail to
2.3 consumers may invest in energy conservation improvements on behalf of the associations
2.4 it serves and may fulfill the conservation, spending, reporting, and energy savings goals on
2.5 an aggregate basis. A municipal power agency or other not-for-profit entity that provides
2.6 energy service to municipal utilities that provide electric service at retail may invest in
2.7 energy conservation improvements on behalf of the municipal utilities it serves and may
2.8 fulfill the conservation, spending, reporting, and energy savings goals on an aggregate
2.9 basis, under an agreement between the municipal power agency or not-for-profit entity
2.10 and each municipal utility for funding the investments.

2.11 (g) At least every four years, on a schedule determined by the commissioner, each
2.12 municipality or cooperative shall file an overview of its conservation improvement plan
2.13 with the commissioner. With this overview, the municipality or cooperative shall also
2.14 provide an evaluation to the commissioner detailing its energy conservation improvement
2.15 spending and investments for the previous period. The evaluation must briefly describe
2.16 each conservation program and must specify the energy savings or increased efficiency in
2.17 the use of energy within the service territory of the utility or association that is the result
2.18 of the spending and investments. The evaluation must analyze the cost-effectiveness
2.19 of the utility's or association's conservation programs, using a list of baseline energy
2.20 and capacity savings assumptions developed in consultation with the department.
2.21 The commissioner shall review each evaluation and make recommendations, where
2.22 appropriate, to the municipality or association to increase the effectiveness of conservation
2.23 improvement activities. Up to three percent of a utility's conservation spending obligation
2.24 under this section may be used for program pre-evaluation, testing, and monitoring and
2.25 program evaluation. The overview and evaluation filed by a municipality with less than
2.26 60,000,000 kilowatt hours in annual retail sales of electric service may consist of a letter
2.27 from the governing board of the municipal utility to the department providing the amount
2.28 of annual conservation spending required of that municipality and certifying that the
2.29 required amount has been spent on conservation programs pursuant to this subdivision.

2.30 (h) The commissioner shall also review each evaluation for whether a portion of the
2.31 money spent on residential conservation improvement programs is devoted to programs
2.32 that directly address the needs of renters and low-income persons unless an insufficient
2.33 number of appropriate programs are available. For the purposes of this subdivision and
2.34 subdivision 2, "low-income" means an income at or below 50 percent of the state median
2.35 income.

3.1 (i) As part of its spending for conservation improvement, a municipality or
3.2 association may contribute to the energy and conservation account. A municipality or
3.3 association may propose to the commissioner to designate that all or a portion of funds
3.4 contributed to the account be used for research and development projects that can best
3.5 be implemented on a statewide basis. Any amount contributed must be remitted to the
3.6 commissioner by February 1 of each year.

3.7 (j) A municipality may spend up to 50 percent of its required spending under this
3.8 section to refurbish an existing district heating or cooling system. This paragraph expires
3.9 July 1, 2007.

3.10 (k) After July 1, 2007, and until July 1, 2011, expenditures made by a municipality
3.11 to refurbish an existing heating or cooling system qualify under paragraph (e) as
3.12 load-management activities that increase the efficiency of the electric system."

13 Renumber the sections in sequence and correct the internal references

3.14 Amend the title accordingly

A

1.1 Senator moves to amend H. F. No. 3374 as follows:

1.2 Page ..., after line ..., insert:

1.3 " **ARTICLE 1**
1.4 **INCOME TAX**

1.5 Section 1. **[41B.0391] BEGINNING FARMER PROGRAM; TAX CREDITS.**

1.6 **Subdivision 1. Definitions.** (a) **For purposes of this section, the following terms**
1.7 **have the meanings given.**

1.8 (b) **"Farm" means any tract of land over ten acres in area used for or devoted to the**
1.9 **commercial production of farm products.**

1.10 (c) **"Farm product" means those plants and animals useful to humans and includes,**
1.11 **but is not limited to, forage and sod crops, grain and feed crops, dairy and dairy products,**
1.12 **poultry and poultry products, livestock, fruits, and vegetables.**

1.13 (d) **"Farming or livestock production" means the active use, management, and**
1.14 **operation of real and personal property for the production of a farm product.**

1.15 (e) **"Beginning farmer or livestock producer" means a resident of Minnesota who:**

1.16 (1) **is seeking entry or has entered within the last two years into farming or livestock**
1.17 **production;**

1.18 (2) **intends to farm or raise crops or livestock on land located within the state borders**
1.19 **of Minnesota; and**

1.20 (3) **meets the following eligibility requirements as determined by the authority:**

1.21 (i) **has a net worth of not more than \$200,000, including any holdings by a spouse**
1.22 **or dependent, based on fair market value;**

1.23 (ii) **provides the majority of the day-to-day physical labor and management of the**
1.24 **farm;**

1.25 (iii) **has, by the judgment of the Rural Finance Authority ("authority"), adequate**
1.26 **farming or livestock production experience or demonstrates knowledge in the type of**
1.27 **farming or livestock production for which the beginning farmer seeks assistance from**
1.28 **the authority;**

1.29 (iv) **demonstrates to the authority a profit potential by submitting projected earnings**
1.30 **statements;**

1.31 (v) **asserts to the satisfaction of the authority that farming or livestock production**
1.32 **will be a significant source of income for the beginning farmer or livestock producer;**

1.33 (vi) **participates in a financial management program approved by the authority**
1.34 **or the commissioner of agriculture; and**

1.35 (vii) **has other such qualifications as specified by the authority.**

2.1 Subd. 2. Beginning farmer management tax credit. (a) A beginning farmer or
 2.2 livestock producer may take a credit against the tax due under chapter 290 for participating
 2.3 in a financial management program approved by the authority. The credit is equal to 100
 2.4 percent of the cost of participating in the program or \$500, whichever is less. The credit
 2.5 is available for up to three years while the farmer is in the program. The authority shall
 2.6 maintain a list of approved financial management programs and establish a procedure for
 2.7 approving equivalent programs that are not on the list.

2.8 (b) The credit is limited to the liability for tax, as computed under chapter 290 for
 2.9 the taxable year. If the amount of the credit determined under this section for any taxable
 2.10 year exceeds this limitation, the excess is a beginning farmer management credit carryover
 2.11 according to section 290.06, subdivision 35.

2.12 Subd. 3. Authority's duties. The authority shall:

2.13 (1) approve and certify beginning farmers and livestock producers as eligible for
 2.14 the program under this section;

2.15 (2) provide necessary and reasonable assistance and support to beginning farmers
 2.16 and livestock producers for qualification and participation in financial management
 2.17 programs approved by the authority; and

2.18 (3) refer beginning farmers and livestock producers to agencies and organizations
 2.19 that may provide additional pertinent information and assistance.

2.20 EFFECTIVE DATE. This section is effective for taxable years beginning after
 2.21 December 31, 2006.

2.22 Sec. 2. Minnesota Statutes 2005 Supplement, section 290.01, subdivision 19b, is
 2.23 amended to read:

2.24 Subd. 19b. **Subtractions from federal taxable income.** For individuals, estates,
 2.25 and trusts, there shall be subtracted from federal taxable income:

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

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

2.32 (3) the amount paid to others, less the amount used to claim the credit allowed under
 2.33 section 290.0674, not to exceed \$1,625 for each qualifying child in grades kindergarten
 2.34 to 6 and \$2,500 for each qualifying child in grades 7 to 12, for tuition, textbooks, and
 2.35 transportation of each qualifying child in attending an elementary or secondary school

3.1 situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a
3.2 resident of this state may legally fulfill the state's compulsory attendance laws, which
3.3 is not operated for profit, and which adheres to the provisions of the Civil Rights Act
3.4 of 1964 and chapter 363A. For the purposes of this clause, "tuition" includes fees or
3.5 tuition as defined in section 290.0674, subdivision 1, clause (1). As used in this clause,
3.6 "textbooks" includes books and other instructional materials and equipment purchased
3.7 or leased for use in elementary and secondary schools in teaching only those subjects
3.8 legally and commonly taught in public elementary and secondary schools in this state.
3.9 Equipment expenses qualifying for deduction includes expenses as defined and limited in
3.10 section 290.0674, subdivision 1, clause (3). "Textbooks" does not include instructional
3.11 books and materials used in the teaching of religious tenets, doctrines, or worship, the
3.12 purpose of which is to instill such tenets, doctrines, or worship, nor does it include books
3.13 or materials for, or transportation to, extracurricular activities including sporting events,
3.14 musical or dramatic events, speech activities, driver's education, or similar programs. For
3.15 purposes of the subtraction provided by this clause, "qualifying child" has the meaning
3.16 given in section 32(c)(3) of the Internal Revenue Code;

3.17 (4) income as provided under section 290.0802;

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

3.20 (6) to the extent not deducted in determining federal taxable income by an individual
3.21 who does not itemize deductions for federal income tax purposes for the taxable year, an
3.22 amount equal to 50 percent of the excess of charitable contributions over \$500 allowable
3.23 as a deduction for the taxable year under section 170(a) of the Internal Revenue Code and
3.24 under the provisions of Public Law 109-1;

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

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

4.1 (9) in each of the five tax years immediately following the tax year in which an
4.2 addition is required under subdivision 19a, clause (7), or 19c, clause (15), in the case
4.3 of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth
4.4 of the delayed depreciation. For purposes of this clause, "delayed depreciation" means
4.5 the amount of the addition made by the taxpayer under subdivision 19a, clause (7), or
4.6 subdivision 19c, clause (15), in the case of a shareholder of an S corporation, minus the
4.7 positive value of any net operating loss under section 172 of the Internal Revenue Code
4.8 generated for the tax year of the addition. The resulting delayed depreciation cannot be
4.9 less than zero;

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

4.11 (11) the amount of compensation paid to members of the Minnesota National Guard
4.12 or other reserve components of the United States military for active service performed
4.13 in Minnesota, excluding compensation for services performed under the Active Guard
4.14 Reserve (AGR) program. For purposes of this clause, "active service" means (i) state
4.15 active service as defined in section 190.05, subdivision 5a, clause (1); (ii) federally
4.16 funded state active service as defined in section 190.05, subdivision 5b; or (iii) federal
4.17 active service as defined in section 190.05, subdivision 5c, but "active service" excludes
4.18 services performed exclusively for purposes of basic combat training, advanced individual
4.19 training, annual training, and periodic inactive duty training; special training periodically
4.20 made available to reserve members; and service performed in accordance with section
4.21 190.08, subdivision 3;

4.22 (12) the amount of compensation paid to Minnesota residents who are members
4.23 of the armed forces of the United States or United Nations for active duty performed
4.24 outside Minnesota;

4.25 (13) an amount, not to exceed \$10,000, equal to qualified expenses related to a
4.26 qualified donor's donation, while living, of one or more of the qualified donor's organs
4.27 to another person for human organ transplantation. For purposes of this clause, "organ"
4.28 means all or part of an individual's liver, pancreas, kidney, intestine, lung, or bone marrow;
4.29 "human organ transplantation" means the medical procedure by which transfer of a human
4.30 organ is made from the body of one person to the body of another person; "qualified
4.31 expenses" means unreimbursed expenses for both the individual and the qualified donor
4.32 for (i) travel, (ii) lodging, and (iii) lost wages net of sick pay, except that such expenses
4.33 may be subtracted under this clause only once; and "qualified donor" means the individual
4.34 or the individual's dependent, as defined in section 152 of the Internal Revenue Code. An
4.35 individual may claim the subtraction in this clause for each instance of organ donation for
4.36 transplantation during the taxable year in which the qualified expenses occur;

5.1 (14) in each of the five tax years immediately following the tax year in which an
 5.2 addition is required under subdivision 19a, clause (8), or 19c, clause (16), in the case of a
 5.3 shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the
 5.4 addition made by the taxpayer under subdivision 19a, clause (8), or 19c, clause (16), in the
 5.5 case of a shareholder of a corporation that is an S corporation, minus the positive value of
 5.6 any net operating loss under section 172 of the Internal Revenue Code generated for the
 5.7 tax year of the addition. If the net operating loss exceeds the addition for the tax year, a
 5.8 subtraction is not allowed under this clause;

5.9 (15) to the extent included in federal taxable income, compensation paid to a
 5.10 nonresident who is a service member as defined in United States Code, title 10, section
 5.11 101(a)(5), for military service as defined in the Service Member Civil Relief Act, Public
 5.12 Law 108-189, section 101(2); and

5.13 (16) international economic development zone income as provided under section
 5.14 469.325; and

5.15 (17) to the extent included in federal taxable income, a percentage of compensation
 5.16 received from a pension or other retirement pay from the government for service in the
 5.17 armed forces of the United States, up to a maximum amount.

5.18 For taxable years beginning after December 31, 2005, and before January 1, 2007, the
 5.19 percentage is 25 percent and the maximum amount is \$7,500; for taxable years beginning
 5.20 after December 31, 2006, and before January 1, 2008, the percentage is 50 percent and
 5.21 the maximum amount is \$15,000; for taxable years beginning after December 31, 2007,
 5.22 and before January 1, 2009, the percentage is 75 percent and the maximum amount is
 5.23 \$22,500; and for taxable years beginning after December 31, 2008, the percentage is 100
 5.24 percent and there is no maximum amount.

5.25 **EFFECTIVE DATE.** This section is effective for tax years beginning after
 5.26 December 31, 2006.

5.27 Sec. 3. Minnesota Statutes 2004, section 290.06, subdivision 28, is amended to read:

5.28 Subd. 28. ~~Credit~~ Credits and refunds for transit passes. (a) A taxpayer may
 5.29 take a credit against the tax due under this chapter equal to 30 percent of the expense
 5.30 incurred by the taxpayer to provide transit passes, for use in Minnesota, to employees of
 5.31 the taxpayer. As used in this subdivision, "transit pass" has the meaning given in section
 5.32 132(f)(5)(A) of the Internal Revenue Code. If the taxpayer purchases the transit passes
 5.33 from the transit system operator, and resells them to the employees, the credit is based on
 5.34 the amount of the difference between the price paid for the passes by the employer and
 5.35 the amount charged to employees.

6.1 (b) An employer that is exempt from taxation under section 290.05, but excluding
 6.2 entities enumerated in section 290.05, subdivision 1, clause (b), may claim a refund equal
 6.3 to 30 percent of an expense incurred by the employer to provide transit passes to the
 6.4 employer's employees for use in Minnesota.

6.5 (c) The commissioner shall prescribe the forms for and the manner in which the
 6.6 refund may be claimed. The commissioner must provide for paying refunds at least
 6.7 quarterly. The commissioner may set a minimum amount of qualifying expenses that must
 6.8 be incurred before a refund may be claimed.

6.9 (d) An amount sufficient to pay the refunds required by this subdivision is
 6.10 appropriated to the commissioner of revenue.

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

6.13 Sec. 4. Minnesota Statutes 2004, section 290.06, is amended by adding a subdivision
 6.14 to read:

6.15 Subd. 33. **Film production credit.** (a) A taxpayer is allowed a credit against the
 6.16 taxes due under this chapter equal to 15 percent of film production expenditures made in
 6.17 Minnesota that are directly attributable to film production in Minnesota. For purposes of
 6.18 this subdivision, "film" means a movie, documentary, or music video, whether on film
 6.19 or video; and "film production" means all the activities related to (i) the preparation for
 6.20 shooting, (ii) the shooting, including processing, and (iii) the editing and finishing of a
 6.21 film. For purposes of this subdivision, the following is not a "film:"

6.22 (1) news, current events, or public programming or a program that includes weather
 6.23 or market reports;

6.24 (2) a talk show;

6.25 (3) a production with respect to a questionnaire or contest;

6.26 (4) a sports event or sports activity;

6.27 (5) a gala representation or awards show;

6.28 (6) a finished production that solicits funds; or

6.29 (7) a production for which the production company is required under United States
 6.30 Code, title 18, section 2257, to maintain records with respect to a performer portrayed
 6.31 in a single media or multimedia program.

6.32 (b) Expenditures that qualify for the credit under this subdivision must be subject to
 6.33 taxation in Minnesota and include:

6.34 (1) payment of wages, fringe benefits, or fees for talent, management, or labor to a
 6.35 person who is a Minnesota resident for purposes of this chapter;

7.1 (2) payment to personal services corporations for the services of a performing artist,
 7.2 if the performing artist receiving payments from the personal services corporation pays
 7.3 Minnesota income tax; and

7.4 (3) any of the following provided by a vendor:

7.5 (i) the story and scenario to be used for a film;

7.6 (ii) set construction and operations, wardrobe, accessories, and related services;

7.7 (iii) photography, sound synchronization, lighting, and related services;

7.8 (iv) editing and related services;

7.9 (v) rental of facilities and equipment;

7.10 (vi) leasing of vehicles; and

7.11 (vii) food and lodging.

7.12 (c) If the amount of the credit under this subdivision exceeds the taxpayer's tax
 7.13 liability under this chapter for the taxable year, the amount of the excess must be refunded
 7.14 to the taxpayer. The amount necessary to pay the refunds is appropriated annually from
 7.15 the general fund to the commissioner of revenue.

7.16 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
 7.17 December 31, 2005.

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

7.20 Subd. 34. Credit for military service. (a) An individual may take a credit against
 7.21 the tax due under this chapter equal to \$59 for each month or portion thereof the individual
 7.22 was in active military service in a designated area after September 11, 2001. An individual
 7.23 may take this credit in the taxable year the individual returns to Minnesota residency
 7.24 following active military service in a designated area. If a Minnesota resident served in
 7.25 a designated area between September 11, 2001, and December 31, 2005, the individual
 7.26 may take this credit in the taxable year beginning after December 31, 2005, and before
 7.27 January 1, 2007.

7.28 (b) If a Minnesota resident is killed while serving in active military service in a
 7.29 designated area, the individual's surviving spouse or dependent child may take this credit
 7.30 in the taxable year of the death. If a Minnesota resident was killed while serving in a
 7.31 designated area between September 11, 2002, and December 31, 2005, the individual's
 7.32 surviving spouse or dependent child may take this credit in the taxable year beginning
 7.33 after December 31, 2005, and before January 1, 2007.

7.34 (c) For purposes of this section, a "designated area" means a:

8.1 (1) combat zone designated by Executive Order from the President of the United
8.2 States;

8.3 (2) qualified hazardous duty area, designated in Public Law; or

8.4 (3) location certified by the U.S. Department of Defense as eligible for combat zone
8.5 tax benefits due to the location's direct support of military operations.

8.6 (d) For purposes of this section, active military service includes active duty service
8.7 in any of the United States Armed Forces, the National Guard, or reserves.

8.8 (e) If the amount of the credit which the taxpayer is eligible to receive under this
8.9 section exceeds the taxpayer's tax liability under this chapter, the commissioner of revenue
8.10 shall refund the excess to the taxpayer.

8.11 (f) The amount necessary to pay claims for the refund provided in this section is
8.12 appropriated from the general fund to the commissioner of revenue.

8.13 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
8.14 December 31, 2005.

8.15 Sec. 6. Minnesota Statutes 2004, section 290.06, is amended by adding a subdivision
8.16 to read:

8.17 **Subd. 35. Beginning farmer management credit.** (a) A taxpayer who is a
8.18 beginning farmer or livestock producer may take a credit against the tax due under
8.19 this chapter for participation in a financial management program according to section
8.20 41B.0391, subdivision 3.

8.21 (b) The credit may be claimed only after approval and certification by the Rural
8.22 Finance Authority according to section 41B.0391.

8.23 (c) The credit is limited to the liability for tax, as computed under this chapter, for
8.24 the taxable year. If the amount of the credit determined under this subdivision for any
8.25 taxable year exceeds this limitation, the excess is a beginning farmer management credit
8.26 carryover to each of the three succeeding taxable years. The entire amount of the excess
8.27 unused credit for the taxable year is carried first to the earliest of the taxable years to
8.28 which the credit may be carried and then to each successive year to which the credit may
8.29 be carried. The amount of the unused credit which may be added under this paragraph
8.30 must not exceed the taxpayer's liability for tax less the beginning farmer management
8.31 credit for the taxable year.

8.32 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
8.33 December 31, 2006.

8.34 Sec. 7. Minnesota Statutes 2004, section 290.06, is amended by adding a subdivision
8.35 to read:

9.1 Subd. 36. Bovine testing credit. (a) An owner of cattle in Minnesota may take a
 9.2 credit against the tax due under this chapter for an amount equal to one-half the expenses
 9.3 incurred during the taxable year to conduct tuberculosis testing on those cattle.

9.4 (b) If the amount of credit which the taxpayer is eligible to receive under this
 9.5 subdivision exceeds the taxpayer's tax liability under this chapter, the commissioner of
 9.6 revenue shall refund the excess to the taxpayer.

9.7 (c) The amount necessary to pay claims for the refund provided in this subdivision is
 9.8 appropriated from the general fund to the commissioner of revenue.

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

9.11 Sec. 8. Minnesota Statutes 2004, section 290.06, is amended by adding a subdivision
 9.12 to read:

9.13 Subd. 37. Dairy investment credit. (a) A dairy investment credit is allowed against
 9.14 the tax due under this chapter equal to ten percent of the amount paid or incurred by the
 9.15 taxpayer, on the first \$500,000 of qualifying expenditures made in the qualifying period.

9.16 (b) "Qualifying expenditures" means for purposes of this subdivision the amount
 9.17 spent by a person who raises dairy animals for the acquisition, construction, or
 9.18 improvement of buildings or facilities; or the development of pasture; or the acquisition of
 9.19 equipment; for dairy animal housing, confinement, animal feeding, production of milk
 9.20 and other dairy products, and waste management, including the following, if related to
 9.21 dairy animals in this state:

- 9.22 (1) freestall barns;
- 9.23 (2) fences;
- 9.24 (3) watering facilities;
- 9.25 (4) feed storage and handling equipment;
- 9.26 (5) milking parlors;
- 9.27 (6) robotic equipment;
- 9.28 (7) scales;
- 9.29 (8) milk storage and cooling facilities;
- 9.30 (9) bulk tanks;
- 9.31 (10) manure pumping and storage facilities;
- 9.32 (11) digesters;
- 9.33 (12) equipment used to produce energy.
- 9.34 (13) on-farm processing of milk and other dairy products; and

10.1 (14) development of pasture owned or rented by the taxpayer for the use of dairy
10.2 animals.

10.3 Qualified expenditures only include amounts that are capitalized and deducted under either
10.4 section 167 or 179 of the Internal Revenue Code in computing federal taxable income.

10.5 (c) The credit is limited to the liability for tax, as computed under this chapter,
10.6 for qualifying expenditures, other than expenditures for development of pasture, only
10.7 include amounts that are capitalized and deducted under either section 167 or 179 of the
10.8 Internal Revenue Code in computing federal taxable income. Qualifying expenditures
10.9 for development of pasture must not include land acquisition and are limited to soil
10.10 preparation expenses, seed costs, planting costs, and weed control, which are allowed once
10.11 for each acre owned or rented by the taxpayer for the use of dairy animals and developed
10.12 into pasture during the qualifying period. The amount of the unused credit which may
10.13 be added under this paragraph must not exceed the taxpayer's liability for tax less the
10.14 dairy investment credit for the taxable year.

10.15 (d) The qualifying period is that time after December 31, 2005, and before January
10.16 1, 2012.

10.17 (e) The \$50,000 maximum credit applies at the entity level for partnerships, S
10.18 corporations, trusts, and estates as well as at the individual level. In the case of married
10.19 individuals, the credit is limited to \$50,000 for a married couple.

10.20 **EFFECTIVE DATE.** This section is effective for tax years beginning after
10.21 December 31, 2005.

10.22 Sec. 9. [290.0677] CREDIT FOR HISTORIC STRUCTURE REHABILITATION.

10.23 Subdivision 1. Definitions. (a) As used in this section, the terms defined in this
10.24 subdivision have the meanings given.

10.25 (b) "Certified historic structure" means a property located in Minnesota and listed
10.26 individually on the National Register of Historic Places or a historic property designated
10.27 by either a certified local government or a heritage preservation commission created
10.28 under the National Historic Preservation Act of 1966 and whose designation is approved
10.29 by the state historic preservation officer.

10.30 (c) "Eligible property" means a certified historic structure or a structure in a certified
10.31 historic district that is offered or used for residential or business purposes.

10.32 (d) "Structure in a certified historic district" means a structure located in Minnesota
10.33 that is certified by the State Historic Preservation Office as contributing to the historic
10.34 significance of a certified historic district listed on the National Register of Historic Places
10.35 or a local district that has been certified by the United States Department of the Interior.

11.1 Subd. 2. Credit allowed. A taxpayer who incurs costs for the rehabilitation of
11.2 eligible property may take a credit against the tax imposed under this chapter in an amount
11.3 equal to ten percent of the total costs of rehabilitation. Costs of rehabilitation include,
11.4 but are not limited to, qualified rehabilitation expenditures as defined under section
11.5 47(c)(2)(A) of the Internal Revenue Code, provided that the costs of rehabilitation must
11.6 exceed 50 percent of the total basis in the property at the time the rehabilitation activity
11.7 begins and the rehabilitation must meet standards consistent with the standards of the
11.8 Secretary of the Interior for rehabilitation as determined by the State Historic Preservation
11.9 Office of the Minnesota Historical Society.

11.10 Subd. 3. Carryback and carryforward. If the amount of the credit under
11.11 subdivision 2 exceeds the tax liability under this chapter for the year in which the cost is
11.12 incurred, the amount that exceeds the tax liability may be carried back to any of the three
11.13 preceding taxable years or carried forward to each of the ten taxable years succeeding the
11.14 taxable year in which the expense was incurred. The entire amount of the credit must
11.15 be carried to the earliest taxable year to which the amount may be carried. The unused
11.16 portion of the credit must be carried to the following taxable year.

11.17 Subd. 4. Partnerships; multiple owners; transfers. (a) Credits granted to a
11.18 partnership, a limited liability company taxed as a partnership, or multiple owners of
11.19 property shall be passed through to the partners, members, or owners, respectively, pro
11.20 rata or pursuant to an executed agreement among the partners, members, or owners
11.21 documenting an alternate distribution method.

11.22 (b) Taxpayers eligible for credits may transfer, sell, or assign the credits in whole
11.23 or part. Any assignee may use acquired credits to offset up to 100 percent of the taxes
11.24 otherwise imposed by this chapter. The assignee shall perfect such transfer by notifying
11.25 the Department of Revenue in writing within 30 calendar days following the effective
11.26 date of the transfer in such form and manner as shall be prescribed by the Department
11.27 of Revenue. The proceeds of any sale or assignment of a credit shall be exempt from
11.28 taxation under this chapter.

11.29 Subd. 5. Process. To claim the credit, the taxpayer must apply to the State Historic
11.30 Preservation Office of the Minnesota Historical Society before a historic rehabilitation
11.31 project begins. The State Historic Preservation Office shall determine the amount of
11.32 eligible rehabilitation costs and whether the rehabilitation meets the standards of the
11.33 United States Department of the Interior. The State Historic Preservation Office shall issue
11.34 certificates verifying eligibility for and the amount of credit. The taxpayer shall attach
11.35 the certificate to any income tax return on which the credit is claimed. The State Historic

12.1 Preservation Office of the Minnesota Historical Society may collect fees for applications
12.2 for the historic preservation tax credit. Fees shall be set at an amount that does not exceed
12.3 the costs of administering the tax credit program.

12.4 Subd. 6. Mortgage certificates; credit for lending institutions. (a) The taxpayer
12.5 may elect, in lieu of the credit otherwise allowed under this section, to receive a historic
12.6 rehabilitation mortgage credit certificate.

12.7 (b) For purposes of this subdivision, a historic rehabilitation mortgage credit is a
12.8 certificate that is issued to the taxpayer according to procedures prescribed by the State
12.9 Historic Preservation Office with respect to the certified rehabilitation and which meets
12.10 the requirements of this paragraph. The face amount of the certificate must be equal to
12.11 the credit that would be allowable under subdivision 2 to the taxpayer with respect to
12.12 the rehabilitation. The certificate may only be transferred by the taxpayer to a lending
12.13 institution, including a nondepository home mortgage lending institution, in connection
12.14 with a loan:

12.15 (1) that is secured by the building with respect to which the credit is issued; and

12.16 (2) the proceeds of which may not be used for any purpose other than the acquisition
12.17 or rehabilitation of the building.

12.18 (c) In exchange for the certificate, the lending institution must provide to the
12.19 taxpayer an amount equal to the face amount of the certificate discounted by the amount
12.20 by which the federal income tax liability of the lending institution is increased due to its
12.21 use of the certificate in the manner provided in this section. That amount must be applied,
12.22 as directed by the taxpayer, in whole or in part, to reduce:

12.23 (1) the principal amount of the loan;

12.24 (2) the rate of interest on the loan; or

12.25 (3) the taxpayer's cost of purchasing the building, but only in the case of a qualified
12.26 historic home that is located in a poverty-impacted area as designated by the State Historic
12.27 Preservation Office. The lending institution may take as a credit against the tax due under
12.28 this chapter an amount equal to the amount specified in the certificate. If the amount of
12.29 the discount retained by the lender exceeds the amount by which the lending institution's
12.30 federal income tax liability is increased due to the use of a mortgage credit certificate, the
12.31 excess shall be refunded to the borrower with interest at the rate prescribed by the State
12.32 Historic Preservation Office. The lending institution may carry forward all unused credits
12.33 under this subdivision until exhausted. Nothing in this subdivision requires a lending
12.34 institution to accept a historic rehabilitation certificate from any person.

13.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
13.2 December 31, 2005.

13.3 Sec. 10. Minnesota Statutes 2004, section 290.10, is amended to read:

13.4 **290.10 NONDEDUCTIBLE ITEMS.**

13.5 **Subdivision 1. Expenses, interest, and taxes.**

13.6 Except as provided in section 290.17, subdivision 4, paragraph (i), in computing the
13.7 net income of a taxpayer no deduction shall in any case be allowed for expenses, interest
13.8 and taxes connected with or allocable against the production or receipt of all income not
13.9 included in the measure of the tax imposed by this chapter, except that for corporations
13.10 engaged in the business of mining or producing iron ore, the mining of which is subject to
13.11 the occupation tax imposed by section 298.01, subdivision 4, this shall not prevent the
13.12 deduction of expenses and other items to the extent that the expenses and other items are
13.13 allowable under this chapter and are not deductible, capitalizable, retainable in basis, or
13.14 taken into account by allowance or otherwise in computing the occupation tax and do not
13.15 exceed the amounts taken for federal income tax purposes for that year. Occupation
13.16 taxes imposed under chapter 298, royalty taxes imposed under chapter 299, or depletion
13.17 expenses may not be deducted under this clause.

13.18 **Subd. 2. Fines, penalties, damages, and expenses.** (a) No deduction from taxable
13.19 income for a trade or business expense under section 162(a) of the Internal Revenue Code
13.20 shall be allowed for any fine, penalty, damages, or expenses paid to:

13.21 (1) the government of the United States, a state, a territory or possession of the
13.22 United States, the District of Columbia, or the Commonwealth of Puerto Rico;

13.23 (2) the government of a foreign country; or

13.24 (3) a political subdivision of, or corporation or other entity serving as an agency or
13.25 instrumentality of, any government described in clause (1) or (2).

13.26 (b) For purposes of this subdivision, "fine, penalty, damages, or expenses" include,
13.27 but are not limited to, any amount:

13.28 (1) paid pursuant to a conviction or a plea of guilty or nolo contendere for any
13.29 crime in a criminal proceeding;

13.30 (2) paid as a civil penalty imposed by federal, state, or local law, including tax
13.31 penalties and interest;

13.32 (3) paid in settlement of the taxpayer's actual or potential liability for a civil or
13.33 criminal fine or penalty;

13.34 (4) forfeited as collateral posted in connection with a proceeding that could result in
13.35 imposition of a fine or penalty; or

14.1 (5) legal fees and related expenses paid or incurred in the prosecution or civil action
14.2 arising from a violation of the law imposing the fine or civil penalty, court costs assessed
14.3 against the taxpayer, or stenographic and printing charges, compensatory damages,
14.4 punitive damages, or restitution.

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

14.7 ARTICLE 2

14.8 INCOME TAX REFORM

14.9 Section 1. Minnesota Statutes 2005 Supplement, section 289A.02, subdivision 7,
14.10 is amended to read:

14.11 Subd. 7. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal
14.12 Revenue Code" means the Internal Revenue Code of 1986, as amended through April
14.13 ~~15~~ December 31, 2005.

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

14.15 Sec. 2. Minnesota Statutes 2005 Supplement, section 290.01, subdivision 19, is
14.16 amended to read:

14.17 Subd. 19. **Net income.** The term "net income" means the federal taxable income,
14.18 as defined in section 63 of the Internal Revenue Code of 1986, as amended through the
14.19 date named in this subdivision, incorporating the federal effective dates of changes to the
14.20 Internal Revenue Code and any elections made by the taxpayer in accordance with the
14.21 Internal Revenue Code in determining federal taxable income for federal income tax
14.22 purposes, and with the modifications provided in subdivisions 19a to 19f.

14.23 In the case of a regulated investment company or a fund thereof, as defined in section
14.24 851(a) or 851(g) of the Internal Revenue Code, federal taxable income means investment
14.25 company taxable income as defined in section 852(b)(2) of the Internal Revenue Code,
14.26 except that:

14.27 (1) the exclusion of net capital gain provided in section 852(b)(2)(A) of the Internal
14.28 Revenue Code does not apply;

14.29 (2) the deduction for dividends paid under section 852(b)(2)(D) of the Internal
14.30 Revenue Code must be applied by allowing a deduction for capital gain dividends and
14.31 exempt-interest dividends as defined in sections 852(b)(3)(C) and 852(b)(5) of the Internal
14.32 Revenue Code; and

14.33 (3) the deduction for dividends paid must also be applied in the amount of any
14.34 undistributed capital gains which the regulated investment company elects to have treated
14.35 as provided in section 852(b)(3)(D) of the Internal Revenue Code.

15.1 The net income of a real estate investment trust as defined and limited by section
15.2 856(a), (b), and (c) of the Internal Revenue Code means the real estate investment trust
15.3 taxable income as defined in section 857(b)(2) of the Internal Revenue Code.

15.4 The net income of a designated settlement fund as defined in section 468B(d) of
15.5 the Internal Revenue Code means the gross income as defined in section 468B(b) of the
15.6 Internal Revenue Code.

15.7 The Internal Revenue Code of 1986, as amended through ~~April 15~~ December 31,
15.8 2005, shall be in effect for taxable years beginning after December 31, 1996.

15.9 Except as otherwise provided, references to the Internal Revenue Code in
15.10 subdivisions 19 to 19f mean the code in effect for purposes of determining net income for
15.11 the applicable year.

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

15.13 Sec. 3. Minnesota Statutes 2005 Supplement, section 290.01, subdivision 19a, is
15.14 amended to read:

15.15 Subd. 19a. **Additions to federal taxable income.** For individuals, estates, and
15.16 trusts, there shall be added to federal taxable income:

15.17 (1)(i) interest income on obligations of any state other than Minnesota or a political
15.18 or governmental subdivision, municipality, or governmental agency or instrumentality
15.19 of any state other than Minnesota exempt from federal income taxes under the Internal
15.20 Revenue Code or any other federal statute; and

15.21 (ii) exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue
15.22 Code, except the portion of the exempt-interest dividends derived from interest income
15.23 on obligations of the state of Minnesota or its political or governmental subdivisions,
15.24 municipalities, governmental agencies or instrumentalities, but only if the portion of the
15.25 exempt-interest dividends from such Minnesota sources paid to all shareholders represents
15.26 95 percent or more of the exempt-interest dividends that are paid by the regulated
15.27 investment company as defined in section 851(a) of the Internal Revenue Code, or the
15.28 fund of the regulated investment company as defined in section 851(g) of the Internal
15.29 Revenue Code, making the payment; and

15.30 (iii) for the purposes of items (i) and (ii), interest on obligations of an Indian tribal
15.31 government described in section 7871(c) of the Internal Revenue Code shall be treated as
15.32 interest income on obligations of the state in which the tribe is located;

15.33 (2) the amount of income or sales and use taxes paid or accrued within the taxable
15.34 year under this chapter and the amount of taxes based on net income paid or sales and
15.35 use taxes paid to any other state or to any province or territory of Canada, to the extent

16.1 allowed as a deduction under section 63(d) of the Internal Revenue Code, but the addition
16.2 may not be more than the amount by which the itemized deductions as allowed under
16.3 section 63(d) of the Internal Revenue Code ~~exceeds the amount of the standard deduction~~
16.4 ~~as defined in section 63(c) of the Internal Revenue Code minus the addition which would~~
16.5 ~~have been required under clause (10) if the taxpayer had claimed the standard deduction.~~
16.6 For the purpose of this paragraph, the disallowance of itemized deductions under section
16.7 68 of the Internal Revenue Code of 1986, income or sales and use tax is the last itemized
16.8 deduction disallowed;

16.9 (3) the capital gain amount of a lump sum distribution to which the special tax under
16.10 section 1122(h)(3)(B)(ii) of the Tax Reform Act of 1986, Public Law 99-514, applies;

16.11 (4) the amount of income taxes paid or accrued within the taxable year under this
16.12 chapter and taxes based on net income paid to any other state or any province or territory
16.13 of Canada, to the extent allowed as a deduction in determining federal adjusted gross
16.14 income. For the purpose of this paragraph, income taxes do not include the taxes imposed
16.15 by sections 290.0922, subdivision 1, paragraph (b), 290.9727, 290.9728, and 290.9729;

16.16 (5) the amount of expense, interest, or taxes disallowed pursuant to section 290.10
16.17 other than expenses or interest used in computing net interest income for the subtraction
16.18 allowed under subdivision 19b, clause (1);

16.19 (6) the amount of a partner's pro rata share of net income which does not flow
16.20 through to the partner because the partnership elected to pay the tax on the income under
16.21 section 6242(a)(2) of the Internal Revenue Code;

16.22 (7) 80 percent of the depreciation deduction allowed under section 168(k) of the
16.23 Internal Revenue Code. For purposes of this clause, if the taxpayer has an activity that
16.24 in the taxable year generates a deduction for depreciation under section 168(k) and the
16.25 activity generates a loss for the taxable year that the taxpayer is not allowed to claim for
16.26 the taxable year, "the depreciation allowed under section 168(k)" for the taxable year is
16.27 limited to excess of the depreciation claimed by the activity under section 168(k) over the
16.28 amount of the loss from the activity that is not allowed in the taxable year. In succeeding
16.29 taxable years when the losses not allowed in the taxable year are allowed, the depreciation
16.30 under section 168(k) is allowed;

16.31 (8) 80 percent of the amount by which the deduction allowed by section 179 of the
16.32 Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal
16.33 Revenue Code of 1986, as amended through December 31, 2003;

16.34 (9) to the extent deducted in computing federal taxable income, the amount of the
16.35 deduction allowable under section 199 of the Internal Revenue Code; and

17.1 ~~(10) for tax years beginning after December 31, 2004, to the extent deducted in~~
 17.2 ~~computing federal taxable income, the amount by which the standard deduction allowed~~
 17.3 ~~under section 63(c) of the Internal Revenue Code exceeds the standard deduction~~
 17.4 ~~allowable under section 63(c) of the Internal Revenue Code of 1986, as amended through~~
 17.5 ~~December 31, 2003, and~~

17.6 ~~(H)~~ (10) the exclusion allowed under section 139A of the Internal Revenue Code
 17.7 for federal subsidies for prescription drug plans.

17.8 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
 17.9 December 31, 2005.

17.10 Sec. 4. Minnesota Statutes 2005 Supplement, section 290.01, subdivision 31, is
 17.11 amended to read:

17.12 Subd. 31. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal
 17.13 Revenue Code" means the Internal Revenue Code of 1986, as amended through April
 17.14 ~~15~~ December 31, 2005.

17.15 **EFFECTIVE DATE.** This section is effective the day following final enactment,
 17.16 except the changes incorporated by federal changes are effective at the same times as the
 17.17 changes were effective for federal purposes.

17.18 Sec. 5. Minnesota Statutes 2005 Supplement, section 290.0675, subdivision 1, is
 17.19 amended to read:

17.20 Subdivision 1. **Definitions.** (a) For purposes of this section the following terms
 17.21 have the meanings given.

17.22 (b) "Earned income" means the sum of the following, to the extent included in
 17.23 Minnesota taxable income:

17.24 (1) earned income as defined in section 32(c)(2) of the Internal Revenue Code;

17.25 (2) income received from a retirement pension, profit-sharing, stock bonus, or
 17.26 annuity plan; and

17.27 (3) Social Security benefits as defined in section 86(d)(1) of the Internal Revenue
 17.28 Code.

17.29 (c) "Taxable income" means net income as defined in section 290.01, subdivision 19.

17.30 (d) "Earned income of lesser-earning spouse" means the earned income of the
 17.31 spouse with the lesser amount of earned income as defined in paragraph (b) for the taxable
 17.32 year minus the sum of (i) the amount for one exemption under section 151(d) of the
 17.33 Internal Revenue Code and (ii) one-half the amount of the standard deduction under
 17.34 section 63(c)(2)(A) and (4) of the Internal Revenue Code ~~minus one-half of any addition~~
 17.35 ~~required under section 290.01, subdivision 19a, clause (10), and one-half of the addition~~

18.1 ~~which would have been required under section 290.01, subdivision 19a, clause (10), if the~~
18.2 ~~taxpayer had claimed the standard deduction.~~

18.3 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
18.4 December 31, 2005.

18.5 Sec. 6. Minnesota Statutes 2004, section 290.091, subdivision 3, is amended to read:

18.6 Subd. 3. **Exemption amount.** (a) For purposes of computing the alternative
18.7 minimum tax, the exemption amount is:

18.8 (1) for taxable years beginning before January 1, 2006, the exemption determined
18.9 under section 55(d) of the Internal Revenue Code, as amended through December 31,
18.10 1992; and

18.11 (2) for taxable years beginning after December 31, 2005, \$60,000 for married
18.12 couples filing joint returns, \$30,000 for married individuals filing separate returns, estates,
18.13 and trusts, and \$45,000 for unmarried individuals.

18.14 (b) The exemption amount determined under this subdivision is subject to the phase
18.15 out under section 55(d)(3) of the Internal Revenue Code, except that alternative minimum
18.16 taxable income as determined under this section must be substituted in the computation
18.17 of the phase out under section 55(d)(3).

18.18 (c) For taxable years beginning after December 31, 2006, the exemption amount
18.19 under paragraph (a), clause (2), must be adjusted for inflation. The commissioner shall
18.20 make the inflation adjustments in accordance with section 1(f) of the Internal Revenue
18.21 Code except that for the purposes of this subdivision the percentage increase must be
18.22 determined from the year starting September 1, 2005, and ending August 31, 2006, as the
18.23 base year for adjusting for inflation for the tax year beginning after December 31, 2006.
18.24 The determination of the commissioner under this subdivision is not a rule under the
18.25 Administrative Procedure Act.

18.26 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
18.27 December 31, 2005.

18.28 Sec. 7. Minnesota Statutes 2004, section 290.17, subdivision 2, is amended to read:

18.29 Subd. 2. **Income not derived from conduct of a trade or business.** The income of
18.30 a taxpayer subject to the allocation rules that is not derived from the conduct of a trade or
18.31 business must be assigned in accordance with paragraphs (a) to (f):

18.32 (a)(1) Subject to paragraphs (a)(2); and (a)(3), ~~and (a)(4)~~; income from wages as
18.33 defined in section 3401(a) and (f) of the Internal Revenue Code is assigned to this state if,
18.34 and to the extent that, the work of the employee is performed within it; all other income
18.35 from such sources is treated as income from sources without this state.

19.1 Severance pay shall be considered income from labor or personal or professional
19.2 services.

19.3 (2) In the case of an individual who is a nonresident of Minnesota and who is an
19.4 athlete or entertainer, income from compensation for labor or personal services performed
19.5 within this state shall be determined in the following manner:

19.6 (i) The amount of income to be assigned to Minnesota for an individual who is a
19.7 nonresident salaried athletic team employee shall be determined by using a fraction in
19.8 which the denominator contains the total number of days in which the individual is under
19.9 a duty to perform for the employer, and the numerator is the total number of those days
19.10 spent in Minnesota. For purposes of this paragraph, off-season training activities, unless
19.11 conducted at the team's facilities as part of a team imposed program, are not included in
19.12 the total number of duty days. Bonuses earned as a result of play during the regular season
19.13 or for participation in championship, play-off, or all-star games must be allocated under
19.14 the formula. Signing bonuses are not subject to allocation under the formula if they are
19.15 not conditional on playing any games for the team, are payable separately from any other
19.16 compensation, and are nonrefundable; and

19.17 (ii) The amount of income to be assigned to Minnesota for an individual who is a
19.18 nonresident, and who is an athlete or entertainer not listed in clause (i), for that person's
19.19 athletic or entertainment performance in Minnesota shall be determined by assigning to
19.20 this state all income from performances or athletic contests in this state.

19.21 (3) For purposes of this section, amounts received by a nonresident as "retirement
19.22 income" as defined in section (b)(1) of the State Income Taxation of Pension Income
19.23 Act, Public Law 104-95, are not considered income derived from carrying on a trade
19.24 or business or from wages or other compensation for work an employee performed in
19.25 Minnesota, and are not taxable under this chapter.

19.26 ~~(4) Wages, otherwise assigned to this state under clause (1) and not qualifying under~~
19.27 ~~clause (3), are not taxable under this chapter if the following conditions are met:~~

19.28 ~~(i) the recipient was not a resident of this state for any part of the taxable year in~~
19.29 ~~which the wages were received; and~~

19.30 ~~(ii) the wages are for work performed while the recipient was a resident of this state;~~

19.31 (b) Income or gains from tangible property located in this state that is not employed
19.32 in the business of the recipient of the income or gains must be assigned to this state.

19.33 (c) Income or gains from intangible personal property not employed in the business
19.34 of the recipient of the income or gains must be assigned to this state if the recipient of the
19.35 income or gains is a resident of this state or is a resident trust or estate.

20.1 Gain on the sale of a partnership interest is allocable to this state in the ratio of the
20.2 original cost of partnership tangible property in this state to the original cost of partnership
20.3 tangible property everywhere, determined at the time of the sale. If more than 50 percent
20.4 of the value of the partnership's assets consists of intangibles, gain or loss from the sale
20.5 of the partnership interest is allocated to this state in accordance with the sales factor of
20.6 the partnership for its first full tax period immediately preceding the tax period of the
20.7 partnership during which the partnership interest was sold.

20.8 Gain on the sale of goodwill or income from a covenant not to compete that is
20.9 connected with a business operating all or partially in Minnesota is allocated to this state
20.10 to the extent that the income from the business in the year preceding the year of sale was
20.11 assignable to Minnesota under subdivision 3.

20.12 When an employer pays an employee for a covenant not to compete, the income
20.13 allocated to this state is in the ratio of the employee's service in Minnesota in the calendar
20.14 year preceding leaving the employment of the employer over the total services performed
20.15 by the employee for the employer in that year.

20.16 (d) Income from winnings on a bet made by an individual while in Minnesota is
20.17 assigned to this state. In this paragraph, "bet" has the meaning given in section 609.75,
20.18 subdivision 2, as limited by section 609.75, subdivision 3, clauses (1), (2), and (3).

20.19 (e) All items of gross income not covered in paragraphs (a) to (d) and not part of the
20.20 taxpayer's income from a trade or business shall be assigned to the taxpayer's domicile.

20.21 (f) For the purposes of this section, working as an employee shall not be considered
20.22 to be conducting a trade or business.

20.23 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
20.24 December 31, 2005.

20.25 Sec. 8. Minnesota Statutes 2005 Supplement, section 290A.03, subdivision 15, is
20.26 amended to read:

20.27 Subd. 15. **Internal Revenue Code.** "Internal Revenue Code" means the Internal
20.28 Revenue Code of 1986, as amended through ~~April 15~~ December 31, 2005.

20.29 **EFFECTIVE DATE.** This section is effective for property taxes payable on or after
20.30 December 31, 2005, and rent paid on or after December 31, 2004.

20.31 Sec. 9. **NET INCOME; FEDERAL CONFORMITY.**

20.32 For taxable years beginning after December 31, 2004, and before December 31,
20.33 2006, the definition of "net income" in Minnesota Statutes, section 290.01, subdivision 19,
20.34 must be interpreted by the Department of Revenue to conform to the position taken by
20.35 the Internal Revenue Service in Revenue Notice 2005-68.

21.1 **Sec. 10. MARRIED JOINT FILERS; TAXABLE YEAR 2005.**

21.2 For taxable years beginning after December 31, 2004, and before January 1, 2006,
21.3 the liability for tax under Minnesota Statutes, chapter 290, must be determined as if the
21.4 addition to federal taxable income under Minnesota Statutes 2005 Supplement, section
21.5 290.01, subdivision 19a, clause (10), did not apply.

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

21.7 **Sec. 11. REFUNDS.**

21.8 The commissioner of revenue must review individual income tax returns that may be
21.9 subject to section 13 and adjust the tax liability accordingly. If the tax paid for the taxable
21.10 year beginning after December 31, 2004, and before January 1, 2006, by any taxpayer
21.11 under Minnesota Statutes, chapter 290, as amended through December 31, 2005, to the
21.12 commissioner of revenue is greater than the tax liability determined under section 13,
21.13 the commissioner must pay the taxpayer a refund of the difference. If the tax paid for
21.14 that taxable year by any taxpayer under Minnesota Statutes, chapter 290, as amended
21.15 through December 31, 2005, is less than the tax liability determined under section 13, no
21.16 additional payment is required of the taxpayer. The refunds issued under this section are
21.17 not subject to accrual of interest.

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

21.19 **Sec. 12. APPROPRIATION.**

21.20 The amount necessary to issue refunds under section 14 and the administrative costs
21.21 associated with the issuance of refunds is appropriated from the Tax Relief Account under
21.22 Minnesota Statutes, section 16A.1522, subdivision 4, to the commissioner of revenue.
21.23 Notwithstanding Minnesota Statutes, section 16A.285, the commissioner of revenue may
21.24 not use this appropriation for any purpose other than administering the refunds under
21.25 section 13. This is a onetime appropriation and may not be added to the agency's budget
21.26 base.

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

21.28 **ARTICLE 3**

21.29 **SALES AND USE TAX**

21.30 **Section 1.** Minnesota Statutes 2005 Supplement, section 270C.722, subdivision 2,
21.31 is amended to read:

21.32 **Subd. 2. New permits after revocation.** (a) The commissioner shall not issue a
21.33 new permit after revocation or reinstate a revoked permit unless the taxpayer applies for a
21.34 permit and provides reasonable evidence of intention to comply with the sales and use

22.1 tax laws and rules. The commissioner may require the applicant to provide security, in
22.2 addition to that authorized by section 297A.92, in an amount reasonably necessary to
22.3 ensure compliance with the sales and use tax laws and rules. If the commissioner issues
22.4 or reinstates a permit not in conformance with the requirements of this subdivision or
22.5 applicable rules, the commissioner may cancel the permit upon notice to the permit holder.
22.6 The notice must be served by first class and certified mail at the permit holder's last known
22.7 address. The cancellation shall be effective immediately, subject to the right of the permit
22.8 holder to show that the permit was issued in conformance with the requirements of this
22.9 subdivision and applicable rules. Upon such showing, the permit must be reissued.

22.10 (b) If a taxpayer has had a permit or permits revoked three times in a five-year
22.11 period, the commissioner ~~shall not~~ may refuse to issue a new permit or reinstate the
22.12 revoked permit until 24 months have elapsed after revocation and the taxpayer has
22.13 satisfied the conditions for reinstatement of a revoked permit or issuance of a new permit
22.14 imposed by this section and rules adopted under this section.

22.15 (c) For purposes of this subdivision, "taxpayer" means:

22.16 (1) an individual, if a revoked permit was issued to or in the name of an individual,
22.17 or a corporation or partnership, if a revoked permit was issued to or in the name of a
22.18 corporation or partnership; and

22.19 (2) an officer of a corporation, a member of a partnership, or an individual who is
22.20 liable for delinquent sales taxes, either for the entity for which the new or reinstated
22.21 permit is at issue, or for another entity for which a permit was previously revoked, or
22.22 personally as a permit holder.

22.23 Sec. 2. Minnesota Statutes 2005 Supplement, section 297A.61, subdivision 3, is
22.24 amended to read:

22.25 Subd. 3. **Sale and purchase.** (a) "Sale" and "purchase" include, but are not limited
22.26 to, each of the transactions listed in this subdivision.

22.27 (b) Sale and purchase include:

22.28 (1) any transfer of title or possession, or both, of tangible personal property, whether
22.29 absolutely or conditionally, for a consideration in money or by exchange or barter; and

22.30 (2) the leasing of or the granting of a license to use or consume, for a consideration
22.31 in money or by exchange or barter, tangible personal property, other than a manufactured
22.32 home used for residential purposes for a continuous period of 30 days or more.

22.33 (c) Sale and purchase include the production, fabrication, printing, or processing of
22.34 tangible personal property for a consideration for consumers who furnish either directly or
22.35 indirectly the materials used in the production, fabrication, printing, or processing.

23.1 (d) Sale and purchase include the preparing for a consideration of food.

23.2 Notwithstanding section 297A.67, subdivision 2, taxable food includes, but is not limited
23.3 to, the following:

23.4 (1) prepared food sold by the retailer;

23.5 (2) soft drinks;

23.6 (3) candy;

23.7 (4) dietary supplements; and

23.8 (5) all food sold through vending machines, except milk.

23.9 (e) A sale and a purchase includes the furnishing for a consideration of electricity,
23.10 gas, water, or steam for use or consumption within this state.

23.11 (f) A sale and a purchase includes the transfer for a consideration of prewritten
23.12 computer software whether delivered electronically, by load and leave, or otherwise.

23.13 (g) A sale and a purchase includes the furnishing for a consideration of the following
23.14 services:

23.15 (1) the privilege of admission to places of amusement, recreational areas, or athletic
23.16 events, and the making available of amusement devices, tanning facilities, reducing
23.17 salons, steam baths, turkish baths, health clubs, and spas or athletic facilities;

23.18 (2) lodging and related services by a hotel, rooming house, resort, campground,
23.19 motel, or trailer camp and the granting of any similar license to use real property in a
23.20 specific facility, other than the renting or leasing of it for a continuous period of 30 days
23.21 or more under an enforceable written agreement that may not be terminated without
23.22 prior notice;

23.23 (3) nonresidential parking services, whether on a contractual, hourly, or other
23.24 periodic basis, except for parking at a meter;

23.25 (4) the granting of membership in a club, association, or other organization if:

23.26 (i) the club, association, or other organization makes available for the use of its
23.27 members sports and athletic facilities, without regard to whether a separate charge is
23.28 assessed for use of the facilities; and

23.29 (ii) use of the sports and athletic facility is not made available to the general public
23.30 on the same basis as it is made available to members.

23.31 Granting of membership means both onetime initiation fees and periodic membership
23.32 dues. Sports and athletic facilities include golf courses; tennis, racquetball, handball, and
23.33 squash courts; basketball and volleyball facilities; running tracks; exercise equipment;
23.34 swimming pools; and other similar athletic or sports facilities;

24.1 (5) delivery of aggregate materials and concrete block by a third party if the delivery
24.2 would be subject to the sales tax if provided by the seller of the aggregate material or
24.3 concrete block; and

24.4 (6) services as provided in this clause:

24.5 (i) laundry and dry cleaning services including cleaning, pressing, repairing, altering,
24.6 and storing clothes, linen services and supply, cleaning and blocking hats, and carpet,
24.7 drapery, upholstery, and industrial cleaning. Laundry and dry cleaning services do not
24.8 include services provided by coin operated facilities operated by the customer;

24.9 (ii) motor vehicle washing, waxing, and cleaning services, including services
24.10 provided by coin operated facilities operated by the customer, and rustproofing,
24.11 undercoating, and towing of motor vehicles;

24.12 (iii) building and residential cleaning, maintenance, and disinfecting and
24.13 exterminating services;

24.14 (iv) detective, security, burglar, fire alarm, and armored car services; but not
24.15 including services performed within the jurisdiction they serve by off-duty licensed peace
24.16 officers as defined in section 626.84, subdivision 1, or services provided by a nonprofit
24.17 organization for monitoring and electronic surveillance of persons placed on in-home
24.18 detention pursuant to court order or under the direction of the Minnesota Department
24.19 of Corrections;

24.20 (v) pet grooming services;

24.21 (vi) lawn care, fertilizing, mowing, spraying and sprigging services; garden planting
24.22 and maintenance; tree, bush, and shrub pruning, bracing, spraying, and surgery; indoor
24.23 plant care; tree, bush, shrub, and stump removal, except when performed as part of a land
24.24 clearing contract as defined in section 297A.68, subdivision 40; and tree trimming for
24.25 public utility lines. Services performed under a construction contract for the installation of
24.26 shrubbery, plants, sod, trees, bushes, and similar items are not taxable;

24.27 (vii) massages, except when provided by a licensed health care facility or
24.28 professional or upon written referral from a licensed health care facility or professional for
24.29 treatment of illness, injury, or disease; and

24.30 (viii) the furnishing of lodging, board, and care services for animals in kennels and
24.31 other similar arrangements, but excluding veterinary and horse boarding services.

24.32 In applying the provisions of this chapter, the terms "tangible personal property"
24.33 and "sales at retail" include taxable services listed in clause (6), items (i) to (vi) and
24.34 (viii), and the provision of these taxable services, unless specifically provided otherwise.
24.35 Services performed by an employee for an employer are not taxable. Services performed
24.36 by a partnership or association for another partnership or association are not taxable if

25.1 one of the entities owns or controls more than 80 percent of the voting power of the
25.2 equity interest in the other entity. Services performed between members of an affiliated
25.3 group of corporations are not taxable. For purposes of the preceding sentence, "affiliated
25.4 group of corporations" includes those entities that would be classified as members of an
25.5 affiliated group under United States Code, title 26, section 1504, and that are eligible to
25.6 file a consolidated tax return for federal income tax purposes.

25.7 (h) A sale and a purchase includes the furnishing for a consideration of tangible
25.8 personal property or taxable services by the United States or any of its agencies or
25.9 instrumentalities, or the state of Minnesota, its agencies, instrumentalities, or political
25.10 subdivisions.

25.11 (i) A sale and a purchase includes the furnishing for a consideration of
25.12 telecommunications services, including cable television services and direct satellite
25.13 services. Telecommunications services are taxed to the extent allowed under federal law.

25.14 (j) A sale and a purchase includes the furnishing for a consideration of installation if
25.15 the installation charges would be subject to the sales tax if the installation were provided
25.16 by the seller of the item being installed.

25.17 (k) A sale and a purchase includes the rental of a vehicle by a motor vehicle dealer
25.18 to a customer when (1) the vehicle is rented by the customer for a consideration, or (2)
25.19 the motor vehicle dealer is reimbursed pursuant to a service contract as defined in section
25.20 65B.29, subdivision 1, clause (1).

25.21 **EFFECTIVE DATE.** This section is effective for purchases and sales made after
25.22 June 30, 2006.

25.23 Sec. 3. Minnesota Statutes 2005 Supplement, section 297A.64, subdivision 4, is
25.24 amended to read:

25.25 Subd. 4. **Exemptions.** (a) The tax and the fee imposed by this section do not apply
25.26 to a lease or rental of (1) a vehicle to be used by the lessee to provide a licensed taxi
25.27 service; (2) a hearse or limousine used in connection with a burial or funeral service; ~~or~~
25.28 (3) a van designed or adapted primarily for transporting property rather than passengers;
25.29 or (4) a vehicle under a car sharing agreement where the lessee is a dues-paying member
25.30 of a nonprofit car sharing organization that leases vehicles only on an hourly or mileage
25.31 basis. The tax and the fee imposed under this section do not apply when the lease or rental
25.32 of a vehicle is exempt from the tax imposed under section 297A.62, subdivision 1.

25.33 (b) The lessor may elect not to charge the fee imposed in subdivision 2 if in the
25.34 previous calendar year the lessor had no more than 20 vehicles available for lease that

26.1 would have been subject to tax under this section, or no more than \$50,000 in gross
26.2 receipts that would have been subject to tax under this section.

26.3 **EFFECTIVE DATE.** This section is effective for leases made after June 30, 2006.

26.4 Sec. 4. Minnesota Statutes 2004, section 297A.67, subdivision 18, is amended to read:

26.5 Subd. 18. **Used and re-refined motor oils.** Used motor oils are exempt. Re-refined
26.6 motor oils that meet American Petroleum Institute specifications for gasoline or diesel
26.7 engines are exempt.

26.8 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
26.9 June 30, 2006.

26.10 Sec. 5. Minnesota Statutes 2004, section 297A.67, is amended by adding a subdivision
26.11 to read:

26.12 Subd. 33. **Recycled copier and printing papers.** Copier paper with a minimum
26.13 postconsumer recycled content of 30 percent by weight is exempt. Uncoated printing
26.14 paper with a minimum of 30 percent postconsumer recycled content by weight is exempt.
26.15 Coated printing paper with a minimum of ten percent of postconsumer recycled content by
26.16 weight is exempt.

26.17 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
26.18 June 30, 2006.

26.19 Sec. 6. Minnesota Statutes 2004, section 297A.68, subdivision 19, is amended to read:

26.20 Subd. 19. **Petroleum products.** The following petroleum products are exempt:

26.21 (1) products upon which a tax has been imposed and paid under chapter 296A,
26.22 and for which no refund has been or will be allowed because the buyer used the fuel
26.23 for nonhighway use;

26.24 (2) products that are used in the improvement of agricultural land by constructing,
26.25 maintaining, and repairing drainage ditches, tile drainage systems, grass waterways, water
26.26 impoundment, and other erosion control structures;

26.27 (3) products purchased by a transit system receiving financial assistance under
26.28 section 174.24, 256B.0625, subdivision 17, or 473.384;

26.29 (4) products purchased by an ambulance service licensed under chapter 144E;

26.30 (5) products used in a passenger snowmobile, as defined in section 296A.01,
26.31 subdivision 39, for off-highway business use as part of the operations of a resort as
26.32 provided under section 296A.16, subdivision 2, clause (2); ~~or~~

26.33 (6) products purchased by a state or a political subdivision of a state for use in motor
26.34 vehicles exempt from registration under section 168.012, subdivision 1, paragraph (b); or

27.1 (7) products purchased for use as fuel for a commuter rail system operating under
27.2 sections 174.80 to 174.90. The tax must be imposed and collected as if the rate under
27.3 section 297A.62, subdivision 1, applied, and then refunded in the manner provided
27.4 in section 297A.75.

27.5 **EFFECTIVE DATE.** This section is effective for purchases made after June 30,
27.6 2006.

27.7 Sec. 7. Minnesota Statutes 2004, section 297A.68, is amended by adding a subdivision
27.8 to read:

27.9 **Subd. 42. Commuter rail materials, supplies, and equipment.** (a) Materials,
27.10 supplies, and equipment used or consumed in the construction, equipment, or improvement
27.11 of a commuter rail transportation system operated under sections 174.80 to 174.90 are
27.12 exempt. This exemption includes railroad cars, engines, and related equipment. The tax
27.13 must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied,
27.14 and then refunded in the manner provided in section 297A.75.

27.15 (b) \$7,500,000 is appropriated from the general fund to the commissioner of revenue
27.16 to be used to pay refunds of the tax paid for items that are exempt from taxation under this
27.17 subdivision. This appropriation does not cancel, but remains available until expended.
27.18 This exemption terminates when the commissioner of revenue determines that no amount
27.19 of this appropriation remains.

27.20 **EFFECTIVE DATE.** This section is effective for purchases made after June 30,
27.21 2006.

27.22 Sec. 8. Minnesota Statutes 2004, section 297A.70, subdivision 3, is amended to read:

27.23 **Subd. 3. Sales of certain goods and services to government.** (a) The following
27.24 sales to or use by the specified governments and political subdivisions of the state are
27.25 exempt:

27.26 (1) repair and replacement parts for emergency rescue vehicles, fire trucks, and
27.27 fire apparatus to a political subdivision;

27.28 (2) machinery and equipment, except for motor vehicles, used directly for mixed
27.29 municipal solid waste management services at a solid waste disposal facility as defined in
27.30 section 115A.03, subdivision 10;

27.31 (3) chore and homemaking services to a political subdivision of the state to be
27.32 provided to elderly or disabled individuals;

27.33 (4) telephone services to the Department of Administration that are used to provide
27.34 telecommunications services through the intertechnologies revolving fund;

28.1 (5) firefighter personal protective equipment as defined in paragraph (b), if purchased
28.2 or authorized by and for the use of an organized fire department, fire protection district, or
28.3 fire company regularly charged with the responsibility of providing fire protection to the
28.4 state or a political subdivision;

28.5 (6) bullet-resistant body armor that provides the wearer with ballistic and trauma
28.6 protection, if purchased by a law enforcement agency of the state or a political subdivision
28.7 of the state, or a licensed peace officer, as defined in section 626.84, subdivision 1;

28.8 (7) motor vehicles purchased or leased by political subdivisions of the state if the
28.9 vehicles are exempt from registration under section 168.012, subdivision 1, paragraph (b),
28.10 exempt from taxation under section 473.448, or exempt from the motor vehicle sales tax
28.11 under section 297B.03, clause (12);

28.12 (8) equipment designed to process, dewater, and recycle biosolids for wastewater
28.13 treatment facilities of political subdivisions, and materials incidental to installation of
28.14 that equipment; ~~and~~

28.15 (9) sales to a town of gravel and of machinery, equipment, and accessories, except
28.16 motor vehicles, used exclusively for road and bridge maintenance, and leases by a town of
28.17 motor vehicles exempt from tax under section 297B.03, clause (10); and

28.18 (10) voting equipment purchased between January 1, 2006, and January 1, 2008,
28.19 by a county to comply with United States Code, title 42, section 15481, ("Help America
28.20 Vote Act of 2002").

28.21 (b) For purposes of this subdivision, "firefighters personal protective equipment"
28.22 means helmets, including face shields, chin straps, and neck liners; bunker coats and
28.23 pants, including pant suspenders; boots; gloves; head covers or hoods; wildfire jackets;
28.24 protective coveralls; goggles; self-contained breathing apparatus; canister filter masks;
28.25 personal alert safety systems; spanner belts; optical or thermal imaging search devices;
28.26 and all safety equipment required by the Occupational Safety and Health Administration.

28.27 **EFFECTIVE DATE.** This section is effective retroactively from January 1, 2006.

28.28 Sec. 9. Minnesota Statutes 2005 Supplement, section 297A.70, subdivision 8, is
28.29 amended to read:

28.30 **Subd. 8. Regionwide public safety radio communication system; products and**
28.31 **services.** Products and services including, but not limited to, end user equipment used
28.32 for construction, ownership, operation, maintenance, and enhancement of the backbone
28.33 system of the regionwide public safety radio communication system established under
28.34 sections 403.21 to ~~403.34~~ 403.40, are exempt. For purposes of this subdivision, backbone
28.35 system is defined in section 403.21, subdivision 9. This subdivision is effective for

29.1 purchases, sales, storage, use, or consumption for use in the first and second phases of the
 29.2 system, as defined in section 403.21, subdivisions 3, 10, and 11, ~~and~~ that portion of the
 29.3 third phase of the system that is located in the southeast district of the State Patrol and
 29.4 the counties of Benton, Sherburne, Stearns, and Wright, and that portion of the system
 29.5 that is located in Itasca County.

29.6 Sec. 10. Minnesota Statutes 2004, section 297A.71, subdivision 23, is amended to read:

29.7 Subd. 23. **Construction materials for qualified low-income housing projects.** (a)

29.8 Purchases of materials and supplies used or consumed in and equipment incorporated into
 29.9 the construction, improvement, or expansion of qualified low-income housing projects are
 29.10 exempt from the tax imposed under this chapter if the owner of the qualified low-income
 29.11 housing project is:

29.12 (1) the public housing agency or housing and redevelopment authority of a political
 29.13 subdivision;

29.14 (2) an entity exercising the powers of a housing and redevelopment authority within
 29.15 a political subdivision;

29.16 (3) a limited partnership in which the sole general partner is an authority under
 29.17 clause (1) or an entity under clause (2);

29.18 (4) a nonprofit corporation subject to the provisions of chapter 317A, and qualifying
 29.19 under section 501(c)(3) or 501(c)(4) of the Internal Revenue Code of 1986, as amended; ~~or~~

29.20 (5) an owner entity, as defined in Code of Federal Regulations, title 24, part 941.604,
 29.21 for a qualified low-income housing project described in paragraph (b), clause (5); or

29.22 (6) a limited partnership in which either:

29.23 (i) the sole general partner is an entity under clause (4); or

29.24 (ii) the managing partner is an entity under clause (4) and makes the following
 29.25 disclosures in writing to an entity under clause (1) or (2):

29.26 (A) the names of all members of the partnership;

29.27 (B) the address for service of process of each member of the partnership; and

29.28 (C) the financing plan for the low-income housing project.

29.29 This exemption applies regardless of whether the purchases are made by the owner
 29.30 of the facility or a contractor.

29.31 (b) For purposes of this exemption, "qualified low-income housing project" means:

29.32 (1) a housing or mixed use project in which at least 20 percent of the residential units
 29.33 are qualifying low-income rental housing units as defined in section 273.126;

29.34 (2) a federally assisted low-income housing project financed by a mortgage insured
 29.35 or held by the United States Department of Housing and Urban Development under
 29.36 United States Code, title 12, section 1701s, 1715l(d)(3), 1715l(d)(4), or 1715z-1; United

30.1 States Code, title 42, section 1437f; the Native American Housing Assistance and
30.2 Self-Determination Act, United States Code, title 25, section 4101 et seq.; or any similar
30.3 successor federal low-income housing program;

30.4 (3) a qualified low-income housing project as defined in United States Code, title
30.5 26, section 42(g), meeting all of the requirements for a low-income housing credit under
30.6 section 42 of the Internal Revenue Code regardless of whether the project actually applies
30.7 for or receives a low-income housing credit;

30.8 (4) a project that will be operated in compliance with Internal Revenue Service
30.9 revenue procedure 96-32; or

30.10 (5) a housing or mixed use project in which all or a portion of the residential units
30.11 are subject to the requirements of section 5 of the United States Housing Act of 1937.

30.12 (c) For a project, a portion of which is not used for low-income housing units,
30.13 the amount of purchases that are exempt under this subdivision must be determined by
30.14 multiplying the total purchases, as specified in paragraph (a), by the ratio of:

30.15 (1) the total gross square footage of units subject to the income limits under section
30.16 273.126, the financing for the project, the federal low-income housing tax credit, revenue
30.17 procedure 96-32, or section 5 of the United States Housing Act of 1937, as applicable
30.18 to the project; and

30.19 (2) the total gross square footage of all units in the project.

30.20 (d) The tax must be imposed and collected as if the rate under section 297A.62,
30.21 subdivision 1, applied, and then refunded in the manner provided in section 297A.75.

30.22 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
30.23 June 30, 2006.

30.24 Sec. 11. Minnesota Statutes 2004, section 297A.71, is amended by adding a
30.25 subdivision to read:

30.26 **Subd. 37. Hydroelectric generating facility.** Materials and supplies used or
30.27 consumed in the construction of a 10.3 megawatt run-of-the-river hydroelectric generating
30.28 facility that meets the requirements of this subdivision are exempt. To qualify for the
30.29 exemption under this subdivision, a hydroelectric generating facility must:

30.30 (1) utilize between 12 and 16 turbine generators at a dam site existing on March
30.31 31, 1994;

30.32 (2) be located on land within 3,000 feet of a 13.8 kilovolt distribution circuit; and

30.33 (3) be eligible to receive a renewable energy production incentive payment under
30.34 section 216C.41.

31.1 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
31.2 April 30, 2006, and on or before December 31, 2009.

31.3 Sec. 12. Minnesota Statutes 2005 Supplement, section 297A.75, subdivision 1, is
31.4 amended to read:

31.5 Subdivision 1. **Tax collected.** The tax on the gross receipts from the sale of the
31.6 following exempt items must be imposed and collected as if the sale were taxable and the
31.7 rate under section 297A.62, subdivision 1, applied. The exempt items include:

31.8 (1) capital equipment exempt under section 297A.68, subdivision 5;

31.9 (2) building materials for an agricultural processing facility exempt under section
31.10 297A.71, subdivision 13;

31.11 (3) building materials for mineral production facilities exempt under section
31.12 297A.71, subdivision 14;

31.13 (4) building materials for correctional facilities under section 297A.71, subdivision
31.14 3;

31.15 (5) building materials used in a residence for disabled veterans exempt under section
31.16 297A.71, subdivision 11;

31.17 (6) elevators and building materials exempt under section 297A.71, subdivision 12;

31.18 (7) building materials for the Long Lake Conservation Center exempt under section
31.19 297A.71, subdivision 17;

31.20 (8) materials, supplies, fixtures, furnishings, and equipment for a county law
31.21 enforcement and family service center under section 297A.71, subdivision 26;

31.22 (9) materials and supplies for qualified low-income housing under section 297A.71,
31.23 subdivision 23; ~~and~~

31.24 (10) materials, supplies, and equipment for municipal electric utility facilities under
31.25 section 297A.71, subdivision 35;

31.26 (11) products purchased for use as fuel for a commuter rail system exempt under
31.27 section 297A.68, subdivision 19, clause (7); and

31.28 (12) commuter rail construction materials, supplies, and equipment exempt under
31.29 section 297A.68, subdivision 42.

31.30 Sec. 13. Minnesota Statutes 2005 Supplement, section 297A.75, subdivision 2, is
31.31 amended to read:

31.32 Subd. 2. **Refund; eligible persons.** Upon application on forms prescribed by the
31.33 commissioner, a refund equal to the tax paid on the gross receipts of the exempt items
31.34 must be paid to the applicant. Only the following persons may apply for the refund:

31.35 (1) for subdivision 1, clauses (1) to (3), the applicant must be the purchaser;

32.1 (2) for subdivision 1, clauses (4), (7), and (8), the applicant must be the governmental
32.2 subdivision;

32.3 (3) for subdivision 1, clause (5), the applicant must be the recipient of the benefits
32.4 provided in United States Code, title 38, chapter 21;

32.5 (4) for subdivision 1, clause (6), the applicant must be the owner of the homestead
32.6 property;

32.7 (5) for subdivision 1, clause (9), the owner of the qualified low-income housing
32.8 project; ~~and~~

32.9 (6) for subdivision 1, clause (10), the applicant must be a municipal electric utility or
32.10 a joint venture of municipal electric utilities; and

32.11 (7) for subdivision 1, clauses (11) and (12), the applicant must be the purchaser of
32.12 the fuel or construction materials, as applicable.

32.13 Sec. 14. Laws 1980, chapter 511, section 1, subdivision 2, as amended by Laws 1991,
32.14 chapter 291, article 8, section 22; Laws 1998, chapter 389, article 8, section 25; and Laws
32.15 2003, First Special Session chapter 21, article 8, section 11, is amended to read:

32.16
32.17 Subd. 2. Notwithstanding Minnesota Statutes, Section 477A.016, or any other law,
32.18 ordinance, or city charter provision to the contrary, the city of Duluth may, by ordinance,
32.19 impose an additional sales tax of up to ~~one and one-half~~ two and one-quarter percent on
32.20 sales transactions which are described in Minnesota Statutes 2000, Section 297A.01,
32.21 Subdivision 3, Clause (c). When the city council determines that the taxes imposed
32.22 under this subdivision and under Laws 1998, chapter 389, article 8, section 26, at a rate
32.23 of one-half of one percent have produced revenue sufficient to pay (1) the debt service
32.24 on bonds in a principal amount of \$8,000,000 issued for capital improvements to the
32.25 Duluth Entertainment and Convention Center, and (2) debt service on outstanding bonds
32.26 originally issued in the principal amount of \$4,970,000 to finance capital improvements to
32.27 the Great Lakes Aquarium since the imposition of the taxes at the rate of one and one-half
32.28 percent, the rate of the tax under this subdivision is reduced ~~to~~ by one-half of one percent.
32.29 When the city council determines that the taxes imposed under this subdivision at a rate
32.30 of three-quarters of one percent have produced revenue sufficient to pay debt service on
32.31 bonds in the principal amount of \$33,700,000, plus issuance and discount costs, issued
32.32 for capital improvements for a new arena at the Duluth Entertainment and Convention
32.33 Center, the rate of tax under this subdivision shall be reduced by three-quarters of one
32.34 percent. The imposition of this tax shall not be subject to voter referendum under either
32.35 state law or city charter provisions.

33.1 **EFFECTIVE DATE.** This section is effective the day after the governing body of
33.2 the city of Duluth and its chief clerical officer comply with Minnesota Statutes, section
33.3 645.021, subdivisions 2 and 3.

33.4 Sec. 15. Laws 1996, chapter 471, article 2, section 29, is amended to read:

33.5 Sec. 29. **CITY OF HERMANTOWN; SALES AND USE TAX.**

33.6 Subdivision 1. **Sales and use tax authorized.** (a) Notwithstanding Minnesota
33.7 Statutes, section 477A.016, or any other contrary provision of law, ordinance, or city
33.8 charter, the city of Hermantown may, by ordinance, impose an additional sales and use tax
33.9 of up to one percent on sales ~~transactions~~, storage, and use taxable pursuant to Minnesota
33.10 Statutes, chapter 297A, that occur within the city.

33.11 (b) The proceeds of the first one-half of the one percent tax imposed under this
33.12 section must be used to meet the costs of by the city for the following projects:

33.13 (1) extending a sewer interceptor line;

33.14 (2) construction of a booster pump station, reservoirs, and related improvements
33.15 to the water system; and

33.16 (3) construction of a building containing a police and fire station and an
33.17 administrative services facility.

33.18 (c) Revenues received from the remaining one-half of the one percent tax
33.19 authorized under this section must be used by the city to pay all or part of the capital and
33.20 administrative costs of developing, acquiring, constructing, and initially furnishing and
33.21 equipping the following projects:

33.22 (1) construction of a new facility or purchase of an existing facility to be used as
33.23 a public works facility;

33.24 (2) construction, signalization, and rehabilitation of primary collector roads and
33.25 commercial frontage roads, within the city; and

33.26 (3) extension of a regional trunk sewer.

33.27 (d) Authorized expenses include, but are not limited to, acquiring property; paying
33.28 construction, administrative, and operating expenses related to the development of the
33.29 projects listed in paragraph (c); paying debt service on bonds or other obligations,
33.30 including lease obligations, issued to finance construction, expansion, or improvement of
33.31 the projects listed in paragraph (c); and other compatible uses, including but not limited to,
33.32 parking, lighting, and landscaping.

33.33 Subd. 2. **Referendum.** (a) If the Hermantown city council proposes to impose the
33.34 sales tax authorized by this section, it shall conduct a referendum on the issue.

34.1 (b) If the Hermantown city council initially imposes the tax at a rate that is less than
34.2 one percent and proposes increasing the tax rate at a later date up to the full one percent, it
34.3 shall conduct a referendum on the increase of the tax rate.

34.4 (c) The question of imposing or increasing the tax must be submitted to the voters at
34.5 a special or general election. The tax may not be imposed unless a majority of votes cast
34.6 on the question of imposing the tax are in the affirmative. The commissioner of revenue
34.7 shall prepare a suggested form of question to be presented at the election. This subdivision
34.8 applies notwithstanding any city charter provision to the contrary.

34.9 **Subd. 3. Enforcement; collection; and administration of taxes.** A sales tax
34.10 imposed under this section must be reported and paid to the commissioner of revenue
34.11 with the state sales taxes, and be subject to the same penalties, interest, and enforcement
34.12 provisions. The proceeds of the tax, less refunds and a proportionate share of the cost of
34.13 collection, shall be remitted at least quarterly to the city. The commissioner shall deduct
34.14 from the proceeds remitted an amount that equals the indirect statewide cost as well as the
34.15 direct and indirect department costs necessary to administer, audit, and collect the tax.
34.16 The amount deducted shall be deposited in the state general fund.

34.17 **Subd. 3a. Bonding authority.** (a) The city may issue general obligation bonds
34.18 under Minnesota Statutes, chapter 475, to finance the costs in subdivision 1, paragraph (c).
34.19 The total amount of bonds issued for the projects under subdivision 1, paragraph (c), may
34.20 not exceed \$13,000,000 in the aggregate. An election to approve the bonds is not required.

34.21 (b) The bonds are not included in computing any debt limitation applicable to the
34.22 city, and the levy of taxes under Minnesota Statutes, section 475.61, to pay principal of
34.23 and interest on the bonds is not subject to any levy limitation.

34.24 (c) The taxes authorized under this section may be pledged to and used for the
34.25 payment of the bonds and any bonds issued to refund them.

34.26 **Subd. 4. Termination.** ~~The portion of the tax authorized under this section to~~
34.27 ~~finance the improvements described in subdivision 1, paragraph (b), terminates at the later~~
34.28 ~~of (1) ten years after the date of initial imposition of the tax, or (2) on the first day of the~~
34.29 ~~second month next succeeding a determination by the city council that sufficient funds~~
34.30 ~~have been received from the tax to finance the improvements described in subdivision 1,~~
34.31 ~~clauses (1) to (3), and to prepay or retire at maturity the principal, interest, and premium~~
34.32 ~~due on any bonds issued for the improvements on March 31, 2026. The portion of the~~
34.33 ~~tax authorized to finance the improvements described in subdivision 1, paragraph (c),~~
34.34 ~~terminates when the revenues raised are sufficient to finance those improvements, up to an~~
34.35 ~~amount equal to \$13,000,000 plus any interest, premium, and other costs associated with~~

35.1 the bonds issued under subdivision 3a. The city council may terminate this portion of the
35.2 tax earlier. Any funds remaining after completion of the improvements and retirement or
35.3 redemption of the bonds may be placed in the general fund of the city.

35.4 ~~Subd. 5. Local approval; effective date. This section is effective the day after final~~
35.5 ~~enactment, upon compliance with Minnesota Statutes, section 645.021, subdivision 3, by~~
35.6 ~~the city of Hermantown.~~

35.7 EFFECTIVE DATE. This section is effective the day after the governing body of
35.8 the city of Hermantown and its chief clerical officer comply with Minnesota Statutes,
35.9 section 645.021, subdivisions 2 and 3.

35.10 Sec. 16. Laws 1999, chapter 243, article 4, section 18, subdivision 1, is amended to
35.11 read:

5.12 Subdivision 1. **Sales and use tax.** (a) Notwithstanding Minnesota Statutes, section
35.13 ~~297A.48, subdivision 1a,~~477A.016, or any other provision of law, ordinance, or city
35.14 charter, if approved by the city voters at the first municipal general election held after the
35.15 date of final enactment of this act or at a special election held November 2, 1999, the city
35.16 of Proctor may impose by ordinance a sales and use tax of up to one-half of one percent
35.17 for the purposes specified in subdivision 3, paragraph (a). The provisions of Minnesota
35.18 Statutes, section ~~297A.48~~ 297A.99, govern the imposition, administration, collection, and
35.19 enforcement of the tax authorized under this subdivision.

35.20 (b) The city of Proctor may impose by ordinance an additional sales and use tax of
35.21 up to one-half of one percent if approved by the city voters at a general election or at a
35.22 special election held for this purpose. The revenues received from this additional tax must
35.23 be used for the purposes specified in subdivision 3, paragraph (b).

35.24 EFFECTIVE DATE. This section is effective the day following final enactment,
35.25 upon compliance by the city of Proctor with Minnesota Statutes, section 645.021,
35.26 subdivision 3.

35.27 Sec. 17. Laws 1999, chapter 243, article 4, section 18, subdivision 3, is amended to
35.28 read:

35.29 Subd. 3. **Use of revenues.** (a) Revenues received from taxes authorized by
35.30 subdivisions 1, paragraph (a), and 2 must be used by the city to pay the cost of collecting
35.31 the taxes and to pay for construction and improvement of the following city facilities:

- 5.32 (1) streets; and
- 35.33 (2) constructing and equipping the Proctor community activity center.

36.1 Authorized expenses include, but are not limited to, acquiring property, paying
36.2 construction and operating expenses related to the development of an authorized facility,
36.3 and paying debt service on bonds or other obligations, including lease obligations, issued
36.4 to finance the construction, expansion, or improvement of an authorized facility. The
36.5 capital expenses for all projects authorized under this paragraph that may be paid with
36.6 these taxes is limited to \$3,600,000, plus an amount equal to the costs related to issuance
36.7 of the bonds.

36.8 (b) Revenues received from taxes authorized by subdivision 1, paragraph (b),
36.9 must be used by the city to pay the cost of collecting the taxes and for construction and
36.10 improvements of city streets, public utilities, sidewalks, bikeways, and trails.

36.11 EFFECTIVE DATE. This section is effective the day following final enactment,
36.12 upon compliance by the city of Proctor with Minnesota Statutes, section 645.021,
36.13 subdivision 3.

36.14 Sec. 18. Laws 1999, chapter 243, article 4, section 18, subdivision 4, is amended to
36.15 read:

36.16 Subd. 4. **Bonding authority.** (a) The city may issue bonds under Minnesota
36.17 Statutes, chapter 475, to finance the capital expenditure and improvement projects
36.18 described in subdivision 3. An election to approve the bonds under Minnesota Statutes,
36.19 section 475.58, is not required.

36.20 (b) The issuance of bonds under this subdivision is not subject to Minnesota Statutes,
36.21 sections 275.60 and ~~279.61~~ 275.61.

36.22 (c) The bonds are not included in computing any debt limitation applicable to the
36.23 city, and the levy of taxes under Minnesota Statutes, section 475.61, to pay principal of
36.24 and interest on the bonds is not subject to any levy limitation.

36.25 (d) For projects described in subdivision 3, paragraph (a), the aggregate principal
36.26 amount of bonds, plus the aggregate of the taxes used directly to pay eligible capital
36.27 expenditures and improvements, may not exceed \$3,600,000, plus an amount equal to
36.28 the costs related to issuance of the bonds, including interest on the bonds. For projects
36.29 described in subdivision 3, paragraph (b), the aggregate principal amount of bonds may
36.30 not exceed \$7,200,000, plus an amount equal to the costs related to issuance of the bonds,
36.31 including interest on the bonds.

36.32 (e) The sales and use and excise taxes authorized in this section may be pledged to
36.33 and used for the payment of the bonds and any bonds issued to refund them only if the
36.34 bonds and any refunding bonds are general obligations of the city.

37.1 **EFFECTIVE DATE.** This section is effective the day following final enactment,
37.2 upon compliance by the city of Proctor with Minnesota Statutes, section 645.021,
37.3 subdivision 3.

37.4 Sec. 19. Laws 2005, First Special Session chapter 3, article 5, section 43, subdivision
37.5 3, is amended to read:

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

37.15 **EFFECTIVE DATE.** This section is effective the day after compliance by
37.16 the governing body of the city of Winona with Minnesota Statutes, section 645.021,
37.17 subdivision 3.

37.18 Sec. 20. Laws 2005, First Special Session chapter 3, article 5, section 44, subdivision
37.19 1, is amended to read:

37.20 Subdivision 1. [SALES AND USE TAX.] Notwithstanding Minnesota Statutes,
37.21 section 477A.016, or any other provision of law, ordinance, or city charter, if approved by
37.22 the voters pursuant to Minnesota Statutes, section 297A.99, at the next a general election
37.23 held before January 1, 2008, the city of Worthington may impose by ordinance a sales
37.24 and use tax of up to one-half of one percent for the purpose specified in subdivision 3.
37.25 Except as otherwise provided in this section, the provisions of Minnesota Statutes, section
37.26 297A.99, govern the imposition, administration, collection, and enforcement of the tax
37.27 authorized under this subdivision.

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

37.29 Sec. 21. **CITY OF AUSTIN; TAXES AUTHORIZED.**

37.30 Subdivision 1. **Sales and use tax.** Notwithstanding Minnesota Statutes, section
37.31 477A.016, or any other provision of law, ordinance, or city charter, if approved by the
37.32 voters pursuant to Minnesota Statutes, section 297A.99, at the next general election or
37.33 special election held for that purpose before January 1, 2007, the city of Austin may
37.34 impose by ordinance a sales and use tax of up to one-half of one percent for the purpose

38.1 specified in subdivision 2. Except as otherwise provided in this section, the provisions of
38.2 Minnesota Statutes, section 297A.99, govern the imposition, administration, collection,
38.3 and enforcement of the tax authorized under this subdivision.

38.4 Subd. 2. Use of revenues. Revenues received from taxes authorized by subdivision
38.5 1 must be used by the city of Austin to pay all or part of the capital or administrative costs
38.6 of flood mitigation projects in the city of Austin. Authorized expenses include, but are not
38.7 limited to, acquiring property and paying construction and engineering expenses related
38.8 to the flood mitigation projects.

38.9 Subd. 3. Bonding authority. Pursuant to the approval of the city voters to impose
38.10 the tax authorized in subdivision 1, the city of Austin may issue without an additional
38.11 election general obligation bonds of the city in an amount not to exceed \$14,000,000 to
38.12 finance the costs for the projects specified in subdivision 2. The debt represented by the
38.13 bonds must not be included in computing any debt limitations applicable to the city, and
38.14 the levy of taxes required by Minnesota Statutes, section 475.61, to pay the principal or
38.15 any interest on the bonds must not be subject to any levy limitation.

38.16 Subd. 4. Termination of tax. The tax authorized under subdivision 1 terminates at
38.17 the earlier of:

38.18 (1) 20 years after the date of initial imposition of the tax; or

38.19 (2) when the Austin City Council determines that the amount described in
38.20 subdivision 2 has been received from the tax to finance the capital and administrative costs
38.21 for the projects specified in subdivision 2, and to repay or retire at maturity, the principal,
38.22 interest, and premium due on any bonds issued for the projects under subdivision 3.

38.23 Any funds remaining after completion of the projects specified in subdivision 2, and
38.24 retirement or redemption of the bonds in subdivision 3, may be placed in the general fund
38.25 of the city. The tax imposed under subdivision 1 may expire at an earlier time if the
38.26 city so determines by ordinance.

38.27 **EFFECTIVE DATE.** This section is effective the day after compliance by
38.28 the governing body of the city of Austin with Minnesota Statutes, section 645.021,
38.29 subdivisions 2 and 3.

38.30 Sec. 22. **CITY OF BAXTER; TAXES AUTHORIZED.**

38.31 Subdivision 1. Sales and use tax authorized. Notwithstanding Minnesota Statutes,
38.32 section 477A.016, or any other provision of law, ordinance, or city charter, pursuant to
38.33 the approval of the voters on November 2, 2004, and pursuant to Minnesota Statutes,
38.34 section 297A.99, the city of Baxter may impose by ordinance a sales and use tax of
38.35 one-half of one percent for the purposes specified in subdivision 3. The provisions of

39.1 Minnesota Statutes, section 297A.99, govern the imposition, administration, collection,
39.2 and enforcement of the tax authorized under this subdivision.

39.3 Subd. 2. Excise tax authorized. Notwithstanding Minnesota Statutes, section
39.4 477A.016, or any other contrary provision of law, ordinance, or city charter, the city of
39.5 Baxter may impose by ordinance, for the purposes specified in subdivision 3, an excise tax
39.6 of up to \$20 per motor vehicle, as defined by ordinance, purchased or acquired from any
39.7 person engaged within the city of Baxter in the business of selling motor vehicles at retail.

39.8 Subd. 3. Use of revenues. Revenues received from the taxes authorized by
39.9 subdivisions 1 and 2 must be used to pay the cost of collecting and administering the tax
39.10 and to finance all or part of the costs of constructing an upgraded regional wastewater
39.11 treatment facility to serve the cities of Brainerd and Baxter, building and equipping a
39.12 fire substation, and constructing the Paul Bunyan bridge over Excelsior Road and other
39.13 improvements. Authorized costs include, but are not limited to, acquiring property and
39.14 paying construction and engineering costs related to the projects.

39.15 Subd. 4. Bonds. The city of Baxter, pursuant to the approval of the voters at the
39.16 November 2, 2004, referendum authorizing the imposition of the taxes in this section, may
39.17 issue general obligation bonds of the city, in one or more series, in the aggregate principal
39.18 amount not to exceed \$15,000,000 to finance the projects listed in subdivision 3. The debt
39.19 represented by the bonds is not included in computing any debt limitations applicable to
39.20 the city, and the levy of taxes required by Minnesota Statutes, section 475.61, to pay the
39.21 principal of and interest on the bonds is not subject to any levy limitation or included in
39.22 computing or applying any levy limitation applicable to the city of Baxter.

39.23 Subd. 5. Termination of taxes. The taxes imposed under subdivisions 1 and 2
39.24 expire at the earlier of a date 12 years after the imposition of the tax or when the Baxter
39.25 City Council first determines that the amount of revenues raised from the taxes to pay for
39.26 the projects equals or exceeds \$15,000,000 plus any interest on bonds issued for the
39.27 projects under subdivision 3. Any funds remaining after the expiration of the taxes and
39.28 retirement of the bonds shall be placed in a capital project fund of the city of Baxter. The
39.29 taxes imposed under subdivisions 1 and 2 may expire at an earlier time if the city of
39.30 Baxter so determines by ordinance.

39.31 EFFECTIVE DATE. This section is effective the day after compliance by
39.32 the governing body of the city of Baxter with Minnesota Statutes, section 645.021,
39.33 subdivision 3.

39.34 Sec. 23. CITY OF BRAINERD; TAXES AUTHORIZED.

40.1 Subdivision 1. Sales and use tax authorized. Notwithstanding Minnesota Statutes,
40.2 section 477A.016, or any other provision of law, ordinance, or city charter, contingent
40.3 on the approval of the voters on the November 7, 2006, referendum, and pursuant to
40.4 Minnesota Statutes, section 297A.99, the city of Brainerd may impose by ordinance a sales
40.5 and use tax of one-half of one percent for the purposes specified in subdivision 3. The
40.6 provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration,
40.7 collection, and enforcement of the tax authorized under this section.

40.8 Subd. 2. Excise tax authorized. Notwithstanding Minnesota Statutes, section
40.9 477A.016, or any other provision of law, ordinance, or city charter, the city of Brainerd
40.10 may impose by ordinance, for the purposes specified in subdivision 3, an excise tax of up
40.11 to \$20 per motor vehicle, as defined by ordinance, purchased, or acquired from any person
40.12 engaged within the city of Brainerd in the business of selling motor vehicles at retail.

40.13 Subd. 3. Use of revenues. Revenues received from the taxes authorized by
40.14 subdivisions 1 and 2 must be used to pay the cost of collecting and administering the tax
40.15 and to finance all or part of the costs of constructing an upgraded regional wastewater
40.16 treatment facility to serve the cities of Brainerd and Baxter, water infrastructure
40.17 improvements, and trail development, contingent on approval by Brainerd voters at the
40.18 November 7, 2006, referendum. Authorized costs include, but are not limited to, acquiring
40.19 property and paying construction and engineering costs related to the projects.

40.20 Subd. 4. Bonds. The city of Brainerd, contingent on approval of the voters at the
40.21 November 7, 2006, referendum authorizing the imposition of taxes in this section, may
40.22 issue general obligation bonds of the city, in one or more series, in the aggregate principal
40.23 amount not to exceed \$22,030,000 to finance the projects listed in subdivision 3. The debt
40.24 represented by the bonds is not included in computing any debt limitations applicable to
40.25 Brainerd, and the levy of taxes required by Minnesota Statutes, section 475.61, to pay the
40.26 principal and interest on the bonds is not subject to any levy limitation or included in
40.27 computing any levy limitation applicable to the city of Brainerd.

40.28 Subd. 5. Termination of taxes. The taxes imposed under subdivisions 1 and 2
40.29 expire at the earlier of a date 12 years after the imposition of the tax or when the city
40.30 council first determines that the amount of revenues raised from the taxes to pay for
40.31 projects equals or exceeds \$22,030,000 plus any interest on bonds issued for the projects
40.32 under subdivision 3. Any funds remaining after the expiration of the taxes and retirement
40.33 of the bonds shall be placed in a capital project fund of the city of Brainerd. The taxes
40.34 imposed under subdivision 1 and 2 may expire at an earlier time if the city of Brainerd so
40.35 determines by ordinance.

41.1 **EFFECTIVE DATE.** This section is effective the day after compliance by the
41.2 governing body of the city of Brainerd with Minnesota Statutes, section 645.021,
41.3 subdivision 3.

41.4 **Sec. 24. CITY OF BREEZY POINT; TAXES AUTHORIZED.**

41.5 **Subdivision 1. Sales and use tax authorized.** Notwithstanding Minnesota Statutes,
41.6 section 477A.016, or any other provision of law, ordinance, or city charter, pursuant to
41.7 the approval of the voters at the general election on November 7, 2006, and pursuant to
41.8 Minnesota Statutes, section 297A.99, the city of Breezy Point may impose by ordinance
41.9 a sales and use tax of one-half of one percent for the purposes specified in subdivision
41.10 3. The provisions of Minnesota Statutes, section 297A.99, govern the imposition,
41.11 administration, collection, and enforcement of the tax authorized under this subdivision.

41.12 **Subd. 2. Excise tax authorized.** Notwithstanding Minnesota Statutes, section
41.13 477A.016, or any other contrary provision of law, ordinance, or city charter, the city of
41.14 Breezy Point may impose by ordinance, for the purposes specified in subdivision 3, an
41.15 excise tax of up to \$20 per motor vehicle, as defined by ordinance, purchased or acquired
41.16 from any person engaged within the city of Breezy Point in the business of selling motor
41.17 vehicles at retail.

41.18 **Subd. 3. Use of revenues.** Revenues received from the taxes authorized by
41.19 subdivisions 1 and 2 must be used to pay the cost of collecting and administering the tax
41.20 and to finance sanitary sewer and storm sewer improvements as approved by the voters
41.21 at the referendum authorizing the tax. Authorized costs include, but are not limited to,
41.22 acquiring property and paying construction and engineering costs related to the projects.

41.23 **Subd. 4. Bonds.** The city of Breezy Point, pursuant to the approval of the voters at
41.24 the referendum authorizing the imposition of the taxes in this section, may issue general
41.25 obligation bonds of the city, in one or more series, in the aggregate principal amount not to
41.26 exceed \$11,000,000 to finance the projects listed in subdivision 3. The debt represented
41.27 by the bonds is not included in computing any debt limitations applicable to the city, and
41.28 the levy of taxes required by Minnesota Statutes, section 475.61, to pay the principal of
41.29 and interest on the bonds is not subject to any levy limitation or included in computing or
41.30 applying any levy limitation applicable to the city.

41.31 **Subd. 5. Termination of taxes.** The taxes imposed under subdivisions 1 and 2
41.32 expire 15 years after the imposition of the tax or when the Breezy Point City Council
41.33 first determines that the amount of revenues raised from the taxes to pay for the projects
41.34 equals or exceeds \$11,000,000 plus any interest on bonds issued for the projects under
41.35 subdivision 3, whichever is earlier. Any funds remaining after the expiration of the taxes

42.1 and retirement of the bonds may be placed in the general fund or in a capital project fund
 42.2 of the city of Breezy Point. The taxes imposed under subdivisions 1 and 2 may expire
 42.3 at an earlier time if the city so determines by ordinance.

42.4 **EFFECTIVE DATE.** This section is effective the day after compliance by the
 42.5 governing body of the city of Breezy Point with Minnesota Statutes, section 645.021,
 42.6 subdivision 3.

42.7 Sec. 25. **CITY OF CLOQUET; TAXES AUTHORIZED.**

42.8 Subdivision 1. **Sales and use tax.** Notwithstanding Minnesota Statutes, section
 42.9 477A.016, or any other provision of law, ordinance, or city charter, if approved by the
 42.10 voters pursuant to Minnesota Statutes, section 297A.99, or at a special election held for
 42.11 this purpose, the city of Cloquet may impose by ordinance a sales and use tax of up to
 42.12 one-half of one percent for the purpose specified in subdivision 3. Except as provided in
 42.13 this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition,
 42.14 administration, collection, and enforcement of the tax authorized under this subdivision.

42.15 Subd. 2. **Excise tax authorized.** Notwithstanding Minnesota Statutes, section
 42.16 477A.016, or any other provision of law, ordinance, or city charter, the city of Cloquet
 42.17 may impose by ordinance, for the purposes specified in subdivision 3, an excise tax of up
 42.18 to \$20 per motor vehicle, as defined by ordinance, purchased or acquired from any person
 42.19 engaged within the city in the business of selling motor vehicles at retail.

42.20 Subd. 3. **Use of revenues.** Revenues received from taxes authorized by subdivisions
 42.21 1 and 2 must be used by the city to pay the cost of collecting the taxes and to pay for the
 42.22 following projects:

42.23 (1) construction and completion of park improvement projects, including
 42.24 reconstruction of the Pinehurst Park swimming pool complex, St. Louis River Riverfront
 42.25 improvements, Veteran’s Park construction, and enhancements to the Hilltop Park soccer
 42.26 complex and Braun Park baseball complex; and

42.27 (2) extension of utilities and the construction of all improvements associated with
 42.28 the new Cloquet Industrial Park.

42.29 Authorized expenses include, but are not limited to, acquiring property and paying
 42.30 construction expenses related to these improvements, and paying debt service on bonds or
 42.31 other obligations issued to finance acquisition and construction of these improvements.

42.32 Subd. 4. **Bonding authority.** (a) The city may issue bonds under Minnesota
 42.33 Statutes, chapter 475, to pay capital and administrative expenses for the improvements
 42.34 described in subdivision 3 in an amount that does not exceed \$9,000,000. An election to
 42.35 approve the bonds under Minnesota Statutes, section 475.58, is not required.

43.1 (b) The issuance of bonds under this subdivision is not subject to Minnesota Statutes,
43.2 sections 275.60 and 275.61.

43.3 (c) The debt represented by the bonds is not included in computing any debt
43.4 limitation applicable to the city, and any levy of taxes under Minnesota Statutes, section
43.5 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation.

43.6 Subd. 5. Termination of taxes. The taxes imposed under subdivisions 1 and 2
43.7 expire at the earlier of (1) 18 years, or (2) when the city council determines that sufficient
43.8 funds have been received from the taxes to finance the capital and administrative costs of
43.9 the improvements described in subdivision 3, plus the additional amount needed to pay
43.10 the costs related to issuance of bonds under subdivision 4, including interest on the bonds.
43.11 Any funds remaining after completion of the project and retirement or redemption of the
43.12 bonds may be placed in the general fund of the city. The taxes imposed under subdivisions
3.13 1 and 2 may expire at an earlier time if the city so determines by ordinance.

43.14 EFFECTIVE DATE. This section is effective the day after the governing body of
43.15 the city of Cloquet and its chief clerical officer timely comply with Minnesota Statutes,
43.16 section 645.021, subdivisions 2 and 3.

43.17 **Sec. 26. CITY OF ELY; TAXES AUTHORIZED.**

43.18 Subdivision 1. Sales and use tax. Notwithstanding Minnesota Statutes, section
43.19 477A.016, or any other provision of law, ordinance, or city charter, if approved by the
43.20 voters pursuant to Minnesota Statutes, section 297A.99, the city of Ely may impose by
43.21 ordinance a sales and use tax of up to one percent for the purposes specified in subdivision
43.22 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes,
43.23 section 297A.99, govern the imposition, administration, collection, and enforcement of
43.24 the tax authorized under this subdivision.

43.25 Subd. 2. Use of revenues. The proceeds of the tax imposed under this section
43.26 shall be used for the following:

- 43.27 (1) land acquisition and site development;
43.28 (2) installations of improvements authorized by Minnesota Statutes, chapter 429;
43.29 (3) development or redevelopment activities in the central business district of Ely;
43.30 (4) business park development;
43.31 (5) development of a small business incubator;
43.32 (6) development of a technology center; and
43.33 (7) improvements to the Ely Community Center and City Hall needed to bring them
43.34 into compliance with the Americans with Disabilities Act.

44.1 Subd. 3. **Bonding authority.** The city of Ely may issue bonds in an amount not
44.2 to exceed \$6,000,000 under Minnesota Statutes, chapter 475, to finance the capital
44.3 expenditures and improvements authorized by the referendum under subdivision 4. An
44.4 election to approve the bonds under Minnesota Statutes, section 475.58, is not required.
44.5 The issuance of bonds under this subdivision is not subject to Minnesota Statutes, section
44.6 275.60 or 275.61. The debt represented by the bonds must not be included in computing
44.7 any debt limitations applicable to the city, and the levy of taxes required by Minnesota
44.8 Statutes, section 475.61, to pay the principal or any interest on the bonds and must not
44.9 be subject to any levy limitation.

44.10 Subd. 4. **Termination of tax.** The tax authorized under subdivision 1 terminates at
44.11 the earlier of (1) 20 years after the date of initial imposition of the tax, or (2) when the Ely
44.12 City Council determines that the amount of revenues raised to pay for the projects under
44.13 subdivision 2 shall meet or exceed the sum of \$6,000,000, plus the amount needed to
44.14 finance the capital and administrative costs of the projects specified in subdivision 2, and
44.15 to repay or retire at maturity the principal, interest, and premium due on any bonds issued
44.16 for the projects under subdivision 3. Any funds remaining after completion of the projects
44.17 specified in subdivision 2, and retirement or redemption of the bonds in subdivision 3,
44.18 may be placed in the general fund of the city. The tax imposed under subdivision 1 may
44.19 expire at an earlier time if the city so determines by ordinance.

44.20 **EFFECTIVE DATE.** This section is effective the day after compliance by the
44.21 governing body of the city of Ely with Minnesota Statutes, section 645.021, subdivisions
44.22 2 and 3.

44.23 Sec. 27. **CITY OF LUVERNE; TAXES AUTHORIZED.**

44.24 Subdivision 1. **Sales and use tax authorized.** Notwithstanding Minnesota Statutes,
44.25 section 477A.016, or any other provision of law, ordinance, or city charter, if approved
44.26 by the voters pursuant to Minnesota Statutes, section 297A.99, the city of Luverne may
44.27 impose by ordinance a sales and use tax of one-half of one percent for the purposes
44.28 specified in subdivision 3. The provisions of Minnesota Statutes, section 297A.99, govern
44.29 the imposition, administration, collection, and enforcement of the tax authorized under
44.30 this subdivision.

44.31 Subd. 2. **Excise tax authorized.** Notwithstanding Minnesota Statutes, section
44.32 477A.016, or any other contrary provision of law, ordinance, or city charter, the city of
44.33 Luverne may impose by ordinance, for the purposes specified in subdivision 3, an excise
44.34 tax of up to \$20 per motor vehicle, as defined by ordinance, purchased or acquired from
44.35 any person engaged within the city in the business of selling motor vehicles at retail.

45.1 Subd. 3. Use of revenues. Revenues received from the taxes authorized by
 45.2 subdivisions 1 and 2 must be used to pay the cost of collecting and administering the
 45.3 taxes and to pay all or part of the expenses for capital improvements and renovation of
 45.4 the Historic Palace Theatre in an amount not to exceed \$3,000,000. Authorized expenses
 45.5 include, but are not limited to, acquiring property and paying construction expenses
 45.6 related to the project, and paying debt service on bonds or other obligations issued to
 45.7 finance the acquisition and improvements.

45.8 Subd. 4. Bonds. If the taxes under subdivisions 1 and 2 are approved by voters
 45.9 pursuant to Minnesota Statutes, section 297A.99, the city of Luverne may issue, without
 45.10 an additional election, bonds, in one or more series, in the aggregate principal amount
 45.11 not to exceed \$3,000,000 to pay capital and administrative costs of the projects listed in
 45.12 subdivision 3. The debt represented by the bonds is not included in computing any debt
 45.13 limitations applicable to the city, and the levy of taxes required by Minnesota Statutes,
 45.14 section 475.61, to pay the principal of and interest on the bonds is not subject to any levy
 45.15 limitation or included in computing or applying any levy limitation applicable to the city.

45.16 Subd. 5. Termination of taxes. The taxes imposed under subdivisions 1 and 2
 45.17 expire at the later of 30 years after the imposition of the tax or when the Luverne city
 45.18 council determines that sufficient funds have been received from the taxes to prepay
 45.19 or retire at maturity the principal, interest, and premium due on any bonds issued for
 45.20 the project under subdivision 4. Any funds remaining after expiration of the taxes and
 45.21 retirement of the bonds may be placed in a capital project fund of the city. The taxes
 45.22 imposed under subdivisions 1 and 2 may expire at an earlier time if the city so determines
 45.23 by ordinance.

45.24 EFFECTIVE DATE. This section is effective the day after compliance by the
 45.25 governing body of the city of Luverne with Minnesota Statutes, section 645.021,
 45.26 subdivision 3.

45.27 **Sec. 28. CITY OF MEDFORD; SALES AND USE TAX.**

45.28 Subdivision 1. Sales and use tax authorized. Notwithstanding Minnesota Statutes,
 45.29 section 477A.016, or any other provision of law, ordinance, or city charter, if approved by
 45.30 the voters pursuant to Minnesota Statutes, section 297A.99, at the next general election,
 45.31 the city of Medford may impose by ordinance a sales and use tax of one-half of one
 45.32 percent for the purposes specified in subdivision 2. Except as otherwise provided in this
 45.33 section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition,
 45.34 administration, collection, and enforcement of the tax authorized under this subdivision.

46.1 Subd. 2. Use of revenues. The proceeds of the tax imposed under this section must
46.2 be used by the city of Medford to pay the costs of collecting and administering the tax and
46.3 to pay up to \$5,000,000 in costs to improve the city's wastewater system and wastewater
46.4 treatment plant. Authorized expenses include, but are not limited to, acquiring property
46.5 and paying construction expenses and debt service on bonds or other obligations issued to
46.6 finance acquisition and construction of the improvements.

46.7 Subd. 3. Bonding authority. (a) If the tax authorized under subdivision 1 is
46.8 approved by the voters, the city may issue bonds under Minnesota Statutes, chapter 475,
46.9 to pay the capital and administrative expenses for the improvement projects authorized
46.10 under subdivision 2. The total amount of bonds issued for the projects listed in subdivision
46.11 2 may not exceed \$5,000,000 in aggregate. An election to approve the bonds under
46.12 Minnesota Statutes, section 475.58, is not required.

46.13 (b) The debt represented by the bonds is not included in computing any debt
46.14 limitation applicable to the city of Medford, and the levy of taxes under Minnesota
46.15 Statutes, section 475.61, to pay the principal of and interest on the bonds is not subject to
46.16 any levy limitation.

46.17 Subd. 4. Termination of taxes. The tax imposed under this section expires at the
46.18 earlier of (1) 20 years after the date the taxes are first imposed, or (2) when the Medford
46.19 City Council determines that the amount of revenues received from the tax equals or
46.20 exceeds the sum of \$5,000,000, plus an amount equal to the costs related to the issuance of
46.21 bonds under subdivision 3, including interest on the bonds. Any funds remaining after
46.22 completion of the projects and retirement or redemption of the bonds may be placed in the
46.23 general fund of the city. The tax imposed under subdivision 1 may expire at an earlier
46.24 time if the city so determines by ordinance.

46.25 EFFECTIVE DATE. This section is effective the day after compliance by the
46.26 governing body of the city of Medford with Minnesota Statutes, section 645.021,
46.27 subdivision 3.

46.28 **Sec. 29. CITY OF NORTH MANKATO; TAXES AUTHORIZED.**

46.29 Subdivision 1. Sales and use tax authorized. Notwithstanding Minnesota Statutes,
46.30 section 477A.016, or any other provision of law, ordinance, or city charter, if approved by
46.31 the voters pursuant to Minnesota Statutes, section 297A.99, the city of North Mankato
46.32 may impose by ordinance a sales and use tax of one-half of one percent for the purposes
46.33 specified in subdivision 3. The provisions of Minnesota Statutes, section 297A.99, govern
46.34 the imposition, administration, collection, and enforcement of the taxes authorized under
46.35 this subdivision.

47.1 Subd. 2. Use of revenues. Revenues received from the tax authorized by
47.2 subdivision 1 must be used to pay all or part of the capital costs of the following projects:

47.3 (1) the local share of the marked Trunk Highway 14/County State-Aid Highway
47.4 41 interchange project, including a connection to the North Port Industrial Park and trail
47.5 connections to the scenic byway along the Minnesota River, the Nicollet County Park,
47.6 existing trails in the cities of North Mankato, and Mankato and the Sakatah State Trail;

47.7 (2) development of regional parks and hiking and biking trails in Caswell Park,
47.8 Benson Park, and Spring Lake Park;

47.9 (3) riverfront redevelopment projects; and

47.10 (4) lake improvement projects.

47.11 The total amount of revenues from the tax in subdivision 1 that may be used to fund
47.12 these projects is \$5,250,000 plus any associated bond costs.

47.13 Subd. 3. Bonds. (a) The city of North Mankato, if approved by voters pursuant to
47.14 Minnesota Statutes, section 297A.99, may issue bonds under Minnesota Statutes, chapter
47.15 475, to pay capital and administrative expenses for the projects described in subdivision 2,
47.16 in an amount that does not exceed \$5,250,000. A separate election to approve the bonds
47.17 under Minnesota Statutes, section 475.58, is not required.

47.18 (b) The debt represented by the bonds is not included in computing any debt
47.19 limitation applicable to the city, and any levy of taxes under Minnesota Statutes, section
47.20 475.61, to pay principal and interest on the bonds is not subject to any levy limitation.

47.21 Subd. 4. Termination of taxes. The tax imposed under subdivision 1 expires at the
47.22 later of (1) 15 years, or (2) when the city council determines that the amount of revenues
47.23 received from the taxes to pay for the projects under subdivision 2 first equals or exceeds
47.24 the amount authorized to be spent for each project plus the additional amount needed to
47.25 pay the costs related to issuance of the bonds under subdivision 3, including interest
47.26 on the bonds. Any funds remaining after completion of the projects and retirement or
47.27 redemption of the bonds shall be placed in a capital facilities and equipment replacement
47.28 fund of the city. The tax imposed under section 1 may expire at an earlier time if the
47.29 city so determines by ordinance.

47.30 EFFECTIVE DATE. This section is effective the day after compliance by the
47.31 governing body of the city of North Mankato with Minnesota Statutes, section 645.021,
47.32 subdivision 3.

47.33 Sec. 30. CITY OF OWATONNA; TAXES AUTHORIZED.

47.34 Subdivision 1. Sales and use tax authorized. Notwithstanding Minnesota Statutes,
47.35 section 477A.016, or any other provision of law, ordinance, or city charter, if approved

48.1 by the voters pursuant to Minnesota Statutes, section 297A.99, the city of Owatonna
48.2 may impose by ordinance a sales and use tax of one-half of one percent for the purposes
48.3 specified in subdivision 3. The provisions of Minnesota Statutes, section 297A.99, govern
48.4 the imposition, administration, collection, and enforcement of the taxes authorized under
48.5 this subdivision.

48.6 Subd. 2. **Excise tax authorized.** Notwithstanding Minnesota Statutes, section
48.7 477A.016, or any other provision of law, ordinance, or city charter, the city of Owatonna
48.8 may impose by ordinance, for the purposes specified in subdivision 3, an excise tax of
48.9 \$20 per motor vehicle, as defined by ordinance, purchased or acquired from any person
48.10 engaged within the city in the business of selling motor vehicles at retail.

48.11 Subd. 3. **Use of revenues.** Revenues received from the taxes authorized by
48.12 subdivisions 1 and 2 must be used to pay all or part of the capital costs of transportation
48.13 projects included in the 2004 U.S. Highway 14-Owatonna Beltline Study by the Minnesota
48.14 Department of Transportation, Steele County, and the city of Owatonna; regional parks
48.15 and trail developments, West Hills complex, firehall, and library improvement projects;
48.16 and a public safety radio system; as described in the city resolution No. 4-06, Exhibit
48.17 A, as adopted by the city on January 17, 2006. The amount paid from these revenues
48.18 for transportation projects may not exceed \$4,450,000 plus associated bond costs. The
48.19 amount paid from these revenues for park and trail projects may not exceed \$5,400,000
48.20 plus associated bond costs. The amount paid from these revenues for West Hills complex,
48.21 fire hall, and library improvement projects may not exceed \$2,823,000 plus associated
48.22 bond costs. The amount paid from these revenues for a public safety radio system may not
48.23 exceed \$500,000 plus associated bond costs.

48.24 Subd. 4. **Bonds.** (a) The city of Owatonna, if approved by voters pursuant to
48.25 Minnesota Statutes, section 297A.99, may issue bonds under Minnesota Statutes, chapter
48.26 475, to pay capital and administrative expenses for the projects described in subdivision 3,
48.27 in an amount that does not exceed \$13,200,000. A separate election to approve the bonds
48.28 under Minnesota Statutes, section 475.58, is not required.

48.29 (b) The debt represented by the bonds is not included in computing any debt
48.30 limitation applicable to the city, and any levy of taxes under Minnesota Statutes, section
48.31 475.61, to pay principal and interest on the bonds, is not subject to any levy limitation.

48.32 Subd. 5. **Termination of taxes.** The taxes imposed under subdivisions 1 and 2
48.33 expire at the earlier of (1) ten years, or (2) when the city council determines that the
48.34 amount of revenues received from the taxes to pay for the projects under subdivision 3 first
48.35 equals or exceeds the amount authorized to be spent for each project plus the additional

49.1 amount needed to pay the costs related to issuance of the bonds under subdivision 4,
 49.2 including interest on the bonds. Any funds remaining after completion of the projects
 49.3 and retirement or redemption of the bonds shall be placed in a capital project fund of
 49.4 the city. The taxes imposed under sections 1 and 2 may expire at an earlier time if the
 49.5 city so determines by ordinance.

49.6 **EFFECTIVE DATE.** This section is effective the day after compliance by the
 49.7 governing body of the city of Owatonna with Minnesota Statutes, section 645.021,
 49.8 subdivision 3.

49.9 **Sec. 31. CITY OF PARK RAPIDS.**

49.10 Subdivision 1. Sales and use tax authorized. Notwithstanding Minnesota Statutes,
 49.11 section 477A.016, or any other provision of law, ordinance, or city charter, pursuant to
 49.12 the approval of the city voters at the next general election or at a special election held for
 49.13 this purpose, the city of Park Rapids may impose by ordinance a sales and use tax of one
 49.14 percent for the purposes specified in subdivision 2. The provisions of Minnesota Statutes,
 49.15 section 297A.99, govern the imposition, administration, collection, and enforcement of
 49.16 the tax authorized under this subdivision.

49.17 Subd. 2. Use of revenues. Revenues received from the tax authorized by
 49.18 subdivision 1 must be used for the cost of collecting and administering the tax and to
 49.19 pay all or part of the capital or administrative costs of the development, acquisition,
 49.20 construction, and improvement of the following projects:

49.21 (1) two-thirds of the cost of construction and operation of a community center that
 49.22 may include a senior citizen center, fitness center, swimming pool, meeting rooms, indoor
 49.23 track, and racquetball, basketball, and tennis courts, provided that an amount equal to
 49.24 one-third of the cost of construction is received from private sources;

49.25 (2) capital improvement projects including, but not limited to, installation of water,
 49.26 sewer, storm sewer, street improvements, new city water tower and well, costs related to
 49.27 improvements to marked trunk highway 34; and

49.28 (3) park improvements.

49.29 Authorized expenses include, but are not limited to, acquiring property, paying
 49.30 construction expenses related to the development of these facilities and improvements,
 49.31 and securing and paying debt service on bonds or other obligations issued to finance
 49.32 acquisition, construction, improvement, or development.

49.33 Subd. 3. Bonds. Pursuant to the approval of the city voters to impose the tax
 49.34 authorized in subdivision 1, the city of Park Rapids may issue without an additional
 49.35 election general obligation bonds of the city to pay capital and administrative expenses

50.1 for the acquisition, construction, improvement, and development of the projects specified
 50.2 in subdivision 2. The debt represented by the bonds must not be included in computing
 50.3 any debt limitations applicable to the city, and the levy of taxes required by Minnesota
 50.4 Statutes, section 475.61, to pay the principal or any interest on the bonds must not be
 50.5 subject to any levy limitations or be included in computing or applying any levy limitation
 50.6 applicable to the city.

50.7 Subd. 4. **Termination of tax.** The tax imposed under subdivision 1 expires July
 50.8 1, 2025. Any funds remaining after completion of the projects specified in subdivision
 50.9 2 and retirement or redemption of the bonds may be placed in the general fund of the
 50.10 city. The tax imposed under subdivision 1 may expire at an earlier time if the city so
 50.11 determines by ordinance.

50.12 **EFFECTIVE DATE.** This section is effective the day after compliance by the
 50.13 governing body of the city of Park Rapids with Minnesota Statutes, section 645.021,
 50.14 subdivision 3.

50.15 Sec. 32. **THIEF RIVER FALLS COMMUNITY CENTER.**

50.16 The city of Thief River Falls may incorporate or authorize the incorporation of a
 50.17 nonprofit corporation to operate a community or regional center in the city. A nonprofit
 50.18 corporation incorporated under this section is exempt from payment of sales and use tax
 50.19 on materials, equipment, and supplies consumed or incorporated into the construction of
 50.20 the community or regional center. The exemption under this section applies to purchases
 50.21 by the nonprofit corporation, a contractor, subcontractor, or builder. A contractor,
 50.22 subcontractor, or builder that does not pay sales tax on purchases for construction of the
 50.23 community or regional center shall not charge sales or use tax to the nonprofit corporation.
 50.24 The nonprofit corporation may file a claim for refund for any sales taxes paid on the
 50.25 construction costs of the community or regional center, and the commissioner of revenue
 50.26 shall pay the refunded amount directly to the nonprofit corporation.

50.27 **EFFECTIVE DATE.** This section is effective retroactively for purchases made
 50.28 on and after July 1, 2002.

50.29 **ARTICLE 4**
 50.30 **FOREIGN OPERATING CORPORATIONS**

50.31 **Section 1. Minnesota Statutes 2005 Supplement, section 290.01, subdivision 6b,**
 50.32 **is amended to read:**

50.33 **Subd. 6b. Foreign operating corporation.** The term "foreign operating
 50.34 corporation," when applied to a corporation, means a domestic corporation with the
 50.35 following characteristics:

- 51.1 (1) it is part of a unitary business at least one member of which is taxable in this state;
- 51.2 (2) it is not a foreign sales corporation under section 922 of the Internal Revenue
- 51.3 Code, as amended through December 31, 1999, for the taxable year;
- 51.4 (3) ~~either (i) the average of the percentages of its property and payrolls, including~~
- 51.5 ~~the pro rata share of its unitary partnerships' property and payrolls, assigned to locations~~
- 51.6 ~~outside the United States, where the United States includes the District of Columbia and~~
- 51.7 ~~excludes the commonwealth of Puerto Rico and possessions of the United States, as~~
- 51.8 ~~determined under section 290.191 or 290.20, is 80 percent or more; or (ii) it has in effect a~~
- 51.9 ~~valid election under section 936 of the Internal Revenue Code; or (ii) at least 80 percent~~
- 51.10 ~~of the gross income from all sources of the corporation in the tax year is active foreign~~
- 51.11 ~~business income; and~~
- 51.12 (4) ~~it has \$1,000,000 of payroll and \$2,000,000 of property, as determined under~~
- 51.13 ~~section 290.191 or 290.20, that are located outside the United States. If the domestic~~
- 51.14 ~~corporation does not have payroll as determined under section 290.191 or 290.20, but it~~
- 51.15 ~~or its partnerships have paid \$1,000,000 for work, performed directly for the domestic~~
- 51.16 ~~corporation or the partnerships, outside the United States, then paragraph (3)(i) shall not~~
- 51.17 ~~require payrolls to be included in the average calculation for purposes of this subdivision,~~
- 51.18 ~~active foreign business income means gross income that is (i) derived from sources~~
- 51.19 ~~without the United States, as defined in subtitle A, chapter 1, subchapter N, part 1, of the~~
- 51.20 ~~Internal Revenue Code; and (ii) attributable to the active conduct of a trade or business in~~
- 51.21 ~~a foreign country.~~

51.22 **EFFECTIVE DATE.** This section is effective for taxable years beginning after

51.23 December 31, 2005.

51.24 Sec. 2. Minnesota Statutes 2005 Supplement, section 290.01, subdivision 19c, is

51.25 amended to read:

51.26 **Subd. 19c. Corporations; additions to federal taxable income.** For corporations,

51.27 there shall be added to federal taxable income:

51.28 (1) the amount of any deduction taken for federal income tax purposes for income,

51.29 excise, or franchise taxes based on net income or related minimum taxes, including but not

51.30 limited to the tax imposed under section 290.0922, paid by the corporation to Minnesota,

51.31 another state, a political subdivision of another state, the District of Columbia, or any

51.32 foreign country or possession of the United States;

51.33 (2) interest not subject to federal tax upon obligations of: the United States, its

51.34 possessions, its agencies, or its instrumentalities; the state of Minnesota or any other

51.35 state, any of its political or governmental subdivisions, any of its municipalities, or any

52.1 of its governmental agencies or instrumentalities; the District of Columbia; or Indian
52.2 tribal governments;

52.3 (3) exempt-interest dividends received as defined in section 852(b)(5) of the Internal
52.4 Revenue Code;

52.5 (4) the amount of any net operating loss deduction taken for federal income tax
52.6 purposes under section 172 or 832(c)(10) of the Internal Revenue Code or operations loss
52.7 deduction under section 810 of the Internal Revenue Code;

52.8 (5) the amount of any special deductions taken for federal income tax purposes
52.9 under sections 241 to 247 of the Internal Revenue Code;

52.10 (6) losses from the business of mining, as defined in section 290.05, subdivision 1,
52.11 clause (a), that are not subject to Minnesota income tax;

52.12 (7) the amount of any capital losses deducted for federal income tax purposes under
52.13 sections 1211 and 1212 of the Internal Revenue Code;

52.14 (8) the exempt foreign trade income of a foreign sales corporation under sections
52.15 921(a) and 291 of the Internal Revenue Code;

52.16 (9) the amount of percentage depletion deducted under sections 611 through 614 and
52.17 291 of the Internal Revenue Code;

52.18 (10) for certified pollution control facilities placed in service in a taxable year
52.19 beginning before December 31, 1986, and for which amortization deductions were elected
52.20 under section 169 of the Internal Revenue Code of 1954, as amended through December
52.21 31, 1985, the amount of the amortization deduction allowed in computing federal taxable
52.22 income for those facilities;

52.23 (11) the amount of any deemed dividend from a foreign operating corporation
52.24 determined pursuant to section 290.17, subdivision 4, paragraph (g). The deemed dividend
52.25 shall be reduced by the amount of the addition to income required by clauses (19), (20),
52.26 (21), and (22);

52.27 (12) the amount of a partner's pro rata share of net income which does not flow
52.28 through to the partner because the partnership elected to pay the tax on the income under
52.29 section 6242(a)(2) of the Internal Revenue Code;

52.30 (13) the amount of net income excluded under section 114 of the Internal Revenue
52.31 Code;

52.32 (14) any increase in subpart F income, as defined in section 952(a) of the Internal
52.33 Revenue Code, for the taxable year when subpart F income is calculated without regard
52.34 to the provisions of section 614 of Public Law 107-147;

52.35 (15) 80 percent of the depreciation deduction allowed under section 168(k)(1)(A)
52.36 and (k)(4)(A) of the Internal Revenue Code. For purposes of this clause, if the taxpayer

53.1 has an activity that in the taxable year generates a deduction for depreciation under
53.2 section 168(k)(1)(A) and (k)(4)(A) and the activity generates a loss for the taxable year
53.3 that the taxpayer is not allowed to claim for the taxable year, "the depreciation allowed
53.4 under section 168(k)(1)(A) and (k)(4)(A)" for the taxable year is limited to excess of the
53.5 depreciation claimed by the activity under section 168(k)(1)(A) and (k)(4)(A) over the
53.6 amount of the loss from the activity that is not allowed in the taxable year. In succeeding
53.7 taxable years when the losses not allowed in the taxable year are allowed, the depreciation
53.8 under section 168(k)(1)(A) and (k)(4)(A) is allowed;

53.9 (16) 80 percent of the amount by which the deduction allowed by section 179 of the
53.10 Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal
53.11 Revenue Code of 1986, as amended through December 31, 2003;

53.12 (17) to the extent deducted in computing federal taxable income, the amount of the
53.13 deduction allowable under section 199 of the Internal Revenue Code; and

53.14 (18) the exclusion allowed under section 139A of the Internal Revenue Code for
53.15 federal subsidies for prescription drug plans;

53.16 (19) an amount equal to the interest and intangible expenses, losses, and costs paid,
53.17 accrued, or incurred by any member of the taxpayer's unitary group to or for the benefit
53.18 of a corporation that is a member of the taxpayer's unitary business group that qualifies
53.19 as a foreign operating corporation. For purposes of this clause, intangible expenses and
53.20 costs include:

53.21 (i) expenses, losses, and costs for, or related to, the direct or indirect acquisition,
53.22 use, maintenance or management, ownership, sale, exchange, or any other disposition of
53.23 intangible property;

53.24 (ii) losses incurred, directly or indirectly, from factoring transactions or discounting
53.25 transactions;

53.26 (iii) royalty, patent, technical, and copyright fees;

53.27 (iv) licensing fees; and

53.28 (v) other similar expenses and costs.

53.29 For purposes of this clause, "intangible property" includes stocks, bonds, patents, patent
53.30 applications, trade names, trademarks, service marks, copyrights, mask works, trade
53.31 secrets, and similar types of intangible assets.

53.32 This clause does not apply to any item of interest or intangible expenses or costs paid,
53.33 accrued, or incurred, directly or indirectly, to a foreign operating corporation with respect
53.34 to such item of income to the extent that the income to the foreign operating corporation
53.35 is income from sources without the United States as defined in subtitle A, chapter 1,
53.36 subchapter N, part 1, of the Internal Revenue Code;

54.1 (20) except as already included in the taxpayer's taxable income pursuant to clause
54.2 (19), any interest income and income generated from intangible property received or
54.3 accrued by a foreign operating corporation that is a member of the taxpayer's unitary
54.4 group. For purposes of this clause, income generated from intangible property includes:

54.5 (i) income related to the direct or indirect acquisition, use, maintenance or
54.6 management, ownership, sale, exchange, or any other disposition of intangible property;

54.7 (ii) income from factoring transactions or discounting transactions;

54.8 (iii) royalty, patent, technical, and copyright fees;

54.9 (iv) licensing fees; and

54.10 (v) other similar income.

54.11 For purposes of this clause, "intangible property" includes stocks, bonds, patents, patent
54.12 applications, trade names, trademarks, service marks, copyrights, mask works, trade
54.13 secrets, and similar types of intangible assets.

54.14 This clause does not apply to any item of interest or intangible income received or accrued
54.15 by a foreign operating corporation with respect to such item of income to the extent that
54.16 the income is income from sources without the United States as defined in subtitle A,
54.17 chapter 1, subchapter N, part 1, of the Internal Revenue Code;

54.18 (21) the dividends attributable to the income of a foreign operating corporation that
54.19 is a member of the taxpayer's unitary group in an amount that is equal to the dividends
54.20 paid deduction of a real estate investment trust under section 561(a) of the Internal
54.21 Revenue Code for amounts paid or accrued by the real estate investment trust to the
54.22 foreign operating corporation; and

54.23 (22) the income of a foreign operating corporation that is a member of the taxpayer's
54.24 unitary group in an amount that is equal to gains derived from the sale of real or personal
54.25 property located in the United States.

54.26 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
54.27 December 31, 2005.

54.28 **Sec. 3. Minnesota Statutes 2005 Supplement, section 290.01, subdivision 19d, is**
54.29 **amended to read:**

54.30 **Subd. 19d. Corporations; modifications decreasing federal taxable income.** For
54.31 **corporations, there shall be subtracted from federal taxable income after the increases**
54.32 **provided in subdivision 19c:**

54.33 **(1) the amount of foreign dividend gross-up added to gross income for federal**
54.34 **income tax purposes under section 78 of the Internal Revenue Code;**

55.1 (2) the amount of salary expense not allowed for federal income tax purposes due to
55.2 claiming the federal jobs credit under section 51 of the Internal Revenue Code;

55.3 (3) any dividend (not including any distribution in liquidation) paid within the
55.4 taxable year by a national or state bank to the United States, or to any instrumentality of
55.5 the United States exempt from federal income taxes, on the preferred stock of the bank
55.6 owned by the United States or the instrumentality;

55.7 (4) amounts disallowed for intangible drilling costs due to differences between
55.8 this chapter and the Internal Revenue Code in taxable years beginning before January
55.9 1, 1987, as follows:

55.10 (i) to the extent the disallowed costs are represented by physical property, an amount
55.11 equal to the allowance for depreciation under Minnesota Statutes 1986, section 290.09,
55.12 subdivision 7, subject to the modifications contained in subdivision 19e; and

55.13 (ii) to the extent the disallowed costs are not represented by physical property, an
55.14 amount equal to the allowance for cost depletion under Minnesota Statutes 1986, section
55.15 290.09, subdivision 8;

55.16 (5) the deduction for capital losses pursuant to sections 1211 and 1212 of the
55.17 Internal Revenue Code, except that:

55.18 (i) for capital losses incurred in taxable years beginning after December 31, 1986,
55.19 capital loss carrybacks shall not be allowed;

55.20 (ii) for capital losses incurred in taxable years beginning after December 31, 1986,
55.21 a capital loss carryover to each of the 15 taxable years succeeding the loss year shall be
55.22 allowed;

55.23 (iii) for capital losses incurred in taxable years beginning before January 1, 1987, a
55.24 capital loss carryback to each of the three taxable years preceding the loss year, subject to
55.25 the provisions of Minnesota Statutes 1986, section 290.16, shall be allowed; and

55.26 (iv) for capital losses incurred in taxable years beginning before January 1, 1987,
55.27 a capital loss carryover to each of the five taxable years succeeding the loss year to the
55.28 extent such loss was not used in a prior taxable year and subject to the provisions of
55.29 Minnesota Statutes 1986, section 290.16, shall be allowed;

55.30 (6) an amount for interest and expenses relating to income not taxable for federal
55.31 income tax purposes, if (i) the income is taxable under this chapter and (ii) the interest and
55.32 expenses were disallowed as deductions under the provisions of section 171(a)(2), 265 or
55.33 291 of the Internal Revenue Code in computing federal taxable income;

55.34 (7) in the case of mines, oil and gas wells, other natural deposits, and timber for
55.35 which percentage depletion was disallowed pursuant to subdivision 19c, clause (11), a
55.36 reasonable allowance for depletion based on actual cost. In the case of leases the deduction

56.1 must be apportioned between the lessor and lessee in accordance with rules prescribed
56.2 by the commissioner. In the case of property held in trust, the allowable deduction must
56.3 be apportioned between the income beneficiaries and the trustee in accordance with the
56.4 pertinent provisions of the trust, or if there is no provision in the instrument, on the basis
56.5 of the trust's income allocable to each;

56.6 (8) for certified pollution control facilities placed in service in a taxable year
56.7 beginning before December 31, 1986, and for which amortization deductions were elected
56.8 under section 169 of the Internal Revenue Code of 1954, as amended through December
56.9 31, 1985, an amount equal to the allowance for depreciation under Minnesota Statutes
56.10 1986, section 290.09, subdivision 7;

56.11 (9) amounts included in federal taxable income that are due to refunds of income,
56.12 excise, or franchise taxes based on net income or related minimum taxes paid by the
56.13 corporation to Minnesota, another state, a political subdivision of another state, the
56.14 District of Columbia, or a foreign country or possession of the United States to the extent
56.15 that the taxes were added to federal taxable income under section 290.01, subdivision 19c,
56.16 clause (1), in a prior taxable year;

56.17 (10) 80 percent of royalties, fees, or other like income accrued or received from a
56.18 foreign operating corporation or a foreign corporation which is part of the same unitary
56.19 business as the receiving corporation, unless the income resulting from such payments or
56.20 accruals is income from sources within the United States as defined in subtitle A, chapter
56.21 1, subchapter N, part 1, of the Internal Revenue Code;

56.22 (11) income or gains from the business of mining as defined in section 290.05,
56.23 subdivision 1, clause (a), that are not subject to Minnesota franchise tax;

56.24 (12) the amount of handicap access expenditures in the taxable year which are not
56.25 allowed to be deducted or capitalized under section 44(d)(7) of the Internal Revenue Code;

56.26 (13) the amount of qualified research expenses not allowed for federal income tax
56.27 purposes under section 280C(c) of the Internal Revenue Code, but only to the extent that
56.28 the amount exceeds the amount of the credit allowed under section 290.068;

56.29 (14) the amount of salary expenses not allowed for federal income tax purposes due
56.30 to claiming the Indian employment credit under section 45A(a) of the Internal Revenue
56.31 Code;

56.32 (15) the amount of any refund of environmental taxes paid under section 59A of the
56.33 Internal Revenue Code;

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

57.1 (17) for a corporation whose foreign sales corporation, as defined in section 922
57.2 of the Internal Revenue Code, constituted a foreign operating corporation during any
57.3 taxable year ending before January 1, 1995, and a return was filed by August 15, 1996,
57.4 claiming the deduction under section 290.21, subdivision 4, for income received from
57.5 the foreign operating corporation, an amount equal to 1.23 multiplied by the amount of
57.6 income excluded under section 114 of the Internal Revenue Code, provided the income is
57.7 not income of a foreign operating company;

57.8 (18) any decrease in subpart F income, as defined in section 952(a) of the Internal
57.9 Revenue Code, for the taxable year when subpart F income is calculated without regard
57.10 to the provisions of section 614 of Public Law 107-147;

57.11 (19) in each of the five tax years immediately following the tax year in which an
57.12 addition is required under subdivision 19c, clause (15), an amount equal to one-fifth of
57.13 the delayed depreciation. For purposes of this clause, "delayed depreciation" means the
57.14 amount of the addition made by the taxpayer under subdivision 19c, clause (15). The
57.15 resulting delayed depreciation cannot be less than zero; and

57.16 (20) in each of the five tax years immediately following the tax year in which an
57.17 addition is required under subdivision 19c, clause (16), an amount equal to one-fifth of the
57.18 amount of the addition.

57.19 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
57.20 December 31, 2005.

57.21 Sec. 4. Minnesota Statutes 2004, section 290.34, subdivision 1, is amended to read:

57.22 Subdivision 1. **Business conducted in such a way as to create losses or improper**
57.23 **taxable net income.** (a) When any corporation liable to taxation under this chapter
57.24 conducts its business in such a manner as, directly or indirectly, to benefit its members
57.25 or stockholders or any person or corporation interested in such business or to reduce the
57.26 income attributable to this state by selling the commodities or services in which it deals
57.27 at less than the fair price which might be obtained therefor, or buying such commodities
57.28 or services at more than the fair price for which they might have been obtained, or when
57.29 any corporation, a substantial portion of whose shares is owned directly or indirectly by
57.30 another corporation, deals in the commodities or services of the latter corporation in such
57.31 a manner as to create a loss or improper net income or to reduce the taxable net income
57.32 attributable to this state, the commissioner of revenue may determine the amount of its
57.33 income so as to reflect what would have been its reasonable taxable net income but for the
57.34 arrangements causing the understatement of its taxable net income or the overstatement of

58.1 its losses, having regard to the fair profits which, but for any agreement, arrangement, or
58.2 understanding, might have been or could have been obtained from such business.

58.3 (b) When any corporation engages in a transaction or series of transactions whose
58.4 primary business purpose is the avoidance of tax, or engages in a transaction or series of
58.5 transactions without economic substance, that transaction or series of transactions shall be
58.6 disregarded and the commissioner shall determine taxable net income without regard for
58.7 any such transaction or series of transactions.

58.8 **Sec. 5. INTENT OF LEGISLATURE.**

58.9 Section 4 does not change Minnesota law, but merely clarifies the legislature's
58.10 intention with respect to transactions without economic substance or business purpose.

58.11 **ARTICLE 5**
58.12 **PROPERTY TAXES**

58.13 Section 1. Minnesota Statutes 2004, section 116J.993, subdivision 3, is amended to
58.14 read:

58.15 Subd. 3. **Business subsidy.** "Business subsidy" or "subsidy" means a state or local
58.16 government agency grant, contribution of personal property, real property, infrastructure,
58.17 the principal amount of a loan at rates below those commercially available to the recipient,
58.18 any reduction or deferral of any tax or any fee, any guarantee of any payment under any
58.19 loan, lease, or other obligation, or any preferential use of government facilities given
58.20 to a business.

58.21 The following forms of financial assistance are not a business subsidy:

58.22 (1) a business subsidy of less than \$25,000;

58.23 (2) assistance that is generally available to all businesses or to a general class of
58.24 similar businesses, such as a line of business, size, location, or similar general criteria;

58.25 (3) public improvements to buildings or lands owned by the state or local
58.26 government that serve a public purpose and do not principally benefit a single business or
58.27 defined group of businesses at the time the improvements are made;

58.28 (4) redevelopment property polluted by contaminants as defined in section 116J.552,
58.29 subdivision 3;

58.30 (5) assistance provided for the sole purpose of renovating old or decaying building
58.31 stock or bringing it up to code and assistance provided for designated historic preservation
58.32 districts, provided that the assistance is equal to or less than 50 percent of the total cost;

58.33 (6) assistance to provide job readiness and training services if the sole purpose of
58.34 the assistance is to provide those services;

58.35 (7) assistance for housing;

- 59.1 (8) assistance for pollution control or abatement, including assistance for a tax
 59.2 increment financing hazardous substance subdistrict as defined under section 469.174,
 59.3 subdivision 23;
- 59.4 (9) assistance for energy conservation;
- 59.5 (10) tax reductions resulting from conformity with federal tax law;
- 59.6 (11) workers' compensation and unemployment insurance;
- 59.7 (12) benefits derived from regulation;
- 59.8 (13) indirect benefits derived from assistance to educational institutions;
- 59.9 (14) funds from bonds allocated under chapter 474A, bonds issued to refund
 59.10 outstanding bonds, and bonds issued for the benefit of an organization described in section
 59.11 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1999;
- 59.12 (15) assistance for a collaboration between a Minnesota higher education institution
 9.13 and a business;
- 59.14 (16) assistance for a tax increment financing soils condition district as defined under
 59.15 section 469.174, subdivision 19;
- 59.16 (17) redevelopment when the recipient's investment in the purchase of the site
 59.17 and in site preparation is 70 percent or more of the assessor's current year's estimated
 59.18 market value;
- 59.19 (18) general changes in tax increment financing law and other general tax law
 59.20 changes of a principally technical nature;
- 59.21 (19) federal assistance until the assistance has been repaid to, and reinvested by, the
 59.22 state or local government agency;
- 59.23 (20) funds from dock and wharf bonds issued by a seaway port authority;
- 59.24 (21) business loans and loan guarantees of \$75,000 or less; ~~and~~
- 59.25 (22) federal loan funds provided through the United States Department of
 59.26 Commerce, Economic Development Administration; and
- 59.27 (23) property tax abatements granted under section 469.1813 to property that is
 59.28 subject to valuation under Minnesota Rules, chapter 8100.

59.29 Sec. 2. Minnesota Statutes 2004, section 123B.53, subdivision 5, is amended to read:

59.30 Subd. 5. **Equalized debt service levy.** (a) The equalized debt service levy of a
 59.31 district equals the sum of the first tier equalized debt service levy and the second tier
 59.32 equalized debt service levy.

59.33 (b) A district's first tier equalized debt service levy equals the district's first tier debt
 9.34 service equalization revenue times the lesser of one or the ratio of:

60.1 (1) the quotient derived by dividing the adjusted net tax capacity of the district for
 60.2 the year before the year the levy is certified by the adjusted pupil units in the district for
 60.3 the school year ending in the year prior to the year the levy is certified; to

60.4 (2) ~~\$3,200~~ \$5,000.

60.5 (c) A district's second tier equalized debt service levy equals the district's second
 60.6 tier debt service equalization revenue times the lesser of one or the ratio of:

60.7 (1) the quotient derived by dividing the adjusted net tax capacity of the district for
 60.8 the year before the year the levy is certified by the adjusted pupil units in the district for
 60.9 the school year ending in the year prior to the year the levy is certified; to

60.10 (2) \$8,000.

60.11 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2008
 60.12 and later.

60.13 Sec. 3. Minnesota Statutes 2005 Supplement, section 123B.54, is amended to read:

60.14 **123B.54 DEBT SERVICE APPROPRIATION.**

60.15 (a) ~~\$21,624,000~~ \$22,701,000 in fiscal year 2008 and ~~\$20,403,000~~ \$22,269,000 in
 60.16 fiscal year 2009 and later are appropriated from the general fund to the commissioner of
 60.17 education for payment of debt service equalization aid under section 123B.53.

60.18 (b) The appropriations in paragraph (a) must be reduced by the amount of any
 60.19 money specifically appropriated for the same purpose in any year from any state fund.

60.20 Sec. 4. Minnesota Statutes 2005 Supplement, section 126C.10, subdivision 13a,
 60.21 is amended to read:

60.22 Subd. 13a. **Operating capital levy.** To obtain operating capital revenue for fiscal
 60.23 year 2007 and later, a district may levy an amount not more than the product of its
 60.24 operating capital revenue for the fiscal year times the lesser of one or the ratio of its
 60.25 adjusted net tax capacity per adjusted marginal cost pupil unit to the operating capital
 60.26 equalizing factor. The operating capital equalizing factor equals \$22,222 for fiscal year
 60.27 2006, ~~and~~ \$10,700 for fiscal year 2007, and \$22,222 for fiscal year 2008 and later.

60.28 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2008
 60.29 and later.

60.30 Sec. 5. Minnesota Statutes 2004, section 144F.01, subdivision 4, is amended to read:

60.31 Subd. 4. **Property tax levy authority.** The district's board may levy a tax on
 60.32 the taxable real and personal property in the district. The ad valorem tax levy may not
 60.33 exceed 0.048 percent of the taxable market value of the district or ~~\$250,000~~ \$400,000,
 60.34 whichever is less. The proceeds of the levy must be used as provided in subdivision 5.

61.1 The board shall certify the levy at the times as provided under section 275.07. The board
61.2 shall provide the county with whatever information is necessary to identify the property
61.3 that is located within the district. If the boundaries include a part of a parcel, the entire
61.4 parcel shall be included in the district. The county auditors must spread, collect, and
61.5 distribute the proceeds of the tax at the same time and in the same manner as provided by
61.6 law for all other property taxes.

61.7 Sec. 6. Minnesota Statutes 2004, section 216B.2424, subdivision 5, is amended to read:

61.8 Subd. 5. **Mandate.** (a) A public utility, as defined in section 216B.02, subdivision 4,
61.9 that operates a nuclear-powered electric generating plant within this state must construct
61.10 and operate, purchase, or contract to construct and operate (1) by December 31, 1998,
61.11 50 megawatts of electric energy installed capacity generated by farm-grown closed-loop
61.12 biomass scheduled to be operational by December 31, 2001; and (2) by December 31,
61.13 1998, an additional 75 megawatts of installed capacity so generated scheduled to be
61.14 operational by December 31, 2002.

61.15 (b) Of the 125 megawatts of biomass electricity installed capacity required under
61.16 this subdivision, no more than 55 megawatts of this capacity may be provided by a facility
61.17 that uses poultry litter as its primary fuel source and any such facility:

61.18 (1) need not use biomass that complies with the definition in subdivision 1;

61.19 (2) must enter into a contract with the public utility for such capacity, that has an
61.20 average purchase price per megawatt hour over the life of the contract that is equal to or
61.21 less than the average purchase price per megawatt hour over the life of the contract in
61.22 contracts approved by the Public Utilities Commission before April 1, 2000, to satisfy
61.23 the mandate of this section, and file that contract with the Public Utilities Commission
61.24 prior to September 1, 2000; and

61.25 (3) must schedule such capacity to be operational by December 31, 2002.

61.26 (c) Of the total 125 megawatts of biomass electric energy installed capacity required
61.27 under this section, no more than 75 megawatts may be provided by a single project.

61.28 (d) Of the 75 megawatts of biomass electric energy installed capacity required under
61.29 paragraph (a), clause (2), no more than 33 megawatts of this capacity may be provided by
61.30 a St. Paul district heating and cooling system cogeneration facility utilizing waste wood
61.31 as a primary fuel source. The St. Paul district heating and cooling system cogeneration
61.32 facility need not use biomass that complies with the definition in subdivision 1.

61.33 (e) The public utility must accept and consider on an equal basis with other biomass
61.34 proposals:

62.1 (1) a proposal to satisfy the requirements of this section that includes a project that
62.2 exceeds the megawatt capacity requirements of either paragraph (a), clause (1) or (2), and
62.3 that proposes to sell the excess capacity to the public utility or to other purchasers; and

62.4 (2) a proposal for a new facility to satisfy more than ten but not more than 20
62.5 megawatts of the electrical generation requirements by a small business-sponsored
62.6 independent power producer facility to be located within the northern quarter of the state,
62.7 which means the area located north of Constitutional Route No. 8 as described in section
62.8 161.114, subdivision 2, and that utilizes biomass residue wood, sawdust, bark, chipped
62.9 wood, or brush to generate electricity. A facility described in this clause is not required
62.10 to utilize biomass complying with the definition in subdivision 1, but must be under
62.11 construction by December 31, 2005.

62.12 (f) If a public utility files a contract with the commission for electric energy installed
62.13 capacity that uses poultry litter as its primary fuel source, the commission must do a
62.14 preliminary review of the contract to determine if it meets the purchase price criteria
62.15 provided in paragraph (b), clause (2), of this subdivision. The commission shall perform
62.16 its review and advise the parties of its determination within 30 days of filing of such a
62.17 contract by a public utility. A public utility may submit by September 1, 2000, a revised
62.18 contract to address the commission's preliminary determination.

62.19 (g) The commission shall finally approve, modify, or disapprove no later than July
62.20 1, 2001, all contracts submitted by a public utility as of September 1, 2000, to meet the
62.21 mandate set forth in this subdivision.

62.22 (h) If a public utility subject to this section exercises an option to increase the
62.23 generating capacity of a project in a contract approved by the commission prior to April
62.24 25, 2000, to satisfy the mandate in this subdivision, the public utility must notify the
62.25 commission by September 1, 2000, that it has exercised the option and include in the
62.26 notice the amount of additional megawatts to be generated under the option exercised.
62.27 Any review by the commission of the project after exercise of such an option shall be
62.28 based on the same criteria used to review the existing contract.

62.29 (i) A facility specified in this subdivision qualifies for exemption from property
62.30 taxation under section 272.02, subdivision ~~43~~ 45.

62.31 **EFFECTIVE DATE.** This section is effective for property taxes levied in 2006,
62.32 payable in 2007, and thereafter.

62.33 Sec. 7. Minnesota Statutes 2004, section 272.02, subdivision 12, is amended to read:

62.34 Subd. 12. **Native prairie.** Native prairie lands are exempt. The commissioner of ~~the~~
62.35 ~~Department~~ of natural resources shall determine lands in the state which are native prairie

63.1 and shall notify the county assessor of each county in which the lands are located. Pasture
 63.2 land used for livestock grazing purposes shall not be considered native prairie for the
 63.3 purposes of this subdivision unless the pasture is covered by a grazing plan approved by
 63.4 the commissioner of natural resources. Upon receipt of an application for the exemption
 63.5 provided in this subdivision for lands for which the assessor has no determination from
 63.6 the commissioner of natural resources, the assessor shall refer the application to the
 63.7 commissioner of natural resources who shall determine within ~~30~~ 180 days whether the
 63.8 land is native prairie and notify the county assessor of the decision. Exemption of native
 63.9 prairie pursuant to this subdivision shall not grant the public any additional or greater right
 63.10 of access to the native prairie or diminish any right of ownership to it.

63.11 **EFFECTIVE DATE.** This section is effective for taxes levied in 2006, payable
 63.12 in 2007, and thereafter.

63.13 Sec. 8. Minnesota Statutes 2004, section 272.02, subdivision 45, is amended to read:

63.14 Subd. 45. **Biomass electrical generation facility; personal property.**

63.15 Notwithstanding subdivision 9, clause (a), attached machinery and other personal property
 63.16 which is part of an electrical generating facility that meets the requirements of this
 63.17 subdivision is exempt. At the time of construction, the facility must:

63.18 (1) be designed to utilize biomass as established in section 216B.2424 as a primary
 63.19 fuel source; and

63.20 (2) be constructed for the purpose of generating power at the facility that will be sold
 63.21 pursuant to a contract approved by the Public Utilities Commission in accordance with
 63.22 the biomass mandate imposed under section 216B.2424.

63.23 Construction of the facility must be commenced after January 1, 2000, and before
 63.24 December 31, ~~2002~~ 2005. Property eligible for this exemption does not include electric
 63.25 transmission lines and interconnections or gas pipelines and interconnections appurtenant
 63.26 to the property or facility.

63.27 **EFFECTIVE DATE.** This section is effective for taxes levied in 2006, payable
 63.28 in 2007, and thereafter.

63.29 Sec. 9. Minnesota Statutes 2004, section 272.02, subdivision 54, is amended to read:

63.30 Subd. 54. **Small biomass electric generation facility; personal property. (a)**

63.31 Subject to paragraph (b), notwithstanding subdivision 9, clause (a), attached machinery
 63.32 and other personal property which is part of an electrical generating facility that meets the
 63.33 requirements of this subdivision is exempt. At the time of construction the facility must:

63.34 (1) have a generation capacity of less than 25 megawatts;

63.35 (2) provide process heating needs in addition to electrical generation; and

64.1 (3) utilize agricultural by-products from the malting process and other biomass
64.2 fuels as its primary fuel source.

64.3 Construction of the facility must be commenced after January 1, 2002, and before
64.4 ~~January 1, 2006~~ June 30, 2007. Property eligible for this exemption does not include
64.5 electric transmission lines and interconnections or gas pipelines and interconnections
64.6 appurtenant to the property or facility.

64.7 (b) The exemption under this subdivision is contingent on approval by the governing
64.8 bodies of the municipality and county in which the electric generation facility is located.

64.9 EFFECTIVE DATE. This section is effective for taxes levied in 2008, payable
64.10 in 2009, and thereafter.

64.11 Sec. 10. Minnesota Statutes 2004, section 272.02, subdivision 55, is amended to read:

64.12 Subd. 55. **Electric generation facility; personal property.** Notwithstanding
64.13 subdivision 9, clause (a), attached machinery and other personal property which is part of
64.14 an electric generating facility that meets the requirements of this subdivision is exempt. At
64.15 the time of construction, the facility must ~~be sited on an energy park that (i) is located on~~
64.16 ~~an active mining site, or on a former mining or industrial site where mining or industrial~~
64.17 ~~operations have terminated~~ be designated as an innovative energy project as defined in
64.18 section 216B.1694, (ii) is be within a tax relief area as defined in section 273.134, (iii)
64.19 ~~has on-site~~ have access to existing railroad infrastructure within less than three miles, (iv)
64.20 ~~has direct rail access to a Great Lakes port, (v) has sufficient private water resources~~
64.21 ~~on site, and (vi) is~~ have received by resolution approval from the governing body of
64.22 the county and township or city in which the proposed facility is to be located for the
64.23 exemption of personal property under this subdivision, and (v) be designed to host at
64.24 least 500 megawatts of electrical generation.

64.25 Construction of the first ~~250~~ 500 megawatts of the facility must be commenced
64.26 after January 1, ~~2002~~ 2006, and before January 1, ~~2005~~ 2010. Construction of up to an
64.27 additional 750 megawatts of generation must be commenced before January 1, ~~2010~~
64.28 2015. Property eligible for this exemption does not include electric transmission lines and
64.29 interconnections or gas pipelines and interconnections appurtenant to the property or the
64.30 facility. To qualify for an exemption under this subdivision, the owner of the electric
64.31 generation facility must have an agreement with the host county, township or city, and
64.32 school district, for payment in lieu of personal property taxes to the host county, township
64.33 or city, and school district.

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

65.1 Sec. 11. Minnesota Statutes 2004, section 272.02, is amended by adding a subdivision
65.2 to read:

65.3 Subd. 84. Electric generation facility; personal property. Notwithstanding
65.4 subdivision 9, clause (a), attached machinery and other personal property which is part
65.5 of a 10.3 megawatt run-of-the-river hydroelectric generation facility and that meets the
65.6 requirements of this subdivision is exempt. At the time of construction, the facility must:

65.7 (1) utilize between 12 and 16 turbine generators at a dam site existing on March
65.8 31, 1994;

65.9 (2) be located on land within 3,000 feet of a 13.8 kilovolt distribution substation; and

65.10 (3) be eligible to receive a renewable energy production incentive payment under
65.11 section 216C.41.

65.12 Construction of the facility must be commenced after April 30, 2006, and
65.13 before January 1, 2009. Property eligible for this exemption does not include electric
65.14 transmission lines and interconnections or gas pipelines and interconnections appurtenant
65.15 to the property or the facility.

65.16 EFFECTIVE DATE. This section is effective for property taxes levied in 2006,
65.17 payable in 2007, and thereafter.

65.18 Sec. 12. Minnesota Statutes 2004, section 273.11, is amended by adding a subdivision
65.19 to read:

65.20 Subd. 23. First tier valuation limit; agricultural homestead property. (a)
65.21 Beginning with assessment year 2006, the commissioner of revenue shall annually certify
65.22 the first tier limit for agricultural homestead property as the product of (i) \$600,000, and
65.23 (ii) the ratio of the statewide average taxable market value of agricultural property per acre
65.24 of deeded farm land in the preceding assessment year to the statewide average taxable
65.25 market value of agricultural property per acre of deeded farm land for assessment year
65.26 1999. The limit shall be rounded to the nearest \$10,000.

65.27 (b) For the purposes of this subdivision, "agricultural property" means all class 2
65.28 property under section 273.13, subdivision 23, except for (1) timberland, (2) a landing
65.29 area or public access area of a privately owned public use airport, and (3) property
65.30 consisting of the house, garage and immediately surrounding one acre of land of an
65.31 agricultural homestead.

65.32 (c) The commissioner shall certify the limit by January 2 of each assessment year,
65.33 except that for assessment year 2006 the commissioner shall certify the limit by June
65.34 1, 2006.

66.1 **EFFECTIVE DATE.** This section is effective for assessment year 2006 and
66.2 thereafter.

66.3 Sec. 13. [273.1115] AGGREGATE RESOURCE PRESERVATION PROPERTY
66.4 TAX LAW.

66.5 Subdivision 1. Requirements. Real estate is entitled to valuation under this section
66.6 only if all of the following requirements are met:

66.7 (1) the property is classified 1a, 1b, 2a, or 2b property under section 273.13,
66.8 subdivisions 22 and 23;

66.9 (2) the property is at least ten contiguous acres, when the application is filed under
66.10 subdivision 2;

66.11 (3) the owner has filed a completed application for deferment as specified in
66.12 subdivision 2 with the county assessor in the county in which the property is located;

66.13 (4) there are no delinquent taxes on the property; and

66.14 (5) a covenant on the land restricts its use as provided in subdivision 2, clause (4).

66.15 Subd. 2. Application. Application for valuation deferment under this section
66.16 must be filed by May 1 of the assessment year. Any application filed and granted
66.17 continues in effect for subsequent years until the property no longer qualifies, provided
66.18 that supplemental affidavits under subdivision 6 are timely filed. The application must
66.19 be filed with the assessor of the county in which the real property is located on such
66.20 form as may be prescribed by the commissioner of revenue. The application must be
66.21 executed and acknowledged in the manner required by law to execute and acknowledge a
66.22 deed and must contain at least the following information and any other information the
66.23 commissioner deems necessary:

66.24 (1) the legal description of the area;

66.25 (2) the name and address of owner;

66.26 (3) a copy of the affidavit filed under section 273.13, subdivision 23, paragraph (h),
66.27 in the case of property classified class 2b, clause (5); or in the case of property classified
66.28 1a, 1b, 2a, and 2b, clauses (1) to (3), the application must include a similar document with
66.29 the same information as contained in the affidavit under section 273.13, subdivision 23,
66.30 paragraph (h); and

66.31 (4) a statement of proof from the owner that the land contains a restrictive covenant
66.32 limiting its use for the property's surface to that which exists on the date of the application
66.33 and limiting its future use to the preparation and removal of the aggregate commercial
66.34 deposit under its surface.

67.1 To qualify under this clause, the covenant must be binding on the owner or the
67.2 owner's successor or assignee, and run with the land, except as provided in subdivision 4
67.3 allowing for the cancellation of the covenant under certain conditions.

67.4 Subd. 3. Determination of value. Upon timely application by the owner as
67.5 provided in subdivision 2, notwithstanding sections 272.03, subdivision 8, and 273.11,
67.6 the value of any qualifying land described in subdivision 2 must be valued as if it were
67.7 agricultural property, using a per acre valuation equal to the current year's per acre
67.8 valuation of agricultural land in the county. The assessor shall not consider any additional
67.9 value resulting from potential alternative and future uses of the property. The buildings
67.10 located on the land shall be valued by the assessor in the normal manner.

67.11 Subd. 4. Cancellation of covenant. The covenant required under subdivision
67.12 2 may be canceled in two ways:

67.13 (1) by the owner beginning with the next subsequent assessment year provided
67.14 that the additional taxes as determined under subdivision 5 are paid by the owner at the
67.15 time of cancellation; and

67.16 (2) by the city or town in which the property is located beginning with the next
67.17 subsequent assessment year, if the city council or town board:

67.18 (i) changes the conditional use of the property;

67.19 (ii) revokes the mining permit; or

67.20 (iii) changes the zoning to disallow mining.

67.21 No additional taxes are imposed on the property under this clause.

67.22 Subd. 4a. County termination. Within two years of the effective date of this
67.23 section, a county may, following notice and public hearing, terminate application of this
67.24 section in the county. The termination is effective upon adoption of a resolution of the
67.25 county board. A county has 60 days from receipt of the first application for enrollment
67.26 under this section to notify the applicant and any subsequent applicants of the county's
67.27 intent to begin the process of terminating application of this section in the county. The
67.28 county must act on the termination within six months. Upon termination by a vote of the
67.29 county board, all applications received during notification of intent to terminate shall be
67.30 deemed void. If the county board does not act on the termination within six months of
67.31 notification, all applications for valuation for deferment received shall be deemed eligible
67.32 to be enrolled under this section. Following this initial 60-day grace period, a termination
67.33 applies prospectively and does not affect property enrolled under this section prior to the
67.34 termination date. A county may reauthorize application of this section by a resolution of
67.35 the county board revoking the termination.

68.1 Subd. 5. Additional taxes. When real property which has been valued and assessed
68.2 under this section no longer qualifies, the portion of the land classified under subdivision
68.3 1, clause (1), is subject to additional taxes. The additional tax amount is determined by:

68.4 (1) computing the difference between (i) the current year's taxes determined in
68.5 accordance with subdivision 5, and (ii) an amount as determined by the assessor based
68.6 upon the property's current year's estimated market value of like real estate at its highest
68.7 and best use and the appropriate local tax rate; and

68.8 (2) multiplying the amount determined in clause (1) by the number of years the
68.9 land was in the program under this section.

68.10 The current year's estimated market value as determined by the assessor must not
68.11 exceed the market value that would result if the property was sold in an arms-length
68.12 transaction and must not be greater than it would have been had the actual bona fide sale
68.13 price of the property been used in lieu of that market value. The additional taxes must be
68.14 extended against the property on the tax list for the current year, except that interest or
68.15 penalties must not be levied on such additional taxes if timely paid.

68.16 The additional tax under this subdivision must not be imposed on that portion of the
68.17 property which has actively been mined and has been removed from the program based
68.18 upon the supplemental affidavits filed under subdivision 6.

68.19 Subd. 6. Supplemental affidavits; mining activity on land. When any portion
68.20 of the property begins to be actively mined, the owner must file a supplemental affidavit
68.21 within 60 days from the day any aggregate is removed stating the number of acres of the
68.22 property that is actively being mined. The acres actively being mined shall be (1) valued
68.23 and classified under section 273.13, subdivision 24, in the next subsequent assessment
68.24 year, and (2) removed from the aggregate resource preservation property tax program
68.25 under this section. The additional taxes under subdivision 5 must not be imposed on
68.26 the acres that are actively being mined and have been removed from the program under
68.27 this section.

68.28 Copies of the original affidavit and all supplemental affidavits must be filed with the
68.29 county assessor, the local zoning administrator, and the Department of Natural Resources,
68.30 Division of Land and Minerals. A supplemental affidavit must be filed each time a
68.31 subsequent portion of the property is actively mined, provided that the minimum acreage
68.32 change is five acres, even if the actual mining activity constitutes less than five acres.
68.33 Failure to file the affidavits timely shall result in the property losing its valuation deferment
68.34 under this section, and additional taxes must be imposed as calculated under subdivision 5.

68.35 Subd. 7. Lien. The additional tax imposed by this section is a lien upon the property
68.36 assessed to the same extent and for the same duration as other taxes imposed upon

69.1 property within this state and, when collected, must be distributed in the manner provided
69.2 by law for the collection and distribution of other property taxes.

69.3 Subd. 8. Continuation of tax treatment upon sale. When real property qualifying
69.4 under subdivision 1 is sold, additional taxes must not be extended against the property
69.5 if the property continues to qualify under subdivision 1, and the new owner files an
69.6 application with the assessor for continued deferment within 30 days after the sale.

69.7 Subd. 9. Definitions. For purposes of this section, "commercial aggregate deposit"
69.8 and "actively mined" have the meanings given them in section 273.13, subdivision 23,
69.9 paragraph (h).

69.10 Subd. 10. County administrative fee. A county may charge the owner of property
69.11 that is valued under this section a fee to compensate for its costs of administering this
69.12 program.

69.13 EFFECTIVE DATE. This section is effective for taxes levied in 2007, payable
69.14 in 2008, and thereafter, except that for the 2007 assessment year, the application date
69.15 under subdivision 4 shall be September 1, 2007, and subdivision 4a is effective the day
69.16 following final enactment.

69.17 Sec. 14. Minnesota Statutes 2004, section 273.124, subdivision 12, is amended to read:

69.18 **Subd. 12. Homestead of member of United States armed forces; Peace Corps;**
69.19 **VISTA. (a)** Real estate actually occupied and used for the purpose of a homestead by
69.20 a person, or by a member of that person's immediate family shall be classified as a
69.21 homestead even though the person or family is absent if (1) the person or the person's
69.22 family is absent solely because the person is on active duty with the armed forces of the
69.23 United States, or is serving as a volunteer under the VISTA or Peace Corps program; (2)
69.24 the owner intends to return as soon as discharged or relieved from service; and (3) the
69.25 owner claims it as a homestead. A person who knowingly makes or submits to an assessor
69.26 an affidavit or other statement that is false in any material matter to obtain or aid another
69.27 in obtaining a benefit under this subdivision is guilty of a felony.

69.28 (b) In the case of a person who is absent solely because the person is on active duty
69.29 with the United States armed forces, homestead classification must be granted as provided
69.30 in this paragraph if the requirements of paragraph (a), clauses (1) to (3), are met, even
69.31 if the property has not been occupied as a homestead by the person or a member of the
69.32 person's family. To qualify for this classification, the person who acquires the property
69.33 must notify the assessor of the acquisition and of the person's absence due to military
69.34 service. When the person returns from military service and occupies the property as
69.35 a homestead, the person shall notify the assessor, who will provide for abatement of

70.1 the difference between the nonhomestead and homestead taxes for the current and two
70.2 preceding years, not to exceed the time during which the person owned the property.

70.3 **EFFECTIVE DATE.** This section is effective for assessments in 2006, taxes
70.4 payable in 2007, and thereafter.

70.5 Sec. 15. Minnesota Statutes 2004, section 273.124, is amended by adding a subdivision
70.6 to read:

70.7 Subd. 22. **Annual registration of certain relative homesteads.** If the owner of
70.8 property or the owner's relative who occupies property that is classified as a homestead
70.9 under subdivision 1, paragraph (c), receives compensation for allowing occupancy of any
70.10 part of that property for a period that exceeds 31 consecutive days during the calendar
70.11 year, the recipient of the compensation must register the property with the city in which
70.12 it is located no later than 60 days after the initial rental period began. This requirement
70.13 applies to property located in a city that has a population over 25,000. Each such city must
70.14 maintain a file of these property registrations that is open to the public, and retain the
70.15 registrations for one year after the date of filing.

70.16 **EFFECTIVE DATE.** This section is effective July 1, 2006.

70.17 Sec. 16. Minnesota Statutes 2005 Supplement, section 273.128, subdivision 1, is
70.18 amended to read:

70.19 Subdivision 1. **Requirement.** Low-income rental property classified as class 4d
70.20 under section 273.13, subdivision 25, is entitled to valuation under this section ~~if at least~~
70.21 ~~75 percent of~~ for the units in the rental housing property that meet any of the following
70.22 qualifications:

70.23 (1) the units are subject to a housing assistance payments contract under section 8
70.24 of the United States Housing Act of 1937, as amended;

70.25 (2) the units are rent-restricted and income-restricted units of a qualified low-income
70.26 housing project receiving tax credits under section 42(g) of the Internal Revenue Code of
70.27 1986, as amended;

70.28 (3) the units are financed by the Rural Housing Service of the United States
70.29 Department of Agriculture and receive payments under the rental assistance program
70.30 pursuant to section 521(a) of the Housing Act of 1949, as amended; or

70.31 (4) the units are subject to rent and income restrictions under the terms of financial
70.32 assistance provided to the rental housing property by the federal government ~~or~~ the
70.33 state of Minnesota, or a local unit of government as evidenced by a document recorded
70.34 against the property.

71.1 The restrictions must require assisted units to be occupied by residents whose
71.2 household income at the time of initial occupancy does not exceed 60 percent of the
71.3 greater of area or state median income, adjusted for family size, as determined by the
71.4 United States Department of Housing and Urban Development. The restriction must also
71.5 require the rents for assisted units to not exceed 30 percent of 60 percent of the greater of
71.6 area or state median income, adjusted for family size, as determined by the United States
71.7 Department of Housing and Urban Development.

71.8 **EFFECTIVE DATE.** This section is effective for taxes levied in 2006, payable
71.9 in 2007, and thereafter.

71.10 Sec. 17. Minnesota Statutes 2004, section 273.13, subdivision 23, is amended to read:

71.11 Subd. 23. **Class 2.** (a) Class 2a property is agricultural land including any
71.12 improvements that is homesteaded. The market value of the house and garage and
71.13 immediately surrounding one acre of land has the same class rates as class 1a property
71.14 under subdivision 22. The value of the remaining land including improvements up to ~~and~~
71.15 ~~including \$600,000 market value~~ the first tier valuation limit of agricultural homestead
71.16 property has a net class rate of 0.55 percent of market value. The remaining property
71.17 ~~over \$600,000 market value~~ the first tier has a class rate of one percent of market value.
71.18 For purposes of this subdivision, the "first tier valuation limit of agricultural homestead
71.19 property" and "first tier" means the limit certified under section 273.11, subdivision 23.

71.20 (b) Class 2b property is (1) real estate, rural in character and used exclusively for
71.21 growing trees for timber, lumber, and wood and wood products; (2) real estate that is not
71.22 improved with a structure and is used exclusively for growing trees for timber, lumber, and
71.23 wood and wood products, if the owner has participated or is participating in a cost-sharing
71.24 program for afforestation, reforestation, or timber stand improvement on that particular
71.25 property, administered or coordinated by the commissioner of natural resources; (3) real
71.26 estate that is nonhomestead agricultural land; ~~or~~ (4) a landing area or public access area of
71.27 a privately owned public use airport; or (5) land with a commercial aggregate deposit that
71.28 is not actively being mined and is not otherwise classified as class 2a or 2b, clauses (1) to
71.29 (3). Class 2b property has a net class rate of one percent of market value.

71.30 (c) Agricultural land as used in this section means contiguous acreage of ten
71.31 acres or more, used during the preceding year for agricultural purposes. "Agricultural
71.32 purposes" as used in this section means the raising or cultivation of agricultural products.
71.33 "Agricultural purposes" also includes enrollment in the Reinvest in Minnesota program
71.34 under sections 103F.501 to 103F.535, the native prairie bank under section 84.96, or the
71.35 federal Conservation Reserve Program as contained in Public Law 99-198 if the property

72.1 was classified as agricultural (i) under this subdivision for the assessment year 2002 or (ii)
72.2 in the year prior to its enrollment. Contiguous acreage on the same parcel, or contiguous
72.3 acreage on an immediately adjacent parcel under the same ownership, may also qualify
72.4 as agricultural land, but only if it is pasture, timber, waste, unusable wild land, or land
72.5 included in state or federal farm programs. Agricultural classification for property shall be
72.6 determined excluding the house, garage, and immediately surrounding one acre of land,
72.7 and shall not be based upon the market value of any residential structures on the parcel or
72.8 contiguous parcels under the same ownership.

72.9 (d) Real estate, excluding the house, garage, and immediately surrounding one acre
72.10 of land, of less than ten acres which is exclusively and intensively used for raising or
72.11 cultivating agricultural products, shall be considered as agricultural land.

72.12 Land shall be classified as agricultural even if all or a portion of the agricultural use
72.13 of that property is the leasing to, or use by another person for agricultural purposes.

72.14 Classification under this subdivision is not determinative for qualifying under
72.15 section 273.111.

72.16 The property classification under this section supersedes, for property tax purposes
72.17 only, any locally administered agricultural policies or land use restrictions that define
72.18 minimum or maximum farm acreage.

72.19 (e) The term "agricultural products" as used in this subdivision includes production
72.20 for sale of:

72.21 (1) livestock, dairy animals, dairy products, poultry and poultry products, fur-bearing
72.22 animals, horticultural and nursery stock, fruit of all kinds, vegetables, forage, grains,
72.23 bees, and apiary products by the owner;

72.24 (2) fish bred for sale and consumption if the fish breeding occurs on land zoned
72.25 for agricultural use;

72.26 (3) the commercial boarding of horses if the boarding is done in conjunction with
72.27 raising or cultivating agricultural products as defined in clause (1);

72.28 (4) property which is owned and operated by nonprofit organizations used for
72.29 equestrian activities, excluding racing;

72.30 (5) game birds and waterfowl bred and raised for use on a shooting preserve licensed
72.31 under section 97A.115;

72.32 (6) insects primarily bred to be used as food for animals;

72.33 (7) trees, grown for sale as a crop, and not sold for timber, lumber, wood, or wood
72.34 products, except that short rotation woody crops that are cultivated using agricultural
72.35 practices to produce timber or forest products are agricultural products; and

73.1 (8) maple syrup taken from trees grown by a person licensed by the Minnesota
 73.2 Department of Agriculture under chapter 28A as a food processor.

73.3 (f) If a parcel used for agricultural purposes is also used for commercial or industrial
 73.4 purposes, including but not limited to:

- 73.5 (1) wholesale and retail sales;
- 73.6 (2) processing of raw agricultural products or other goods;
- 73.7 (3) warehousing or storage of processed goods; and
- 73.8 (4) office facilities for the support of the activities enumerated in clauses (1), (2),
 73.9 and (3),

73.10 the assessor shall classify the part of the parcel used for agricultural purposes as class
 73.11 1b, 2a, or 2b, whichever is appropriate, and the remainder in the class appropriate to its
 73.12 use. The grading, sorting, and packaging of raw agricultural products for first sale is
 3.13 considered an agricultural purpose. A greenhouse or other building where horticultural
 73.14 or nursery products are grown that is also used for the conduct of retail sales must be
 73.15 classified as agricultural if it is primarily used for the growing of horticultural or nursery
 73.16 products from seed, cuttings, or roots and occasionally as a showroom for the retail sale of
 73.17 those products. Use of a greenhouse or building only for the display of already grown
 73.18 horticultural or nursery products does not qualify as an agricultural purpose.

73.19 The assessor shall determine and list separately on the records the market value of
 73.20 the homestead dwelling and the one acre of land on which that dwelling is located. If any
 73.21 farm buildings or structures are located on this homesteaded acre of land, their market
 73.22 value shall not be included in this separate determination.

73.23 (g) To qualify for classification under paragraph (b), clause (4), a privately owned
 73.24 public use airport must be licensed as a public airport under section 360.018. For purposes
 73.25 of paragraph (b), clause (4), "landing area" means that part of a privately owned public use
 73.26 airport properly cleared, regularly maintained, and made available to the public for use by
 73.27 aircraft and includes runways, taxiways, aprons, and sites upon which are situated landing
 73.28 or navigational aids. A landing area also includes land underlying both the primary surface
 73.29 and the approach surfaces that comply with all of the following:

- 73.30 (i) the land is properly cleared and regularly maintained for the primary purposes of
 73.31 the landing, taking off, and taxiing of aircraft; but that portion of the land that contains
 73.32 facilities for servicing, repair, or maintenance of aircraft is not included as a landing area;
- 73.33 (ii) the land is part of the airport property; and
- 73.34 (iii) the land is not used for commercial or residential purposes.

73.35 The land contained in a landing area under paragraph (b), clause (4), must be described
 73.36 and certified by the commissioner of transportation. The certification is effective until

74.1 it is modified, or until the airport or landing area no longer meets the requirements of
74.2 paragraph (b), clause (4). For purposes of paragraph (b), clause (4), "public access area"
74.3 means property used as an aircraft parking ramp, apron, or storage hangar, or an arrival
74.4 and departure building in connection with the airport.

74.5 (h) To qualify for classification under paragraph (b), clause (5), the property must be
74.6 at least ten contiguous acres in size and the owner of the property must record with the
74.7 county recorder of the county in which the property is located an affidavit containing:

74.8 (1) a legal description of the property;

74.9 (2) a disclosure that the property contains a commercial aggregate deposit that is not
74.10 actively being mined but is present on the entire parcel enrolled;

74.11 (3) documentation that the conditional use under the county or local zoning
74.12 ordinance of this property is for mining; and

74.13 (4) documentation that a permit has been issued by the local unit of government
74.14 or the mining activity is allowed under local ordinance. The disclosure must include a
74.15 statement from a registered professional geologist, engineer, or soil scientist delineating
74.16 the deposit and certifying that it is a commercial aggregate deposit.

74.17 For purposes of this section and section 273.1115, "commercial aggregate deposit"
74.18 means a deposit that will yield crushed stone or sand and gravel that is suitable for use
74.19 as a construction aggregate; and "actively mined" means the removal of top soil and
74.20 overburden in preparation for excavation or excavation of a commercial deposit.

74.21 (i) When any portion of the property under this subdivision or section 273.13,
74.22 subdivision 22, begins to be actively mined, the owner must file a supplemental affidavit
74.23 within 60 days from the day any aggregate is removed stating the number of acres of the
74.24 property that is actively being mined. The acres actively being mined must be (1) valued
74.25 and classified under section 273.13, subdivision 24, in the next subsequent assessment
74.26 year, and (2) removed from the aggregate resource preservation property tax program
74.27 under section 273.1115, if the land was enrolled in that program. Copies of the original
74.28 affidavit and all supplemental affidavits must be filed with the county assessor, the local
74.29 zoning administrator, and the Department of Natural Resources, Division of Land and
74.30 Minerals. A supplemental affidavit must be filed each time a subsequent portion of the
74.31 property is actively mined, provided that the minimum acreage change is five acres, even
74.32 if the actual mining activity constitutes less than five acres.

74.33 **EFFECTIVE DATE.** This section is effective for taxes levied in 2006, payable in
74.34 2007, and thereafter, except that the provisions relating to land with aggregate deposits is
74.35 effective for taxes levied in 2007, payable in 2008, and thereafter.

75.1 Sec. 18. [273.323] EFFECTIVE DATE FOR RULES FOR VALUATION OF
75.2 ELECTRIC AND TRANSMISSION PIPELINE UTILITY PROPERTY.

75.3 Rules adopted by the commissioner of revenue that prescribe the method of valuing
75.4 property of electric and transmission pipeline utilities may not take effect before the end
75.5 of the regular legislative session in the calendar year following adoption of the rules.

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

75.7 Sec. 19. Minnesota Statutes 2005 Supplement, section 276.04, subdivision 2, is
75.8 amended to read:

75.9 Subd. 2. **Contents of tax statements.** (a) The treasurer shall provide for the
75.10 printing of the tax statements. The commissioner of revenue shall prescribe the form
75.11 of the property tax statement and its contents. The statement must contain a tabulated
75.12 statement of the dollar amount due to each taxing authority and the amount of the state
75.13 tax from the parcel of real property for which a particular tax statement is prepared. The
75.14 dollar amounts attributable to the county, the state tax, the voter approved school tax, the
75.15 other local school tax, the township or municipality, and the total of the metropolitan
75.16 special taxing districts as defined in section 275.065, subdivision 3, paragraph (i), must
75.17 be separately stated. The amounts due all other special taxing districts, if any, may be
75.18 aggregated except that any levies made by the regional rail authorities in the county of
75.19 Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington under chapter 398A
75.20 shall be listed on a separate line directly under the appropriate county's levy. If the county
75.21 levy under this paragraph includes an amount for a lake improvement district as defined
75.22 under sections 103B.501 to 103B.581, the amount attributable for that purpose must be
75.23 separately stated from the remaining county levy amount. In the case of Ramsey County,
75.24 if the county levy under this paragraph includes an amount for public library service
75.25 under section 134.07, the amount attributable for that purpose may be separated from the
75.26 remaining county levy amount. The amount of the tax on homesteads qualifying under the
75.27 senior citizens' property tax deferral program under chapter 290B is the total amount of
75.28 property tax before subtraction of the deferred property tax amount. The amount of the
75.29 tax on contamination value imposed under sections 270.91 to 270.98, if any, must also
75.30 be separately stated. The dollar amounts, including the dollar amount of any special
75.31 assessments, may be rounded to the nearest even whole dollar. For purposes of this section
75.32 whole odd-numbered dollars may be adjusted to the next higher even-numbered dollar.
75.33 The amount of market value excluded under section 273.11, subdivision 16, if any, must
75.34 also be listed on the tax statement.

76.1 (b) The property tax statements for manufactured homes and sectional structures
76.2 taxed as personal property shall contain the same information that is required on the
76.3 tax statements for real property.

76.4 (c) Real and personal property tax statements must contain the following information
76.5 in the order given in this paragraph. The information must contain the current year tax
76.6 information in the right column with the corresponding information for the previous year
76.7 in a column on the left:

76.8 (1) the property's estimated market value under section 273.11, subdivision 1;

76.9 (2) the property's taxable market value after reductions under section 273.11,
76.10 subdivisions 1a and 16;

76.11 (3) the property's gross tax, calculated by adding the property's total property tax to
76.12 the sum of the aids enumerated in clause (4);

76.13 (4) a total of the following aids:

76.14 (i) education aids payable under chapters 122A, 123A, 123B, 124D, 125A, 126C,
76.15 and 127A;

76.16 (ii) local government aids for cities, towns, and counties under sections 477A.011 to
76.17 477A.04; and

76.18 (iii) disparity reduction aid under section 273.1398;

76.19 (5) for homestead residential and agricultural properties, the credits under section
76.20 273.1384;

76.21 (6) any credits received under sections 273.119; 273.123; 273.135; 273.1391;
76.22 273.1398, subdivision 4; 469.171; and 473H.10, except that the amount of credit received
76.23 under section 273.135 must be separately stated and identified as "taconite tax relief"; and

76.24 (7) the net tax payable in the manner required in paragraph (a).

76.25 (d) If the county uses envelopes for mailing property tax statements and if the county
76.26 agrees, a taxing district may include a notice with the property tax statement notifying
76.27 taxpayers when the taxing district will begin its budget deliberations for the current
76.28 year, and encouraging taxpayers to attend the hearings. If the county allows notices to
76.29 be included in the envelope containing the property tax statement, and if more than
76.30 one taxing district relative to a given property decides to include a notice with the tax
76.31 statement, the county treasurer or auditor must coordinate the process and may combine
76.32 the information on a single announcement.

76.33 The commissioner of revenue shall certify to the county auditor the actual or
76.34 estimated aids enumerated in paragraph (c), clause (4), that local governments will receive
76.35 in the following year. The commissioner must certify this amount by January 1 of each
76.36 year.

77.1 (e) A notice must be printed on the front side of the property tax statement for
 77.2 homestead property stating that if the total property tax has increased over the previous
 77.3 year's tax by more than the threshold percentage in section 290A.04, subdivision 2h,
 77.4 the taxpayer may be eligible, regardless of income, for a special property tax refund
 77.5 from the state.

77.6 **EFFECTIVE DATE.** This section is effective for property tax statements prepared
 77.7 in 2006, for property taxes payable in 2007 and thereafter.

77.8 Sec. 20. Minnesota Statutes 2004, section 469.1813, subdivision 1, is amended to read:

77.9 Subdivision 1. **Authority.** The governing body of a political subdivision may grant
 77.10 an a current or prospective abatement, by contract or otherwise, of the taxes imposed by
 77.11 the political subdivision on a parcel of property, which may include personal property
 77.12 and machinery, or defer the payments of the taxes and abate the interest and penalty
 77.13 that otherwise would apply, if:

77.14 ~~(a)~~ (1) it expects the benefits to the political subdivision of the proposed abatement
 77.15 agreement to at least equal the costs to the political subdivision of the proposed agreement
 77.16 or intends the abatement to phase in a property tax increase, as provided in clause (b)(7);
 77.17 and

77.18 ~~(b)~~ (2) it finds that doing so is in the public interest because it will:

77.19 ~~(1)~~ (i) increase or preserve tax base;

77.20 ~~(2)~~ (ii) provide employment opportunities in the political subdivision;

77.21 ~~(3)~~ (iii) provide or help acquire or construct public facilities;

77.22 ~~(4)~~ (iv) help redevelop or renew blighted areas;

77.23 ~~(5)~~ (v) help provide access to services for residents of the political subdivision;

77.24 ~~(6)~~ (vi) finance or provide public infrastructure; ~~or~~

77.25 ~~(7)~~ (vii) phase in a property tax increase on the parcel resulting from an increase of
 77.26 50 percent or more in one year on the estimated market value of the parcel, other than
 77.27 increase attributable to improvement of the parcel; or

77.28 (viii) stabilize the tax base through equalization of property tax revenues for a
 77.29 specified period of time with respect to a taxpayer whose real and personal property is
 77.30 subject to valuation under Minnesota Rules, chapter 8100.

77.31 Sec. 21. Minnesota Statutes 2005 Supplement, section 469.1813, subdivision 6,
 77.32 is amended to read:

77.33 Subd. 6. **Duration limit.** (a) A political subdivision may grant an abatement for a
 77.34 period no longer than 15 years, except as provided under paragraph (b). The abatement
 77.35 period will commence in the first year in which the abatement granted is either paid or

78.1 retained in accordance with section 469.1815, subdivision 2. The subdivision may specify
78.2 in the abatement resolution a shorter duration. If the resolution does not specify a period
78.3 of time, the abatement is for eight years. If an abatement has been granted to a parcel of
78.4 property and the period of the abatement has expired, the political subdivision that granted
78.5 the abatement may not grant another abatement for eight years after the expiration of the
78.6 first abatement. This prohibition does not apply to improvements added after and not
78.7 subject to the first abatement. Economic abatement agreements for real and personal
78.8 property subject to valuation under Minnesota Rules, chapter 8100, are not subject to this
78.9 prohibition and may be granted successively.

78.10 (b) A political subdivision proposing to abate taxes for a parcel may request, in
78.11 writing, that the other political subdivisions in which the parcel is located grant an
78.12 abatement for the property. If one of the other political subdivisions declines, in writing,
78.13 to grant an abatement or if 90 days pass after receipt of the request to grant an abatement
78.14 without a written response from one of the political subdivisions, the duration limit
78.15 for an abatement for the parcel by the requesting political subdivision and any other
78.16 participating political subdivision is increased to 20 years. If the political subdivision
78.17 which declined to grant an abatement later grants an abatement for the parcel, the 20-year
78.18 duration limit is reduced by one year for each year that the declining political subdivision
78.19 grants an abatement for the parcel during the period of the abatement granted by the
78.20 requesting political subdivision. The duration limit may not be reduced below the limit
78.21 under paragraph (a).

78.22 Sec. 22. Minnesota Statutes 2004, section 469.1813, subdivision 6b, is amended to
78.23 read:

78.24 **Subd. 6b. Extended duration limit.** (a) Notwithstanding the provisions of
78.25 subdivision 6, a political subdivision may grant an abatement for a period of up to 20
78.26 years, if the abatement is for a qualified business.

78.27 (b) To be a qualified business for purposes of this subdivision, at least 50 percent of
78.28 the payroll of the operations of the business that qualify for the abatement must be for
78.29 employees engaged in one of the following lines of business or any combination of them:

- 78.30 (1) manufacturing;
- 78.31 (2) agricultural processing;
- 78.32 (3) mining;
- 78.33 (4) research and development;
- 78.34 (5) warehousing; or
- 78.35 (6) qualified high technology.

79.1 Alternatively, a qualified business also includes a taxpayer whose real and personal
79.2 property is subject to valuation under Minnesota Rules, chapter 8100.

79.3 (c)(1) "Manufacturing" means the material staging and production of tangible
79.4 personal property by procedures commonly regarded as manufacturing, processing,
79.5 fabrication, or assembling which changes some existing material into new shapes, new
79.6 qualities, or new combinations.

79.7 (2) "Mining" has the meaning given in section 613(c) of the Internal Revenue Code
79.8 of 1986.

79.9 (3) "Agricultural processing" means transforming, packaging, sorting, or grading
79.10 livestock or livestock products, agricultural commodities, or plants or plant products into
79.11 goods that are used for intermediate or final consumption including goods for nonfood use.

79.12 (4) "Research and development" means qualified research as defined in section
9.13 41(d) of the Internal Revenue Code of 1986.

79.14 (5) "Qualified high technology" means one or more of the following activities:

79.15 (i) advanced computing, which is any technology used in the design and
79.16 development of any of the following:

79.17 (A) computer hardware and software;

79.18 (B) data communications; and

79.19 (C) information technologies;

79.20 (ii) advanced materials, which are materials with engineered properties created
79.21 through the development of specialized process and synthesis technology;

79.22 (iii) biotechnology, which is any technology that uses living organisms, cells,
79.23 macromolecules, microorganisms, or substances from living organisms to make or modify
79.24 a product, improve plants or animals, or develop microorganisms for useful purposes;

79.25 (iv) electronic device technology, which is any technology that involves
79.26 microelectronics, semiconductors, electronic equipment, and instrumentation, radio
79.27 frequency, microwave, and millimeter electronics, and optical and optic-electrical devices,
79.28 or data and digital communications and imaging devices;

79.29 (v) engineering or laboratory testing related to the development of a product;

79.30 (vi) technology that assists in the assessment or prevention of threats or damage to
79.31 human health or the environment, including, but not limited to, environmental cleanup
79.32 technology, pollution prevention technology, or development of alternative energy sources;

79.33 (vii) medical device technology, which is any technology that involves medical
79.34 equipment or products other than a pharmaceutical product that has therapeutic or
79.35 diagnostic value and is regulated; or

80.1 (viii) advanced vehicles technology which is any technology that involves electric
 80.2 vehicles, hybrid vehicles, or alternative fuel vehicles, or components used in the
 80.3 construction of electric vehicles, hybrid vehicles, or alternative fuel vehicles. An electric
 80.4 vehicle is a road vehicle that draws propulsion energy only from an on-board source of
 80.5 electrical energy. A hybrid vehicle is a road vehicle that can draw propulsion energy from
 80.6 both a consumable fuel and a rechargeable energy storage system.

80.7 (d) The authority to grant new abatements under this subdivision expires on July 1,
 80.8 2004, except that the authority to grant new abatements for real and personal property
 80.9 subject to valuation under Minnesota Rules, chapter 8100, does not expire.

80.10 Sec. 23. Minnesota Statutes 2004, section 469.1813, subdivision 8, is amended to read:

80.11 Subd. 8. **Limitation on abatements.** In any year, the total amount of property taxes
 80.12 abated by a political subdivision under this section may not exceed (1) ten percent of
 80.13 the current levy, or (2) \$200,000, whichever is greater. The limit under this subdivision
 80.14 does not apply to:

- 80.15 (1) an uncollected abatement from a prior year that is added to the abatement levy; or
- 80.16 (2) a taxpayer whose real and personal property is subject to valuation under
 80.17 Minnesota Rules, chapter 8100.

80.18 Sec. 24. Minnesota Statutes 2004, section 469.1813, subdivision 9, is amended to read:

80.19 Subd. 9. **Consent of property owner not required.** A political subdivision may
 80.20 abate the taxes on a parcel under sections 469.1812 to 469.1815 without obtaining the
 80.21 consent of the property owner. This subdivision does not apply to abatements granted to a
 80.22 taxpayer whose real and personal property is valued under Minnesota Rules, chapter 8100.

80.23 Sec. 25. Minnesota Statutes 2004, section 469.1813, is amended by adding a
 80.24 subdivision to read:

80.25 Subd. 10. **Applicability to utility properties.** When this statute is applied or
 80.26 utilized with respect to a taxpayer whose real and personal property is subject to valuation
 80.27 under Minnesota Rules, chapter 8100, the provisions of this section and sections 469.1814
 80.28 and 469.1815 shall apply only to property specified or described in the abatement contract
 80.29 or agreement.

80.30 Sec. 26. Minnesota Statutes 2004, section 473F.08, is amended by adding a subdivision
 80.31 to read:

80.32 Subd. 3c. **Uncompensated care reimbursement.** (a) As used in this subdivision,
 80.33 the following terms have the meanings given in this paragraph.

- 80.34 (1) "Uncompensated care" means the sum of (i) the amount that would have been
 80.35 charged by a facility for rendering free or discounted care to persons who cannot afford to

81.1 pay and for which the facility did not expect payment and (ii) the amount that had been
 81.2 charged by a facility for rendering care to persons and billed to that person or a third-party
 81.3 payer for which the facility expected but did not receive payment. Uncompensated care
 81.4 does not include contractual write-offs.

81.5 (2) A "qualifying hospital" means a hospital in the area that is:

81.6 (i) owned or operated by a local unit of government, or formerly owned by a
 81.7 university or is a private nonprofit hospital that leases its building from the county in
 81.8 which it is located; and

81.9 (ii) has a licensed bed capacity greater than 400.

81.10 (b) A county that contains a qualifying hospital is eligible for reimbursement of
 81.11 that portion of gross charges for uncompensated care determined by multiplying the
 81.12 hospital's gross charges during the base year by the percentage of uncompensated care
 1.13 provided by the hospital during the base year minus one-half of one percent of those gross
 81.14 charges, dividing the result by two, and adjusting the cost by multiplying that result by the
 81.15 hospital's cost-to-charge ratio during the base year. By July 15, 2007, and each subsequent
 81.16 year, the county shall notify its county auditor, as well as the administrative auditor, of the
 81.17 amount of qualifying uncompensated care provided, adjusted to cost using the hospital's
 81.18 cost-to-charge ratio, during the 12-month period ending on June 30 of the current year.

81.19 (c) The amount certified under paragraph (b) shall be certified annually by the
 81.20 county auditor to the administrative auditor as an addition to the county's areawide levy
 81.21 under subdivision 5.

81.22 (d) The administrative auditor shall pay one-half of the reimbursement to the county
 81.23 auditor of the county that contains the qualifying hospital on or before June 15 and the
 81.24 remaining one-half of the reimbursement on or before November 15. The county auditor
 81.25 receiving the payment shall disburse the reimbursement to the qualifying hospital within
 81.26 15 days of receipt of the reimbursement.

81.27 (e) Prior to the reporting specified in paragraph (b) above, all qualifying hospitals
 81.28 that participate in this program shall agree upon and implement a common standard for
 81.29 reporting uncompensated care, and a common standard for determining eligibility for
 81.30 uncompensated care for all participating hospitals.

81.31 **EFFECTIVE DATE.** This section is effective for fiscal disparities contribution and
 81.32 distribution tax capacities for taxes payable in 2008 and 2009 only.

1.33 Sec. 27. Laws 2001, First Special Session chapter 5, article 3, section 8, the effective
 81.34 date, as amended by Laws 2005, chapter 151, article 3, section 19, is amended to read:

82.1 [EFFECTIVE DATE.] This section is effective for taxes levied in 2002, payable in
82.2 2003, ~~through taxes levied in 2009, payable in 2010~~ and thereafter.

82.3 **Sec. 28. PROPERTY TAX CERTIFICATION; ROCHESTER SCHOOL**
82.4 **DISTRICT.**

82.5 Notwithstanding Minnesota Statutes, sections 126C.48 and 275.065, with the
82.6 agreement of the school district's home county, Independent School District No. 535,
82.7 Rochester, on or before October 8, shall certify to the county auditor the district's proposed
82.8 property tax levy for taxes payable in the following year.

82.9 **EFFECTIVE DATE.** This section is effective for taxes payable in 2007 only.

82.10 **Sec. 29. LEASE LEVY; ADMINISTRATIVE SPACE, ROCORI AND**
82.11 **FARIBAULT.**

82.12 Independent School Districts Nos. 656, Faribault, and 750, Rocori, may lease
82.13 administrative space under Minnesota Statutes, section 126C.40, subdivision 1, if the
82.14 district can demonstrate to the satisfaction of the commissioner of education that the
82.15 administrative space is less expensive than instructional space that the district would
82.16 otherwise lease. The commissioner must deny this levy authority unless the district
82.17 passes a resolution stating its intent to lease instructional space under Minnesota Statutes,
82.18 section 126C.40, subdivision 1, if the commissioner does not grant authority under this
82.19 section. The resolution must also certify that a lease of administrative space under this
82.20 section is less expensive than the district's proposed instructional lease. Levy authority
82.21 under this section shall not exceed the total levy authority under Minnesota Statutes,
82.22 section 126C.40, subdivision 1, paragraph (e).

82.23 **EFFECTIVE DATE.** This section is effective for revenue for taxes payable in 2007.

82.24 **Sec. 30. MISCELLANEOUS EDUCATION PROPERTY TAX REDUCTION.**

82.25 Notwithstanding Minnesota Statutes, section 126C.10, subdivision 13a, the
82.26 commissioner of education shall increase the operating capital equalizing factor under
82.27 Minnesota Statutes, section 126C.10, subdivision 13a, to reduce the operating capital levy
82.28 by \$2,593,000 in fiscal year 2008 and \$2,259,000 in fiscal year 2009.

82.29 **ARTICLE 6**
82.30 **DEPARTMENT OF REVENUE PROPERTY TAXES AND AIDS**

82.31 **Section 1.** Minnesota Statutes 2005 Supplement, section 273.13, subdivision 22,
82.32 is amended to read:

82.33 **Subd. 22. Class 1.** (a) Except as provided in subdivision 23 and in paragraphs (b)
82.34 and (c), real estate which is residential and used for homestead purposes is class 1a. In the
82.35 case of a duplex or triplex in which one of the units is used for homestead purposes, the

83.1 entire property is deemed to be used for homestead purposes. The market value of class 1a
83.2 property must be determined based upon the value of the house, garage, and land.

83.3 The first \$500,000 of market value of class 1a property has a net class rate of
83.4 one percent of its market value; and the market value of class 1a property that exceeds
83.5 \$500,000 has a class rate of 1.25 percent of its market value.

83.6 (b) Class 1b property includes homestead real estate or homestead manufactured
83.7 homes used for the purposes of a homestead by

83.8 (1) any person who is blind as defined in section 256D.35, or the blind person and
83.9 the blind person's spouse; or

83.10 (2) any person, hereinafter referred to as "veteran," who:

83.11 (i) served in the active military or naval service of the United States; and

83.12 (ii) is entitled to compensation under the laws and regulations of the United States

83.13 for permanent and total service-connected disability due to the loss, or loss of use, by
83.14 reason of amputation, ankylosis, progressive muscular dystrophies, or paralysis, of both
83.15 lower extremities, such as to preclude motion without the aid of braces, crutches, canes, or
83.16 a wheelchair; and

83.17 (iii) has acquired a special housing unit with special fixtures or movable facilities
83.18 made necessary by the nature of the veteran's disability, or the surviving spouse of the
83.19 deceased veteran for as long as the surviving spouse retains the special housing unit
83.20 as a homestead; or

83.21 (3) any person who is permanently and totally disabled.

83.22 Property is classified and assessed under clause (3) only if the government agency or
83.23 income-providing source certifies, upon the request of the homestead occupant, that the
83.24 homestead occupant satisfies the disability requirements of this paragraph.

83.25 Property is classified and assessed pursuant to clause (1) only if the commissioner of
83.26 revenue certifies to the assessor that the homestead occupant satisfies the requirements of
83.27 this paragraph.

83.28 Permanently and totally disabled for the purpose of this subdivision means a
83.29 condition which is permanent in nature and totally incapacitates the person from working
83.30 at an occupation which brings the person an income. The first \$32,000 market value of
83.31 class 1b property has a net class rate of .45 percent of its market value. The remaining
83.32 market value of class 1b property has a class rate using the rates for class 1a or class 2a
83.33 property, whichever is appropriate, of similar market value.

83.34 (c) Class 1c property is commercial use real property that abuts a lakeshore line and
83.35 is devoted to temporary and seasonal residential occupancy for recreational purposes but
83.36 not devoted to commercial purposes for more than 250 days in the year preceding the

84.1 year of assessment, and that includes a portion used as a homestead by the owner, which
84.2 includes a dwelling occupied as a homestead by a shareholder of a corporation that owns
84.3 the resort, a partner in a partnership that owns the resort, or a member of a limited liability
84.4 company that owns the resort even if the title to the homestead is held by the corporation,
84.5 partnership, or limited liability company. For purposes of this clause, property is devoted
84.6 to a commercial purpose on a specific day if any portion of the property, excluding the
84.7 portion used exclusively as a homestead, is used for residential occupancy and a fee
84.8 is charged for residential occupancy. The portion of the property used as a homestead
84.9 ~~by the owner has the same class rates as~~ is class 1a property under paragraph (a). The
84.10 remainder of the property is classified as follows: the first \$500,000 of market value is tier
84.11 I, the next \$1,700,000 of market value is tier II, and any remaining market value is tier III.
84.12 The class rates for class 1c are: tier I, 0.55 percent; tier II, 1.0 percent; and tier III, 1.25
84.13 percent. If a class 1c resort property has any market value in tier III, the entire property
84.14 must meet the requirements of subdivision 25, paragraph (d), clause (1), to qualify for
84.15 class 1c treatment under this paragraph.

84.16 (d) Class 1d property includes structures that meet all of the following criteria:

84.17 (1) the structure is located on property that is classified as agricultural property under
84.18 section 273.13, subdivision 23;

84.19 (2) the structure is occupied exclusively by seasonal farm workers during the time
84.20 when they work on that farm, and the occupants are not charged rent for the privilege of
84.21 occupying the property, provided that use of the structure for storage of farm equipment
84.22 and produce does not disqualify the property from classification under this paragraph;

84.23 (3) the structure meets all applicable health and safety requirements for the
84.24 appropriate season; and

84.25 (4) the structure is not salable as residential property because it does not comply
84.26 with local ordinances relating to location in relation to streets or roads.

84.27 The market value of class 1d property has the same class rates as class 1a property
84.28 under paragraph (a).

84.29 **EFFECTIVE DATE.** This section is effective for taxes payable in 2006 and
84.30 thereafter.

84.31 Sec. 2. Minnesota Statutes 2005 Supplement, section 273.13, subdivision 25, is
84.32 amended to read:

84.33 Subd. 25. **Class 4.** (a) Class 4a is residential real estate containing four or more
84.34 units and used or held for use by the owner or by the tenants or lessees of the owner
84.35 as a residence for rental periods of 30 days or more, excluding property qualifying for

85.1 class 4d. Class 4a also includes hospitals licensed under sections 144.50 to 144.56, other
 85.2 than hospitals exempt under section 272.02, and contiguous property used for hospital
 85.3 purposes, without regard to whether the property has been platted or subdivided. The
 85.4 market value of class 4a property has a class rate of 1.25 percent.

85.5 (b) Class 4b includes:

85.6 (1) residential real estate containing less than four units that does not qualify as class
 85.7 4bb, other than seasonal residential recreational property;

85.8 (2) manufactured homes not classified under any other provision;

85.9 (3) a dwelling, garage, and surrounding one acre of property on a nonhomestead
 85.10 farm classified under subdivision 23, paragraph (b) containing two or three units; and

85.11 (4) unimproved property that is classified residential as determined under subdivision
 85.12 33.

5.13 The market value of class 4b property has a class rate of 1.25 percent.

85.14 (c) Class 4bb includes:

85.15 (1) nonhomestead residential real estate containing one unit, other than seasonal
 85.16 residential recreational property; and

85.17 (2) a single family dwelling, garage, and surrounding one acre of property on a
 85.18 nonhomestead farm classified under subdivision 23, paragraph (b).

85.19 Class 4bb property has the same class rates as class 1a property under subdivision 22.

85.20 Property that has been classified as seasonal residential recreational property at
 85.21 any time during which it has been owned by the current owner or spouse of the current
 85.22 owner does not qualify for class 4bb.

85.23 (d) Class 4c property includes:

85.24 (1) except as provided in subdivision 22, paragraph (c), real property devoted to
 85.25 temporary and seasonal residential occupancy for recreation purposes, including real
 85.26 property devoted to temporary and seasonal residential occupancy for recreation purposes
 85.27 and not devoted to commercial purposes for more than 250 days in the year preceding
 85.28 the year of assessment. For purposes of this clause, property is devoted to a commercial
 85.29 purpose on a specific day if any portion of the property is used for residential occupancy,
 85.30 and a fee is charged for residential occupancy. In order for a property to be classified as
 85.31 class 4c, seasonal residential recreational for commercial purposes, at least 40 percent of
 85.32 the annual gross lodging receipts related to the property must be from business conducted
 85.33 during 90 consecutive days and either (i) at least 60 percent of all paid bookings by lodging
 85.34 guests during the year must be for periods of at least two consecutive nights; or (ii) at least
 85.35 20 percent of the annual gross receipts must be from charges for rental of fish houses,
 85.36 boats and motors, snowmobiles, downhill or cross-country ski equipment, or charges for

86.1 marina services, launch services, and guide services, or the sale of bait and fishing tackle.
86.2 For purposes of this determination, a paid booking of five or more nights shall be counted
86.3 as two bookings. Class 4c also includes commercial use real property used exclusively
86.4 for recreational purposes in conjunction with class 4c property devoted to temporary
86.5 and seasonal residential occupancy for recreational purposes, up to a total of two acres,
86.6 provided the property is not devoted to commercial recreational use for more than 250
86.7 days in the year preceding the year of assessment and is located within two miles of the
86.8 class 4c property with which it is used. Owners of real property devoted to temporary and
86.9 seasonal residential occupancy for recreation purposes and all or a portion of which was
86.10 devoted to commercial purposes for not more than 250 days in the year preceding the year
86.11 of assessment desiring classification as class 1c or 4c, must submit a declaration to the
86.12 assessor designating the cabins or units occupied for 250 days or less in the year preceding
86.13 the year of assessment by January 15 of the assessment year. Those cabins or units and a
86.14 proportionate share of the land on which they are located will be designated class 1c or 4c
86.15 as otherwise provided. The remainder of the cabins or units and a proportionate share of
86.16 the land on which they are located will be designated as class 3a. The owner of property
86.17 desiring designation as class 1c or 4c property must provide guest registers or other
86.18 records demonstrating that the units for which class 1c or 4c designation is sought were
86.19 not occupied for more than 250 days in the year preceding the assessment if so requested.
86.20 The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, and (4) other
86.21 nonresidential facility operated on a commercial basis not directly related to temporary and
86.22 seasonal residential occupancy for recreation purposes shall not qualify for class 1c or 4c;
86.23 (2) qualified property used as a golf course if:
86.24 (i) it is open to the public on a daily fee basis. It may charge membership fees or
86.25 dues, but a membership fee may not be required in order to use the property for golfing,
86.26 and its green fees for golfing must be comparable to green fees typically charged by
86.27 municipal courses; and
86.28 (ii) it meets the requirements of section 273.112, subdivision 3, paragraph (d).
86.29 A structure used as a clubhouse, restaurant, or place of refreshment in conjunction
86.30 with the golf course is classified as class 3a property;
86.31 (3) real property up to a maximum of one acre of land owned by a nonprofit
86.32 community service oriented organization; provided that the property is not used for a
86.33 revenue-producing activity for more than six days in the calendar year preceding the year
86.34 of assessment and the property is not used for residential purposes on either a temporary
86.35 or permanent basis. For purposes of this clause, a "nonprofit community service oriented
86.36 organization" means any corporation, society, association, foundation, or institution

87.1 organized and operated exclusively for charitable, religious, fraternal, civic, or educational
87.2 purposes, and which is exempt from federal income taxation pursuant to section 501(c)(3),
87.3 (10), or (19) of the Internal Revenue Code of 1986, as amended through December 31,
87.4 1990. For purposes of this clause, "revenue-producing activities" shall include but not be
87.5 limited to property or that portion of the property that is used as an on-sale intoxicating
87.6 liquor or 3.2 percent malt liquor establishment licensed under chapter 340A, a restaurant
87.7 open to the public, bowling alley, a retail store, gambling conducted by organizations
87.8 licensed under chapter 349, an insurance business, or office or other space leased or
87.9 rented to a lessee who conducts a for-profit enterprise on the premises. Any portion of
87.10 the property which is used for revenue-producing activities for more than six days in the
87.11 calendar year preceding the year of assessment shall be assessed as class 3a. The use of
87.12 the property for social events open exclusively to members and their guests for periods of
7.13 less than 24 hours, when an admission is not charged nor any revenues are received by the
87.14 organization shall not be considered a revenue-producing activity;

87.15 (4) postsecondary student housing of not more than one acre of land that is owned by
87.16 a nonprofit corporation organized under chapter 317A and is used exclusively by a student
87.17 cooperative, sorority, or fraternity for on-campus housing or housing located within two
87.18 miles of the border of a college campus;

87.19 (5) manufactured home parks as defined in section 327.14, subdivision 3;

87.20 (6) real property that is actively and exclusively devoted to indoor fitness, health,
87.21 social, recreational, and related uses, is owned and operated by a not-for-profit corporation,
87.22 and is located within the metropolitan area as defined in section 473.121, subdivision 2;

87.23 (7) a leased or privately owned noncommercial aircraft storage hangar not exempt
87.24 under section 272.01, subdivision 2, and the land on which it is located, provided that:

87.25 (i) the land is on an airport owned or operated by a city, town, county, Metropolitan
87.26 Airports Commission, or group thereof; and

87.27 (ii) the land lease, or any ordinance or signed agreement restricting the use of the
87.28 leased premise, prohibits commercial activity performed at the hangar.

87.29 If a hangar classified under this clause is sold after June 30, 2000, a bill of sale must
87.30 be filed by the new owner with the assessor of the county where the property is located
87.31 within 60 days of the sale;

87.32 (8) a privately owned noncommercial aircraft storage hangar not exempt under
87.33 section 272.01, subdivision 2, and the land on which it is located, provided that:

87.34 (i) the land abuts a public airport; and

88.1 (ii) the owner of the aircraft storage hangar provides the assessor with a signed
88.2 agreement restricting the use of the premises, prohibiting commercial use or activity
88.3 performed at the hangar; and

88.4 (9) residential real estate, a portion of which is used by the owner for homestead
88.5 purposes, and that is also a place of lodging, if all of the following criteria are met:

88.6 (i) rooms are provided for rent to transient guests that generally stay for periods
88.7 of 14 or fewer days;

88.8 (ii) meals are provided to persons who rent rooms, the cost of which is incorporated
88.9 in the basic room rate;

88.10 (iii) meals are not provided to the general public except for special events on fewer
88.11 than seven days in the calendar year preceding the year of the assessment; and

88.12 (iv) the owner is the operator of the property.

88.13 The market value subject to the 4c classification under this clause is limited to five rental
88.14 units. Any rental units on the property in excess of five, must be valued and assessed as
88.15 class 3a. The portion of the property used for purposes of a homestead by the owner must
88.16 be classified as class 1a property under subdivision 22.

88.17 Class 4c property has a class rate of 1.5 percent of market value, except that (i) each
88.18 parcel of seasonal residential recreational property not used for commercial purposes has
88.19 the same class rates as class 4bb property, (ii) manufactured home parks assessed under
88.20 clause (5) have the same class rate as class 4b property, (iii) commercial-use seasonal
88.21 residential recreational property has a class rate of one percent for the first \$500,000
88.22 of market value, ~~which includes any market value receiving the one percent rate under~~
88.23 ~~subdivision 22~~; and 1.25 percent for the remaining market value, (iv) the market value
88.24 of property described in clause (4) has a class rate of one percent, (v) the market value
88.25 of property described in clauses (2) and (6) has a class rate of 1.25 percent, and (vi) that
88.26 portion of the market value of property in clause (9) qualifying for class 4c property
88.27 has a class rate of 1.25 percent.

88.28 (e) Class 4d property is qualifying low-income rental housing certified to the assessor
88.29 by the Housing Finance Agency under section 273.128, subdivision 3. If only a portion
88.30 of the units in the building qualify as low-income rental housing units as certified under
88.31 section 273.128, subdivision 3, only the proportion of qualifying units to the total number
88.32 of units in the building qualify for class 4d. The remaining portion of the building shall be
88.33 classified by the assessor based upon its use. Class 4d also includes the same proportion of
88.34 land as the qualifying low-income rental housing units are to the total units in the building.
88.35 For all properties qualifying as class 4d, the market value determined by the assessor must
88.36 be based on the normal approach to value using normal unrestricted rents.

89.1 Class 4d property has a class rate of 0.75 percent.

89.2 **EFFECTIVE DATE.** This section is effective for taxes payable in 2006 and
89.3 subsequent years.

89.4 Sec. 3. Minnesota Statutes 2005 Supplement, section 273.1384, subdivision 1, is
89.5 amended to read:

89.6 Subdivision 1. **Residential homestead market value credit.** Each county auditor
89.7 shall determine a homestead credit for each class 1a, 1b, ~~1c,~~ and 2a homestead property
89.8 within the county equal to 0.4 percent of the first \$76,000 of market value of the property
89.9 minus .09 percent of the market value in excess of \$76,000. The credit amount may not
89.10 be less than zero. In the case of an agricultural or resort homestead, only the market
89.11 value of the house, garage, and immediately surrounding one acre of land is eligible
89.12 in determining the property's homestead credit. In the case of a property ~~which~~ that is
89.13 classified as part homestead and part nonhomestead, (i) the credit shall apply only to
89.14 the homestead portion of the property, but (ii) if a portion of a property is classified as
89.15 nonhomestead solely because not all the owners occupy the property, not all the owners
89.16 have qualifying relatives occupying the property, or solely because ~~both~~ not all the spouses
89.17 do not of owners occupy the property, the credit amount shall be initially computed as
89.18 if that nonhomestead portion were also in the homestead class and then prorated to the
89.19 owner-occupant's percentage of ownership ~~or prorated to one-half if both spouses do not~~
89.20 ~~occupy the property.~~ For the purpose of this section, when an owner-occupant's spouse
89.21 does not occupy the property, the percentage of ownership for the owner-occupant spouse
89.22 is one-half of the couple's ownership percentage.

89.23 **EFFECTIVE DATE.** This section is effective for taxes payable in 2007 and
89.24 thereafter.

89.25 Sec. 4. Minnesota Statutes 2004, section 273.1384, subdivision 2, is amended to read:

89.26 Subd. 2. **Agricultural homestead market value credit.** Property classified
89.27 as class 2a agricultural homestead is eligible for an agricultural credit. The credit is
89.28 computed using the property's agricultural credit market value, defined for this purpose
89.29 as the property's class 2a market value excluding the market value of the house, garage,
89.30 and immediately surrounding one acre of land. The credit is equal to 0.3 percent of the
89.31 first \$115,000 of the property's agricultural credit market value. ~~The credit under this~~
89.32 ~~subdivision is limited to \$345 for each homestead. The credit is reduced by~~ minus .05
89.33 percent of the property's agricultural credit market value in excess of \$115,000, subject to
89.34 a maximum reduction of \$115. In the case of property that is classified in part as class 2a
89.35 agricultural homestead and in part as class 2b nonhomestead farm land solely because not

90.1 all the owners occupy or farm the property, not all the owners have qualifying relatives
90.2 occupying or farming the property, or solely because not all the spouses of owners occupy
90.3 the property, the credit must be initially computed as if that nonhomestead agricultural
90.4 land was also classified as class 2a agricultural homestead and then prorated to the
90.5 owner-occupant's percentage of ownership.

90.6 **EFFECTIVE DATE.** This section is effective for taxes payable in 2007 and
90.7 thereafter.

90.8 Sec. 5. Minnesota Statutes 2004, section 273.1398, subdivision 3, is amended to read:

90.9 ~~Subd. 3. **Disparity reduction aid.** For taxes payable in 2003 and subsequent years,~~
90.10 ~~The amount of disparity aid certified for each taxing district within each unique taxing~~
90.11 ~~jurisdiction for taxes payable in the prior year shall be multiplied by the ratio of (1) the~~
90.12 ~~jurisdiction's tax capacity using the class rates for taxes payable in the year for which aid~~
90.13 ~~is being computed, to (2) its tax capacity using the class rates for taxes payable in the year~~
90.14 ~~prior to that for which aid is being computed, both based upon market values for taxes~~
90.15 ~~payable in the year prior to that for which aid is being computed. For the purposes of this~~
90.16 ~~aid determination, disparity reduction aid certified for taxes payable in the prior year for~~
90.17 ~~a taxing entity other than a town or school district is deemed to be county government~~
90.18 ~~disparity reduction aid. The amount of disparity aid certified to each taxing jurisdiction~~
90.19 ~~shall be reduced by any reductions required in the current year or permanent reductions~~
90.20 ~~required in previous years under section 477A.0132. If the commissioner determines that~~
90.21 insufficient information is available to reasonably and timely calculate the numerator
90.22 in this ratio for the first taxes payable year that a class rate change or new class rate is
90.23 effective, the commissioner shall omit the effects of that class rate change or new class
90.24 rate when calculating this ratio for aid payable in that taxes payable year. For aid payable
90.25 in the year following a year for which such omission was made, the commissioner shall
90.26 use in the denominator for the class that was changed or created, the tax capacity for taxes
90.27 payable two years prior to that in which the aid is payable, based on market values for
90.28 taxes payable in the year prior to that for which aid is being computed.

90.29 **EFFECTIVE DATE.** This section is effective for taxes payable in 2006 and
90.30 thereafter.

90.31 Sec. 6. Minnesota Statutes 2004, section 281.23, subdivision 9, is amended to read:

90.32 **Subd. 9. Certificate.** After the time for redemption of any lands shall have expired
90.33 after notice given, as provided in subdivisions 2, 3, 5, and 6, the county auditor shall
90.34 execute a certificate describing the lands, specifying the tax judgment sale at which the
90.35 same were bid in for the state, and stating that the time for redemption thereof has expired

91.1 after notice given as provided by law and that absolute title thereto has vested in the
 91.2 state of Minnesota. Such certificate shall be recorded in the office of the county recorder
 91.3 ~~and thereafter filed in the office of the county auditor~~, except that in case of registered
 91.4 land such certificate shall be ~~filed~~ recorded in the office of the registrar of titles ~~and a~~
 91.5 ~~duplicate filed in the office of the county auditor~~. Such certificate and the record thereof
 91.6 shall be prima facie evidence of the facts therein stated, but failure to execute or record or
 91.7 file such certificate shall not affect the validity of any proceedings hereunder respecting
 91.8 such lands or the title of the state thereto.

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

91.10 Sec. 7. Minnesota Statutes 2005 Supplement, section 284.07, is amended to read:

91.11 **284.07 COUNTY AUDITOR’S CERTIFICATE TO BE PRIMA FACIE**
 91.12 **EVIDENCE.**

91.13 The county auditor’s certificate of forfeiture ~~filed~~ recorded by the county auditor
 91.14 as provided by section 281.23, subdivision 9, and acts supplemental thereto, or by any
 91.15 other law hereafter enacted providing for the recording of such a certificate or a certified
 91.16 copy of such certificate or of the record thereof, shall, for all purposes, be prima facie
 91.17 evidence that all requirements of the law respecting the taxation and forfeiture of the
 91.18 lands therein described were complied with, and that at the date of the certificate absolute
 91.19 title to such lands had vested in the state by reason of forfeiture for delinquent taxes, as
 91.20 set forth in the certificate.

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

91.22 Sec. 8. Minnesota Statutes 2004, section 477A.014, subdivision 1, is amended to read:

91.23 **Subdivision 1. Calculations and payments.** (a) The commissioner of revenue
 91.24 shall make all necessary calculations and make payments pursuant to sections 477A.013,
 91.25 477A.0132, and 477A.03 directly to the affected taxing authorities annually. In addition,
 91.26 the commissioner shall notify the authorities of their aid amounts, as well as the
 91.27 computational factors used in making the calculations for their authority, and those
 91.28 statewide total figures that are pertinent, before August 1 of the year preceding the aid
 91.29 distribution year.

91.30 (b) For the purposes of this subdivision, aid is determined for a city or town based
 91.31 on its city or town status as of June 30 of the year preceding the aid distribution year. If
 91.32 the effective date for a municipal incorporation, consolidation, annexation, detachment,
 91.33 dissolution, or township organization is on or before June 30 of the year preceding
 91.34 the aid distribution year, such change in boundaries or form of government shall be
 91.35 recognized for aid determinations for the aid distribution year. If the effective date for a

92.1 municipal incorporation, consolidation, annexation, detachment, dissolution, or township
 92.2 organization is after June 30 of the year preceding the aid distribution year, such change in
 92.3 boundaries or form of government shall not be recognized for aid determinations until
 92.4 the following year.

92.5 (c) Changes in boundaries or form of government will only be recognized for the
 92.6 purposes of this subdivision, to the extent that: (1) changes in market values are included
 92.7 in market values reported by assessors to the commissioner, and changes in population,
 92.8 household size, and the road accidents factor are included in their respective certifications
 92.9 to the commissioner as referenced in section 477A.011, or (2) an annexation information
 92.10 report as provided in paragraph (d) is received by the commissioner on or before July 15
 92.11 of the aid calculation year. Revisions to estimates or data for use in recognizing changes
 92.12 in boundaries or form of government are not effective for purposes of this subdivision
 92.13 unless received by the commissioner on or before July 15 of the aid calculation year.
 92.14 Clerical errors in the certification or use of estimates and data established as of July 15 in
 92.15 the aid calculation year are subject to correction within the time periods allowed under
 92.16 subdivision 3.

92.17 (d) In the case of an annexation, an annexation information report may be completed
 92.18 by the annexing jurisdiction and submitted to the commissioner for purposes of this
 92.19 subdivision if the net tax capacity of annexed area for the assessment year preceding the
 92.20 effective date of the annexation exceeds five percent of the city's net tax capacity for the
 92.21 same year. The form and contents of the annexation information report shall be prescribed
 92.22 by the commissioner. The commissioner shall change the net tax capacity, the population,
 92.23 the population decline, the commercial industrial percentage, and the transformed
 92.24 population for the annexing jurisdiction only if the annexation information report provides
 92.25 data the commissioner determines to be reliable for all of these factors used to compute city
 92.26 revenue need for the annexing jurisdiction. The commissioner shall adjust the pre-1940
 92.27 housing percentage, the road accidents factor, and household size only if the entire area of
 92.28 an existing city or town is annexed or consolidated and only if reliable data is available for
 92.29 all of these factors used to compute city revenue need for the annexing jurisdiction.

92.30 **EFFECTIVE DATE.** This section is effective for aid payable in 2007 and thereafter.

92.31

ARTICLE 7

92.32

DEPARTMENT OF REVENUE SALES AND USE TAXES

92.33

Section 1. Minnesota Statutes 2005 Supplement, section 297A.61, subdivision 3,

92.34

is amended to read:

92.35

Subd. 3. **Sale and purchase.** (a) "Sale" and "purchase" include, but are not limited

92.36

to, each of the transactions listed in this subdivision.

93.1 (b) Sale and purchase include:

93.2 (1) any transfer of title or possession, or both, of tangible personal property, whether
93.3 absolutely or conditionally, for a consideration in money or by exchange or barter; and

93.4 (2) the leasing of or the granting of a license to use or consume, for a consideration
93.5 in money or by exchange or barter, tangible personal property, other than a manufactured
93.6 home used for residential purposes for a continuous period of 30 days or more.

93.7 (c) Sale and purchase include the production, fabrication, printing, or processing of
93.8 tangible personal property for a consideration for consumers who furnish either directly or
93.9 indirectly the materials used in the production, fabrication, printing, or processing.

93.10 (d) Sale and purchase include the preparing for a consideration of food.

93.11 Notwithstanding section 297A.67, subdivision 2, taxable food includes, but is not limited
93.12 to, the following:

93.13 (1) prepared food sold by the retailer;

93.14 (2) soft drinks;

93.15 (3) candy;

93.16 (4) dietary supplements; and

93.17 (5) all food sold through vending machines.

93.18 (e) A sale and a purchase includes the furnishing for a consideration of electricity,
93.19 gas, water, or steam for use or consumption within this state.

93.20 (f) A sale and a purchase includes the transfer for a consideration of prewritten
93.21 computer software whether delivered electronically, by load and leave, or otherwise.

93.22 (g) A sale and a purchase includes the furnishing for a consideration of the following
93.23 services:

93.24 (1) the privilege of admission to places of amusement, recreational areas, or athletic
93.25 events, and the making available of amusement devices, tanning facilities, reducing
93.26 salons, steam baths, turkish baths, health clubs, and spas or athletic facilities;

93.27 (2) lodging and related services by a hotel, rooming house, resort, campground,
93.28 motel, or trailer camp and the granting of any similar license to use real property in a
93.29 specific facility, other than the renting or leasing of it for a continuous period of 30 days
93.30 or more under an enforceable written agreement that may not be terminated without
93.31 prior notice;

93.32 (3) nonresidential parking services, whether on a contractual, hourly, or other
93.33 periodic basis, except for parking at a meter;

93.34 (4) the granting of membership in a club, association, or other organization if:

94.1 (i) the club, association, or other organization makes available for the use of its
94.2 members sports and athletic facilities, without regard to whether a separate charge is
94.3 assessed for use of the facilities; and

94.4 (ii) use of the sports and athletic facility is not made available to the general public
94.5 on the same basis as it is made available to members.

94.6 Granting of membership means both onetime initiation fees and periodic membership
94.7 dues. Sports and athletic facilities include golf courses; tennis, racquetball, handball, and
94.8 squash courts; basketball and volleyball facilities; running tracks; exercise equipment;
94.9 swimming pools; and other similar athletic or sports facilities;

94.10 (5) delivery of aggregate materials and concrete block by a third party if the delivery
94.11 would be subject to the sales tax if provided by the seller of the aggregate material or
94.12 concrete block; and

94.13 (6) services as provided in this clause:

94.14 (i) laundry and dry cleaning services including cleaning, pressing, repairing, altering,
94.15 and storing clothes, linen services and supply, cleaning and blocking hats, and carpet,
94.16 drapery, upholstery, and industrial cleaning. Laundry and dry cleaning services do not
94.17 include services provided by coin operated facilities operated by the customer;

94.18 (ii) motor vehicle washing, waxing, and cleaning services, including services
94.19 provided by coin operated facilities operated by the customer, and rustproofing,
94.20 undercoating, and towing of motor vehicles;

94.21 (iii) building and residential cleaning, maintenance, and disinfecting and
94.22 exterminating services;

94.23 (iv) detective, security, burglar, fire alarm, and armored car services; but not
94.24 including services performed within the jurisdiction they serve by off-duty licensed peace
94.25 officers as defined in section 626.84, subdivision 1, or services provided by a nonprofit
94.26 organization for monitoring and electronic surveillance of persons placed on in-home
94.27 detention pursuant to court order or under the direction of the Minnesota Department
94.28 of Corrections;

94.29 (v) pet grooming services;

94.30 (vi) lawn care, fertilizing, mowing, spraying and sprigging services; garden planting
94.31 and maintenance; tree, bush, and shrub pruning, bracing, spraying, and surgery; indoor
94.32 plant care; tree, bush, shrub, and stump removal, except when performed as part of a land
94.33 clearing contract as defined in section 297A.68, subdivision 40; and tree trimming for
94.34 public utility lines. Services performed under a construction contract for the installation of
94.35 shrubbery, plants, sod, trees, bushes, and similar items are not taxable;

95.1 (vii) massages, except when provided by a licensed health care facility or
 95.2 professional or upon written referral from a licensed health care facility or professional for
 95.3 treatment of illness, injury, or disease; and

95.4 (viii) the furnishing of lodging, board, and care services for animals in kennels and
 95.5 other similar arrangements, but excluding veterinary and horse boarding services.

95.6 In applying the provisions of this chapter, the terms "tangible personal property"
 95.7 and "~~sales at retail sale~~" include taxable services listed in clause (6), items (i) to (vi) and
 95.8 (viii), and the provision of these taxable services, unless specifically provided otherwise.
 95.9 Services performed by an employee for an employer are not taxable. Services performed
 95.10 by a partnership or association for another partnership or association are not taxable if one
 95.11 of the entities owns or controls more than 80 percent of the voting power of the equity
 95.12 interest in the other entity. Services performed between members of an affiliated group of
 5.13 corporations are not taxable. For purposes of the preceding sentence, "affiliated group
 95.14 of corporations" ~~includes means~~ those entities that would be classified as members of an
 95.15 affiliated group as defined under United States Code, title 26, section 1504, ~~and that are~~
 95.16 ~~eligible to file a consolidated tax return for federal income tax purposes disregarding~~
 95.17 the exclusions in section 1504(b).

95.18 (h) A sale and a purchase includes the furnishing for a consideration of tangible
 95.19 personal property or taxable services by the United States or any of its agencies or
 95.20 instrumentalities, or the state of Minnesota, its agencies, instrumentalities, or political
 95.21 subdivisions.

95.22 (i) A sale and a purchase includes the furnishing for a consideration of
 95.23 telecommunications services, including cable television services and direct satellite
 95.24 services. Telecommunications services are taxed to the extent allowed under federal law.

95.25 (j) A sale and a purchase includes the furnishing for a consideration of installation if
 95.26 the installation charges would be subject to the sales tax if the installation were provided
 95.27 by the seller of the item being installed.

95.28 (k) A sale and a purchase includes the rental of a vehicle by a motor vehicle dealer
 95.29 to a customer when (1) the vehicle is rented by the customer for a consideration, or (2)
 95.30 the motor vehicle dealer is reimbursed pursuant to a service contract as defined in section
 95.31 65B.29, subdivision 1, clause (1).

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

5.33 Sec. 2. Minnesota Statutes 2004, section 297A.61, subdivision 12, is amended to read:

95.34 Subd. 12. **Farm machinery.** (a) "Farm machinery" means new or used machinery,
 95.35 equipment, implements, accessories, and contrivances used directly and principally in

96.1 agricultural production of tangible personal property intended to be sold ultimately at
96.2 retail including, but not limited to:

96.3 (1) machinery for the preparation, seeding, or cultivation of soil for growing
96.4 agricultural crops;

96.5 (2) barn cleaners, milking systems, grain dryers, feeding systems including
96.6 stationary feed bunks, and similar installations, whether or not the equipment is installed
96.7 by the seller and becomes part of the real property; and

96.8 (3) irrigation equipment sold for exclusively agricultural use, including pumps, pipe
96.9 fittings, valves, sprinklers, and other equipment necessary to the operation of an irrigation
96.10 system when sold as part of an irrigation system, whether or not the equipment is installed
96.11 by the seller and becomes part of the real property.

96.12 (b) Farm machinery does not include:

96.13 (1) repair or replacement parts;

96.14 (2) tools, shop equipment, grain bins, fencing material, communication equipment,
96.15 and other farm supplies;

96.16 (3) motor vehicles taxed under chapter 297B;

96.17 (4) snowmobiles or snow blowers;

96.18 (5) lawn mowers except those used in the production of sod for sale, or garden-type
96.19 tractors or garden tillers; or

96.20 (6) machinery, equipment, implements, accessories, and contrivances used directly in
96.21 the production of horses not raised for slaughter, fur-bearing animals, or research animals.

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

96.23 Sec. 3. Minnesota Statutes 2004, section 297A.61, is amended by adding a subdivision
96.24 to read:

96.25 **Subd. 16a. Computer. "Computer" means an electronic device that accepts**
96.26 **information in digital or similar form and manipulates it for a result based on a sequence**
96.27 **of instructions.**

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

96.29 Sec. 4. Minnesota Statutes 2004, section 297A.61, is amended by adding a subdivision
96.30 to read:

96.31 **Subd. 16b. Electronic. "Electronic" means relating to technology having electrical,**
96.32 **digital, magnetic, wireless, optical, electromagnetic, or similar capabilities.**

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

97.1 Sec. 5. Minnesota Statutes 2004, section 297A.61, is amended by adding a subdivision
97.2 to read:

97.3 Subd. 16c. Computer software. "Computer software" means a set of coded
97.4 instructions designed to cause a computer or automatic data processing equipment to
97.5 perform a task.

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

97.7 Sec. 6. Minnesota Statutes 2004, section 297A.61, subdivision 17, is amended to read:

97.8 Subd. 17. Prewritten computer software. "Prewritten computer software" means
97.9 computer software, including prewritten upgrades, that is not designed and developed by
97.10 the author or other creator to the specifications of a specific purchaser. The combining
97.11 of two or more "prewritten computer software" programs or prewritten portions of the
97.12 programs does not cause the combination to be other than "prewritten computer software."
97.13 "Prewritten computer software" includes software designed and developed by the author
97.14 or other creator to the specifications of a specific purchaser when it is sold to a person
97.15 other than the specific purchaser. If a person modifies or enhances computer software
97.16 of which the person is not the author or creator, the person is deemed to be the author
97.17 or creator only of such person's modifications or enhancements. "Prewritten computer
97.18 software" or a prewritten portion of it that is modified or enhanced to any degree, if the
97.19 modification or enhancement is designed and developed to the specifications of a specific
97.20 purchaser, remains "prewritten computer software"; provided, however, that if there is a
97.21 reasonable, separately stated charge or an invoice or other statement of the price given to
97.22 the purchaser for such modification or enhancement, the modification or enhancement
97.23 does not constitute "prewritten computer software." For purposes of this subdivision:

97.24 ~~(1) "computer" means an electronic device that accepts information in digital or~~
97.25 ~~similar form and manipulates it for a result based on a sequence of instructions;~~

97.26 ~~(2) "electronic" means relating to technology having electrical, digital, magnetic,~~
97.27 ~~wireless, optical, electromagnetic, or similar capabilities; and~~

97.28 ~~(3) "computer software" means a set of coded instructions designed to cause a~~
97.29 ~~"computer" or automatic data processing equipment to perform a task.~~

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

97.31 Sec. 7. Minnesota Statutes 2004, section 297A.61, is amended by adding a subdivision
97.32 to read:

97.33 Subd. 37. Logging equipment. (a) "Logging equipment" means new or used
97.34 machinery, equipment, implements, accessories, and contrivances used directly and

98.1 principally in the commercial cutting or removal or both of timber or other solid wood
98.2 forest products, including, but not limited to:

98.3 (1) machinery used for bucking, bunching, debarking, delimiting, felling, forwarding,
98.4 loading, piling, skidding, topping, and yarding operations performed on timber; and

98.5 (2) chain saws.

98.6 (b) Logging equipment does not include:

98.7 (1) repair or replacement parts;

98.8 (2) tools, shop equipment, communication equipment, and other logging supplies;

98.9 (3) motor vehicles taxed under chapter 297B;

98.10 (4) snowmobiles, snow blowers, or recreational all-terrain vehicles; or

98.11 (5) machinery, equipment, implements, accessories, and contrivances used in the
98.12 creation of other commercial wood products for sale to others, including, but not limited
98.13 to, milling, planing, carving, wood chipping, or paper manufacturing.

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

98.15 Sec. 8. Minnesota Statutes 2004, section 297A.63, is amended to read:

98.16 **297A.63 USE TAXES IMPOSED; RATES.**

98.17 **Subdivision 1. Use of tangible personal property or taxable services.** (a) For the
98.18 privilege of using, storing, distributing, or consuming in Minnesota tangible personal
98.19 property or taxable services purchased for use, storage, distribution, or consumption in
98.20 this state, a use tax is imposed on a person in Minnesota. The tax is imposed on the sales
98.21 purchase price of retail sales of the tangible personal property or taxable services at the
98.22 rate of tax imposed under section 297A.62. A person that purchases property from a
98.23 Minnesota retailer and returns the tangible personal property to a point within Minnesota,
98.24 except in the course of interstate commerce, after it was delivered outside of Minnesota,
98.25 is subject to the use tax.

98.26 (b) No tax is imposed under paragraph (a) if the tax imposed by section 297A.62
98.27 was paid on the sales price of the tangible personal property or taxable services.

98.28 (c) No tax is imposed under paragraph (a) if the purchase meets the requirements for
98.29 exemption under section 297A.67, subdivision 21.

98.30 **Subd. 2. Use of tangible personal property made from materials.** (a) A use tax
98.31 is imposed on a person who manufactures, fabricates, or assembles tangible personal
98.32 property from materials, either within or outside this state and who uses, stores, distributes,
98.33 or consumes the tangible personal property in Minnesota. The tax is imposed on the sales
98.34 purchase price of retail sales of the materials contained in the tangible personal property at
98.35 the rate of tax imposed under section 297A.62.

99.1 (b) No tax is imposed under paragraph (a) if the tax imposed by section 297A.62
99.2 was paid on the sales price of materials contained in the tangible personal property.

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

99.4 Sec. 9. Minnesota Statutes 2004, section 297A.668, subdivision 6, is amended to read:

99.5 Subd. 6. **Multiple points of use.** (a) Notwithstanding the provisions of subdivisions
99.6 2 to 5, a business purchaser that is not a holder of a direct pay permit that knows at the
99.7 time of its purchase of a digital good, computer software delivered electronically, or a
99.8 service that the digital good, computer software delivered electronically, or service will
99.9 be concurrently available for use in more than one ~~taxing~~ jurisdiction shall deliver to
99.10 the seller in conjunction with its purchase a multiple points of use exemption certificate
99.11 disclosing this fact.

99.12 (b) Upon receipt of the multiple points of use exemption certificate, the seller is
99.13 relieved of the obligation to collect, pay, or remit the applicable tax and the purchaser is
99.14 obligated to collect, pay, or remit the applicable tax on a direct pay basis.

99.15 (c) A purchaser delivering the multiple points of use exemption certificate may use
99.16 any reasonable, but consistent and uniform, method of apportionment that is supported by
99.17 the purchaser's business records as they exist at the time of the consummation of the sale.

99.18 (d) The multiple points of use exemption certificate remains in effect for all future
99.19 sales by the seller to the purchaser until it is revoked in writing, except as to the subsequent
99.20 sale's specific apportionment that is governed by the principle of paragraph (c) and the
99.21 facts existing at the time of the sale.

99.22 (e) A holder of a direct pay permit is not required to deliver a multiple points or use
99.23 exemption certificate to the seller. A direct pay permit holder shall follow the provisions
99.24 of paragraph (c) in apportioning the tax due on a digital good, computer software delivered
99.25 electronically, or a service that will be concurrently available for use in more than one
99.26 ~~taxing~~ jurisdiction.

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

99.28 Sec. 10. Minnesota Statutes 2004, section 297A.669, subdivision 11, is amended to
99.29 read:

99.30 Subd. 11. **Mobile telecommunications service.** "Mobile telecommunications
99.31 service," for purposes of this section, means the same as that term is defined in Section
99.32 ~~124(1)~~ 124(7) of Public Law 106-252 (Mobile Telecommunications Sourcing Act).

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

99.34 Sec. 11. Minnesota Statutes 2004, section 297A.67, subdivision 4, is amended to read:

100.1 Subd. 4. **Exempt meals at residential facilities.** ~~Meals or~~ Prepared food, candy,
 100.2 and soft drinks served to patients, inmates, or persons residing at hospitals, sanitariums,
 100.3 nursing homes, senior citizen homes, and correctional, detention, and detoxification
 100.4 facilities are exempt. Food sold through vending machines is not exempt.

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

100.6 Sec. 12. Minnesota Statutes 2004, section 297A.67, subdivision 5, is amended to read:

100.7 Subd. 5. **Exempt meals at schools.** ~~Meals and lunches~~ Prepared food, candy,
 100.8 and soft drinks served at public and private elementary, middle, or secondary schools as
 100.9 defined in section 120A.05 are exempt. ~~Meals and lunches~~ Prepared food, candy, and soft
 100.10 drinks served to students at a college, university, or private career school under a board
 100.11 contract are exempt. ~~For purposes of this subdivision, "meals and lunches" does not~~
 100.12 ~~include sales from vending machines.~~ Food sold through vending machines is not exempt.

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

100.14 Sec. 13. Minnesota Statutes 2005 Supplement, section 297A.67, subdivision 6, is
 100.15 amended to read:

100.16 Subd. 6. **Other exempt meals.** (a) ~~Meals or~~ Prepared food, candy, and soft drinks
 100.17 purchased for and served exclusively to individuals who are 60 years of age or over and
 100.18 their spouses or to handicapped persons and their spouses by governmental agencies,
 100.19 nonprofit organizations, or churches, or pursuant to any program funded in whole or in
 100.20 part through United States Code, title 42, sections 3001 through 3045, wherever delivered,
 100.21 prepared, or served, are exempt. Food sold through vending machines is not exempt.

100.22 (b) ~~Meals or~~ Prepared food, candy, and soft drinks purchased for and served
 100.23 exclusively to children who are less than 14 years of age or disabled children who are less
 100.24 than 16 years of age and who are attending a child care or early childhood education
 100.25 program, are exempt if they are:

100.26 (1) purchased by a nonprofit child care facility that is exempt under section 297A.70,
 100.27 subdivision 4, and that primarily serves families with income of 250 percent or less of
 100.28 federal poverty guidelines; and

100.29 (2) prepared at the site of the child care facility.

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

100.31 Sec. 14. Minnesota Statutes 2004, section 297A.67, subdivision 14, is amended to read:

100.32 Subd. 14. **Personal Computers prescribed for use by school.** ~~Personal~~ Computers
 100.33 and related computer software sold by a school, college, university, or private career
 100.34 school to students who are enrolled at the institutions are exempt if:

101.1 (1) the use of the ~~personal~~ computer, or of a substantially similar model of computer,
101.2 and the related computer software is prescribed by the institution in conjunction with a
101.3 course of study; and

101.4 (2) each student of the institution, or of a unit of the institution in which the student
101.5 is enrolled, is required by the institution to have such a ~~personal~~ computer and related
101.6 software as a condition of enrollment.

101.7 For the purposes of this subdivision, "school" and "private career school" have the
101.8 meanings given in subdivision 13.

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

101.10 Sec. 15. Minnesota Statutes 2004, section 297A.67, subdivision 27, is amended to read:

101.11 Subd. 27. **Sewing materials.** Sewing materials are exempt. For purposes of this
101.12 subdivision "sewing materials" mean fabric, thread, zippers, interfacing, buttons, trim,
101.13 and other items that are usually directly incorporated into the construction of clothing, as
101.14 defined in subdivision 8, regardless of whether it is actually used for making clothing.
101.15 It does not include batting, foam, or fabric specifically manufactured for arts and craft
101.16 projects, or other materials for craft projects.

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

101.18 Sec. 16. Minnesota Statutes 2005 Supplement, section 297A.68, subdivision 37,
101.19 is amended to read:

101.20 Subd. 37. **Job opportunity building zones.** (a) Purchases of tangible personal
101.21 property or taxable services by a qualified business, as defined in section 469.310, are
101.22 exempt if the property or services are primarily used or consumed in a job opportunity
101.23 building zone designated under section 469.314. For purposes of this subdivision, an aerial
101.24 camera package, including any camera, computer, and navigation device contained in the
101.25 package, that is used in an aircraft that is operated under a Federal Aviation Administration
101.26 Restricted Airworthiness Certificate according to Code of Federal Regulations, title 14,
101.27 part 21, section 21.25(b)(3), relating to aerial surveying, and that is based, maintained, and
101.28 dispatched from a job opportunity building zone, qualifies as primarily used or consumed
101.29 in a job opportunity building zone if the imagery acquired from the aerial camera package
101.30 is returned to the job opportunity building zone for processing. The exemption for an
101.31 aerial camera package is limited to ~~\$50,000 in taxes~~ as provided in this subdivision and
101.32 the tax must be imposed and collected as if the rate under section 297A.62, subdivision 1,
101.33 applied and then refunded in the manner provided in section 297A.75. The total amount
101.34 of the aerial camera package exemption refunded for all taxpayers for all fiscal years is
101.35 limited to \$50,000 in taxes.

102.1 (b) Purchase and use of construction materials; and supplies, or equipment used or
102.2 consumed in, and equipment incorporated into, the construction of improvements to
102.3 real property in a job opportunity building zone are exempt if the improvements after
102.4 completion of construction are to be used in the conduct of a qualified business, as defined
102.5 in section 469.310. This exemption applies regardless of whether the purchases are made
102.6 by the business or a contractor.

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

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

102.12 (e) Notwithstanding the restriction in paragraph (a), which requires items purchased
102.13 to be primarily used or consumed in the zone, purchases by a qualified business that is
102.14 an electrical cooperative located in Meeker County of equipment and materials used for
102.15 the generation, transmission, and distribution of electrical energy are exempt under this
102.16 subdivision, except that:

102.17 (1) the exemption for materials and equipment used or consumed outside the zone
102.18 must not exceed \$200,000 in taxes for all taxpayers for all fiscal years; and

102.19 (2) no sales and use tax exemption is allowed for equipment purchased for resale.
102.20 For purposes of this paragraph, the tax must be imposed and collected as if the rate
102.21 under section 297A.62, subdivision 1, applied and then refunded in the manner provided
102.22 in section 297A.75.

102.23 **EFFECTIVE DATE.** Paragraphs (a) and (e) are effective for sales and purchases
102.24 made on or after August 1, 2005. Paragraph (b) is effective for sales and purchases made
102.25 on or after January 1, 2004.

102.26 Sec. 17. Minnesota Statutes 2005 Supplement, section 297A.68, subdivision 38,
102.27 is amended to read:

102.28 Subd. 38. **Biotechnology and health sciences industry zone.** (a) Purchases of
102.29 tangible personal property or taxable services by a qualified business, as defined in section
102.30 469.330, are exempt if the property or services are primarily used or consumed in a
102.31 biotechnology and health sciences industry zone designated under section 469.334.

102.32 (b) Purchase and use of construction materials; and supplies, or equipment used
102.33 or consumed in, and equipment incorporated into, the construction of improvements
102.34 to real property in a biotechnology and health sciences industry zone are exempt if the
102.35 improvements after completion of construction are to be used in the conduct of a qualified

103.1 business, as defined in section 469.330. This exemption applies regardless of whether the
103.2 purchases are made by the business or a contractor.

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

103.6 (d)(1) The tax on sales of goods or services exempted under this subdivision are
103.7 imposed and collected as if the applicable rate under section 297A.62 applied. Upon
103.8 application by the purchaser, on forms prescribed by the commissioner, a refund equal
103.9 to the tax paid must be paid to the purchaser. The application must include sufficient
103.10 information to permit the commissioner to verify the sales tax paid and the eligibility of
103.11 the claimant to receive the credit. No more than two applications for refunds may be filed
103.12 under this subdivision in a calendar year. The provisions of section 289A.40 apply to
103.13 the refunds payable under this subdivision.

103.14 (2) The amount required to make the refunds is annually appropriated to the
103.15 commissioner of revenue.

103.16 (3) The aggregate amount refunded to a qualified business must not exceed the
103.17 amount allocated to the qualified business under section 469.335.

103.18 (e) This subdivision applies only to sales made during the duration of the designation
103.19 of the zone.

103.20 **EFFECTIVE DATE.** This section is effective for sales and purchases made on
103.21 or after January 1, 2004.

103.22 Sec. 18. Minnesota Statutes 2004, section 297A.70, subdivision 2, is amended to read:

103.23 Subd. 2. **Sales to government.** (a) All sales, except those listed in paragraph (b),
103.24 to the following governments and political subdivisions, or to the listed agencies or
103.25 instrumentalities of governments and political subdivisions, are exempt:

103.26 (1) the United States and its agencies and instrumentalities;

103.27 (2) school districts, the University of Minnesota, state universities, community
103.28 colleges, technical colleges, state academies, the Perpich Minnesota Center for Arts
103.29 Education, and an instrumentality of a political subdivision that is accredited as an
103.30 optional/special function school by the North Central Association of Colleges and Schools;

103.31 (3) hospitals and nursing homes owned and operated by political subdivisions of
103.32 the state of tangible personal property and taxable services used at or by hospitals and
103.33 nursing homes;

103.34 (4) the Metropolitan Council, for its purchases of vehicles and repair parts to equip
103.35 operations provided for in section 473.4051;

104.1 (5) other states or political subdivisions of other states, if the sale would be exempt
104.2 from taxation if it occurred in that state; and

104.3 (6) sales to public libraries, public library systems, multicounty, multitype library
104.4 systems as defined in section 134.001, county law libraries under chapter 134A, state
104.5 agency libraries, the state library under section 480.09, and the Legislative Reference
104.6 Library.

104.7 (b) This exemption does not apply to the sales of the following products and services:

104.8 (1) building, construction, or reconstruction materials purchased by a contractor
104.9 or a subcontractor as a part of a lump-sum contract or similar type of contract with a
104.10 guaranteed maximum price covering both labor and materials for use in the construction,
104.11 alteration, or repair of a building or facility;

104.12 (2) construction materials purchased by tax exempt entities or their contractors to
104.13 be used in constructing buildings or facilities which will not be used principally by the
104.14 tax exempt entities;

104.15 (3) the leasing of a motor vehicle as defined in section 297B.01, subdivision 5,
104.16 except for leases entered into by the United States or its agencies or instrumentalities; or

104.17 (4) ~~meals and~~ lodging as defined under section 297A.61, subdivision 3, ~~paragraphs~~
104.18 ~~(d) and (g)~~ paragraph (g), clause (2), and prepared food, candy, and soft drinks, except for
104.19 ~~meals and~~ lodging, prepared food, candy, and soft drinks purchased directly by the United
104.20 States or its agencies or instrumentalities.

104.21 (c) As used in this subdivision, "school districts" means public school entities and
104.22 districts of every kind and nature organized under the laws of the state of Minnesota, and
104.23 any instrumentality of a school district, as defined in section 471.59.

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

104.25 Sec. 19. Minnesota Statutes 2004, section 297A.70, subdivision 3, is amended to read:

104.26 Subd. 3. **Sales of certain goods and services to government.** (a) The following
104.27 sales to or use by the specified governments and political subdivisions of the state are
104.28 exempt:

104.29 (1) repair and replacement parts for emergency rescue vehicles, fire trucks, and
104.30 fire apparatus to a political subdivision;

104.31 (2) machinery and equipment, except for motor vehicles, used directly for mixed
104.32 municipal solid waste management services at a solid waste disposal facility as defined in
104.33 section 115A.03, subdivision 10;

104.34 (3) chore and homemaking services to a political subdivision of the state to be
104.35 provided to elderly or disabled individuals;

105.1 (4) telephone services to the Department of Administration that are used to provide
105.2 telecommunications services through the intertechnologies revolving fund;

105.3 (5) firefighter personal protective equipment as defined in paragraph (b), if purchased
105.4 or authorized by and for the use of an organized fire department, fire protection district, or
105.5 fire company regularly charged with the responsibility of providing fire protection to the
105.6 state or a political subdivision;

105.7 (6) bullet-resistant body armor that provides the wearer with ballistic and trauma
105.8 protection, if purchased by a law enforcement agency of the state or a political subdivision
105.9 of the state, or a licensed peace officer, as defined in section 626.84, subdivision 1;

105.10 (7) motor vehicles purchased or leased by political subdivisions of the state if the
105.11 vehicles are exempt from registration under section 168.012, subdivision 1, paragraph (b),
105.12 exempt from taxation under section 473.448, or exempt from the motor vehicle sales tax
105.13 under section 297B.03, clause (12);

105.14 (8) equipment designed to process, dewater, and recycle biosolids for wastewater
105.15 treatment facilities of political subdivisions, and materials incidental to installation of
105.16 that equipment; ~~and~~

105.17 (9) sales to a town of gravel and of machinery, equipment, and accessories, except
105.18 motor vehicles, used exclusively for road and bridge maintenance, and leases by a town of
105.19 motor vehicles exempt from tax under section 297B.03, clause (10); and

105.20 (10) the removal of trees, bushes, or shrubs for the construction and maintenance
105.21 of roads, trails, or firebreaks when purchased by an agency of the state or a political
105.22 subdivision of the state.

105.23 (b) For purposes of this subdivision, "firefighters personal protective equipment"
105.24 means helmets, including face shields, chin straps, and neck liners; bunker coats and
105.25 pants, including pant suspenders; boots; gloves; head covers or hoods; wildfire jackets;
105.26 protective coveralls; goggles; self-contained breathing apparatus; canister filter masks;
105.27 personal alert safety systems; spanner belts; optical or thermal imaging search devices;
105.28 and all safety equipment required by the Occupational Safety and Health Administration.

105.29 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
105.30 October 28, 2002, but for sales and purchases made after October 28, 2002, and before
105.31 July 15, 2005, no refunds may be claimed under Minnesota Statutes, section 289A.50, for
105.32 sales taxes collected and remitted to the state.

105.33 Sec. 20. Minnesota Statutes 2004, section 297A.70, subdivision 4, is amended to read:

105.34 Subd. 4. **Sales to nonprofit groups.** (a) All sales, except those listed in paragraph
105.35 (b), to the following "nonprofit organizations" are exempt:

106.1 (1) a corporation, society, association, foundation, or institution organized and
106.2 operated exclusively for charitable, religious, or educational purposes if the item
106.3 purchased is used in the performance of charitable, religious, or educational functions; and

106.4 (2) any senior citizen group or association of groups that:

106.5 (i) in general limits membership to persons who are either age 55 or older, or
106.6 physically disabled; and

106.7 (ii) is organized and operated exclusively for pleasure, recreation, and other
106.8 nonprofit purposes, no part of the net earnings of which inures to the benefit of any private
106.9 shareholders.

106.10 For purposes of this subdivision, charitable purpose includes the maintenance of a
106.11 cemetery owned by a religious organization.

106.12 (b) This exemption does not apply to the following sales:

106.13 (1) building, construction, or reconstruction materials purchased by a contractor
106.14 or a subcontractor as a part of a lump-sum contract or similar type of contract with a
106.15 guaranteed maximum price covering both labor and materials for use in the construction,
106.16 alteration, or repair of a building or facility;

106.17 (2) construction materials purchased by tax-exempt entities or their contractors to
106.18 be used in constructing buildings or facilities that will not be used principally by the
106.19 tax-exempt entities; and

106.20 (3) ~~meals and~~ lodging as defined under section 297A.61, subdivision 3, paragraphs
106.21 ~~(d) and (g)~~ paragraph (g), clause (2), and prepared food, candy, and soft drinks; and

106.22 (4) leasing of a motor vehicle as defined in section 297B.01, subdivision 5, except as
106.23 provided in paragraph (c).

106.24 (c) This exemption applies to the leasing of a motor vehicle as defined in section
106.25 297B.01, subdivision 5, only if the vehicle is:

106.26 (1) a truck, as defined in section 168.011, a bus, as defined in section 168.011, or a
106.27 passenger automobile, as defined in section 168.011, if the automobile is designed and
106.28 used for carrying more than nine persons including the driver; and

106.29 (2) intended to be used primarily to transport tangible personal property or
106.30 individuals, other than employees, to whom the organization provides service in
106.31 performing its charitable, religious, or educational purpose.

106.32 (d) A limited liability company also qualifies for exemption under this subdivision if
106.33 (1) it consists of a sole member that would qualify for the exemption, and (2) the items
106.34 purchased qualify for the exemption.

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

107.1 Sec. 21. Minnesota Statutes 2004, section 297A.70, subdivision 7, is amended to read:

107.2 Subd. 7. **Hospitals and outpatient surgical centers.** (a) Sales, except for those
107.3 listed in paragraph (c), to a hospital are exempt, if the items purchased are used in
107.4 providing hospital services. For purposes of this subdivision, "hospital" means a hospital
107.5 organized and operated for charitable purposes within the meaning of section 501(c)(3) of
107.6 the Internal Revenue Code, and licensed under chapter 144 or by any other jurisdiction,
107.7 and "hospital services" are services authorized or required to be performed by a "hospital"
107.8 under chapter 144.

107.9 (b) Sales, except for those listed in paragraph (c), to an outpatient surgical center
107.10 are exempt, if the items purchased are used in providing outpatient surgical services. For
107.11 purposes of this subdivision, "outpatient surgical center" means an outpatient surgical
107.12 center organized and operated for charitable purposes within the meaning of section
107.13 501(c)(3) of the Internal Revenue Code, and licensed under chapter 144 or by any other
107.14 jurisdiction. For the purposes of this subdivision, "outpatient surgical services" means:
107.15 (1) services authorized or required to be performed by an outpatient surgical center under
107.16 chapter 144; and (2) urgent care. For purposes of this subdivision, "urgent care" means
107.17 health services furnished to a person whose medical condition is sufficiently acute to
107.18 require treatment unavailable through, or inappropriate to be provided by, a clinic or
107.19 physician's office, but not so acute as to require treatment in a hospital emergency room.

107.20 (c) This exemption does not apply to the following products and services:

107.21 (1) purchases made by a clinic, physician's office, or any other medical facility not
107.22 operating as a hospital or outpatient surgical center, even though the clinic, office, or
107.23 facility may be owned and operated by a hospital or outpatient surgical center;

107.24 (2) sales under section 297A.61, subdivision 3, ~~paragraphs (d) and (g)~~ paragraph
107.25 (g), clause (2), and prepared food, candy, and soft drinks;

107.26 (3) building and construction materials used in constructing buildings or facilities
107.27 that will not be used principally by the hospital or outpatient surgical center;

107.28 (4) building, construction, or reconstruction materials purchased by a contractor
107.29 or a subcontractor as a part of a lump-sum contract or similar type of contract with a
107.30 guaranteed maximum price covering both labor and materials for use in the construction,
107.31 alteration, or repair of a hospital or outpatient surgical center; or

107.32 (5) the leasing of a motor vehicle as defined in section 297B.01, subdivision 5.

107.33 (d) A limited liability company also qualifies for exemption under this subdivision if
107.34 (1) it consists of a sole member that would qualify for the exemption, and (2) the items
107.35 purchased qualify for the exemption.

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

108.1 Sec. 22. Minnesota Statutes 2004, section 297A.70, subdivision 13, is amended to read:

108.2 Subd. 13. **Fund-raising sales by or for nonprofit groups.** (a) The following
108.3 sales by the specified organizations for fund-raising purposes are exempt, subject to the
108.4 limitations listed in paragraph (b):

108.5 (1) all sales made by an organization that exists solely for the purpose of providing
108.6 educational or social activities for young people primarily age 18 and under;

108.7 (2) all sales made by an organization that is a senior citizen group or association of
108.8 groups if (i) in general it limits membership to persons age 55 or older; (ii) it is organized
108.9 and operated exclusively for pleasure, recreation, and other nonprofit purposes; and (iii)
108.10 no part of its net earnings inures to the benefit of any private shareholders;

108.11 (3) the sale or use of tickets or admissions to a golf tournament held in Minnesota if
108.12 the beneficiary of the tournament's net proceeds qualifies as a tax-exempt organization
108.13 under section 501(c)(3) of the Internal Revenue Code; and

108.14 (4) sales of ~~gum, candy, and candy products~~ sold for fund-raising purposes by a
108.15 nonprofit organization that provides educational and social activities primarily for young
108.16 people age 18 and under.

108.17 (b) The exemptions listed in paragraph (a) are limited in the following manner:

108.18 (1) the exemption under paragraph (a), clauses (1) and (2), applies only if the gross
108.19 annual receipts of the organization from fund-raising do not exceed \$10,000; and

108.20 (2) the exemption under paragraph (a), clause (1), does not apply if the sales are
108.21 derived from admission charges or from activities for which the money must be deposited
108.22 with the school district treasurer under section 123B.49, subdivision 2, or be recorded in
108.23 the same manner as other revenues or expenditures of the school district under section
108.24 123B.49, subdivision 4.

108.25 (c) Sales of tangible personal property are exempt if the entire proceeds, less the
108.26 necessary expenses for obtaining the property, will be contributed to a registered combined
108.27 charitable organization described in section 309.501, to be used exclusively for charitable,
108.28 religious, or educational purposes, and the registered combined charitable organization
108.29 has given its written permission for the sale. Sales that occur over a period of more than
108.30 24 days per year are not exempt under this paragraph.

108.31 (d) For purposes of this subdivision, a club, association, or other organization of
108.32 elementary or secondary school students organized for the purpose of carrying on sports,
108.33 educational, or other extracurricular activities is a separate organization from the school
108.34 district or school for purposes of applying the \$10,000 limit.

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

109.1 Sec. 23. Minnesota Statutes 2004, section 297A.70, subdivision 14, is amended to read:

109.2 Subd. 14. **Fund-raising events sponsored by nonprofit groups.** (a) Sales of
109.3 tangible personal property at, and admission charges for fund-raising events sponsored
109.4 by, a nonprofit organization are exempt if:

109.5 (1) all gross receipts are recorded as such, in accordance with generally accepted
109.6 accounting practices, on the books of the nonprofit organization; and

109.7 (2) the entire proceeds, less the necessary expenses for the event, will be used
109.8 solely and exclusively for charitable, religious, or educational purposes. Exempt sales
109.9 include the sale of ~~food, meals, and drinks~~ prepared food, candy, and soft drinks at the
109.10 fund-raising event.

109.11 (b) This exemption is limited in the following manner:

109.12 (1) it does not apply to admission charges for events involving bingo or other
109.13 gambling activities or to charges for use of amusement devices involving bingo or other
109.14 gambling activities;

109.15 (2) all gross receipts are taxable if the profits are not used solely and exclusively for
109.16 charitable, religious, or educational purposes;

109.17 (3) it does not apply unless the organization keeps a separate accounting record,
109.18 including receipts and disbursements from each fund-raising event that documents all
109.19 deductions from gross receipts with receipts and other records;

109.20 (4) it does not apply to any sale made by or in the name of a nonprofit corporation as
109.21 the active or passive agent of a person that is not a nonprofit corporation;

109.22 (5) all gross receipts are taxable if fund-raising events exceed 24 days per year;

109.23 (6) it does not apply to fund-raising events conducted on premises leased for more
109.24 than five days but less than 30 days; and

109.25 (7) it does not apply if the risk of the event is not borne by the nonprofit organization
109.26 and the benefit to the nonprofit organization is less than the total amount of the state and
109.27 local tax revenues foregone by this exemption.

109.28 (c) For purposes of this subdivision, a "nonprofit organization" means any unit of
109.29 government, corporation, society, association, foundation, or institution organized and
109.30 operated for charitable, religious, educational, civic, fraternal, and senior citizens' or
109.31 veterans' purposes, no part of the net earnings of which inures to the benefit of a private
109.32 individual.

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

109.34 Sec. 24. Minnesota Statutes 2004, section 297A.70, subdivision 15, is amended to read:

110.1 Subd. 15. **Statewide amateur athletic games.** Notwithstanding section 297A.61,
 110.2 subdivision 3, or any other provision of this chapter, the gross receipts from the following
 110.3 sales made to or by a nonprofit corporation designated by the Minnesota Amateur Sports
 110.4 Commission to conduct a series of statewide amateur athletic games and related events,
 110.5 workshops, and clinics are exempt:

110.6 (1) sales of tangible personal property to or the storage, use, or other consumption of
 110.7 tangible personal property by the nonprofit corporation; and

110.8 (2) sales of tangible personal property, admission charges, and sales of ~~food,~~
 110.9 ~~meals, and drinks~~ prepared food, candy, and soft drinks by the nonprofit corporation at
 110.10 fund-raising events, athletic events, or athletic facilities.

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

110.12 Sec. 25. Minnesota Statutes 2005 Supplement, section 297A.72, subdivision 2, is
 110.13 amended to read:

110.14 Subd. 2. **Content and form of exemption certificate.** An exemption certificate
 110.15 must be substantially in the form prescribed by the commissioner and:

110.16 (1) be signed by the purchaser or meet the requirements of section 270C.304;

110.17 (2) bear the name and address of the purchaser; and

110.18 (3) indicate the sales tax account number, if any, issued to the purchaser; and

110.19 ~~(4) indicate the general character of the property sold by the purchaser in the regular~~
 110.20 ~~course of business or the activities carried on by the organization; and~~

110.21 ~~(5) identify the property purchased.~~

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

110.23 Sec. 26. Minnesota Statutes 2005 Supplement, section 297A.75, subdivision 1, is
 110.24 amended to read:

110.25 Subdivision 1. **Tax collected.** The tax on the gross receipts from the sale of the
 110.26 following exempt items must be imposed and collected as if the sale were taxable and the
 110.27 rate under section 297A.62, subdivision 1, applied. The exempt items include:

110.28 (1) capital equipment exempt under section 297A.68, subdivision 5;

110.29 (2) building materials for an agricultural processing facility exempt under section
 110.30 297A.71, subdivision 13;

110.31 (3) building materials for mineral production facilities exempt under section
 110.32 297A.71, subdivision 14;

110.33 (4) building materials for correctional facilities under section 297A.71, subdivision
 110.34 3;

111.1 (5) building materials used in a residence for disabled veterans exempt under section
111.2 297A.71, subdivision 11;

111.3 (6) elevators and building materials exempt under section 297A.71, subdivision 12;

111.4 (7) building materials for the Long Lake Conservation Center exempt under section
111.5 297A.71, subdivision 17;

111.6 (8) materials, supplies, fixtures, furnishings, and equipment for a county law
111.7 enforcement and family service center under section 297A.71, subdivision 26;

111.8 (9) materials and supplies for qualified low-income housing under section 297A.71,
111.9 subdivision 23; ~~and~~

111.10 (10) materials, supplies, and equipment for municipal electric utility facilities under
111.11 section 297A.71, subdivision 35;

111.12 (11) equipment and materials used for the generation, transmission, and distribution
111.13 of electrical energy and an aerial camera package exempt under section 297A.68,
111.14 subdivision 37; and

111.15 (12) tangible personal property and taxable services and construction materials,
111.16 supplies, and equipment exempt under section 297A.68, subdivision 41.

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

111.18 Sec. 27. Minnesota Statutes 2005 Supplement, section 297A.75, subdivision 2, is
111.19 amended to read:

111.20 Subd. 2. **Refund; eligible persons.** Upon application on forms prescribed by the
111.21 commissioner, a refund equal to the tax paid on the gross receipts of the exempt items
111.22 must be paid to the applicant. Only the following persons may apply for the refund:

111.23 (1) for subdivision 1, clauses (1) to (3), the applicant must be the purchaser;

111.24 (2) for subdivision 1, clauses (4), (7), and (8), the applicant must be the governmental
111.25 subdivision;

111.26 (3) for subdivision 1, clause (5), the applicant must be the recipient of the benefits
111.27 provided in United States Code, title 38, chapter 21;

111.28 (4) for subdivision 1, clause (6), the applicant must be the owner of the homestead
111.29 property;

111.30 (5) for subdivision 1, clause (9), the owner of the qualified low-income housing
111.31 project; ~~and~~

111.32 (6) for subdivision 1, clause (10), the applicant must be a municipal electric utility or
111.33 a joint venture of municipal electric utilities; and

111.34 (7) for subdivision 1, clauses (11) and (12), the owner of the qualifying business.

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

112.1 Sec. 28. Minnesota Statutes 2005 Supplement, section 297A.75, subdivision 3, is
112.2 amended to read:

112.3 Subd. 3. **Application.** (a) The application must include sufficient information
112.4 to permit the commissioner to verify the tax paid. If the tax was paid by a contractor,
112.5 subcontractor, or builder, under subdivision 1, clause (4), (5), (6), (7), (8), (9), ~~or~~ (10),
112.6 (11), or (12), the contractor, subcontractor, or builder must furnish to the refund applicant
112.7 a statement including the cost of the exempt items and the taxes paid on the items unless
112.8 otherwise specifically provided by this subdivision. The provisions of sections 289A.40
112.9 and 289A.50 apply to refunds under this section.

112.10 (b) An applicant may not file more than two applications per calendar year for
112.11 refunds for taxes paid on capital equipment exempt under section 297A.68, subdivision 5.

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

112.13 Sec. 29. Minnesota Statutes 2005 Supplement, section 297A.815, subdivision 1,
112.14 is amended to read:

112.15 Subdivision 1. **Motor vehicle lease price; payment.** (a) In the case of a lease of a
112.16 motor vehicle as provided in section 297A.61, subdivision 4, paragraph (k), clause (2), the
112.17 tax is imposed on the total amount to be paid by the lessee under the lease agreement. The
112.18 lessor shall collect the tax in full at the time the lease is executed or, if the tax is included
112.19 in the lease and the lease is assigned, the tax is due from the original lessor at the time the
112.20 lease is assigned. The total amount to be paid by the lessee under the lease agreement
112.21 equals the agreed-upon value of the vehicle less manufacturer's rebates, the stated residual
112.22 value of the leased vehicle, and the total value allowed for a vehicle owned by the lessee
112.23 taken in trade by the lessor, plus the price of any taxable goods and services included in
112.24 the lease and the rent charge as provided by Code of Federal Regulations, title 12, section
112.25 213.4, excluding any rent charge related to the capitalization of the tax.

112.26 (b) If the total amount paid by the lessee for use of the leased vehicle includes
112.27 amounts that are not calculated at the time the lease is executed, the tax is imposed and
112.28 must be collected by the lessor at the time the amounts are paid by the lessee. In the case
112.29 of a lease which by its terms may be renewed, the sales tax is due and payable on the
112.30 total amount to be paid during the initial term of the lease, and then for each subsequent
112.31 renewal period on the total amount to be paid during the renewal period.

112.32 (c) If a lease is canceled or rescinded on or before 90 days of its execution or if a
112.33 vehicle is returned to the manufacturer under section 325F.665, the lessor may file a claim
112.34 for a refund of the total tax paid minus the amount of tax due for the period the vehicle is
112.35 used by the lessee.

113.1 (d) If a lessee's obligation to make payments on a lease is canceled more than 90
 113.2 days after its execution, a credit is allowed against sales tax or motor vehicles sales tax
 113.3 due on a subsequent lease or purchase of a motor vehicle if that lease or purchase is
 113.4 consummated within 30 days of the date the prior lease was canceled. The amount of the
 113.5 credit is equal to (1) the sales tax paid at the inception of the lease, multiplied by (2)
 113.6 the ratio of the number of full months remaining in the lease at the time of termination
 113.7 compared to the term of the lease used in calculating sales tax paid at the inception of the
 113.8 lease. The credit or any part of it cannot be assigned or transferred to another person.

113.9 **EFFECTIVE DATE.** This section is effective for leases entered into after
 113.10 September 30, 2005.

113.11 Sec. 30. Minnesota Statutes 2004, section 297A.99, subdivision 7, is amended to read:

113.12 Subd. 7. **Exemptions.** (a) All goods or services that are otherwise exempt from
 113.13 taxation under this chapter are exempt from a political subdivision's tax.

113.14 (b) ~~The gross receipts from the sale of tangible personal property that meets the~~
 113.15 ~~requirement of section 297A.68, subdivision 15, are exempt, except the qualification~~
 113.16 ~~test applies based on the boundaries of the political subdivision instead of the state~~
 113.17 ~~of Minnesota.~~

113.18 (c) All mobile transportation equipment, and parts and accessories attached to or
 113.19 to be attached to the equipment are exempt, if purchased by a holder of a motor carrier
 113.20 direct pay permit under section 297A.90.

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

113.22 Sec. 31. Laws 2005, First Special Session chapter 3, article 5, section 3, the effective
 113.23 date, is amended to read:

113.24

113.25 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
 113.26 October 28, 2002, but for land clearing contracts entered into after October 28, 2002,
 113.27 but before July 15, 2005, no refunds may be claimed under Minnesota Statutes, section
 113.28 289A.50, for sales taxes collected and remitted to the state on the land clearing contracts.

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

113.30 Sec. 32. **REPEALER.**

113.31 (a) Minnesota Statutes 2004, section 297A.68, subdivisions 15 and 18, are repealed.

113.32 (b) Minnesota Rules, parts 8130.0400, subpart 3; 8130.4800, subparts 1, 3, 4, 5, 6, 7,
 113.33 and 8; 8130.5100; 8130.5400; and 8130.5800, subpart 6, are repealed.

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

114.2 **ARTICLE 8**

114.3 **DEPARTMENT OF REVENUE SPECIAL TAXES AND FEES**

114.4 Section 1. Minnesota Statutes 2005 Supplement, section 115B.49, subdivision 4, is
114.5 amended to read:

114.6 Subd. 4. **Registration; fees.** (a) The owner or operator of a dry cleaning facility
114.7 shall register on or before October 1 of each year with the commissioner of revenue in
114.8 a manner prescribed by the commissioner of revenue and pay a registration fee for the
114.9 facility. The amount of the fee is:

114.10 (1) \$500, for facilities with a full-time equivalence of fewer than five;

114.11 (2) \$1,000, for facilities with a full-time equivalence of five to ten; and

114.12 (3) \$1,500, for facilities with a full-time equivalence of more than ten.

114.13 The registration fee must be paid on or before October 18 or the owner or operator
114.14 of a dry cleaning facility may elect to pay the fee in equal installments. Installment
114.15 payments must be paid on or before October 18, on or before January 18, on or before
114.16 April 18, and on or before June 18. All payments made after October 18 bear interest
114.17 at the rate specified in section 270C.40.

114.18 (b) A person who sells dry cleaning solvents for use by dry cleaning facilities in the
114.19 state shall collect and remit to the commissioner of revenue in a manner prescribed by the
114.20 commissioner of revenue, on or before the 20th day of the month following the month in
114.21 which the sales of dry cleaning solvents are made, a fee of:

114.22 (1) \$3.50 for each gallon of perchloroethylene sold for use by dry cleaning facilities
114.23 in the state;

114.24 (2) 70 cents for each gallon of hydrocarbon-based dry cleaning solvent sold for use
114.25 by dry cleaning facilities in the state; and

114.26 (3) 35 cents for each gallon of other nonaqueous solvents sold for use by dry
114.27 cleaning facilities in the state.

114.28 (c) The audit, assessment, appeal, collection, enforcement, and administrative
114.29 provisions of chapters 270C and 289A apply to the fee imposed by this subdivision.

114.30 To enforce this subdivision, the commissioner of revenue may grant extensions to file
114.31 returns and pay fees, impose penalties and interest on the annual registration fee under
114.32 paragraph (a) and the monthly fee under paragraph (b), and abate penalties and interest in
114.33 the manner provided in chapters 270C and 289A. The penalties and interest imposed on
114.34 taxes under chapter 297A apply to the fees imposed under this subdivision. Disclosure
114.35 of data collected by the commissioner of revenue under this subdivision is governed by
114.36 chapter 270B.

115.1 **EFFECTIVE DATE.** This section is effective for returns and payments due on
 115.2 or after October 1, 2006.

115.3 **Sec. 2. [287.222] TRANSFER TO OBTAIN FINANCING.**

115.4 The deed tax is \$1.65 on a deed or other instrument that transfers real property if
 115.5 the transfer is (1) to a person who is a builder or contractor, (2) intended to be temporary,
 115.6 and (3) done solely to enable the builder or contractor to obtain financing to build an
 115.7 improvement on the conveyed property under a contract for improvement with the grantor
 115.8 that calls for the conveyed property to be reconveyed to the grantor upon completion of
 115.9 and payment for the improvement. The deed tax is \$1.65 on a deed or other instrument
 115.10 that transfers the real property back from the builder or contractor to the grantor.

115.11 **EFFECTIVE DATE.** This section is effective for deeds both executed and recorded
 115.12 on or after July 1, 2006.

115.13 **Sec. 3. Minnesota Statutes 2004, section 295.50, subdivision 4, is amended to read:**

115.14 **Subd. 4. Health care provider.** (a) "Health care provider" means:

115.15 (1) a person whose health care occupation is regulated or required to be regulated by
 115.16 the state of Minnesota furnishing any or all of the following goods or services directly to a
 115.17 patient or consumer: medical, surgical, optical, visual, dental, hearing, nursing services,
 115.18 drugs, laboratory, diagnostic or therapeutic services;

115.19 (2) a person who provides goods and services not listed in clause (1) that qualify for
 115.20 reimbursement under the medical assistance program provided under chapter 256B;

115.21 (3) a staff model health plan company;

115.22 (4) an ambulance service required to be licensed; or

115.23 (5) a person who sells or repairs hearing aids and related equipment or prescription
 115.24 eyewear.

115.25 (b) Health care provider does not include:

115.26 (1) hospitals; medical supplies distributors, except as specified under paragraph
 115.27 (a), clause (5); nursing homes licensed under chapter 144A or licensed in any other
 115.28 jurisdiction; pharmacies; surgical centers; bus and taxicab transportation, or any other
 115.29 providers of transportation services other than ambulance services required to be licensed;
 115.30 supervised living facilities for persons with mental retardation or related conditions,
 115.31 licensed under Minnesota Rules, parts 4665.0100 to 4665.9900; ~~residential care homes~~
 115.32 ~~licensed under chapter 144B~~; housing with services establishments required to be
 115.33 registered under chapter 144D; board and lodging establishments providing only custodial
 115.34 services that are licensed under chapter 157 and registered under section 157.17 to
 115.35 provide supportive services or health supervision services; adult foster homes as defined

116.1 in Minnesota Rules, part 9555.5105; day training and habilitation services for adults
 116.2 with mental retardation and related conditions as defined in section 252.41, subdivision
 116.3 3; boarding care homes, as defined in Minnesota Rules, part 4655.0100; and adult day
 116.4 care centers as defined in Minnesota Rules, part 9555.9600;

116.5 (2) home health agencies as defined in Minnesota Rules, part 9505.0175, subpart
 116.6 15; a person providing personal care services and supervision of personal care services
 116.7 as defined in Minnesota Rules, part 9505.0335; a person providing private duty nursing
 116.8 services as defined in Minnesota Rules, part 9505.0360; and home care providers required
 116.9 to be licensed under chapter 144A;

116.10 (3) a person who employs health care providers solely for the purpose of providing
 116.11 patient services to its employees; and

116.12 (4) an educational institution that employs health care providers solely for the
 116.13 purpose of providing patient services to its students if the institution does not receive fee
 116.14 for service payments or payments for extended coverage.

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

116.16 Sec. 4. Minnesota Statutes 2004, section 295.53, subdivision 3, is amended to read:

116.17 Subd. 3. **Separate statement of tax.** A hospital, surgical center, ~~or~~ health care
 116.18 provider, or wholesale drug distributor must not state the tax obligation under section
 116.19 295.52 in a deceptive or misleading manner. It must not separately state tax obligations
 116.20 on bills provided to patients, consumers, or other payers when the amount received for
 116.21 the services or goods is not subject to tax.

116.22 Pharmacies that separately state the tax obligations on bills provided to consumers
 116.23 or to other payers who purchase legend drugs may state the tax obligation as the wholesale
 116.24 price of the legend drugs multiplied by the tax percentage specified in section 295.52.
 116.25 Pharmacies must not state the tax obligation based on the retail price.

116.26 Whenever the commissioner determines that a person has engaged in any act or
 116.27 practice constituting a violation of this subdivision, the commissioner may bring an action
 116.28 in the name of the state in the district court of the appropriate county to enjoin the act
 116.29 or practice and to enforce compliance with this subdivision, or the commissioner may
 116.30 refer the matter to the attorney general or the county attorney of the appropriate county.
 116.31 Upon a proper showing, a permanent or temporary injunction, restraining order, or other
 116.32 appropriate relief must be granted.

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

116.34 Sec. 5. Minnesota Statutes 2004, section 297F.01, is amended by adding a subdivision
 116.35 to read:

117.1 Subd. 22a. Weighted average retail price. "Weighted average retail price" means
117.2 (1) the average retail price per pack of 20 cigarettes, with the average price weighted by
117.3 the number of packs sold at each price, (2) reduced by the sales tax included in the retail
117.4 price, and (3) adjusted for the expected inflation from the time of the survey to the average
117.5 of the 12 months that the sales tax will be imposed. The commissioner shall make the
117.6 inflation adjustment in accordance with the Consumer Price Index for all urban consumers
117.7 inflation indicator as published in the most recent state budget forecast. The inflation
117.8 factor for the calendar year in which the new tax rate takes effect must be used.

117.9 EFFECTIVE DATE. This section is effective April 30, 2006.

117.10 Sec. 6. Minnesota Statutes 2004, section 297G.01, subdivision 7, is amended to read:

117.11 Subd. 7. **Distilled spirits.** "Distilled spirits" ~~is~~ means:

117.12 (1) intoxicating liquors, including ethyl alcohol, hydrated oxide of ethyl, spirits of
117.13 wine, whiskey, rum, brandy, gin, and other distilled spirits, including all dilutions and
117.14 mixtures, for nonindustrial use;

117.15 (2) any beverage that would be classified as a flavored malt beverage except that the
117.16 alcohol contribution from flavors and other nonbeverage materials exceeds 49 percent
117.17 of the alcohol content of the product; or

117.18 (3) any beverage that would be classified as a flavored malt beverage except that the
117.19 beverage contains more than six percent alcohol by volume, and more than 1.5 percent
117.20 of the volume of the finished product consists of alcohol derived from flavors and other
117.21 nonbeverage ingredients that contain alcohol.

117.22 EFFECTIVE DATE. This section is effective July 1, 2006.

117.23 Sec. 7. Minnesota Statutes 2004, section 297G.01, is amended by adding a subdivision
117.24 to read:

117.25 Subd. 8a. **Flavored malt beverage.** (a) "Flavored malt beverage" means a
117.26 fermented malt beverage that:

117.27 (1) contains six percent or less alcohol by volume and derives at least 51 percent of
117.28 its alcohol content by volume from the fermentation of grain, as long as not more than 49
117.29 percent of the beverage's overall alcohol content is obtained from flavors and other added
117.30 nonbeverage ingredients containing alcohol; or

117.31 (2) contains more than six percent alcohol by volume that derives not more than 1.5
117.32 percent of its overall alcohol content by volume from flavors and other added nonbeverage
117.33 ingredients containing alcohol.

117.34 (b) Flavored malt beverage does not include cider or an alcoholic beverage obtained
117.35 primarily by fermentation of rice, such as sake.

118.1 **EFFECTIVE DATE.** This section is effective July 1, 2006.

118.2 **ARTICLE 9**

118.3 **DEPARTMENT OF REVENUE MISCELLANEOUS**

118.4 Section 1. Minnesota Statutes 2005 Supplement, section 270C.01, subdivision 4, is
118.5 amended to read:

118.6 Subd. 4. **Electronic means; electronically.** "Electronic means" and "electronically"
118.7 mean a method that is electronic, as defined in section 325L.02, paragraph (e), and that
118.8 is prescribed by the commissioner. Electronic means includes the use of a touch-tone
118.9 telephone to transmit return information in a manner prescribed by the commissioner.

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

118.11 Sec. 2. Minnesota Statutes 2005 Supplement, section 270C.304, is amended to read:

118.12 **270C.304 ELECTRONICALLY FILED RETURNS; SIGNATURES.**

118.13 For purposes of a law administered by the commissioner, the name of the taxpayer,
118.14 the name of the taxpayer's authorized agent, or the taxpayer's identification number,
118.15 will constitute a signature when transmitted as part of the return information on returns
118.16 filed by electronic means by the taxpayer or at the taxpayer's direction. "Electronic
118.17 means" ~~includes, but is not limited to, the use of a touch-tone telephone to transmit return~~
118.18 ~~information in a manner prescribed by the commissioner.~~

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

118.20 Sec. 3. Minnesota Statutes 2005 Supplement, section 270C.33, subdivision 4, is
118.21 amended to read:

118.22 Subd. 4. **Orders of assessment.** (a) The commissioner may issue an order of
118.23 assessment in any of the following circumstances:

118.24 (1) the commissioner determines that the correct amount of tax is different than that
118.25 assessed on a return filed with the commissioner;

118.26 (2) no return has been filed and the commissioner determines the amount of tax
118.27 that should have been assessed;

118.28 (3) the commissioner determines that the correct amount of a refundable credit
118.29 is different than the amount claimed by a taxpayer. For purposes of this subdivision,
118.30 "refundable credit" means a refund benefit or credit due a person that is unrelated to the
118.31 person's liability for a tax. "Refundable credit" does not include estimated tax payments
118.32 or withholding taxes. An assessment for an overpayment of a refundable credit may be
118.33 collected in the same manner as a tax collected by the commissioner; ~~and~~

118.34 (4) the commissioner determines the correct amount of a tax that the taxpayer is not
118.35 required to assess by a return filed with the commissioner; and

119.1 (5) the commissioner determines that a penalty other than a penalty for late payment
119.2 of tax, late filing of a return, or failure to pay tax by electronic means should be imposed,
119.3 and the penalty is not included on an order of assessment made under clauses (1) to (4).

119.4 (b) An order of assessment must be in writing.

119.5 (c) An order of assessment must be signed by the commissioner or a delegate, or
119.6 have their facsimile signature, if the change in tax, excluding penalties and interest,
119.7 exceeds \$1,000.

119.8 (d) An order of assessment is final when made but, as applicable, is reviewable
119.9 administratively under section 270C.35, or appealable to Tax Court under chapter 271.

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

119.11 Sec. 4. Minnesota Statutes 2005 Supplement, section 270C.57, subdivision 3, is
119.12 amended to read:

119.13 Subd. 3. **Assessment; abatement; review.** The commissioner may assess liability
119.14 against a successor business under this section within the time prescribed for collecting
119.15 the underlying sales and withholding taxes, interest, and penalties. The assessment is
119.16 presumed to be valid, and the burden is upon the successor to show it is incorrect or
119.17 invalid. An order assessing successor liability is reviewable administratively under section
119.18 270C.35 and is appealable to Tax Court under chapter 271. The commissioner may abate
119.19 an assessment if the successor's failure to give the notice required under this section is due
119.20 to reasonable cause. The procedural and appeal provisions under section 270C.34 apply
119.21 to abatement requests under this subdivision. Collection remedies available against the
119.22 transferring business are available against the successor from the date of assessment of
119.23 successor liability.

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

119.25 Sec. 5. Minnesota Statutes 2005 Supplement, section 270C.67, subdivision 1, is
119.26 amended to read:

119.27 Subdivision 1. **Authority.** If any tax payable to the commissioner or to the
119.28 department is not paid when due, such tax may be collected by the commissioner within
119.29 five years after the date of assessment of the tax, or if a lien has been filed, during the
119.30 period the lien is enforceable, or if the tax judgment has been filed, within the statutory
119.31 period of enforcement of a valid tax judgment, by a levy upon all property and rights
119.32 to property, including any property in the possession of law enforcement officials, of
119.33 the person liable for the payment or collection of such tax ~~(except that which is exempt~~
119.34 ~~from execution pursuant to section 550.37)~~ or property on which there is a lien provided

120.1 in section 270C.63. For this purpose, "tax" includes any penalty, interest, and costs,
120.2 properly payable.

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

120.4 Sec. 6. Minnesota Statutes 2005 Supplement, section 270C.67, is amended by adding a
120.5 subdivision to read:

120.6 **Subd. 1a. Exempt property.** A levy under this section is not enforceable against:

120.7 **(1) a purchaser with respect to tangible personal property purchased at retail in**
120.8 **the ordinary course of the seller's trade or business, unless at the time of purchase the**
120.9 **purchaser intends the purchase to or knows the purchase will hinder, evade, or defeat**
120.10 **the collection of a tax; or**

120.11 **(2) the personal property listed as exempt in sections 550.37, 550.38, and 550.39.**

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

120.13 Sec. 7. Minnesota Statutes 2005 Supplement, section 271.12, is amended to read:

120.14 **271.12 WHEN ORDER EFFECTIVE.**

120.15 No order for refundment by the commissioner of revenue, the appropriate unit of
120.16 government, or the Tax Court shall take effect until the time for appeal therefrom or
120.17 review thereof by all parties entitled thereto has expired. Otherwise every order of the
120.18 commissioner, the appropriate unit of government, or the Tax Court shall take effect
120.19 immediately upon the filing thereof, and no appeal therefrom or review thereof shall
120.20 stay the execution thereof or extend the time for payment of any tax or other obligation
120.21 unless otherwise expressly provided by law; provided, that in case an order which has
120.22 been acted upon, in whole or in part, shall thereafter be set aside or modified upon appeal,
120.23 the determination upon appeal or review shall supersede the order appealed from and be
120.24 binding upon all parties affected thereby, and such adjustments as may be necessary
120.25 to give effect thereto shall be made accordingly; and provided further, the Tax Court
120.26 may enjoin enforcement of the order of the commissioner being appealed. If it be finally
120.27 determined upon such appeal or review that any person is entitled to refundment of any
120.28 amount which has been paid for a tax or other obligation, such amount, unless otherwise
120.29 provided by law, shall be paid to the person by the commissioner of finance, or other
120.30 proper officer, out of funds derived from taxes of the same kind, if available for the
120.31 purpose, or out of other available funds, if any, with interest at the rate specified in section
120.32 270C.405 from the date of payment of the tax, unless a different rate or date of accrual
120.33 of interest is otherwise provided by law, in which case such other rate or date of accrual
120.34 shall apply, upon certification by the commissioner of revenue, the appropriate unit of
120.35 government, the Tax Court or the Supreme Court.

121.1 If, within 120 days after a decision of the Tax Court becomes final, the commissioner
121.2 does not refund the overpayment determined by the court, together with interest, on
121.3 motion by the taxpayer, the Tax Court shall have jurisdiction to order the refund of
121.4 the overpayment and interest, and to award reasonable litigation costs for bringing the
121.5 motion. If any tax, assessment, or other obligation be increased upon such appeal or
121.6 review, the increase shall be added to the original amount, and may be enforced and
121.7 collected therewith.

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

121.9 Sec. 8. Minnesota Statutes 2005 Supplement, section 289A.121, subdivision 5, is
121.10 amended to read:

121.11 **Subd. 5. Reportable transactions.** (a) For each taxable year in which a taxpayer
121.12 must make a return or a statement under Code of Federal Regulations, title 26, section
121.13 1.6011-4, for a reportable transaction, including a listed transaction, in which the taxpayer
121.14 participated in a taxable year for which a return is required under chapter 290, the taxpayer
121.15 must file a copy of the disclosure with the commissioner.

121.16 (b) Any taxpayer that is a member of a unitary business group that includes any
121.17 person that must make a disclosure statement under Code of Federal Regulations, title 26,
121.18 section 1.6011-4, must file a disclosure under this subdivision.

121.19 (c) Disclosure under this subdivision is required for any transaction entered into after
121.20 December 31, 2001, that the Internal Revenue Service determines is a listed transaction
121.21 at any time, and must be made in the manner prescribed by the commissioner. For
121.22 transactions in which the taxpayer participated for taxable years ending before December
121.23 31, 2005, disclosure must be made by the extended due date of the first return required
121.24 under chapter 290 that occurs 60 days or more after July 14, 2005. With respect to
121.25 transactions in which the taxpayer participated for taxable years ending on and after
121.26 December 31, 2005, disclosure must be made in the time and manner prescribed in Code
121.27 of Federal Regulations, title 26, section 1.6011-4(e).

121.28 (d) Notwithstanding paragraphs (a) to (c), no disclosure is required for transactions
121.29 entered into after December 31, 2001, and before January 1, 2006, if (1) the taxpayer
121.30 has filed an amended income tax return which reverses the tax benefits of the tax
121.31 shelter transaction, or (2) as a result of a federal audit the Internal Revenue Service has
121.32 determined the tax treatment of the transaction and an amended return has been filed
121.33 to reflect the federal treatment.

122.1 **EFFECTIVE DATE.** This section is effective for disclosures of reportable
 122.2 transactions in which the taxpayer participated for taxable years ending before December
 122.3 31, 2005.

122.4 Sec. 9. Minnesota Statutes 2004, section 290.17, subdivision 1, is amended to read:

122.5 **Subdivision 1. Scope of allocation rules.** (a) The income of resident individuals
 122.6 is not subject to allocation outside this state. The allocation rules apply to nonresident
 122.7 individuals, estates, trusts, nonresident partners of partnerships, nonresident shareholders
 122.8 of corporations treated as "S" corporations under section 290.9725, and all corporations
 122.9 not having such an election in effect. If a partnership or corporation would not otherwise
 122.10 be subject to the allocation rules, but conducts a trade or business that is part of a
 122.11 unitary business involving another legal entity that is subject to the allocation rules, the
 122.12 partnership or corporation is subject to the allocation rules.

122.13 (b) Expenses, losses, and other deductions (referred to collectively in this paragraph
 122.14 as "deductions") must be allocated along with the item or class of gross income to which
 122.15 they are definitely related for purposes of assignment under this section or apportionment
 122.16 under section 290.191, 290.20, or 290.36. Deductions ~~not~~ definitely related to any item
 122.17 ~~or class of gross income are assigned~~ under subdivision 2, paragraph (e), are assigned to
 122.18 the taxpayer's domicile.

122.19 (c) In the case of an individual who is a resident for only part of a taxable year,
 122.20 the individual's income, gains, losses, and deductions from the distributive share of a
 122.21 partnership, S corporation, trust, or estate are not subject to allocation outside this state
 122.22 to the extent of the distributive share multiplied by a ratio, the numerator of which is
 122.23 the number of days the individual was a resident of this state during the tax year of the
 122.24 partnership, S corporation, trust, or estate, and the denominator of which is the number of
 122.25 days in the taxable year of the partnership, S corporation, trust, or estate.

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

122.27 **ARTICLE 10**

122.28 **PUBLIC FINANCE**

122.29 Section 1. Minnesota Statutes 2004, section 103E.635, subdivision 7, is amended to
 122.30 read:

122.31 **Subd. 7. Sale of definitive drainage bonds.** The board must sell and negotiate the
 122.32 definitive drainage bonds ~~for at least their par value. The definitive bonds must be sold~~
 122.33 ~~in accordance with section~~ according to sections 475.56 and 475.60.

122.34 Sec. 2. Minnesota Statutes 2004, section 116A.20, subdivision 3, is amended to read:

123.1 Subd. 3. **How payable.** The bonds shall be payable at such time or times, not to
123.2 exceed (1) 30 years from their date or (2) 40 years or the useful life of the asset, whichever
123.3 is less, if financed or guaranteed by the United States Department of Agriculture, and bear
123.4 such rate or rates of interest not exceeding eight percent per annum, payable annually or
123.5 semiannually as the county board shall by resolution determine. The years and amounts
123.6 of principal maturities shall be such as in the opinion of the county board are warranted
123.7 by the anticipated collections of the water and sewer improvement assessments without
123.8 regard to any limitations on such maturities imposed by section 475.54.

123.9 Sec. 3. Minnesota Statutes 2004, section 162.18, subdivision 1, is amended to read:

123.10 Subdivision 1. **Limitation on amount.** Any city having a population of 5,000 or
123.11 more may in accordance with chapter 475, except as otherwise provided herein, issue and
123.12 sell its obligations for the purpose of establishing, locating, relocating, constructing,
123.13 reconstructing, and improving municipal state-aid streets therein. In the resolution
123.14 providing for the issuance of the obligations, the governing body of the municipality
123.15 shall irrevocably pledge and appropriate to the sinking fund from which the obligations
123.16 are payable, an amount of the moneys allotted or to be allotted to the municipality from
123.17 its account in the municipal state-aid street fund sufficient to pay the principal of and the
123.18 interest on the obligations as they respectively come due. The obligations shall be issued
123.19 in amounts and on terms such that the average annual amount of principal and interest due
123.20 in all subsequent calendar years on the obligations, including any similar obligations of
123.21 the municipality which are outstanding, shall not exceed ~~50~~ 90 percent of the amount of
123.22 ~~the last annual allotment preceding the bond issue received by the municipality from the~~
123.23 ~~construction account in the municipal state-aid street fund; except that the municipality~~
123.24 ~~may issue general obligation bonds for said purpose, to be purchased by it for the account~~
123.25 ~~of any one or more of its own funds, including debt redemption funds, in which case such~~
123.26 ~~bonds shall mature in not exceeding five years from their respective dates of issue, in~~
123.27 ~~principal amounts not exceeding in any calendar year, with the principal amount of all~~
123.28 ~~other municipal state-aid street obligations maturing in such year, the total amount of the~~
123.29 ~~last annual allotment preceding the bond issue received by the municipality from the~~
123.30 ~~construction account in the municipal state-aid street fund. All interest on the obligations~~
123.31 ~~shall be paid out of the municipality's normal maintenance account in the municipal~~
123.32 ~~state-aid street fund. Any such obligations may be made general obligations, but if~~
123.33 ~~moneys of the municipality other than moneys received from the municipal state-aid street~~
123.34 ~~fund, are used for payment of the obligations, the moneys so used shall be restored to the~~
123.35 ~~appropriate fund from the moneys next received by the municipality from the construction~~

124.1 or maintenance account in the municipal state-aid street fund which are not required to be
124.2 paid into a sinking fund for obligations.

124.3 Sec. 4. Minnesota Statutes 2004, section 162.181, subdivision 1, is amended to read:

124.4 Subdivision 1. **Limitation on amount.** Except as otherwise provided herein, any
124.5 county may, in accordance with chapter 475, issue and sell its obligations, the total
124.6 amount thereof not to exceed the total of the preceding two years state-aid allotments,
124.7 for the purpose of establishing, locating, relocating, constructing, reconstructing, and
124.8 improving county state-aid highways and constructing buildings and other facilities for
124.9 maintaining county state-aid highways. In the resolution providing for the issuance of the
124.10 obligations, the county board of the county shall irrevocably pledge and appropriate to the
124.11 sinking fund from which the obligations are payable, an amount of the money allotted
124.12 or to be allotted to the county from its account in the county state-aid highway fund
124.13 sufficient to pay the principal of and the interest on the obligations as they respectively
124.14 come due. The obligations shall be issued in the amounts and on terms such that the
124.15 amount of principal and interest due in any calendar year on the obligations, including
124.16 any similar obligations of the county which are outstanding, shall not exceed ~~50~~ 90
124.17 percent of the amount of the last annual allotment preceding the bond issue received
124.18 by the county from the construction account in the county state-aid highway fund. All
124.19 interest on the obligations shall be paid out of the county's normal maintenance account
124.20 in the county state-aid highway fund. The obligations may be made general obligations,
124.21 but if money of the county other than money received from the county state-aid highway
124.22 fund, is used for payment of the obligations, the money so used shall be restored to the
124.23 appropriate fund from the money next received by the county from the construction or
124.24 maintenance account in the county state-aid highway fund which is not required to be
124.25 paid into a sinking fund for obligations.

124.26 Sec. 5. Minnesota Statutes 2004, section 273.032, is amended to read:

124.27 **273.032 MARKET VALUE DEFINITION.**

124.28 For the purpose of determining any property tax levy limitation based on market
124.29 value, ~~any net debt limit based on market value, any limit on the issuance of bonds,~~
124.30 ~~certificates of indebtedness, or capital notes based on market value,~~ any qualification
124.31 to receive state aid based on market value, or any state aid amount based on market
124.32 value, the terms "market value," "taxable market value," and "market valuation," whether
124.33 equalized or unequalized, mean the total taxable market value of property within the local
124.34 unit of government before any adjustments for tax increment, fiscal disparity, powerline
124.35 credit, or wind energy values, but after the limited market adjustments under section
124.36 273.11, subdivision 1a, and after the market value exclusions of certain improvements to

125.1 homestead property under section 273.11, subdivision 16. Unless otherwise provided,
 125.2 "market value," "taxable market value," and "market valuation" for purposes of this
 125.3 paragraph, refer to the taxable market value for the previous assessment year.

125.4 For the purpose of determining any net debt limit based on market value, or any limit
 125.5 on the issuance of bonds, certificates of indebtedness, or capital notes based on market
 125.6 value, the terms "market value," "taxable market value," and "market valuation," whether
 125.7 equalized or unequalized, mean the total taxable market value of property within the local
 125.8 unit of government before any adjustments for tax increment, fiscal disparity, powerline
 125.9 credit, or wind energy values, but after the limited market adjustments under section
 125.10 273.11, subdivision 1a, and after the market value exclusions of certain improvements to
 125.11 homestead property under section 273.11, subdivision 16. Unless otherwise provided,
 125.12 "market value," "taxable market value," "market valuation" for purposes of this paragraph,
 125.13 mean the taxable market value as last finally equalized.

125.14 Sec. 6. Minnesota Statutes 2004, section 365A.08, is amended to read:

125.15 **365A.08 FINANCING.**

125.16 Upon adoption of the next annual budget following the creation of a subordinate
 125.17 service district the town board shall include in the budget appropriate provisions for the
 125.18 operation of the district including either a property tax levied only on property of the users
 125.19 of the service within the boundaries of the district or a levy of a service charge against the
 125.20 users of the service within the district, or a combination of a property tax and a service
 125.21 charge on the users of the service.

125.22 A tax or service charge or a combination of them may be imposed to finance a
 125.23 function or service in the district that the town ordinarily provides throughout the town
 125.24 only to the extent that there is an increase in the level of the function or service provided
 125.25 in the service district over that provided throughout the town. In that case, in addition
 125.26 to the townwide tax levy, an amount necessary to pay for the increase in the level of the
 125.27 function or service may be imposed in the district.

125.28 In the proceedings for establishment of a subordinate service district, the town may
 125.29 prepare a street reconstruction plan that describes the streets within the district to be
 125.30 reconstructed, the estimated costs, and any planned reconstruction of streets within the
 125.31 district over the next five years and may include the approval of the street reconstruction
 125.32 plan and the issuance of obligations for street reconstruction in the notice of public hearing
 125.33 for the public hearing required by section 365A.04, subdivision 2. The town board shall
 125.34 approve or disapprove the plan and the issuance of obligations in the resolution adopted
 125.35 pursuant to section 365A.04, subdivision 3, and the issuance of street reconstruction
 125.36 obligations shall be subject to the provisions for reverse referendum contained in section

126.1 365A.06. Following the creation of the subordinate service district and approval of the
 126.2 plan and the street reconstruction obligations and compliance with section 365A.06, the
 126.3 town may, without regard to the election requirement under section 475.58, subdivision 1,
 126.4 issue and sell general obligations for street reconstruction as defined in section 475.58,
 126.5 subdivision 3b. Obligations issued under this section are subject to the debt limit of the
 126.6 town and are not excluded from net debt under section 475.51, subdivision 4.

126.7 Sec. 7. Minnesota Statutes 2004, section 365A.095, is amended to read:

126.8 **365A.095 PETITION FOR REMOVAL OF DISTRICT; PROCEDURE.**

126.9 Except when obligations are outstanding under section 365A.08, a petition signed by
 126.10 at least 75 percent of the property owners in the territory of the subordinate service district
 126.11 requesting the removal of the district may be presented to the town board. Within 30 days
 126.12 after the town board receives the petition, the town clerk shall determine the validity of the
 126.13 signatures on the petition. If the requisite number of signatures are certified as valid, the
 126.14 town board must hold a public hearing on the petitioned matter. Within 30 days after the
 126.15 end of the hearing, the town board must decide whether to discontinue the subordinate
 126.16 service district, continue as it is, or take some other action with respect to it.

126.17 Sec. 8. Minnesota Statutes 2004, section 373.45, subdivision 1, is amended to read:

126.18 **Subdivision 1. Definitions.** (a) As used in this section, the following terms have
 126.19 the meanings given.

126.20 (b) "Authority" means the Minnesota Public Facilities Authority.

126.21 (c) "Commissioner" means the commissioner of finance.

126.22 (d) "Debt obligation" means a general obligation bond issued by a county, a bond to
 126.23 which the general obligation of a county is pledged under section 469.034, subdivision 2,
 126.24 or a bond payable from a county lease obligation under section 641.24, to provide funds
 126.25 for the construction of:

126.26 (1) jails;

126.27 (2) correctional facilities;

126.28 (3) law enforcement facilities;

126.29 (4) social services and human services facilities; ~~or~~

126.30 (5) solid waste facilities; or

126.31 (6) qualified housing development projects as defined in section 469.034, subdivision
 126.32 2.

126.33 Sec. 9. Minnesota Statutes 2004, section 469.035, is amended to read:

126.34 **469.035 MANNER OF BOND ISSUANCE; SALE.**

127.1 Bonds of an authority shall be authorized by its resolution. They may be issued in
127.2 one or more series and shall bear the date or dates, mature at the time or times, bear interest
127.3 at the rate or rates, be in the denomination or denominations, be in the form either coupon
127.4 or registered, carry the conversion or registration privileges, have the rank or priority, be
127.5 executed in the manner, be payable in the medium of payment at the place or places, and
127.6 be subject to the terms of redemption with or without premium, as the resolution, its trust
127.7 indenture or mortgage provides. The bonds may be sold ~~at public or private sale at not~~
127.8 ~~less than par~~ in the manner and for the price that the authority determines to be in the best
127.9 interest of the authority. Notwithstanding any other law, bonds issued pursuant to sections
127.10 469.001 to 469.047 shall be fully negotiable. In any suit, action, or proceedings involving
127.11 the validity or enforceability of any bonds of an authority or the security for the bonds,
127.12 any bond reciting in substance that it has been issued by the authority to aid in financing a
7.13 project shall be conclusively deemed to have been issued for that purpose, and the project
127.14 shall be conclusively deemed to have been planned, located, and carried out in accordance
127.15 with the purposes and provisions of sections 469.001 to 469.047.

127.16 In cities of the first class, the governing body of the city must approve all notes
127.17 executed with the Minnesota Housing Finance Agency pursuant to this section if the
127.18 interest rate on the note exceeds seven percent.

127.19 Sec. 10. Minnesota Statutes 2004, section 469.103, subdivision 2, is amended to read:

127.20 Subd. 2. **Form.** The bonds of each series issued by the authority under this section
127.21 shall bear interest at a rate or rates, shall mature at the time or times within ~~20~~ 30 years
127.22 from the date of issuance, and shall be in the form, whether payable to bearer, registrable
7.23 as to principal, or fully registrable, as determined by the authority. Section 469.102,
127.24 subdivision 6, applies to all bonds issued under this section, and the bonds and their
127.25 coupons, if any, when payable to bearer, shall be negotiable instruments.

127.26 Sec. 11. Minnesota Statutes 2005 Supplement, section 469.178, subdivision 7, is
127.27 amended to read:

127.28 Subd. 7. **Interfund loans.** The authority or municipality may advance or loan
127.29 money to finance expenditures under section 469.176, subdivision 4, from its general
127.30 fund or any other fund under which it has legal authority to do so. The loan or advance
127.31 must be authorized, by resolution of the governing body or of the authority, whichever
127.32 has jurisdiction over the fund from which the advance or loan is made, before money
127.33 is transferred, advanced, or spent, whichever is earliest. The resolution may generally
127.34 grant to the authority the power to make interfund loans under one or more tax increment
127.35 financing plans or for one or more districts. The terms and conditions for repayment of
127.36 the loan must be provided in writing and include, at a minimum, the principal amount,

128.1 the interest rate, and maximum term. The maximum rate of interest permitted to be
 128.2 charged is limited to the greater of the rates specified under section 270C.40 or 549.09
 128.3 as of the date or advance is made, unless the written agreement states that the maximum
 128.4 interest rate will fluctuate as the interest rates specified under section 270C.40 or 549.09
 128.5 are from time to time adjusted.

128.6 Sec. 12. Minnesota Statutes 2004, section 473.39, is amended by adding a subdivision
 128.7 to read:

128.8 Subd. 11. Obligations. After July 1, 2006, in addition to the authority in
 128.9 subdivisions 1a, 1b, 1c, 1d, 1e, 1g, 1h, 1i, 1j, and 1k, the council may issue certificates of
 128.10 indebtedness, bonds, or other obligations under this section in an amount not exceeding
 128.11 \$32,800,000 for capital expenditures as prescribed in the council's regional transit master
 128.12 plan and transit capital improvement program and for related costs, including the costs of
 128.13 issuance and sale of the obligations.

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

128.15 Sec. 13. Minnesota Statutes 2004, section 474A.062, is amended to read:

128.16 **474A.062 HESO 120-DAY ISSUANCE EXEMPTION.**

128.17 The Minnesota Higher Education Services Office is exempt from the 120-day
 128.18 issuance requirements in this chapter and may carry forward allocations for student loan
 128.19 bonds into ~~three~~ one successive calendar ~~years~~ year, subject to carryforward notice
 128.20 requirements of section 474A.131, subdivision 2. ~~The maximum cumulative carryforward~~
 128.21 ~~is limited to \$25,000,000.~~

128.22 EFFECTIVE DATE. This section is effective for bond allocations made in 2006
 128.23 and thereafter.

128.24 Sec. 14. Minnesota Statutes 2005 Supplement, section 475.521, subdivision 4, is
 128.25 amended to read:

128.26 **Subd. 4. Limitations on amount.** A municipality may not issue bonds under this
 128.27 section if the maximum amount of principal and interest to become due in any year on
 128.28 all the outstanding bonds issued under this section, including the bonds to be issued,
 128.29 will equal or exceed (1) 0.16 percent of the taxable market value of property in the
 128.30 municipality, or (2) \$100,000, whichever is greater. Calculation of the limit must be
 128.31 made using the taxable market value for the taxes payable year in which the obligations
 128.32 are issued and sold. In the case of a municipality with a population of 2,500 or more, the
 128.33 bonds are subject to the net debt limits under section 475.53. In the case of a shared facility
 128.34 in which more than one municipality participates, upon compliance by each participating

129.1 municipality with the requirements of subdivision 2, the limitations in this subdivision and
 129.2 the net debt represented by the bonds shall be allocated to each participating municipality
 129.3 in proportion to its required financial contribution to the financing of the shared facility, as
 129.4 set forth in the joint powers agreement relating to the shared facility. This section does not
 129.5 limit the authority to issue bonds under any other special or general law.

129.6 Sec. 15. Laws 2005, chapter 152, article 1, section 39, subdivision 1, is amended to
 129.7 read:

129.8 Subdivision 1. [ISSUANCE; PURPOSE.] Notwithstanding any provision of
 129.9 Minnesota Statutes, chapter 298, to the contrary, the commissioner of Iron Range
 129.10 resources and rehabilitation ~~may~~ shall issue revenue bonds in a principal amount of
 129.11 \$15,000,000 plus an amount sufficient to pay costs of issuance, in one or more series,
 129.12 and thereafter may issue bonds to refund those bonds. The proceeds of the bonds must be
 129.13 used to pay costs of issuance and to make grants to school districts located in the taconite
 129.14 tax relief area defined in Minnesota Statutes, section 273.134, or the taconite assistance
 129.15 area defined in Minnesota Statutes, section 273.1341, to be used by the school districts
 129.16 to pay for health, safety, and maintenance improvements ~~but only if the school district~~
 129.17 ~~has levied the maximum amount allowable under law for those purposes.~~ The amounts of
 129.18 proceeds to be distributed to each district are as follows:

- 129.19 (1) Independent School District No. 511, Aitkin, \$600,000;
 129.20 (2) Independent School District No. 695, Chisholm, \$700,000;
 129.21 (3) Independent School District No. 166, Cook County, \$600,000;
 129.22 (4) Independent School District No. 182, Crosby-Ironton, \$600,000;
 129.23 (5) Independent School District No. 696, Ely, \$600,000;
 129.24 (6) Independent School District No. 2154, Eveleth-Gilbert, \$1,000,000;
 129.25 (7) Independent School District No. 318, Grand Rapids, \$600,000;
 129.26 (8) Independent School District No. 316, Greenway, \$1,100,000;
 129.27 (9) Independent School District No. 701, Hibbing, \$2,100,000;
 129.28 (10) Independent School District No. 381, Lake Superior, \$600,000;
 129.29 (11) Independent School District No. 2711, Mesabi East, \$3,600,000;
 129.30 (12) Independent School District No. 712, Mt. Iron-Buhl, \$700,000;
 129.31 (13) Independent School District No. 319, Nashwauk/Keewatin, \$700,000;
 129.32 (14) Independent School District No. 2142, St. Louis County, \$600,000; and
 129.33 (15) Independent School District No. 706, Virginia, \$900,000.

129.34 Sec. 16. CARVER COUNTY AUTHORITY NAME CHANGE.

129.35 The Carver County Housing and Redevelopment Authority created under Laws,
 129.36 1980, chapter 482, is renamed the Carver County Community Development Agency.

130.1 **Sec. 17. CITY OF WINSTED; BONDING AUTHORITY.**

130.2 **(a) The city of Winsted may issue general obligation bonds under Minnesota**
130.3 **Statutes, chapter 475, to finance the acquisition and betterment of a public works facility**
130.4 **and a facility consisting of a city hall, community center and police station, including**
130.5 **landscaping.**

130.6 **(b) The bonds may be issued as general obligations of the city without an election to**
130.7 **approve the bonds under Minnesota Statutes, section 475.58.**

130.8 **(c) The bonds are not included in computing any debt limitation applicable to the**
130.9 **city, including the net debt limits under Minnesota Statutes, section 475.53, and the levy**
130.10 **of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the**
130.11 **bonds is not subject to any levy limitation.**

130.12 **(d) The aggregate principal amount of bonds used to pay costs of the acquisition and**
130.13 **betterment of the public works facility and the facility consisting of a city hall, community**
130.14 **center and police station, including landscaping, may not exceed \$5,000,000, plus an**
130.15 **amount equal to the costs related to issuance of the bonds and capitalized interest.**

130.16 **EFFECTIVE DATE. This section is effective upon compliance by the governing**
130.17 **body of the city of Winsted with Minnesota Statutes, section 645.021, subdivision 3.**

130.18 **Sec. 18. UNIFIED POOL; OFFICE OF HIGHER EDUCATION; TEMPORARY**
130.19 **PRIORITY.**

130.20 **Notwithstanding Minnesota Statutes, section 474A.091, subdivision 3, paragraph**
130.21 **(b), prior to October 1, 2006, only the following applications shall be awarded allocations**
130.22 **from the unified pool. Allocations shall be awarded in the following order of priority:**

130.23 **(1) applications for student loan bonds issued by or on behalf of the Office of**
130.24 **Higher Education;**

130.25 **(2) applications for residential rental project bonds;**

130.26 **(3) applications for small issue bonds for manufacturing projects; and**

130.27 **(4) applications for small issue bonds for agricultural development bond loan**
130.28 **projects.**

130.29 **EFFECTIVE DATE. This section is effective July 1, 2006.**

130.30 **Sec. 19. UNIFIED POOL; TEMPORARY PRIORITY CHANGE.**

130.31 **Notwithstanding Minnesota Statutes, section 474A.091, subdivision 3, paragraph**
130.32 **(c), on the first Monday in October, 2006, through the last Monday in November, 2006,**
130.33 **allocations shall be awarded from the unified pool in the following order of priority:**

130.34 **(1) applications for mortgage bonds;**

130.35 **(2) applications for public facility projects funded by public facility bonds;**

- 131.1 (3) applications for small issue bonds for manufacturing projects;
- 131.2 (4) applications for small issue bonds for agricultural development bond loan
- 131.3 projects;
- 131.4 (5) applications for residential rental project bonds;
- 131.5 (6) applications for enterprise zone facility bonds;
- 131.6 (7) applications for governmental bonds; and
- 131.7 (8) applications for redevelopment bonds.

131.8 **EFFECTIVE DATE.** This section is effective July 1, 2006.

131.9 **Sec. 20. UNIFIED POOL; OFFICE OF HIGHER EDUCATION TOTAL**

131.10 **ALLOCATION.**

131.11 Notwithstanding Minnesota Statutes, section 474A.091, subdivision 3, paragraph (i),

131.12 the total amount of allocations for student loan bonds from the unified pool in calendar

131.13 year 2006 may not exceed 50 percent of the total in the unified pool on the day after the

131.14 last Monday in July, 2006.

131.15 **EFFECTIVE DATE.** This section is effective July 1, 2006.

131.16 **Sec. 21. CITY OF PENNOCK; ACQUIRE REAL ESTATE, EXPEND CITY**

131.17 **FUNDS, AND CONVEY TO PRIVATE ENTITY.**

131.18 Subdivision 1. **Authorization.** The city of Pennock may purchase a parcel of real

131.19 estate in the city consisting of four city lots and an appurtenant building formerly operated

131.20 as a convenience store known as Phil's Corner on the terms and conditions that may be

131.21 agreed upon between the city and the current owner of the parcel, and the city may expend

131.22 city funds to make necessary improvements to the building. Once acquired and improved

131.23 and in order to ensure the continued economic vitality of the city, the city may convey

131.24 the parcel and building by sale or lease to a private person, firm, partnership, corporation

131.25 or other entity for a nominal consideration or on whatever terms and conditions the

131.26 city and the private entity may agree upon in order for the building to be operated as a

131.27 commercial establishment.

131.28 Subd. 2. **Bonds.** The city of Pennock may issue general obligation bonds of the

131.29 city in the aggregate principal amount not to exceed \$250,000 to finance the project

131.30 authorized by subdivision 1. The bonds must be issued in compliance with Minnesota

131.31 Statutes, chapter 475, except that a referendum under Minnesota Statutes, section 475.58,

131.32 is not required. The debt represented by the bonds is not included in computing any debt

131.33 limitations applicable to the city, and the levy of taxes required by Minnesota Statutes,

132.1 section 475.61, to pay the principal of and interest on the bonds is not subject to any levy
132.2 limitation otherwise applicable to the city.

132.3 **EFFECTIVE DATE.** Under Minnesota Statutes 2004, section 645.023, subdivision
132.4 1, paragraph (a), this section is effective without local approval on the day following
132.5 final enactment.

132.6 **Sec. 22. APPLICATION.**

132.7 Section 12 applies in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey,
132.8 Scott, and Washington.

132.9 **ARTICLE 11**
132.10 **LOCAL DEVELOPMENT**

132.11 Section 1. Minnesota Statutes 2004, section 383A.80, subdivision 4, is amended to
132.12 read:

132.13 Subd. 4. **Expiration.** The authority to impose the tax under this section expires
132.14 January 1, ~~2008~~ 2013.

132.15 Sec. 2. Minnesota Statutes 2004, section 383B.80, subdivision 4, is amended to read:

132.16 Subd. 4. **Expiration.** The authority to impose the tax under this section expires
132.17 January 1, ~~2008~~ 2013.

132.18 **Sec. 3. [383C.558] ST. LOUIS COUNTY DEED AND MORTGAGE TAX.**

132.19 Subdivision 1. Authority to impose; rate. (a) The governing body of St. Louis
132.20 County may impose a mortgage registry and deed tax.

132.21 (b) The rate of the mortgage registry tax equals .0001 of the principal.

132.22 (c) The rate of the deed tax equals .0001 of the amount.

132.23 Subd. 2. General law provisions apply. The taxes under this section apply to
132.24 the same base and must be imposed, collected, administered, and enforced in the same
132.25 manner as provided under chapter 287 for the state mortgage registry and deed taxes.
132.26 All the provisions of chapter 287 apply to these taxes, except the rate is as specified in
132.27 subdivision 1, the term "St. Louis County" must be substituted for "the state," and the
132.28 revenue must be deposited as provided in subdivision 3.

132.29 Subd. 3. Deposit of revenues. All revenues from the tax are for the use of the
132.30 St. Louis County Board of Commissioners and must be deposited in the county's
132.31 environmental response fund under section 383C.559.

132.32 Subd. 4. Expiration. The authority to impose the tax under this section expires
132.33 January 1, 2013.

133.1 **Sec. 4. [383C.559] ST. LOUIS COUNTY ENVIRONMENTAL RESPONSE**
133.2 **FUND.**

133.3 **Subdivision 1. Creation.** An environmental response fund is created for the
133.4 purposes specified in this section. The taxes imposed by section 383C.558 must be
133.5 deposited in the fund. The board of county commissioners shall administer the fund either
133.6 as a county board, a housing and redevelopment authority, or a regional rail authority.

133.7 **Subd. 2. Uses of fund.** The fund created in subdivision 1 must be used for the
133.8 following purposes:

133.9 (1) acquisition through purchase or condemnation of lands or property which are
133.10 polluted or contaminated with hazardous substances;

133.11 (2) paying the costs associated with indemnifying or holding harmless the
133.12 entity taking title to lands or property from any liability arising out of the ownership,
133.13 remediation, or use of the land or property;

133.14 (3) paying for the costs of remediating the acquired land or property;

133.15 (4) paying the costs associated with remediating lands or property which are polluted
133.16 or contaminated with hazardous substances; or

133.17 (5) paying for the costs associated with improving the property for economic
133.18 development, recreational, housing, transportation or rail traffic.

133.19 **Subd. 3. Matching funds.** In expending funds under this section, the county shall
133.20 seek matching funds from contamination cleanup funds administered by the commissioner
133.21 of the Department of Employment and Economic Development, the federal government,
133.22 the private sector, and any other source.

133.23 **Subd. 4. Bonds.** The county may pledge the proceeds from the taxes imposed by
133.24 section 383C.558 to bonds issued under this chapter and chapters 398A, 462, 469, and 475.

133.25 **Subd. 5. Land sales.** Land or property acquired under this section may be resold
133.26 at fair market value. Proceeds from the sale of the land must be deposited in the
133.27 environmental response fund.

133.28 **Subd. 6. DOT assistance.** The commissioner of transportation shall collaborate with
133.29 the county and any affected municipality by providing technical assistance and support in
133.30 cleaning up a contaminated site related to a trunk highway or railroad improvement.

133.31 **Sec. 5. [383D.75] COUNTY DEED AND MORTGAGE TAX.**

133.32 **Subdivision 1. Authority to impose; rate.** (a) The governing body of Dakota
133.33 County may impose a mortgage registry and deed tax.

133.34 (b) The rate of the mortgage registry tax equals .0001 of the principal.

133.35 (c) The rate of the deed tax equals .0001 of the amount.

134.1 Subd. 2. General law provisions apply. The taxes under this section apply to
134.2 the same base and must be imposed, collected, administered, and enforced in the same
134.3 manner as provided under chapter 287 for the state mortgage registry and deed taxes.
134.4 All the provisions of chapter 287 apply to these taxes, except the rate is as specified in
134.5 subdivision 1, the term "Dakota County" must be substituted for "the state," and the
134.6 revenue must be deposited as provided in subdivision 3.

134.7 Subd. 3. Deposit of revenues. All revenues from the tax are for the use of
134.8 the Dakota County Board of Commissioners and must be deposited in the county's
134.9 environmental response fund under section 383D.76.

134.10 Subd. 4. Expiration. The authority to impose the tax under this section expires
134.11 January 1, 2013.

134.12 **Sec. 6. [383D.76] ENVIRONMENTAL RESPONSE FUND.**

134.13 Subdivision 1. Creation. An environmental response fund is created for the purposes
134.14 specified in this section. The taxes imposed by section 383D.75 must be deposited in the
134.15 fund. The Board of County Commissioners shall administer the fund either as a county
134.16 board, a housing and redevelopment authority, or a regional rail authority.

134.17 Subd. 2. Uses of fund. The fund created in subdivision 1 must be used for the
134.18 following purposes:

134.19 (1) acquisition through purchase or condemnation of lands or property which are
134.20 polluted or contaminated with hazardous substances;

134.21 (2) paying the costs associated with indemnifying or holding harmless the
134.22 entity taking title to lands or property from any liability arising out of the ownership,
134.23 remediation, or use of the land or property;

134.24 (3) paying for the costs of remediating the acquired land or property;

134.25 (4) paying the costs associated with remediating lands or property which are polluted
134.26 or contaminated with hazardous substances; or

134.27 (5) paying for the costs associated with improving the property for economic
134.28 development, recreational, housing, transportation or rail traffic.

134.29 Subd. 3. Matching funds. In expending funds under this section, the county shall
134.30 seek matching funds from contamination cleanup funds administered by the commissioner
134.31 of the Department of Employment and Economic Development, the Metropolitan Council,
134.32 the federal government, the private sector, and any other source.

134.33 Subd. 4. Bonds. The county may pledge the proceeds from the taxes imposed by
134.34 section 383D.75 to bonds issued under this chapter and chapters 398A, 462, 469, and 475.

135.1 Subd. 5. Land sales. Land or property acquired under this section may be resold
135.2 at fair market value. Proceeds from the sale of the land must be deposited in the
135.3 environmental response fund.

135.4 Subd. 6. DOT assistance. The commissioner of transportation shall collaborate with
135.5 the county and any affected municipality by providing technical assistance and support in
135.6 cleaning up a contaminated site related to a trunk highway or railroad improvement.

135.7 Sec. 7. Minnesota Statutes 2004, section 469.176, subdivision 3, is amended to read:

135.8 **Subd. 3. Limitation on administrative expenses.** (a) For districts for which
135.9 certification was requested before August 1, 1979, or after June 30, 1982 and before
135.10 August 1, 2001, no tax increment shall be used to pay any administrative expenses for
135.11 a project which exceed ten percent of the total estimated tax increment expenditures
135.12 authorized by the tax increment financing plan or the total tax increment expenditures
135.13 for the project, whichever is less.

135.14 (b) For districts for which certification was requested after July 31, 1979, and before
135.15 July 1, 1982, no tax increment shall be used to pay administrative expenses, as defined in
135.16 Minnesota Statutes 1980, section 273.73, for a district which exceeds five percent of the
135.17 total tax increment expenditures authorized by the tax increment financing plan or the total
135.18 estimated tax increment expenditures for the district, whichever is less.

135.19 (c) For districts for which certification was requested after July 31, 2001, no tax
135.20 increment may be used to pay any administrative expenses for a project which exceed
135.21 ten percent of total estimated tax increment expenditures authorized by the tax increment
135.22 financing plan or the total tax increments, as defined in section 469.174, subdivision 25,
135.23 clause (1), from the district, whichever is less.

135.24 (d) No administrative expenses or consulting costs incurred before certification of a
135.25 district may be paid from tax increments.

135.26 Sec. 8. Minnesota Statutes 2005 Supplement, section 469.1763, subdivision 2, is
135.27 amended to read:

135.28 **Subd. 2. Expenditures outside district.** (a) For each tax increment financing
135.29 district, an amount equal to at least 75 percent of the total revenue derived from tax
135.30 increments paid by properties in the district must be expended on activities in the district
135.31 or to pay bonds, to the extent that the proceeds of the bonds were used to finance activities
135.32 in the district or to pay, or secure payment of, debt service on credit enhanced bonds.
135.33 For districts, other than redevelopment districts for which the request for certification
135.34 was made after June 30, 1995, the in-district percentage for purposes of the preceding
135.35 sentence is 80 percent. Not more than 25 percent of the total revenue derived from tax

136.1 increments paid by properties in the district may be expended, through a development fund
136.2 or otherwise, on activities outside of the district but within the defined geographic area of
136.3 the project except to pay, or secure payment of, debt service on credit enhanced bonds.
136.4 For districts, other than redevelopment districts for which the request for certification was
136.5 made after June 30, 1995, the pooling percentage for purposes of the preceding sentence is
136.6 20 percent. The revenue derived from tax increments for the district that are expended on
136.7 costs under section 469.176, subdivision 4h, paragraph (b), may be deducted first before
136.8 calculating the percentages that must be expended within and without the district.

136.9 (b) In the case of a housing district, a housing project, as defined in section 469.174,
136.10 subdivision 11, is an activity in the district.

136.11 (c) All administrative expenses are for activities outside of the district, except that
136.12 if the only expenses for activities outside of the district under this subdivision are for
136.13 the purposes described in paragraph (d), administrative expenses will be considered as
136.14 expenditures for activities in the district.

136.15 (d) The authority may elect, in the tax increment financing plan for the district,
136.16 to increase by up to ten percentage points the permitted amount of expenditures for
136.17 activities located outside the geographic area of the district under paragraph (a). As
136.18 permitted by section 469.176, subdivision 4k, the expenditures, including the permitted
136.19 expenditures under paragraph (a), need not be made within the geographic area of the
136.20 project. Expenditures that meet the requirements of this paragraph are legally permitted
136.21 expenditures of the district, notwithstanding section 469.176, subdivisions 4b, 4c, and 4j.
136.22 To qualify for the increase under this paragraph, the expenditures must:

136.23 (1) be used exclusively to assist housing that meets the requirement for a qualified
136.24 low-income building, as that term is used in section 42 of the Internal Revenue Code;

136.25 (2) not exceed the qualified basis of the housing, as defined under section 42(c) of
136.26 the Internal Revenue Code, less the amount of any credit allowed under section 42 of
136.27 the Internal Revenue Code; and

136.28 (3) be used to:

136.29 (i) acquire and prepare the site of the housing;

136.30 (ii) acquire, construct, or rehabilitate the housing; or

136.31 (iii) make public improvements directly related to the housing.

136.32 (e) For a district created within a biotechnology and health sciences industry zone
136.33 as defined in section 469.330, subdivision 6, or for an existing district located within
136.34 such a zone, tax increment derived from such a district may be expended outside of
136.35 the district but within the zone only for expenditures required for the construction of

137.1 public infrastructure necessary to support the activities of the zone. Public infrastructure
137.2 expenditures are considered as expenditures for activities within the district.

137.3 Sec. 9. Minnesota Statutes 2004, section 469.1763, subdivision 3, is amended to read:

137.4 Subd. 3. **Five-year rule.** (a) Revenues derived from tax increments are considered
137.5 to have been expended on an activity within the district under subdivision 2 only if one
137.6 of the following occurs:

137.7 (1) before or within five years after certification of the district, the revenues are
137.8 actually paid to a third party with respect to the activity;

137.9 (2) bonds, the proceeds of which must be used to finance the activity, are issued and
137.10 sold to a third party before or within five years after certification, the revenues are spent
137.11 to repay the bonds, and the proceeds of the bonds either are, on the date of issuance,
137.12 reasonably expected to be spent before the end of the later of (i) the five-year period, or
137.13 (ii) a reasonable temporary period within the meaning of the use of that term under section
137.14 148(c)(1) of the Internal Revenue Code, or are deposited in a reasonably required reserve
137.15 or replacement fund;

137.16 (3) binding contracts with a third party are entered into for performance of the
137.17 activity before or within five years after certification of the district and the revenues are
137.18 spent under the contractual obligation;

137.19 (4) costs with respect to the activity are paid before or within five years after
137.20 certification of the district and the revenues are spent to reimburse a party for payment
137.21 of the costs, including interest on unreimbursed costs; or

137.22 (5) expenditures are made for housing purposes as permitted by subdivision 2,
137.23 paragraph (b), or for public infrastructure purposes within a zone as permitted by
137.24 subdivision 2, paragraph (e).

137.25 (b) For purposes of this subdivision, bonds include subsequent refunding bonds if
137.26 the original refunded bonds meet the requirements of paragraph (a), clause (2).

137.27 Sec. 10. Minnesota Statutes 2004, section 469.1763, subdivision 4, is amended to read:

137.28 Subd. 4. **Use of revenues for decertification.** (a) In each year beginning with the
137.29 sixth year following certification of the district, if the applicable in-district percent of the
137.30 revenues derived from tax increments paid by properties in the district exceeds the amount
137.31 of expenditures that have been made for costs permitted under subdivision 3, an amount
137.32 equal to the difference between the in-district percent of the revenues derived from tax
137.33 increments paid by properties in the district and the amount of expenditures that have
137.34 been made for costs permitted under subdivision 3 must be used and only used to pay or
137.35 defease the following or be set aside to pay the following:

137.36 (1) outstanding bonds, as defined in subdivision 3, paragraphs (a), clause (2), and (b);

138.1 (2) contracts, as defined in subdivision 3, paragraph (a), clauses (3) and (4); ~~or~~
 138.2 (3) credit enhanced bonds to which the revenues derived from tax increments are
 138.3 pledged, but only to the extent that revenues of the district for which the credit enhanced
 138.4 bonds were issued are insufficient to pay the bonds and to the extent that the increments
 138.5 from the applicable pooling percent share for the district are insufficient; or
 138.6 (4) the amount provided by the tax increment financing plan to be paid under
 138.7 subdivision 2, paragraph (e).

138.8 (b) When the outstanding bonds have been defeased and when sufficient money
 138.9 has been set aside to pay contractual obligations as defined in subdivision 3, paragraph
 138.10 (a), clauses (3) and (4), the district must be decertified and the pledge of tax increment
 138.11 discharged.

138.12 Sec. 11. Minnesota Statutes 2004, section 469.312, subdivision 5, is amended to read:

138.13 Subd. 5. **Duration limit.** (a) The maximum duration of a zone is 12 years. The
 138.14 applicant may request a shorter duration. The commissioner may specify a shorter
 138.15 duration, regardless of the requested duration.

138.16 (b) The duration limit under this subdivision and the duration of the zone for
 138.17 purposes of allowance of tax incentives described in section 469.315 is extended by three
 138.18 calendar years for each parcel of property that meets the following requirements:

138.19 (1) the qualified business operates an ethanol plant, as defined in section 41A.09, on
 138.20 the site that includes the parcel; and

138.21 (2) the business subsidy agreement was executed after April 30, 2006.

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

138.23 Sec. 12. Laws 1994, chapter 587, article 9, section 20, subdivision 1, is amended to
 138.24 read:

138.25
 138.26 Subdivision 1. **Establishment.** The city of Brooklyn Park may establish an
 138.27 economic development tax increment financing district in which ~~15 percent~~ all of the
 138.28 revenue generated from tax increment in any year that is not expended pursuant to a
 138.29 pledge given or encumbrance created before January 1, 2006, is deposited in the housing
 138.30 development account of the authority and expended according to the tax increment
 138.31 financing plan.

138.32 Sec. 13. Laws 1994, chapter 587, article 9, section 20, subdivision 2, is amended to
 138.33 read:

138.34

139.1 Subd. 2. **Eligible activities.** The authority must identify in the plan the housing
 139.2 activities that will be assisted by the housing development account. Housing activities
 139.3 may include rehabilitation, acquisition, demolition, and financing of new or existing
 139.4 single family or multifamily housing. Housing activities listed in the plan need not be
 139.5 located within the district or project area but must be activities that meet the requirements
 139.6 of a qualified housing district under Minnesota Statutes, section ~~273.1399~~ or 469.1761,
 139.7 subdivision 2, for owner-occupied housing or 469.174, subdivision 29, clause (1), for
 139.8 rental housing.

139.9 Sec. 14. **ANOKA COUNTY DEED AND MORTGAGE TAX.**

139.10 **Subdivision 1. Authority to impose; rate.** (a) The governing body of Anoka
 139.11 County may impose a mortgage registry and deed tax.

139.12 (b) The rate of the mortgage registry tax equals .0001 of the principal.

139.13 (c) The rate of the deed tax equals .0001 of the amount.

139.14 **Subd. 2. General law provisions apply.** The taxes under this section apply to
 139.15 the same base and must be imposed, collected, administered, and enforced in the same
 139.16 manner as provided under chapter 287 for the state mortgage registry and deed taxes.
 139.17 All the provisions of chapter 287 apply to these taxes, except the rate is as specified
 139.18 in subdivision 1, the term "Anoka County" must be substituted for "the state," and the
 139.19 revenue must be deposited as provided in subdivision 3.

139.20 **Subd. 3. Deposit of revenues.** All revenues from the tax are for the use of the Anoka
 139.21 County Board of Commissioners and must be deposited in the county's environmental
 139.22 response fund under section 15.

139.23 **Subd. 4. Expiration.** The authority to impose the tax under this section expires
 139.24 January 1, 2013.

139.25 Sec. 15. **ANOKA COUNTY ENVIRONMENTAL RESPONSE FUND.**

139.26 **Subdivision 1. Creation.** An environmental response fund is created for the
 139.27 purposes specified in this section. The taxes imposed by section 14 must be deposited
 139.28 in the fund. The Board of County Commissioners shall administer the fund either as a
 139.29 county board, a housing and redevelopment authority, or a regional rail authority.

139.30 **Subd. 2. Uses of fund.** The fund created in subdivision 1 must be used for the
 139.31 following purposes:

139.32 (1) acquisition through purchase or condemnation of lands or property which are
 139.33 polluted or contaminated with hazardous substances;

140.1 (2) paying the costs associated with indemnifying or holding harmless the
140.2 entity taking title to lands or property from any liability arising out of the ownership,
140.3 remediation, or use of the land or property;

140.4 (3) paying for the costs of remediating the acquired land or property;

140.5 (4) paying the costs associated with remediating lands or property which are polluted
140.6 or contaminated with hazardous substances; or

140.7 (5) paying for the costs associated with improving the property for economic
140.8 development, recreational, housing, transportation or rail traffic.

140.9 Subd. 3. Matching funds. In expending funds under this section, the county shall
140.10 seek matching funds from contamination cleanup funds administered by the commissioner
140.11 of the Department of Employment and Economic Development, the Metropolitan Council,
140.12 the federal government, the private sector, and any other source.

140.13 Subd. 4. Bonds. The county may pledge the proceeds from the taxes imposed by
140.14 section 14 to bonds issued under this chapter and chapters 398A, 462, 469, and 475.

140.15 Subd. 5. Land sales. Land or property acquired under this section may be resold
140.16 at fair market value. Proceeds from the sale of the land must be deposited in the
140.17 environmental response fund.

140.18 Subd. 6. DOT assistance. The commissioner of transportation shall collaborate with
140.19 the county and any affected municipality by providing technical assistance and support in
140.20 cleaning up a contaminated site related to a trunk highway or railroad improvement.

140.21 **Sec. 16. CITY OF BROOKLYN PARK TAX INCREMENT FINANCING**
140.22 **DISTRICT EXTENSION.**

140.23 Notwithstanding Minnesota Statutes, section 469.176, subdivision 1b, or any other
140.24 law to the contrary, the duration limit that applies to the economic development tax
140.25 increment financing district established under Laws 1994, chapter 587, article 9, section
140.26 20, is extended to December 31, 2020.

140.27 **Sec. 17. BURNSVILLE; NORTHWEST QUADRANT TAX INCREMENT**
140.28 **FINANCING.**

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

140.31 (b) "Project area" means the area in the city bounded on the south, southeast, and
140.32 southwest by the southerly right-of-way line of Minnesota Trunk Highway 13; on the east
140.33 by the easterly right-of-way line of Interstate Highway I-35W; on the north and northwest
140.34 by the Minnesota River; and on the west by the westerly corporate limits of the city;
140.35 together with a single parcel to the east of said Interstate Highway I-35W described as the

141.1 North 1370 feet of the West 1075 feet of the NW 1/4 of Section 34 Township 27 Range 24
141.2 in the city of Burnsville, Dakota County, except the North 50 feet thereof; provided that
141.3 the project area includes the rights-of-way for all present and future highway interchanges
141.4 abutting the area described in this paragraph.

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

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

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

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

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

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

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

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

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

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

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

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

142.5 Sec. 18. **BURNSVILLE; HEART OF THE CITY TAX INCREMENT**
142.6 **FINANCING DISTRICT.**

142.7 Notwithstanding any contrary provision of law, the five-year rule under Minnesota
142.8 Statutes, section 469.1763, subdivisions 3 and 4, is extended to ten years for tax increment
142.9 derived from the parcel described as Lot 2, Block 1, Nicollet Commons Park within tax
142.10 increment financing District No. 6 established by the city and its economic development
142.11 authority on April 15, 2002.

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

142.14 Sec. 19. **CITY OF DETROIT LAKES; REDEVELOPMENT TAX INCREMENT**
142.15 **FINANCING DISTRICT.**

142.16 Subdivision 1. **Authorization.** At the election of the governing body of the city of
142.17 Detroit Lakes, upon adoption of the tax increment financing plan for the district described
142.18 in this section, the rules provided under this section apply to each such district.

142.19 Subd. 2. **Definition.** In this section, "district" means a redevelopment district
142.20 established by the city of Detroit Lakes or the Detroit Lakes Development Authority
142.21 within the following area:

142.22 Beginning at the intersection of Washington Avenue and the Burlington Northern
142.23 Santa Fe railroad then east to the intersection of Roosevelt Avenue then south to the
142.24 intersection of Highway 10/Frazer Street then west to the intersection of Frazer Street and
142.25 the alley that parallels Washington Avenue then north to the point of beginning.

142.26 More than one district may be created under this section.

142.27 Subd. 3. **Qualification as redevelopment district; special rules.** The district shall
142.28 be a redevelopment district under Minnesota Statutes, section 469.174, subdivision 10. All
142.29 buildings that are removed to facilitate the Highway 10 Realignment Project are deemed
142.30 to be "structurally substandard." The three-year limit after demolition of the buildings to
142.31 request tax increment financing certification provided in Minnesota Statutes, section
142.32 469.174, subdivision 10, paragraph (d), clause (1), does not apply.

143.1 Subd. 4. Expiration. The authority to approve tax increment financing plans to
143.2 establish a tax increment financing redevelopment district subject to this section expires
143.3 on December 31, 2014.

143.4 Subd. 5. Effective date. This section is effective upon approval of the governing
143.5 body of the city of Detroit Lakes and compliance with Minnesota Statutes, section
143.6 645.021, subdivision 3.

143.7 **Sec. 20. CITIES OF ELGIN, EYOTA, BYRON, AND ORONOCO; TAX**
143.8 **INCREMENT FINANCING DISTRICTS.**

143.9 Subdivision 1. Authorization. Notwithstanding the mileage limitation in Minnesota
143.10 Statutes, section 469.174, subdivision 27, the cities of Elgin, Eyota, Byron, and Oronoco
143.11 are deemed to be small cities for purposes of Minnesota Statutes, sections 469.174 to
143.12 469.1799, as long as they do not exceed the population limit in that section.

143.13 Subd. 2. Local approval. This section is effective for each of the cities of Elgin,
143.14 Eyota, Byron, and Oronoco upon approval of that city's governing body and compliance
143.15 with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

143.16 **Sec. 21. CITY OF MINNEAPOLIS; HOMELESS ASSISTANCE TAX**
143.17 **INCREMENT DISTRICT.**

143.18 Subdivision 1. Definitions. (a) "City" means the city of Minneapolis.

143.19 (b) "Homeless assistance tax increment district" means a contiguous area of the
143.20 city that:

143.21 (1) is no larger than six acres;

143.22 (2) is located within the boundaries of a city municipal development district; and

143.23 (3) contains at least two shelters for homeless persons that have been owned or
143.24 operated by nonprofit corporations that (i) are qualified charitable organizations under
143.25 section 501(c)(3) of the United States Internal Revenue Code, (ii) have operated such
143.26 homeless facilities within the district for at least five years, and (iii) have been recipients
143.27 of emergency services grants under Minnesota Statutes, section 256E.36.

143.28 Subd. 2. Establishment of tax increment district. The city may create one
143.29 homeless assistance tax increment district. To establish the homeless assistance tax
143.30 increment district, the city shall adopt a homeless assistance tax increment plan and
143.31 otherwise comply with the requirements of Minnesota Statutes, section 469.175, except
143.32 that the determinations required in Minnesota Statutes, section 469.175, subdivision 3,
143.33 paragraph (b), clauses (1) and (2), items (i) and (ii), are not required.

143.34 Subd. 3. Application of tax increment law. Minnesota Statutes, sections 469.174
143.35 to 469.179, shall apply to the administration of the district, except:

144.1 (1) as this section provides otherwise; and
144.2 (2) with respect to the portion of the increment to be expended for homeless shelter
144.3 and services pursuant to subdivision 5, paragraph (b):

144.4 (i) the use for which tax increment that may be expended is as provided by
144.5 subdivision 5; and

144.6 (ii) Minnesota Statutes, sections 469.1761 and 469.1763, do not apply.

144.7 Subd. 4. Duration limitation. No tax increment generated by the district shall
144.8 be paid to the city after the expiration of 25 years from the receipt by the city of the
144.9 first increment from that district.

144.10 Subd. 5. Limitations on use of increment. (a) All increment received by the city
144.11 from the district shall be used in accordance with the homeless assistance tax increment
144.12 district plan.

144.13 (b) No less than 40 percent of the increment, after deduction of allowable
144.14 administrative expenses under Minnesota Statutes, section 469.176, subdivision 3, shall
144.15 be used to provide emergency shelter and services for homeless persons within and
144.16 outside the district.

144.17 (c) The remainder of the tax increment derived from the district shall be used for
144.18 purposes allowed under Minnesota Statutes, section 469.176, subdivision 4.

144.19 Subd. 6. Applicability of other laws. References in Minnesota Statutes to tax
144.20 increment financing districts created and tax increment generated under Minnesota
144.21 Statutes, sections 469.174 to 469.179, include the homeless assistance district and tax
144.22 increment subject to this section.

144.23 **EFFECTIVE DATE.** This section is effective upon compliance by the city of
144.24 Minneapolis with Minnesota Statutes, section 645.021.

144.25 Sec. 22. **CITY OF NEW BRIGHTON; TAX INCREMENT FINANCING;**
144.26 **EXPENDITURES OUTSIDE DISTRICT.**

144.27 Notwithstanding the provisions of Minnesota Statutes, section 469.1763, subdivision
144.28 2, the city of New Brighton may expend tax increments from District No. 26 for eligible
144.29 activities described in Minnesota Statutes, section 469.176, subdivision 4e, outside of Tax
144.30 Increment District No. 26, but only within the area described in Laws 1998, chapter 389,
144.31 article 11, section 24, subdivision 1. Minnesota Statutes, section 469.1763, subdivision 3,
144.32 and Minnesota Statutes, section 469.1763, subdivision 4, shall not apply to expenditures
144.33 permitted in this section.

145.1 **EFFECTIVE DATE.** This section is effective upon approval by the governing body
145.2 of the city of New Brighton and compliance with Minnesota Statutes, section 645.021,
145.3 subdivision 3.

145.4 **Sec. 23. CITY OF RAMSEY; TAX INCREMENT FINANCING.**

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

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

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

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

145.15 (3) housing receiving assistance, directly or indirectly, from the expenditures of
145.16 the district's increments must meet the requirements of Minnesota Statutes, sections
145.17 469.174, subdivision 11, and 469.1761;

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

145.22 (5) general obligations bonds issued to pay for costs related to the project subject
5.23 to this section are not subject to the net debt limit of the city under Minnesota Statutes,
145.24 section 475.53, or any other law or charter provision.

145.25 **EFFECTIVE DATE.** This section is effective upon local approval by the governing
145.26 body of the city of Ramsey in compliance with the requirement of Minnesota Statutes,
145.27 section 645.021.

145.28 **Sec. 24. CITY OF ST. MICHAEL; TAX INCREMENT FINANCING DISTRICT.**

145.29 **Subdivision 1. Establishment of district.** The city of St. Michael may establish
145.30 a redevelopment tax increment financing district subject to Minnesota Statutes, sections
145.31 469.174 to 469.179, except as provided in this section. The district must be established
145.32 within an area that includes the downtown and town center areas as designated by the city
145.33 as well as all parcels adjacent to marked Trunk Highway 241 within the city.

146.1 Subd. 2. Special rules. (a) Notwithstanding the requirements of Minnesota
146.2 Statutes, section 469.174, subdivision 10, the district may be established and operated as
146.3 a redevelopment district.

146.4 (b) Notwithstanding the restrictions of Minnesota Statutes, sections 469.176,
146.5 subdivisions 4 and 4j, and 469.1763, subdivision 2, revenues derived from tax increments
146.6 from the district created under this section may be used to meet the cost of land
146.7 acquisition, removal of buildings in the right-of-way acquisition area, and other costs
146.8 incurred by the city of St. Michael in the expansion and improvement of marked Trunk
146.9 Highway 241 within the city.

146.10 (c) Minnesota Statutes, section 469.176, subdivision 5, does not apply to the district.

146.11 EFFECTIVE DATE. This section is effective the day after the governing body of
146.12 the city of St. Michael complies with Minnesota Statutes, section 645.021, subdivision 3.

146.13 Sec. 25. QUALIFIED BUSINESS; SMALL DECLINING POPULATION
146.14 COUNTY.

146.15 Notwithstanding Minnesota Statutes, section 469.310, subdivision 11, paragraph
146.16 (f), a qualified business for purposes of Minnesota Statutes, section 469.310, subdivision
146.17 11, includes a food service business if the business is located solely in a qualified county,
146.18 and if the business began operations in January 2004, with employment of between 15
146.19 and 20 part-time and full-time employees. For the purpose of this section, a "qualified
146.20 county" is a county having an estimated population of less than 5,000 in 2004 and that
146.21 experienced a reduction in population of at least 7.5 percent between 2000 and 2004,
146.22 according to the state demographer.

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

146.24 Sec. 26. REPEALER.

146.25 (a) Laws 1994, chapter 587, article 9, section 20, subdivision 4, is repealed.

146.26 (b) Laws 1996, chapter 464, article 1, section 8, subdivision 5, is repealed.

146.27 Sec. 27. REPEALER; DISTRIBUTION OF CERTAIN BURNSVILLE TAX
146.28 INCREMENTS.

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

146.33 EFFECTIVE DATE. This section is effective upon compliance with Minnesota
146.34 Statutes, section 645.021, subdivision 3.

ARTICLE 12**AIDS AND CREDITS**

147.1

147.2

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

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

147.7 (b) The city aid base for any city with a population less than 500 is increased by
147.8 \$40,000 for aids payable in calendar year 1995 and thereafter, and the maximum amount
147.9 of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also
147.10 increased by \$40,000 for aids payable in calendar year 1995 only, provided that:

147.11 (i) the average total tax capacity rate for taxes payable in 1995 exceeds 200 percent;

147.12 (ii) the city portion of the tax capacity rate exceeds 100 percent; and

147.13 (iii) its city aid base is less than \$60 per capita.

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

147.17 (i) the city has a population in 1994 of 2,500 or more;

147.18 (ii) the city is located in a county, outside of the metropolitan area, which contains a
147.19 city of the first class;

147.20 (iii) the city's net tax capacity used in calculating its 1996 aid under section
147.21 477A.013 is less than \$400 per capita; and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

148.15 (2) the net tax capacity of the city used in calculating its 1999 aid under section
148.16 477A.013 is less than \$650 per capita;

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

148.19 (4) the 1999 local government aid of the city under section 477A.013 is less than
148.20 20 percent of the amount that the formula aid of the city would have been if the need
148.21 increase percentage was 100 percent; and

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

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

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

148.28 (2) the net tax capacity of the city used in calculating its 1999 aid under section
148.29 477A.013 is less than \$455 per capita;

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

148.32 (4) the 1999 local government aid of the city under section 477A.013 is less than
148.33 38 percent of the amount that the formula aid of the city would have been if the need
148.34 increase percentage was 100 percent.

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

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

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

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

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

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

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

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

149.16 (2) the city's commercial industrial percentage used in calculating aids payable in
149.17 2000 was less than ten percent;

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

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

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

149.23 (k) The city aid base for a city is increased by \$45,000 in 2001 and thereafter and by
149.24 an additional \$50,000 in calendar years 2002 to 2011, and by an additional \$89,000 in
149.25 calendar years 2007 to 2011, and the maximum amount of total aid it may receive under
149.26 section 477A.013, subdivision 9, paragraph (c), is also increased by \$45,000 in calendar
149.27 year 2001 only, and by \$50,000 in calendar year 2002 only, and by an additional \$89,000
149.28 in calendar year 2007 only, provided that:

149.29 (1) the net tax capacity of the city used in calculating its 2000 aid under section
149.30 477A.013 is less than \$810 per capita;

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

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

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

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

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

150.8 (2) \$2,500,000.

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

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

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

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

150.16 (n) The city aid base for a city is increased by \$150,000 in calendar years 2002 to
150.17 2011, and by an additional \$50,000 in calendar years 2007 to 2016, and the maximum
150.18 amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c),
150.19 is also increased by \$150,000 in calendar year 2002 only, and by an additional \$50,000
150.20 in calendar year 2007 only, provided that:

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

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

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

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

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

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

150.35 (q) The city aid base for a city is increased by \$10,000 in 2004 and thereafter and the
150.36 maximum total aid it may receive under section 477A.013, subdivision 9, is also increased

151.1 by \$10,000 in calendar year 2004 only, if the city was included in a federal major disaster
 151.2 designation issued on April 1, 1998, and its pre-1940 housing stock was decreased by
 151.3 more than 40 percent between 1990 and 2000.

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

151.9 (s) The city aid base for a city with a population less than 5,000 is increased in
 151.10 2006 and thereafter and the minimum and maximum amount of total aid it may receive
 151.11 under this section is also increased in calendar year 2006 only by an amount equal to
 151.12 \$6 multiplied by its population.

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

151.14 Sec. 2. Minnesota Statutes 2005 Supplement, section 477A.013, subdivision 8, is
 151.15 amended to read:

151.16 **Subd. 8. City formula aid.** In calendar year 2004 and subsequent years, the
 151.17 formula aid for a city is equal to the need increase percentage multiplied by the difference
 151.18 between (1) the city's revenue need multiplied by its population, and (2) the sum of the
 151.19 city's net tax capacity multiplied by the tax effort rate; the taconite aids under sections
 151.20 298.28 and 298.282 to any city except a city directly impacted by a taconite mine or plant,
 151.21 multiplied by the following percentages:

- 151.22 (i) zero percent for aids payable in 2004;
- 151.23 (ii) 25 percent for aids payable in 2005;
- 151.24 (iii) 50 percent for aids payable in 2006;
- 151.25 (iv) 75 percent for aids payable in 2007; and
- 151.26 (v) 100 percent for aids payable in 2008 and thereafter.

151.27 For purposes of this subdivision, "a city directly impacted by a taconite mine or
 151.28 plant" means: (1) Babbitt, (2) Eveleth, (3) Hibbing, (4) Keewatin, (5) Mountain Iron, (6)
 151.29 Silver Bay, or (7) Virginia.

151.30 No city may have a formula aid amount less than zero. The need increase percentage
 151.31 must be the same for all cities.

151.32 The applicable need increase percentage ~~must be calculated by the Department of~~
 151.33 ~~Revenue so that the total of the aid under subdivision 9 equals the total amount available~~
 151.34 ~~for aid under section 477A.03 after the subtraction under section 477A.014, subdivisions 4~~
 151.35 ~~and 5~~ is 100 percent for aids payable in 2007 and thereafter.

152.1 Sec. 3. Minnesota Statutes 2004, section 477A.013, subdivision 9, is amended to read:

152.2 Subd. 9. **City aid distribution.** (a) In calendar year 2002 and thereafter, each
152.3 city shall receive an aid distribution equal to the sum of (1) the city formula aid under
152.4 subdivision 8, and (2) its city aid base.

152.5 (b) ~~The aid for a city in calendar year 2004 shall not exceed the amount of its aid in~~
152.6 ~~calendar year 2003 after the reductions under Laws 2003, First Special Session chapter 21,~~
152.7 ~~article 5.~~

152.8 (c) For aids payable in 2005 ~~and thereafter, and 2006~~, the total aid for any city
152.9 shall not exceed the sum of (1) ten percent of the city's net levy for the year prior to the
152.10 aid distribution plus (2) its total aid in the previous year. For aids payable in 2005 and
152.11 thereafter, the total aid for any city with a population of 2,500 or more may not decrease
152.12 from its total aid under this section in the previous year by an amount greater than ten
152.13 percent of its net levy in the year prior to the aid distribution.

152.14 (d) ~~For aids payable in 2004 only, the total aid for a city with a population less than~~
152.15 ~~2,500 may not be less than the amount it was certified to receive in 2003 minus the greater~~
152.16 ~~of (1) the reduction to this aid payment in 2003 under Laws 2003, First Special Session~~
152.17 ~~chapter 21, article 5, or (2) five percent of its 2003 aid amount.~~ (c) For aids payable in
152.18 2005 and thereafter, the total aid for a city with a population less than 2,500 must not be
152.19 less than the amount it was certified to receive in the previous year minus five percent
152.20 of its 2003 certified aid amount.

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

152.22 Sec. 4. Minnesota Statutes 2004, section 477A.03, subdivision 2, is amended to read:

152.23 Subd. 2. **Annual appropriation.** (a) A sum sufficient to discharge the duties
152.24 imposed by sections 477A.011 to 477A.014 is annually appropriated from the general
152.25 fund to the commissioner of revenue.

152.26 (b) In fiscal year 2007, \$41,000,000 is appropriated from the general fund to the
152.27 commissioner of revenue to be used for the purposes of paragraph (a) for distributions
152.28 in calendar years 2007 and 2008. These amounts do not cancel, and remain available
152.29 until expended.

152.30 Sec. 5. Minnesota Statutes 2005 Supplement, section 477A.03, subdivision 2a, is
152.31 amended to read:

152.32 Subd. 2a. **Cities.** For aids payable in 2004, the total aids paid under section
152.33 477A.013, subdivision 9, are limited to \$429,000,000. For aids payable in 2005, the total
152.34 aids paid under section 477A.013, subdivision 9, are limited to \$437,052,000. For aids

153.1 payable in 2006 ~~and thereafter~~, the total aids paid under section 477A.013, subdivision 9,
 153.2 is limited to \$485,052,000, plus the amount of the payments provided in section 5.

153.3 **EFFECTIVE DATE.** This section is effective beginning with aids payable in 2006.

153.4 Sec. 6. Laws 2005, First Special Session chapter 3, article 2, section 5, is amended to
 153.5 read:

153.6 Sec. 5. **2005 ~~AND 2006~~ CITY AID PAYMENTS.**

153.7 In 2005 ~~and 2006~~, market value credit reimbursements for each city payable under
 153.8 Minnesota Statutes, section 273.1384, are reduced by the dollar amount of the 2003
 153.9 reduction in market value credit reimbursements for that city due to Laws 2003, First
 153.10 Special Session chapter 21, article 5, section 12. No city's 2005 ~~or 2006~~ market value
 153.11 credit reimbursements are reduced to less than zero under this section. To the extent
 153.12 sufficient information is available on each payment date, the commissioner shall pay the
 153.13 annual 2005 ~~and 2006~~ market value credit reimbursement amounts, after reduction under
 153.14 this section, to cities in equal installments on the dates specified in Minnesota Statutes,
 153.15 section 273.1384.

153.16 Sec. 7. **ONETIME 2006 ADDITIONAL CITY AID.**

153.17 Subdivision 1. Computation. For aid payable in 2006 only, the aid payable to
 153.18 each city under Minnesota Statutes, section 477A.013, subdivision 9, is increased by the
 153.19 difference between the amount that would have been paid to the city under that provision
 153.20 and the amount that would be payable to the city if the aid were determined as follows:

153.21 (1) the city revenue need under Minnesota Statutes, section 477A.011, subdivision
 153.22 34, must be multiplied by the ratio of the annual implicit price deflator for government
 153.23 consumption expenditures and gross investment for state and local governments as
 153.24 prepared by the United States Department of Commerce for 2004 to the 2002 implicit
 153.25 price deflator for state and local government purchases;

153.26 (2) taconite aids under Minnesota Statutes, sections 298.28 and 298.282, must
 153.27 not be added to the city net tax capacity under Minnesota Statutes, section 477A.013,
 153.28 subdivision 8;

153.29 (3) the need increase percentage under Minnesota Statutes, section 477A.013,
 153.30 subdivision 8, shall be equal to 100 percent;

153.31 (4) the restriction under Minnesota Statutes, section 477A.013, subdivision 9, that
 153.32 the total aid for any city shall not exceed the sum of ten percent of the city's net levy in the
 153.33 previous year plus its total aid in the previous year shall not apply; and

153.34 (5) no city shall receive less aid than it was originally certified to receive for aids
 153.35 payable in 2006.

154.1 The aid payable under this section must be used by cities for debt reduction, pension
154.2 funding, capital improvements, deferred maintenance, fee reduction, or to pay costs
154.3 related to public safety.

154.4 Subd. 2. Appropriation; payment. The commissioner of revenue shall make the
154.5 payments of the additional 2006 city aid in three installments on May 1, July 20, and
154.6 December 26, 2006. An amount sufficient to pay the aid under this section is appropriated
154.7 to the commissioner of revenue from the general fund.

154.8 EFFECTIVE DATE. This section is effective for aids payable in 2006.

154.9 **Sec. 8. COUNTY TARGETED CASE MANAGEMENT AID.**

154.10 Subdivision 1. Distribution. For 2006 and 2007 only, county targeted case
154.11 management aid shall be allocated to counties based on each county's share of the state
154.12 total of children's social services and mental health services administered by the counties
154.13 under the jurisdiction of the Minnesota Department of Human Services. The aid payable
154.14 under this section must be used by counties to offset reductions in federal funding under
154.15 the Deficit Reduction Act of 2005 for targeted case management.

154.16 Subd. 2. Appropriation; payment. For aids payable in 2006, the total aid under
154.17 this section is limited to \$40,000,000. For aids payable in 2007, the total aid under this
154.18 section is limited to \$20,000,000. The commissioner of revenue shall make the payments
154.19 of the county targeted case management aid in two installments on July 20 and December
154.20 26 in 2006, and on March 31 and May 31 in 2007. An amount sufficient to pay the aid
154.21 under this section is appropriated to the commissioner of revenue from the general fund.

154.22 EFFECTIVE DATE. This section is effective for aids payable in 2006 and 2007.

154.23 **Sec. 9. MAHNOMEN COUNTY; TEMPORARY COUNTY AND CITY AIDS.**

154.24 \$600,000 is appropriated from the general fund to the commissioner of revenue to be
154.25 used to make payments to Mahnomen County and the city of Mahnomen to compensate
154.26 them for the loss of property tax revenue due to the placement of land located in the
154.27 city of Mahnomen in trust status during calendar year 2006. The appropriation shall be
154.28 reduced by the amount of any payment in lieu of tax received by Mahnomen County
154.29 or the city of Mahnomen for the property placed in trust status. The payment shall be
154.30 made on July 20, 2006.

154.31 **Sec. 10. COUNTY REFERENDUM COST REIMBURSEMENT;**
154.32 **APPROPRIATION.**

154.33 If one or more bills are enacted during the 2006 session of the legislature that
154.34 provides for a referendum in 2006 on a proposed constitutional amendment, \$122,000 is

155.1 appropriated from the general fund to the commissioner of revenue to be distributed to
155.2 the counties in proportion to each county's share of the state's registered voters. This is a
155.3 onetime payment, to be paid on July 20, 2006, to compensate the counties for the cost of
155.4 preparing ballots for the constitutional amendment or amendments.

155.5 **Sec. 11. LOCAL TRUNK HIGHWAY IMPROVEMENTS; APPROPRIATION.**

155.6 \$5,000,000 is appropriated from the general fund to the commissioner of
155.7 transportation to be distributed, \$2,500,000 to the City of Nisswa and \$2,500,000 to the
155.8 City of Pequot Lakes, to be used to pay the local share of trunk highway improvement
155.9 projects. The advisory committee established under Minnesota Statutes, section 174.52,
155.10 shall provide recommendations to the cities on the most efficient use of the funds provided.

155.11 **ARTICLE 13**

155.12 **MINERALS**

155.13 Section 1. Minnesota Statutes 2004, section 298.001, is amended by adding a
155.14 subdivision to read:

155.15 Subd. 3a. **Producer.** "Producer" means a person engaged in the business of mining
155.16 or producing iron ore, taconite concentrate, or direct reduced ore in this state.

155.17 **EFFECTIVE DATE.** This section is effective for tax years beginning after
155.18 December 31, 2005.

155.19 Sec. 2. Minnesota Statutes 2005 Supplement, section 298.01, subdivision 3, is
155.20 amended to read:

155.21 **Subd. 3. Occupation tax; other ores.** Every person engaged in the business of
155.22 mining or producing ores in this state, except iron ore or taconite concentrates, shall pay
155.23 an occupation tax to the state of Minnesota as provided in this subdivision. The tax is
155.24 determined in the same manner as the tax imposed by section 290.02, except that sections
155.25 290.05, subdivision 1, clause (a), 290.17, subdivision 4, and 290.191, subdivision 2, do
155.26 not apply, and the occupation tax must be computed by applying to taxable income the
155.27 rate of 2.45 percent. A person subject to occupation tax under this section shall apportion
155.28 its net income on the basis of the percentage obtained by taking the sum of:

155.29 (1) 75 percent of the percentage which the sales made within this state in connection
155.30 with the trade or business during the tax period are of the total sales wherever made in
155.31 connection with the trade or business during the tax period;

155.32 (2) 12.5 percent of the percentage which the total tangible property used by the
155.33 taxpayer in this state in connection with the trade or business during the tax period is of
155.34 the total tangible property, wherever located, used by the taxpayer in connection with the
155.35 trade or business during the tax period; and

156.1 (3) 12.5 percent of the percentage which the taxpayer's total payrolls paid or
156.2 incurred in this state or paid in respect to labor performed in this state in connection with
156.3 the trade or business during the tax period are of the taxpayer's total payrolls paid or
156.4 incurred in connection with the trade or business during the tax period.

156.5 The tax is in addition to all other taxes.

156.6 **EFFECTIVE DATE.** This section is effective for tax years beginning after
156.7 December 31, 2005.

156.8 Sec. 3. Minnesota Statutes 2004, section 298.01, subdivision 3a, is amended to read:

156.9 Subd. 3a. **Gross income.** (a) For purposes of determining a person's taxable income
156.10 under subdivision 3, gross income is determined by the amount of gross proceeds from
156.11 mining in this state under section 298.016 and includes any gain or loss recognized from
156.12 the sale or disposition of assets used in the business in this state. If more than one mineral,
156.13 metal, or energy resource referred to in section 298.016 is mined and processed at the
156.14 same mine and plant, a gross income for each mineral, metal, or energy resource must be
156.15 determined separately. The gross incomes may be combined on one occupation tax return
156.16 to arrive at the gross income of all production.

156.17 (b) In applying section 290.191, subdivision 5, transfers of ores are deemed to be
156.18 sales outside in this state ~~if the ores are transported out of this state after the ores have~~
156.19 ~~been converted to a marketable quality.~~

156.20 **EFFECTIVE DATE.** This section is effective for tax years beginning after
156.21 December 31, 2005.

156.22 Sec. 4. Minnesota Statutes 2004, section 298.01, subdivision 3b, is amended to read:

156.23 Subd. 3b. **Deductions.** (a) For purposes of determining taxable income under
156.24 subdivision 3, the deductions from gross income include only those expenses necessary
156.25 to convert raw ores to marketable quality. Such expenses include costs associated with
156.26 refinement but do not include expenses such as transportation, stockpiling, marketing, or
156.27 marine insurance that are incurred after marketable ores are produced, unless the expenses
156.28 are included in gross income. The allowable deductions from a mine or plant that mines
156.29 and produces more than one mineral, metal, or energy resource must be determined
156.30 separately for the purposes of computing the deduction in section 290.01, subdivision 19c,
156.31 clause (9). These deductions may be combined on one occupation tax return to arrive at
156.32 the deduction from gross income for all production.

156.33 (b) The provisions of section 290.01, subdivisions 19c, clauses (6) and (9), and 19d,
156.34 clauses (7) and (11), are not used to determine taxable income.

157.1 **EFFECTIVE DATE.** This section is effective for tax years beginning after
157.2 December 31, 2005.

157.3 Sec. 5. Minnesota Statutes 2005 Supplement, section 298.01, subdivision 4, is
157.4 amended to read:

157.5 Subd. 4. **Occupation tax; iron ore; taconite concentrates.** A person engaged in
157.6 the business of mining or producing of iron ore, taconite concentrates or direct reduced ore
157.7 in this state shall pay an occupation tax to the state of Minnesota. The tax is determined
157.8 in the same manner as the tax imposed by section 290.02, except that sections 290.05,
157.9 subdivision 1, clause (a), 290.17, subdivision 4, and 290.191, subdivision 2, do not apply,
157.10 and the occupation tax shall be computed by applying to taxable income the rate of 2.45
157.11 percent. A person subject to occupation tax under this section shall apportion its net
157.12 income on the basis of the percentage obtained by taking the sum of:

157.13 (1) 75 percent of the percentage which the sales made within this state in connection
157.14 with the trade or business during the tax period are of the total sales wherever made in
157.15 connection with the trade or business during the tax period;

157.16 (2) 12.5 percent of the percentage which the total tangible property used by the
157.17 taxpayer in this state in connection with the trade or business during the tax period is of
157.18 the total tangible property, wherever located, used by the taxpayer in connection with the
157.19 trade or business during the tax period; and

157.20 (3) 12.5 percent of the percentage which the taxpayer's total payrolls paid or
157.21 incurred in this state or paid in respect to labor performed in this state in connection with
157.22 the trade or business during the tax period are of the taxpayer's total payrolls paid or
157.23 incurred in connection with the trade or business during the tax period.

157.24 The tax is in addition to all other taxes.

157.25 **EFFECTIVE DATE.** This section is effective for tax years beginning after
157.26 December 31, 2005.

157.27 Sec. 6. Minnesota Statutes 2004, section 298.01, subdivision 4a, is amended to read:

157.28 Subd. 4a. **Gross income.** (a) For purposes of determining a person's taxable income
157.29 under subdivision 4, gross income is determined by the mine value of the ore mined in
157.30 Minnesota and includes any gain or loss recognized from the sale or disposition of assets
157.31 used in the business in this state.

157.32 (b) Mine value is the value, or selling price, of iron ore or taconite concentrates, f.o.b.
157.33 mine. The mine value is calculated by multiplying the iron unit price for the period, as
157.34 determined by the commissioner, by the tons produced and the weighted average analysis.

158.1 (c) In applying section 290.191, subdivision 5, transfers of iron ore and taconite
158.2 concentrates are deemed to be sales outside in this state ~~if the iron ore or taconite~~
158.3 ~~concentrates are transported out of this state after the raw iron ore and taconite~~
158.4 ~~concentrates have been converted to a marketable quality.~~

158.5 (d) If iron ore or taconite and a mineral, metal, or energy resource referred to in
158.6 section 298.016 is mined and processed at the same mine and plant, a gross income for
158.7 each mineral, metal, or energy resource must be determined separately from the mine
158.8 value for the iron ore or taconite. The gross income may be combined on one occupation
158.9 tax return to arrive at the gross income from all production.

158.10 **EFFECTIVE DATE.** This section is effective for tax years beginning after
158.11 December 31, 2005.

158.12 Sec. 7. Minnesota Statutes 2004, section 298.01, subdivision 4b, is amended to read:

158.13 Subd. 4b. **Deductions.** For purposes of determining taxable income under
158.14 subdivision 4, the deductions from gross income include only those expenses necessary
158.15 to convert raw iron ore or taconite concentrates to marketable quality. Such expenses
158.16 include costs associated with beneficiation and refinement but do not include expenses
158.17 such as transportation, stockpiling, marketing, or marine insurance that are incurred after
158.18 marketable iron ore or taconite pellets are produced. The allowable deductions from a
158.19 mine or plant that mines and produces iron ore or taconite and one or more mineral or
158.20 metal referred to in section 298.016 must be determined separately for the purposes of
158.21 computing the deduction in section 290.01, subdivision 19c, clause (9). These deductions
158.22 may be combined on one occupation tax return to arrive at the deduction from gross
158.23 income for all production.

158.24 **EFFECTIVE DATE.** This section is effective for tax years beginning after
158.25 December 31, 2005.

158.26 Sec. 8. Minnesota Statutes 2004, section 298.01, is amended by adding a subdivision
158.27 to read:

158.28 **Subd. 6. Deductions applicable to mining both taconite and other ores; ratio**
158.29 **applied.** If a person is engaged in the business of mining or producing both iron ores,
158.30 taconite concentrates, or direct reduced ore, and other ores from the same mine or
158.31 facility, that person must separately determine the mine value of (1) the iron ore, taconite
158.32 concentrates, and direct reduced ore, and (2) the amount of gross proceeds from mining
158.33 other ores in Minnesota. The ratio of mine value from iron ore, taconite concentrates,
158.34 and direct reduced ore to gross proceeds from mining other ores must be applied to

159.1 deductions common to both processes to determine taxable income for tax paid pursuant
159.2 to subdivisions 3 and 4.

159.3 **EFFECTIVE DATE.** This section is effective for tax years beginning after
159.4 December 31, 2005.

159.5 Sec. 9. Minnesota Statutes 2004, section 298.17, is amended to read:

159.6 **298.17 OCCUPATION TAXES TO BE APPORTIONED.**

159.7 **Subdivision 1. Apportionment under Constitution.** All occupation taxes paid by
159.8 persons, copartnerships, companies, joint stock companies, corporations, and associations,
159.9 however or for whatever purpose organized, engaged in the business of mining or
159.10 producing iron ore or other ores, when collected shall be apportioned and distributed in
159.11 accordance with the Constitution of the state of Minnesota, article X, section 3, in the
159.12 manner following: 90 percent shall be deposited in the state treasury and credited to
159.13 the general fund of which four-ninths shall be used for the support of elementary and
159.14 secondary schools; and ten percent of the proceeds of the tax imposed by this section
159.15 shall be deposited in the state treasury and credited to the general fund for the general
159.16 support of the university.

159.17 **Subd. 2. Apportionment to IRRRB.** Of the moneys apportioned to the general
159.18 fund by this section, and not used for the support of elementary and secondary schools or
159.19 the university, there is annually appropriated and credited to the Iron Range Resources and
159.20 Rehabilitation Board account in the special revenue fund an amount equal to that which
159.21 would have been generated by a 1.5 cent tax imposed by section 298.24 on each taxable
159.22 ton produced in the preceding calendar year, to be expended for the purposes of section
159.23 298.22. The money appropriated pursuant to this section shall be used (1) to provide
159.24 environmental development grants to local governments located within any county in
159.25 region 3 as defined in governor's executive order number 60, issued on June 12, 1970,
159.26 which does not contain a municipality qualifying pursuant to section 273.134, paragraph
159.27 (b), or (2) to provide economic development loans or grants to businesses located within
159.28 any such county, provided that the county board or an advisory group appointed by
159.29 the county board to provide recommendations on economic development shall make
159.30 recommendations to the Iron Range Resources and Rehabilitation Board regarding the
159.31 loans. Payment to the Iron Range Resources and Rehabilitation Board account shall be
159.32 made by May 15 annually.

159.33 Of the money allocated to Koochiching County, one-third must be paid to the
159.34 Koochiching County Economic Development Commission.

160.1 Subd. 3. Apportionment to Minnesota minerals 21st century fund. The
 160.2 money apportioned to the general fund by this section that is not used for the support of
 160.3 elementary and secondary schools or the university, and that is not apportioned under
 160.4 subdivision 2, is annually appropriated to the Minnesota minerals 21st century fund
 160.5 created in section 116J.423.

160.6 EFFECTIVE DATE. This section is effective for taxes paid in 2007 and subsequent
 160.7 years.

160.8 Sec. 10. Minnesota Statutes 2005 Supplement, section 298.223, subdivision 1, is
 160.9 amended to read:

160.10 Subdivision 1. **Creation; purposes.** A fund called the taconite environmental
 160.11 protection fund is created for the purpose of reclaiming, restoring and enhancing those
 160.12 areas of northeast Minnesota located within the taconite assistance area defined in section
 160.13 273.1341, that are adversely affected by the environmentally damaging operations
 160.14 involved in mining taconite and iron ore and producing iron ore concentrate and for the
 160.15 purpose of promoting the economic development of northeast Minnesota. The taconite
 160.16 environmental protection fund shall be used for the following purposes:

160.17 (a) to initiate investigations into matters the Iron Range Resources and Rehabilitation
 160.18 Board determines are in need of study and which will determine the environmental
 160.19 problems requiring remedial action;

160.20 (b) reclamation, restoration, or reforestation of minelands not otherwise provided
 160.21 for by state law;

160.22 (c) local economic development projects but only if those projects are approved by
 160.23 the board, and public works, including construction of sewer and water systems located
 160.24 within the taconite assistance area defined in section 273.1341;

160.25 (d) monitoring of mineral industry related health problems among mining
 160.26 employees; and

160.27 (e) local renewable energy investments undertaken in cooperation with local units of
 160.28 government and mineland areas reforestation, reclamation, or development projects. The
 160.29 projects must be approved by the Iron Range Resources and Rehabilitation Board and
 160.30 located within the taconite assistance area as defined in section 273.1341. The board may
 160.31 enter into joint ventures with private or public entities to advance these project.

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

160.33 Sec. 11. Minnesota Statutes 2004, section 298.28, is amended by adding a subdivision
 160.34 to read:

161.1 Subd. 10a. Post-2005 increases. (a) This subdivision applies to determine
161.2 distribution of the proceeds of the tax that are attributable to increasing the rate of tax by
161.3 the percentage increase in the implicit price deflator under section 298.24, subdivision 1,
161.4 paragraph (b). It applies only to increases applicable for production year 2006 and later.
161.5 Its provisions supercede the provisions of subdivision 10 for those increases.

161.6 (b) The proceeds are allocated as follows:

161.7 (1) .10 cent per taxable ton to the Range Association of Municipalities and Schools;
161.8 (2) an amount equal to two cents per taxable ton is allocated to the city or town in the
161.9 county in which the land from which the taconite was mined or quarried or within which
161.10 the concentrate was produced. If the mining, quarrying, and concentration, or different
161.11 steps in either thereof are carried on in more than one taxing district, the commissioner
161.12 shall apportion equitably the proceeds of the part of the tax going to cities and towns
161.13 among the subdivisions by attributing 50 percent of the proceeds of the tax to the operation
161.14 of mining or quarrying the taconite, and the remainder to the concentrating plant and to the
161.15 processes of concentration, and with respect to each thereof giving due consideration to the
161.16 relative extent of such operations performed in each taxing district. The commissioner's
161.17 apportionment order is subject to review by the Tax Court upon petition by any of the
161.18 interested taxing districts, in the same manner as other orders of the commissioner; and
161.19 (3) the remainder of the revenue is allocated to the taconite environmental protection
161.20 fund for projects under section 298.223, subdivision 1, clause (e).

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

161.22 Sec. 12. Minnesota Statutes 2005 Supplement, section 298.2961, subdivision 4,
161.23 is amended to read:

161.24 **Subd. 4. Grant and loan fund.** (a) A fund is established to receive distributions
161.25 under section 298.28, subdivision 9b, and to make grants or loans as provided in this
161.26 subdivision. Any grant or loan made under this subdivision must be approved by
161.27 a majority of the members of the Iron Range Resources and Rehabilitation Board,
161.28 established under section 298.22.

161.29 (b) Distributions received in calendar year 2005 are allocated to the city of Virginia
161.30 for improvements and repairs to the city's steam heating system.

161.31 (c) Distributions received in calendar year 2006 are allocated to a project of the
161.32 public utilities commissions of the cities of Hibbing and Virginia to convert their electrical
161.33 generating plants to the use of biomass products, such as wood.

161.34 (d) Distributions received in calendar year 2007 must be paid to the city of Tower to
161.35 be used for the East Two Rivers project in or near the city of Tower.

162.1 (e) For distributions received in 2008 and later, ~~amounts may be allocated to joint~~
162.2 ~~ventures with mining companies for reclamation of lands containing abandoned or worked~~
162.3 ~~out mines to convert these lands to marketable properties for residential, recreational,~~
162.4 ~~commercial, or other valuable uses~~ the first \$2,000,000 must be paid to St. Louis County
162.5 for deposit in its county road and bridge fund to be used for relocation of St. Louis County
162.6 Road 715, commonly referred to as Pike River Road, and the remainder is allocated for
162.7 projects under section 298.223, subdivision 1, clause (e).

162.8 Sec. 13. Minnesota Statutes 2004, section 298.2961, is amended by adding a
162.9 subdivision to read:

162.10 Subd. 5. Public works and local economic development fund. For distributions in
162.11 2007 only, a special fund is established to receive 38.4 cents per ton that otherwise would
162.12 be allocated under section 298.28, subdivision 6. The following amounts are allocated
162.13 for the specific purposes:

162.14 (1) 13.4 cents per ton for the Central Iron Range Sanitary Sewer District for
162.15 construction of a combined wastewater facility;

162.16 (2) six cents per ton to the city of Eveleth to redesign and design and construct
162.17 improvements to renovate its water treatment facility;

162.18 (3) one cent per ton for the East Range Joint Powers Board to acquire land for and to
162.19 design a central wastewater collection and treatment system;

162.20 (4) 0.5 cents per ton to the city of Hoyt Lakes to repair Leeds Road;

162.21 (5) 0.7 cents per ton to the city of Virginia to extend Eighth Street South;

162.22 (6) 0.7 cents per ton to the city of Mountain Iron to repair Hoover Road;

162.23 (7) 0.9 cents per ton to the city of Gilbert for alley repairs between Michigan and

162.24 Indiana Avenues and for repayment of the Delta Dental loan to the Minnesota Department
162.25 of Employment and Economic Development;

162.26 (8) 0.4 cents per ton to the city of Keewatin for a new city well;

162.27 (9) 0.3 cents per ton to the city of Grand Rapids for planning for a fire and hazardous
162.28 materials center;

162.29 (10) 0.9 cents per ton to Aitkin County Growth for an economic development
162.30 project for peat harvesting;

162.31 (11) 0.4 cents per ton to the city of Nashwauk to develop a comprehensive city plan;

162.32 (12) 0.4 cents per ton to the city of Taconite for development of a city comprehensive
162.33 plan;

162.34 (13) 0.3 cents per ton to the city of Marble for water and sewer infrastructure;

162.35 (14) 0.8 cents per ton to Aitkin County for improvements to the Long Lake

162.36 Environmental Learning Center;

- 163.1 (15) 0.3 cents per ton to the city of Coleraine for the Coleraine Technology Center;
 163.2 (16) 0.5 cents per ton to the Economic Development Authority of the city of Grand
 163.3 Rapids for planning for the North Central Research and Technology Laboratory;
 163.4 (17) 0.6 cents per ton to the city of Bovey for sewer and water extension;
 163.5 (18) 0.3 cents per ton to the city of Calumet for infrastructure improvements; and
 163.6 (19) ten cents per ton to an economic development authority in a city through which
 163.7 State Highway 1 passes, or a city in Independent School District No. 2142 that has an
 163.8 active mine, for an economic development project approved by the Iron Range Resources
 163.9 and Rehabilitation Board.

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

163.11 Sec. 14. Minnesota Statutes 2004, section 298.75, is amended by adding a subdivision
 163.12 to read:

163.13 **Subd. 10. Tax may be imposed; Sylvan Township.** (a) If Cass County does not
 163.14 impose a tax under this section and approves imposition of the tax under this subdivision,
 163.15 the town of Sylvan in Cass County may impose the aggregate materials tax under this
 163.16 section.

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

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

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

163.25 **EFFECTIVE DATE.** This section is effective the day after the governing body of
 163.26 the town of Sylvan and its chief clerical officer comply with section 645.021, subdivisions
 163.27 2 and 3.

163.28 Sec. 15. **TRANSITION PROVISIONS.**

163.29 Each person with an alternative minimum tax credit on December 31, 2005, pursuant
 163.30 to Minnesota Statutes 2004, section 298.01, may take that credit against occupation tax
 163.31 under Minnesota Statutes 2004, section 298.01, subdivisions 3d and 4e.

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

163.33 Sec. 16. **REPEALER.**

164.1 Minnesota Statutes 2004, section 298.01, subdivisions 3c, 3d, 4d, and 4e, are
164.2 repealed effective for tax years beginning after December 31, 2005.

164.3 **ARTICLE 14**

164.4 **MISCELLANEOUS**

164.5 Section 1. Minnesota Statutes 2004, section 270A.03, subdivision 2, is amended to
164.6 read:

164.7 Subd. 2. **Claimant agency.** "Claimant agency" means any state agency, as
164.8 defined by section 14.02, subdivision 2, the regents of the University of Minnesota, any
164.9 district court of the state, any county, any statutory or home rule charter city ~~presenting~~
164.10 ~~a claim for a municipal hospital or a public library or a municipal ambulance service,~~ a
164.11 hospital district, a private nonprofit hospital that leases its building from the county in
164.12 which it is located, any public agency responsible for child support enforcement, any
164.13 public agency responsible for the collection of court-ordered restitution, and any public
164.14 agency established by general or special law that is responsible for the administration of
164.15 a low-income housing program, and the Minnesota collection enterprise as defined in
164.16 section 16D.02, subdivision 8, for the purpose of collecting the costs imposed under
164.17 section 16D.11. A county may act as a claimant agency on behalf of an ambulance service
164.18 licensed under chapter 144E if the ambulance service's primary service area is located at
164.19 least in part within the county, but more than one county may not act as a claimant agency
164.20 for a licensed ambulance service with respect to the same debt.

164.21 Sec. 2. **[270C.415] INCOME TAX RETURN PROCESSING; AGREEMENT**
164.22 **WITH INTERNAL REVENUE SERVICE.**

164.23 The commissioner of revenue shall enter into an agreement with the United States
164.24 Internal Revenue Service to participate in a tax processing program whereby the Internal
164.25 Revenue Service processes electronically filed state returns together with the federal
164.26 returns. If possible, the ability of taxpayers to file property tax refund claims under chapter
164.27 290A with state income tax returns must be preserved.

164.28 Sec. 3. Minnesota Statutes 2005 Supplement, section 272.02, subdivision 83, is
164.29 amended to read:

164.30 Subd. 83. **International economic development zone property.** (a) Improvements
164.31 to real property, and personal property, classified under section 273.13, subdivision
164.32 24, and located within the international economic development zone designated under
164.33 section 469.322, are exempt from ad valorem taxes levied under chapter 275, if the
164.34 improvements are:

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

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

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

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

165.10 Sec. 4. Minnesota Statutes 2004, section 289A.09, subdivision 2, is amended to read:

165.11 Subd. 2. **Withholding statement to employee or payee and to commissioner.** (a)

165.12 A person required to deduct and withhold from an employee a tax under section 290.92,
165.13 subdivision 2a or 3, or 290.923, subdivision 2, or who would have been required to
165.14 deduct and withhold a tax under section 290.92, subdivision 2a or 3, or persons required
165.15 to withhold tax under section 290.923, subdivision 2, determined without regard to
165.16 section 290.92, subdivision 19, if the employee or payee had claimed no more than one
165.17 withholding exemption, or who paid wages or made payments not subject to withholding
165.18 under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2, to an employee or
165.19 person receiving royalty payments in excess of \$600, or who has entered into a voluntary
165.20 withholding agreement with a payee under section 290.92, subdivision 20, must give
165.21 every employee or person receiving royalty payments in respect to the remuneration paid
165.22 by the person to the employee or person receiving royalty payments during the calendar
165.23 year, on or before January 31 of the succeeding year, or, if employment is terminated
165.24 before the close of the calendar year, within 30 days after the date of receipt of a written
165.25 request from the employee if the 30-day period ends before January 31, a written statement
165.26 showing the following:

165.27 (1) name of the person;

165.28 (2) the name of the employee or payee and the employee's or payee's Social
165.29 Security account number;

165.30 (3) the total amount of wages as that term is defined in section 290.92, subdivision
165.31 1, paragraph (1); the total amount of remuneration subject to withholding under section
165.32 290.92, subdivision 20; the amount of sick pay as required under section 6051(f) of the
165.33 Internal Revenue Code; and the amount of royalties subject to withholding under section
165.34 290.923, subdivision 2; and

166.1 (4) the total amount deducted and withheld as tax under section 290.92, subdivision
166.2 2a or 3, or 290.923, subdivision 2.

166.3 (b) The statement required to be furnished by this paragraph with respect to any
166.4 remuneration must be furnished at those times, must contain the information required, and
166.5 must be in the form the commissioner prescribes.

166.6 (c) The commissioner may prescribe rules providing for reasonable extensions of
166.7 time, not in excess of 30 days, to employers or payers required to give the statements to
166.8 their employees or payees under this subdivision.

166.9 (d) A duplicate of any statement made under this subdivision and in accordance
166.10 with rules prescribed by the commissioner, along with a reconciliation in the form the
166.11 commissioner prescribes of the statements for the calendar year, including a reconciliation
166.12 of the quarterly returns required to be filed under subdivision 1, must be filed with the
166.13 commissioner on or before February 28 of the year after the payments were made.

166.14 (e) If an employer cancels the employer's Minnesota withholding account number
166.15 required by section 290.92, subdivision 24, the information required by paragraph (d),
166.16 must be filed with the commissioner within 30 days of the end of the quarter in which
166.17 the employer cancels its account number.

166.18 (f) The employer must submit the statements required to be sent to the commissioner
166.19 ~~on magnetic media, if the magnetic media was required to satisfy the federal reporting~~
166.20 ~~requirements of section 6011(c) of the Internal Revenue Code and the regulations issued~~
166.21 ~~under it~~ by electronic means.

166.22 (g) A "third-party bulk filer" as defined in section 290.92, subdivision 30, paragraph
166.23 (a), clause (2), must submit the returns required by this subdivision and subdivision 1,
166.24 paragraph (a), with the commissioner by electronic means.

166.25 **EFFECTIVE DATE.** This section is effective for returns due after June 30, 2006.

166.26 Sec. 5. Minnesota Statutes 2005 Supplement, section 290.0922, subdivision 2, is
166.27 amended to read:

166.28 Subd. 2. **Exemptions.** The following entities are exempt from the tax imposed
166.29 by this section:

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

166.31 (2) real estate investment trusts;

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

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

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

167.1 (6) cooperatives organized under chapter 308A or 308B that provide housing
167.2 exclusively to persons age 55 and over and are classified as homesteads under section
167.3 273.124, subdivision 3;

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

167.7 (8) an entity, if for the taxable year all of its property is located in an international
167.8 economic development zone designated under section 469.322, and all of its payroll is
167.9 international economic development zone payroll under section 469.321. The exemption
167.10 under this clause applies to taxable years beginning during the duration of the international
167.11 economic development zone.

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

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

167.15 Sec. 6. Minnesota Statutes 2005 Supplement, section 290.0922, subdivision 3, is
167.16 amended to read:

167.17 Subd. 3. **Definitions.** (a) "Minnesota sales or receipts" means the total sales
167.18 apportioned to Minnesota pursuant to section 290.191, subdivision 5, the total receipts
167.19 attributed to Minnesota pursuant to section 290.191, subdivisions 6 to 8, and/or the
167.20 total sales or receipts apportioned or attributed to Minnesota pursuant to any other
167.21 apportionment formula applicable to the taxpayer.

167.22 (b) "Minnesota property" means total Minnesota tangible property as provided in
167.23 section 290.191, subdivisions 9 to 11, any other tangible property located in Minnesota,
167.24 but does not include: (1) property located in a job opportunity building zone designated
167.25 under section 469.314, or (2) property of a qualified business located in a biotechnology
167.26 and health sciences industry zone designated under section 469.334, or (3) for taxable
167.27 years beginning during the duration of the zone, property of a qualified business located
167.28 in the international economic development zone designated under section 469.322.
167.29 Intangible property shall not be included in Minnesota property for purposes of this
167.30 section. Taxpayers who do not utilize tangible property to apportion income shall
167.31 nevertheless include Minnesota property for purposes of this section. On a return for
167.32 a short taxable year, the amount of Minnesota property owned, as determined under
167.33 section 290.191, shall be included in Minnesota property based on a fraction in which the
167.34 numerator is the number of days in the short taxable year and the denominator is 365.

168.1 (c) "Minnesota payrolls" means total Minnesota payrolls as provided in section
168.2 290.191, subdivision 12, but does not include: (1) job opportunity building zone payrolls
168.3 under section 469.310, subdivision 8, ~~or~~ (2) biotechnology and health sciences industry
168.4 zone payrolls under section 469.330, subdivision 8, or (3) for taxable years beginning
168.5 during the duration of the zone, international economic development zone payrolls under
168.6 section 469.321, subdivision 9. Taxpayers who do not utilize payrolls to apportion income
168.7 shall nevertheless include Minnesota payrolls for purposes of this section.

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

168.9 Sec. 7. Minnesota Statutes 2004, section 295.53, subdivision 4a, is amended to read:

168.10 Subd. 4a. **Credit for research.** (a) In addition to the exemptions allowed under
168.11 subdivision 1, a hospital or health care provider may claim an annual credit against the
168.12 total amount of tax, if any, the hospital or health care provider owes for that calendar
168.13 year under sections 295.50 to 295.57. The credit shall equal ~~2.5~~ five percent of revenues
168.14 for patient services used to fund expenditures for qualifying research conducted by an
168.15 allowable research program. The amount of the credit shall not exceed the tax liability of
168.16 the hospital or health care provider under sections 295.50 to 295.57.

168.17 (b) For purposes of this subdivision, the following requirements apply:

168.18 (1) expenditures must be for program costs of qualifying research conducted by
168.19 an allowable research program;

168.20 (2) an allowable research program must be a formal program of medical and
168.21 health care research conducted by an entity which is exempt under section 501(c)(3)
168.22 of the Internal Revenue Code of 1986 or is owned and operated under authority of a
168.23 governmental unit;

168.24 (3) qualifying research must:

168.25 (A) be approved in writing by the governing body of the hospital or health care
168.26 provider which is taking the deduction under this subdivision;

168.27 (B) have as its purpose the development of new knowledge in basic or applied
168.28 science relating to the diagnosis and treatment of conditions affecting the human body;

168.29 (C) be subject to review by individuals with expertise in the subject matter of the
168.30 proposed study but who have no financial interest in the proposed study and are not
168.31 involved in the conduct of the proposed study; and

168.32 (D) be subject to review and supervision by an institutional review board operating
168.33 in conformity with federal regulations if the research involves human subjects or
168.34 an institutional animal care and use committee operating in conformity with federal
168.35 regulations if the research involves animal subjects. Research expenses are not exempt if

169.1 the study is a routine evaluation of health care methods or products used in a particular
169.2 setting conducted for the purpose of making a management decision. Costs of clinical
169.3 research activities paid directly for the benefit of an individual patient are excluded from
169.4 this exemption. Basic research in fields including biochemistry, molecular biology, and
169.5 physiology are also included if such programs are subject to a peer review process.

169.6 (c) No credit shall be allowed under this subdivision for any revenue received by the
169.7 hospital or health care provider in the form of a grant, gift, or otherwise, whether from a
169.8 government or nongovernment source, on which the tax liability under section 295.52 is
169.9 not imposed.

169.10 (d) The taxpayer shall apply for the credit under this section on the annual return
169.11 under section 295.55, subdivision 5.

169.12 (e) Beginning September 1, 2001, if the actual or estimated amount paid under this
169.13 section for the calendar year exceeds ~~\$2,500,000~~ \$7,000,000, the commissioner of finance
169.14 shall determine the rate of the research credit for the following calendar year to the nearest
169.15 one-half percent so that refunds paid under this section will most closely equal ~~\$2,500,000~~
169.16 \$7,000,000. The commissioner of finance shall publish in the State Register by October 1
169.17 of each year the rate of the credit for the following calendar year. A determination under
169.18 this section is not subject to the rulemaking provisions of chapter 14.

169.19 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
169.20 December 31, 2006.

169.21 Sec. 8. Minnesota Statutes 2005 Supplement, section 297A.68, subdivision 41, is
169.22 amended to read:

169.23 Subd. 41. **International economic development zones.** (a) Purchases of tangible
169.24 personal property or taxable services by a qualified business, as defined in section 469.321,
169.25 are exempt if the property or services are primarily used or consumed in the international
169.26 economic development zone designated under section 469.322. This exemption applies
169.27 only if the purchase is made and delivery received after the business signed the business
169.28 subsidy agreement required under chapter 469.

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

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

170.4 (d) ~~The exemption in paragraph (a) applies~~ exemptions in this section apply to sales
 170.5 ~~during the duration of the zone and after June 30, 2007, if the purchase was made and~~
 170.6 ~~delivery received after the business signs the business subsidy agreement required under~~
 170.7 ~~chapter 469 and purchases made after the date of final zone designation under section~~
 170.8 469.322, paragraph (c), and before the expiration of the zone under section 469.322,
 170.9 paragraph (d).

170.10 (e) For purchases made for improvements to real property to be occupied by a
 170.11 business that has not signed a business subsidy agreement at the time of the purchase, the
 170.12 tax must be imposed and collected as if the rate under section 297A.62, subdivision 1,
 170.13 applied, and then refunded in the manner provided in section 297A.75 ~~beginning in fiscal~~
 170.14 ~~year 2008~~. The taxpayer must attach to the claim for refund information sufficient for
 170.15 the commissioner to be able to determine that the improvements are being occupied by
 170.16 a business that has signed a business subsidy agreement.

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

170.18 **Sec. 9. [469.193] FOREIGN TRADE ZONES.**

170.19 A city, county, town, or other political subdivision may apply to the board defined in
 170.20 United States Code, title 19, section 81a, for the right to use the powers provided in United
 170.21 States Code, title 19, sections 81a to 81u. If the right is granted, the city, county, town, or
 170.22 other political subdivision may use the powers within or outside of a port district. Any
 170.23 city, county, town, or other political subdivision may apply jointly with any other city,
 170.24 county, town, or other political subdivision.

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

170.26 **Sec. 10.** Minnesota Statutes 2005 Supplement, section 469.322, is amended to read:

170.27 **469.322 DESIGNATION OF INTERNATIONAL ECONOMIC**
 170.28 **DEVELOPMENT ZONE.**

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

170.34 (b) In making the designation, the foreign trade zone authority, in consultation with
 170.35 the Minnesota Department of Transportation and the Metropolitan Council, shall consider

171.1 access to major transportation routes, consistency with current state transportation and
 171.2 air cargo planning, adequacy of the size of the site, access to airport facilities, present
 171.3 and future capacity at the designated airport, the capability to meet integrated present
 171.4 and future air cargo, security, and inspection services, and access to other infrastructure
 171.5 and financial incentives. The border of the international economic development zone
 171.6 must be no more than 60 miles distant or 90 minutes drive time from the border of the
 171.7 Minneapolis-St. Paul International Airport.

171.8 (c) Before final designation of the zone, the foreign trade zone authority, in
 171.9 consultation with the applicant, must conduct a transportation impact study based on the
 171.10 regional model and utilizing traffic forecasting and assignments. The results must be used
 171.11 to evaluate the effects of the proposed use on the transportation system and identify any
 171.12 needed improvements. If the site is in the metropolitan area the study must also evaluate
 171.13 the effect of the transportation impacts on the Metropolitan Transportation System plan
 171.14 as well as the comprehensive plans of the municipalities that would be affected. The
 171.15 authority shall provide copies of the study to the legislature under section 3.195 and to the
 171.16 chairs of the committees with jurisdiction over transportation and economic development.
 171.17 The applicant must pay the cost of the study.

171.18 ~~(c)~~ (d) Final zone designation must be made by June 30, ~~2006~~ 2008.

171.19 ~~(d)~~ (e) Duration of the zone is a 12-year period beginning on January 1, ~~2007~~ 2010.

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

171.21 Sec. 11. Minnesota Statutes 2005 Supplement, section 469.323, subdivision 2, is
 171.22 amended to read:

171.23 Subd. 2. **Business plan.** Before designation of an international economic
 171.24 development zone under section 469.322, the governing body of the foreign trade zone
 171.25 authority shall prepare a business plan. The findings of the business plan shall be
 171.26 presented to the legislature pursuant to section 3.195. Copies of the business plan shall be
 171.27 provided to the chairs of committees with jurisdiction over transportation and economic
 171.28 development. The plan must include an analysis of the economic feasibility of the regional
 171.29 distribution center once it becomes operational and of the operations of freight forwarders
 171.30 and other businesses that choose to locate within the boundaries of the zone. The analysis
 171.31 must provide profitability models that:

171.32 (1) include the benefits of the incentives;

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

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

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

172.4 Sec. 12. Minnesota Statutes 2005 Supplement, section 469.327, is amended to read:

172.5 **469.327 JOBS CREDIT.**

172.6 Subdivision 1. **Credit allowed.** (a) A qualified business is allowed a credit against
172.7 the taxes imposed under chapter 290. The credit equals seven percent of the:

172.8 (1) lesser of:

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

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

172.12 (2) \$30,000 multiplied by the number of full-time equivalent employees that the
172.13 qualified business employs in the international economic development zone for the taxable
172.14 year, minus the number of full-time equivalent employees the business employed in the
172.15 zone in the base year, but not less than zero.

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

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

172.20 (b) "Base year" means the taxable year beginning during the calendar year
172.21 immediately preceding the calendar year in which the ~~zone designation was made~~ duration
172.22 of the zone begins under section 469.322, paragraph (d).

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

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

172.28 (e) "Zone payroll" means wages or salaries used to determine the zone payroll
172.29 factor for the qualified business, less the amount of compensation attributable to any
172.30 employee that exceeds \$70,000.

172.31 Subd. 3. **Inflation adjustment.** For taxable years beginning after December 31,
172.32 ~~2006~~ 2010, the dollar amounts in subdivisions 1, clause (2); and 2, paragraph (e), are
172.33 annually adjusted for inflation. The commissioner of revenue shall adjust the amounts by
172.34 the percentage determined under section 290.06, subdivision 2d, for the taxable year.

173.1 Subd. 4. **Refundable.** If the amount of the credit exceeds the liability for tax under
173.2 chapter 290, the commissioner of revenue shall refund the excess to the qualified business.

173.3 Subd. 5. **Appropriation.** An amount sufficient to pay the refunds authorized by this
173.4 section is appropriated to the commissioner of revenue from the general fund.

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

173.6 Sec. 13. Laws 2005, First Special Session chapter 3, article 10, section 23, is amended
173.7 to read:

173.8 Sec. 23. **GRANTS TO QUALIFYING BUSINESSES.**

173.9 \$750,000 is appropriated in fiscal year 2006 from the general fund to the
173.10 commissioner of employment and economic development to be distributed to the foreign
173.11 trade zone authority to provide grants to qualified businesses as determined by the
173.12 authority, subject to Minnesota Statutes, sections 116J.993 to 116J.995, to provide
173.13 incentives for the businesses to locate their operations in an international economic
173.14 development zone. If the money is not distributed during fiscal year 2006, it remains
173.15 available for distribution under this section ~~during fiscal year 2007~~ until December 31,
173.16 2010.

173.17 Sec. 14. **PROPERTY TAX REFUND COLLECTION ACTION PROHIBITED;**
173.18 **REFUNDS REQUIRED.**

173.19 Notwithstanding Minnesota Statutes, section 289A.60, subdivision 12, or any other
173.20 law to the contrary, the commissioner of revenue shall not disallow any part of a claim
173.21 for a property tax refund filed in 2005 or an earlier year to the extent that the claim
173.22 was excessive because it did not include in the claimant's income as determined under
173.23 Minnesota Statutes, section 290A.03, subdivision 3, the cash value of a tuition discount
173.24 provided by a postsecondary education institution. If a claimant was required to repay
173.25 any part of a property tax refund based on inclusion of this discount in the claimant's
173.26 income on a claim filed in 2005 or an earlier year, the commissioner must refund that
173.27 amount to the claimant.

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

173.29 Sec. 15. **JOINT STUDY BY COMMISSIONERS OF REVENUE AND**
173.30 **DEPARTMENT OF EMPLOYEE RELATIONS.**

173.31 In order to increase compliance with income and franchise taxes and tax laws, the
173.32 commissioners of the Departments of Revenue and Employee Relations, in consultation
173.33 with the affected bargaining units, shall study the competitiveness of compensation of
173.34 tax compliance auditors within the Department of Revenue. The study shall consider

174.1 the performance of compliance auditors, including training, experience, employment
174.2 classification, and duties. The study shall be completed by October 15, 2006, and the
174.3 commissioner of employee relations shall implement its recommendations.

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

174.5 Sec. 16. **SALES AND USE TAX; SERVICES TO TAXPAYERS WITH LIMITED**
174.6 **ENGLISH PROFICIENCY.**

174.7 The commissioner of revenue shall study and implement procedures and services
174.8 that will assist sales and use taxpayers of limited English proficiency in complying with
174.9 sales and use tax laws. The benefits of translating sales and use tax fact sheets, forms,
174.10 and instructions into Spanish and other languages must be considered. In addition, the
174.11 commissioner shall study how to direct taxpayers of limited English proficiency who
174.12 contact the Department of Revenue by telephone to assistance in Spanish and other
174.13 languages as determined by the commissioner. The commissioner shall report on the
174.14 results of the study and a plan to implement them to the senate and house of representatives
174.15 committees with jurisdiction over tax laws by February 1, 2007.

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

174.17 Sec. 17. **TRANSFER OF MONEY.**

174.18 Any money in the tax relief account under Minnesota Statutes, section 16A.1522,
174.19 subdivision 4, on the day following final enactment of this act is transferred to the general
174.20 fund.

174.21 Sec. 18. **APPROPRIATION.**

174.22 \$2,000,000 is appropriated from the general fund to the commissioner of public
174.23 safety to be used to reimburse state and local law enforcement agencies for additional law
174.24 enforcement efforts, focused on downtown Minneapolis."

Senator Pogemiller introduced—**S.F. No. 3794:** Referred to the Committee on Taxes.

A bill for an act

relating to taxation; making technical and minor policy changes related to calculation and administration of tax increment financing; modifying the procedures for issuing tax increment financing bonds; amending Minnesota Statutes 2004, sections 469.175, subdivision 4; 469.176, subdivision 1; 469.1763, subdivisions 3, 4; 469.1771, subdivision 2a; 475.58, subdivision 1; Minnesota Statutes 2005 Supplement, sections 469.175, subdivisions 2, 5; 469.1763, subdivision 6; 469.177, subdivision 1.

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

Section 1. Minnesota Statutes 2005 Supplement, section 469.175, subdivision 2, is amended to read:

Subd. 2. Consultations; comment and filing. (a) Before formation of a tax increment financing district, the authority shall provide the county auditor and clerk of the school board with the proposed tax increment financing plan for the district and the authority's estimate of the fiscal and economic implications of the proposed tax increment financing district. The authority must provide the proposed tax increment financing plan and the information on the fiscal and economic implications of the plan to the county auditor and the clerk of the school district board at least 30 days before the public hearing required by subdivision 3. The information on the fiscal and economic implications may be included in or as part of the tax increment financing plan. The county auditor and clerk of the school board shall provide copies to the members of the boards, as directed by their respective boards. The 30-day requirement is waived if the boards of the county and school district submit written comments on the proposal and any modification of the proposal to the authority after receipt of the information.

(b) For purposes of this subdivision, "fiscal and economic implications of the proposed tax increment financing district" includes:

2.1 (1) an estimate of the total amount of tax increment that will be generated over the
2.2 life of the district;

2.3 (2) a narrative description of the probable impact of the district on city-provided
2.4 services such as police and fire protection, public infrastructure, and ~~borrowing costs~~ the
2.5 impact of any general obligation tax increment bonds attributable to the district upon the
2.6 ability to issue other debt for general fund purposes;

2.7 (3) the estimated amount of tax increments over the life of the district that would
2.8 be attributable to school district levies, assuming the school district's share of the total
2.9 local tax rate for all taxing jurisdictions remained the same;

2.10 (4) the estimated amount of tax increments over the life of the district that would be
2.11 attributable to county levies, assuming the county's share of the total local tax rate for all
2.12 taxing jurisdictions remained the same; and

2.13 (5) any additional information regarding the size, timing, or type of development in
2.14 the district requested by the county or the school district that would enable it to determine
2.15 additional costs that will accrue to it due to the development proposed for the district.
2.16 If a county or school district has not adopted standard questions in a written policy on
2.17 information requested for fiscal and economic implications, a county or school district
2.18 must request additional information no later than 15 days after receipt of the tax increment
2.19 financing plan and the request does not require an additional 30 days of notice before
2.20 the public hearing.

2.21 **EFFECTIVE DATE.** This section is effective for proposed tax increment financing
2.22 plans provided after June 30, 2006.

2.23 Sec. 2. Minnesota Statutes 2004, section 469.175, subdivision 4, is amended to read:

2.24 Subd. 4. **Modification of plan.** (a) A tax increment financing plan may be modified
2.25 by an authority.

2.26 (b) The authority may make the following modifications only upon the notice and
2.27 after the discussion, public hearing, and findings required for approval of the original plan:

2.28 (1) any reduction or enlargement of geographic area of the project or tax increment
2.29 financing district that does not meet the requirements of paragraph (e);

2.30 (2) increase in amount of bonded indebtedness to be incurred;

2.31 (3) a determination to capitalize interest on the debt if that determination was not a
2.32 part of the original plan, ~~or to increase or decrease the amount of interest on the debt to~~
2.33 ~~be capitalized;~~

2.34 (4) increase in the portion of the captured net tax capacity to be retained by the
2.35 authority;

3.1 (5) increase in the estimate of the cost of the project, including administrative
3.2 expenses, that will be paid or financed with tax increment from the district; or

3.3 (6) designation of additional property to be acquired by the authority.

3.4 (c) If an authority changes the type of district to another type of district, this change
3.5 is not a modification but requires the authority to follow the procedure set forth in sections
3.6 469.174 to 469.179 for adoption of a new plan, including certification of the net tax
3.7 capacity of the district by the county auditor.

3.8 (d) If a redevelopment district or a renewal and renovation district is enlarged,
3.9 the reasons and supporting facts for the determination that the addition to the district
3.10 meets the criteria of section 469.174, subdivision 10, paragraph (a), clauses (1) and (2),
3.11 or subdivision 10a, must be documented.

3.12 (e) The requirements of paragraph (b) do not apply if (1) the only modification is
3.13 elimination of parcels from the project or district and (2)(A) the current net tax capacity
3.14 of the parcels eliminated from the district equals or exceeds the net tax capacity of
3.15 those parcels in the district's original net tax capacity or (B) the authority agrees that,
3.16 notwithstanding section 469.177, subdivision 1, the original net tax capacity will be
3.17 reduced by no more than the current net tax capacity of the parcels eliminated from the
3.18 district. The authority must notify the county auditor of any modification that reduces or
3.19 enlarges the geographic area of a district or a project area.

3.20 (f) The geographic area of a tax increment financing district may be reduced, but
3.21 shall not be enlarged after five years following the date of certification of the original net
3.22 tax capacity by the county auditor or after August 1, 1984, for tax increment financing
3.23 districts authorized prior to August 1, 1979.

3.24 **EFFECTIVE DATE.** This section is effective for all districts, regardless of when
3.25 the request for certification was made, and applies to plan amendments adopted after the
3.26 day following final enactment.

3.27 Sec. 3. Minnesota Statutes 2005 Supplement, section 469.175, subdivision 5, is
3.28 amended to read:

3.29 Subd. 5. **Annual disclosure.** An annual statement showing for each district the
3.30 information required to be reported under subdivision 6, paragraph (c), clauses (1), (2),
3.31 (3), (11), (12), (18), and (19); the amounts of tax increment received and expended in the
3.32 reporting period; and any additional information the authority deems necessary must be
3.33 published in a newspaper of general circulation in the municipality that approved the
3.34 tax increment financing plan. The annual statement must inform readers that additional
3.35 information regarding each district may be obtained from the authority, and must explain

4.1 how the additional information may be requested. The authority must publish the annual
4.2 statement for a year no later than August 15 of the next year. The authority must identify
4.3 the newspaper of general circulation in the municipality to which the annual statement has
4.4 been or will be submitted for publication and provide a copy of the annual statement to the
4.5 county board, the county auditor, ~~the school board~~, the state auditor, and, if the authority is
4.6 other than the municipality, the governing body of the municipality on or before August
4.7 1 of the year in which the statement must be published.

4.8 The disclosure requirements imposed by this subdivision apply to districts certified
4.9 before, on, or after August 1, 1979.

4.10 **EFFECTIVE DATE.** This section is effective for disclosures required to be
4.11 provided after June 30, 2006.

4.12 Sec. 4. Minnesota Statutes 2004, section 469.176, subdivision 1, is amended to read:

4.13 Subdivision 1. **Duration of tax increment financing districts.** (a) Subject to the
4.14 limitations contained in subdivisions 1a to 1f, any tax increment financing district as to
4.15 which bonds are outstanding, payment for which the tax increment and other revenues
4.16 have been pledged, shall remain in existence at least as long as the bonds continue to be
4.17 outstanding. The municipality may, at the time of approval of the initial tax increment
4.18 financing plan, provide for a shorter maximum duration limit than specified in subdivisions
4.19 1a to 1f. The specified limit applies in place of the otherwise applicable limit, unless the
4.20 authority modifies the plan following the procedures under section 469.175, subdivision 4,
4.21 paragraph (b).

4.22 (b) The tax increment pledged to the payment of the bonds and interest thereon may
4.23 be discharged and the tax increment financing district may be terminated if sufficient funds
4.24 have been irrevocably deposited in the debt service fund or other escrow account held in
4.25 trust for all outstanding bonds to provide for the payment of the bonds at maturity or date
4.26 of redemption and interest thereon to the maturity or redemption date.

4.27 (c) For bonds issued pursuant to section 469.178, subdivisions 2 and 3, the full
4.28 faith and credit and any taxing powers of the municipality or authority are pledged to the
4.29 payment of the bonds until the principal of and interest on the bonds has been paid in full.

4.30 **EFFECTIVE DATE.** This section is effective for all districts, regardless of when
4.31 the request for certification was made, and applies to plan amendments adopted after the
4.32 day following final enactment.

4.33 Sec. 5. Minnesota Statutes 2004, section 469.1763, subdivision 3, is amended to read:

5.1 Subd. 3. **Five-year rule.** (a) Revenues derived from tax increments are considered
 5.2 to have been expended on an activity within the district under subdivision 2 only if one
 5.3 of the following occurs:

5.4 (1) before or within five years after certification of the district, the revenues are
 5.5 actually paid to a third party with respect to the activity;

5.6 (2) bonds, the proceeds of which must be used to finance the activity, are issued and
 5.7 sold to a third party before or within five years after certification, the revenues are spent
 5.8 to repay the bonds, and the proceeds of the bonds either are, on the date of issuance,
 5.9 reasonably expected to be spent before the end of the later of (i) the five-year period, or
 5.10 (ii) a reasonable temporary period within the meaning of the use of that term under section
 5.11 148(c)(1) of the Internal Revenue Code, or are deposited in a reasonably required reserve
 5.12 or replacement fund;

5.13 (3) binding contracts with a third party are entered into for performance of the
 5.14 activity before or within five years after certification of the district and the revenues are
 5.15 spent under the contractual obligation;

5.16 (4) costs with respect to the activity are paid before or within five years after
 5.17 certification of the district and the revenues are spent to reimburse a party for payment
 5.18 of the costs, including interest on unreimbursed costs; or

5.19 (5) expenditures are made for housing purposes as permitted by subdivision 2,
 5.20 ~~paragraph~~ paragraphs (b) and (d).

5.21 (b) For purposes of this subdivision, bonds include subsequent refunding bonds if
 5.22 the original refunded bonds meet the requirements of paragraph (a), clause (2).

23 **EFFECTIVE DATE.** This section is effective for districts for which the request for
 5.24 certification was made after April 30, 1990.

5.25 Sec. 6. Minnesota Statutes 2004, section 469.1763, subdivision 4, is amended to read:

5.26 Subd. 4. **Use of revenues for decertification.** (a) In each year beginning with the
 5.27 sixth year following certification of the district, if the applicable in-district percent of the
 5.28 revenues derived from tax increments paid by properties in the district exceeds the amount
 5.29 of expenditures that have been made for costs permitted under subdivision 3, an amount
 5.30 equal to the difference between the in-district percent of the revenues derived from tax
 5.31 increments paid by properties in the district and the amount of expenditures that have
 5.32 been made for costs permitted under subdivision 3 must be used and only used to pay or
 5.33 defease the following or be set aside to pay the following:

5.34 (1) outstanding bonds, as defined in subdivision 3, paragraphs (a), clause (2), and (b);

5.35 (2) contracts, as defined in subdivision 3, paragraph (a), clauses (3) and (4); or

6.1 (3) credit enhanced bonds to which the revenues derived from tax increments are
 6.2 pledged, but only to the extent that revenues of the district for which the credit enhanced
 6.3 bonds were issued are insufficient to pay the bonds and to the extent that the increments
 6.4 from the applicable pooling percent share for the district are insufficient; or

6.5 (4) the amount provided by the tax increment financing plan to be paid under
 6.6 subdivision 2, paragraphs (b) and (d).

6.7 (b) The district must be decertified and the pledge of tax increment discharged
 6.8 when the outstanding bonds have been defeased and when sufficient money has been set
 6.9 aside to pay, based on the increment to be collected through the end of the calendar year,
 6.10 the following amounts:

6.11 (1) contractual obligations as defined in subdivision 3, paragraph (a), clauses (3) and
 6.12 ~~(4), the district must be decertified and the pledge of tax increment discharged;~~

6.13 (2) the amount specified in the tax increment financing for activities qualifying under
 6.14 subdivision 2, paragraph (b), that have not been funded with the proceeds of bonds; and

6.15 (3) the additional expenditures permitted by the tax increment financing plan for
 6.16 housing activities under an election under subdivision 2, paragraph (d), that have not
 6.17 been funded with the proceeds of bonds.

6.18 **EFFECTIVE DATE.** This section is effective for districts for which the request for
 6.19 certification was made after April 30, 1990.

6.20 Sec. 7. Minnesota Statutes 2005 Supplement, section 469.1763, subdivision 6, is
 6.21 amended to read:

6.22 Subd. 6. **Pooling permitted for deficits.** (a) This subdivision applies only to
 6.23 districts for which the request for certification was made before August 1, 2001, and
 6.24 without regard to whether the request for certification was made prior to August 1, 1979.

6.25 (b) The municipality for the district may transfer available increments from another
 6.26 tax increment financing district located in the municipality, if the transfer is necessary to
 6.27 eliminate a deficit in the district to which the increments are transferred. The municipality
 6.28 may transfer increments as provided by this subdivision without regard to whether the
 6.29 transfer or expenditure is authorized by the tax increment financing plan for the district
 6.30 from which the transfer is made. A deficit in the district for purposes of this subdivision
 6.31 means the lesser of the following two amounts:

6.32 (1)(i) the amount due during the calendar year to pay preexisting obligations of
 6.33 the district; minus

7.1 (ii) the total increments collected or to be collected from properties located within
7.2 the district that are available for the calendar year including amounts collected in prior
7.3 years that are currently available; plus

7.4 (iii) total increments from properties located in other districts in the municipality
7.5 including amounts collected in prior years that are available to be used to meet the
7.6 district's obligations under this section, excluding this subdivision, or other provisions of
7.7 law (but excluding a special tax under section 469.1791 and the grant program under Laws
7.8 1997, chapter 231, article 1, section 19, or Laws 2001, First Special Session chapter 5); or

7.9 (2) the reduction in increments collected from properties located in the district for
7.10 the calendar year as a result of the changes in class rates in Laws 1997, chapter 231, article
7.11 1; Laws 1998, chapter 389, article 2; and Laws 1999, chapter 243, and Laws 2001, First
7.12 Special Session chapter 5, or the elimination of the general education tax levy under
7.13 Laws 2001, First Special Session chapter 5.

7.14 The authority may compute the deficit amount under clause (1) only (without regard
7.15 to the limit under clause (2)) if the authority makes an irrevocable commitment, by
7.16 resolution, to use increments from the district to which increments are to be transferred and
7.17 any transferred increments are only used to pay preexisting obligations and administrative
7.18 expenses for the district that are required to be paid under section 469.176, subdivision
7.19 4h, paragraph (a).

7.20 (c) A preexisting obligation means:

7.21 (1) bonds issued and sold before August 1, 2001, or bonds issued pursuant to a
7.22 binding contract requiring the issuance of bonds entered into before July 1, 2001, and
7.23 bonds issued to refund such bonds or to reimburse expenditures made in conjunction with
7.24 a signed contractual agreement entered into before August 1, 2001, to the extent that the
7.25 bonds are secured by a pledge of increments from the tax increment financing district; and

7.26 (2) binding contracts entered into before August 1, 2001, to the extent that the
7.27 contracts require payments secured by a pledge of increments from the tax increment
7.28 financing district.

7.29 (d) The municipality may require a development authority, other than a seaway port
7.30 authority, to transfer available increments including amounts collected in prior years that
7.31 are currently available for any of its tax increment financing districts in the municipality to
7.32 make up an insufficiency in another district in the municipality, regardless of whether the
7.33 district was established by the development authority or another development authority.

7.34 This authority applies notwithstanding any law to the contrary, but applies only to a
7.35 development authority that:

7.36 (1) was established by the municipality; or

8.1 (2) the governing body of which is appointed, in whole or part, by the municipality
8.2 or an officer of the municipality or which consists, in whole or part, of members of
8.3 the governing body of the municipality. The municipality may use this authority only
8.4 after it has first used all available increments of the receiving development authority to
8.5 eliminate the insufficiency and exercised any permitted action under section 469.1792,
8.6 subdivision 3, for preexisting districts of the receiving development authority to eliminate
8.7 the insufficiency.

8.8 (e) The authority under this subdivision to spend tax increments outside of the area
8.9 of the district from which the tax increments were collected:

8.10 (1) is an exception to the restrictions under section 469.176, subdivisions 4b, 4c,
8.11 4d, 4e, 4i, and 4j; the expenditure limits under section 469.176, subdivision 1c; and the
8.12 other provisions of this section; and the percentage restrictions under subdivision 2 must
8.13 be calculated after deducting increments spent under this subdivision from the total
8.14 increments for the district; and

8.15 (2) applies notwithstanding the provisions of the Tax Increment Financing Act in
8.16 effect for districts for which the request for certification was made before June 30, 1982,
8.17 or any other law to the contrary.

8.18 (f) If a preexisting obligation requires the development authority to pay an amount
8.19 that is limited to the increment from the district or a specific development within the
8.20 district and if the obligation requires paying a higher amount to the extent that increments
8.21 are available, the municipality may determine that the amount due under the preexisting
8.22 obligation equals the higher amount and may authorize the transfer of increments
8.23 under this subdivision to pay up to the higher amount. The existence of a guarantee of
8.24 obligations by the individual or entity that would receive the payment under this paragraph
8.25 is disregarded in the determination of eligibility to pool under this subdivision. The
8.26 authority to transfer increments under this paragraph may only be used to the extent
8.27 that the payment of all other preexisting obligations in the municipality due during the
8.28 calendar year have been satisfied.

8.29 (g) For transfers of increments made in calendar year 2005 and later, the reduction in
8.30 increments as a result of the elimination of the general education tax levy for purposes of
8.31 paragraph (b), clause (2), for a taxes payable year equals the general education tax rate
8.32 for the school district under Minnesota Statutes 2000, section 273.1382, subdivision 1,
8.33 for taxes payable in 2001, multiplied by the captured tax capacity of the district for the
8.34 current taxes payable year.

9.1 **EFFECTIVE DATE.** This section is effective for all districts, regardless of when
9.2 the request for certification was made, and applies retroactively to any transfer made
9.3 under subdivision 6.

9.4 Sec. 8. Minnesota Statutes 2005 Supplement, section 469.177, subdivision 1, is
9.5 amended to read:

9.6 Subdivision 1. **Original net tax capacity.** (a) Upon or after adoption of a tax
9.7 increment financing plan, the auditor of any county in which the district is situated shall,
9.8 upon request of the authority, certify the original net tax capacity of the tax increment
9.9 financing district and that portion of the district overlying any subdistrict as described in
9.10 the tax increment financing plan and shall certify in each year thereafter the amount by
9.11 which the original net tax capacity has increased or decreased as a result of a change in tax
9.12 exempt status of property within the district and any subdistrict, reduction or enlargement
9.13 of the district or changes pursuant to subdivision 4.

9.14 (b) If the classification under section 273.13 of property located in a district changes
9.15 to a classification that has a different assessment ratio, the original net tax capacity of that
9.16 property must be redetermined at the time when its use is changed as if the property had
9.17 originally been classified in the same class in which it is classified after its use is changed.

9.18 (c) The amount to be added to the original net tax capacity of the district as a result of
9.19 previously tax exempt real property within the district becoming taxable equals the net tax
9.20 capacity of the real property as most recently assessed pursuant to section 273.18 or, if that
9.21 assessment was made more than one year prior to the date of title transfer rendering the
9.22 property taxable, the net tax capacity assessed by the assessor at the time of the transfer.
9.23 If improvements are made to tax exempt property after ~~certification of~~ the municipality
9.24 approves the district and before the parcel becomes taxable, the assessor shall, at the
9.25 request of the authority, separately assess the estimated market value of the improvements.
9.26 If the property becomes taxable, the county auditor shall add to original net tax capacity,
9.27 the net tax capacity of the parcel, excluding the separately assessed improvements. If
9.28 substantial taxable improvements were made to a parcel after certification of the district
9.29 and if the property later becomes tax exempt, in whole or part, as a result of the authority
9.30 acquiring the property through foreclosure or exercise of remedies under a lease or other
9.31 revenue agreement or as a result of tax forfeiture, the amount to be added to the original
9.32 net tax capacity of the district as a result of the property again becoming taxable is the
9.33 amount of the parcel's value that was included in original net tax capacity when the parcel
9.34 was first certified. The amount to be added to the original net tax capacity of the district
9.35 as a result of enlargements equals the net tax capacity of the added real property as most

10.1 recently certified by the commissioner of revenue as of the date of modification of the tax
10.2 increment financing plan pursuant to section 469.175, subdivision 4.

10.3 (d) If the net tax capacity of a property increases because the property no longer
10.4 qualifies under the Minnesota Agricultural Property Tax Law, section 273.111; the
10.5 Minnesota Open Space Property Tax Law, section 273.112; or the Metropolitan
10.6 Agricultural Preserves Act, chapter 473H, or because platted, unimproved property is
10.7 improved or market value is increased after approval of the plat under section 273.11,
10.8 subdivision 14, 14a, or 14b, the increase in net tax capacity must be added to the original
10.9 net tax capacity.

10.10 (e) The amount to be subtracted from the original net tax capacity of the district
10.11 as a result of previously taxable real property within the district becoming tax exempt,
10.12 or a reduction in the geographic area of the district, shall be the amount of original net
10.13 tax capacity initially attributed to the property becoming tax exempt or being removed
10.14 from the district. If the net tax capacity of property located within the tax increment
10.15 financing district is reduced by reason of a court-ordered abatement, stipulation agreement,
10.16 voluntary abatement made by the assessor or auditor or by order of the commissioner of
10.17 revenue, the reduction shall be applied to the original net tax capacity of the district when
10.18 the property upon which the abatement is made has not been improved since the date of
10.19 certification of the district and to the captured net tax capacity of the district in each year
10.20 thereafter when the abatement relates to improvements made after the date of certification.
10.21 The county auditor may specify reasonable form and content of the request for certification
10.22 of the authority and any modification thereof pursuant to section 469.175, subdivision 4.

10.23 (f) If a parcel of property contained a substandard building that was demolished
10.24 or removed and if the authority elects to treat the parcel as occupied by a substandard
10.25 building under section 469.174, subdivision 10, paragraph (b), the auditor shall certify the
10.26 original net tax capacity of the parcel using the greater of (1) the current net tax capacity
10.27 of the parcel, or (2) the estimated market value of the parcel for the year in which the
10.28 building was demolished or removed, but applying the class rates for the current year.

10.29 (g) For a redevelopment district qualifying under section 469.174, subdivision 10,
10.30 paragraph (a), clause (4), as a qualified disaster area, the auditor shall certify the value of
10.31 the land as the original tax capacity for any parcel in the district that contains a building
10.32 that suffered substantial damage as a result of the disaster or emergency.

10.33 **EFFECTIVE DATE.** This section is effective for improvements made to tax
10.34 **exempt property made after June 30, 2006.**

10.35 Sec. 9. Minnesota Statutes 2004, section 469.1771, subdivision 2a, is amended to read:

11.1 Subd. 2a. **Suspension of distribution of tax increment.** (a) If an authority fails to
11.2 make a disclosure or to submit a report containing the information required by section
11.3 469.175, subdivisions 5 and 6, regarding a tax increment financing district within the
11.4 time provided in section 469.175, subdivisions 5 and 6, the state auditor shall mail to
11.5 the authority a written notice that it or the municipality has failed to make the required
11.6 disclosure or to submit a required report with respect to a particular district. The state
11.7 auditor shall mail the notice on or before the third Tuesday of August of the year in which
11.8 the disclosure or report was required to be made or submitted. The notice must describe
11.9 the consequences of failing to disclose or submit a report as provided in paragraph (b).
11.10 If the state auditor has not received a copy of a disclosure or a report described in this
11.11 paragraph on or before the ~~third Tuesday of November~~ first day of October of the year
11.12 in which the disclosure or report was required to be made or submitted, the state auditor
11.13 shall mail a written notice to the county auditor to hold the distribution of tax increment
11.14 from a particular district.

11.15 (b) Upon receiving written notice from the state auditor to hold the distribution of
11.16 tax increment, the county auditor shall hold:

11.17 (1) ~~25~~ 100 percent of the amount of tax increment that otherwise would be
11.18 distributed, if the distribution is made after the ~~third Friday in November~~ first day of
11.19 October but during the year in which the disclosure or report was required to be made or
11.20 submitted; or

11.21 (2) 100 percent of the amount of tax increment that otherwise would be distributed,
11.22 if the distribution is made after December 31 of the year in which the disclosure or report
11.23 was required to be made or submitted.

11.24 (c) Upon receiving the copy of the disclosure and all of the reports described in
11.25 paragraph (a) with respect to a district regarding which the state auditor has mailed to the
11.26 county auditor a written notice to hold distribution of tax increment, the state auditor shall
11.27 mail to the county auditor a written notice lifting the hold and authorizing the county
11.28 auditor to distribute to the authority or municipality any tax increment that the county
11.29 auditor had held pursuant to paragraph (b). The state auditor shall mail the written notice
11.30 required by this paragraph within five working days after receiving the last outstanding
11.31 item. The county auditor shall distribute the tax increment to the authority or municipality
11.32 within 15 working days after receiving the written notice required by this paragraph.

11.33 (d) Notwithstanding any law to the contrary, any interest that accrues on tax
11.34 increment while it is being held by the county auditor pursuant to paragraph (b) is not tax
11.35 increment and may be retained by the county.

12.1 (e) For purposes of sections 469.176, subdivisions 1a to 1g, and 469.177, subdivision
12.2 11, tax increment being held by the county auditor pursuant to paragraph (b) is considered
12.3 distributed to or received by the authority or municipality as of the time that it would have
12.4 been distributed or received but for paragraph (b).

12.5 EFFECTIVE DATE. This section is effective for disclosures and reports required
12.6 to be filed after December 30, 2006.

12.7 Sec. 10. Minnesota Statutes 2004, section 475.58, subdivision 1, is amended to read:

12.8 Subdivision 1. **Approval by electors; exceptions.** Obligations authorized by law or
12.9 charter may be issued by any municipality upon obtaining the approval of a majority of
12.10 the electors voting on the question of issuing the obligations, but an election shall not be
12.11 required to authorize obligations issued:

12.12 (1) to pay any unpaid judgment against the municipality;

12.13 (2) for refunding obligations;

12.14 (3) for an improvement or improvement program, which obligation is payable
12.15 wholly or partly from the proceeds of special assessments levied upon property specially
12.16 benefited by the improvement or by an improvement within the improvement program, or
12.17 ~~of taxes levied upon the increased value of property within a district for the development of~~
12.18 ~~which the improvement is undertaken~~ from tax increments, as defined in section 469.174,
12.19 subdivision 25, including obligations which are the general obligations of the municipality,
12.20 if the municipality is entitled to reimbursement in whole or in part from the proceeds of
12.21 such special assessments or ~~taxes~~ tax increments and not less than 20 percent of the cost of
12.22 the improvement or the improvement program is to be assessed against benefited property
12.23 or is to be paid from the proceeds of federal grant funds or a combination thereof, or is
12.24 estimated to be received from ~~such taxes within the district~~ tax increments;

12.25 (4) payable wholly from the income of revenue producing conveniences;

12.26 (5) under the provisions of a home rule charter which permits the issuance of
12.27 obligations of the municipality without election;

12.28 (6) under the provisions of a law which permits the issuance of obligations of a
12.29 municipality without an election;

12.30 (7) to fund pension or retirement fund liabilities pursuant to section 475.52,
12.31 subdivision 6;

12.32 (8) under a capital improvement plan under section 373.40; and

12.33 (9) under sections 469.1813 to 469.1815 (property tax abatement authority bonds), if
12.34 the proceeds of the bonds are not used for a purpose prohibited under section 469.176,
12.35 subdivision 4g, paragraph (b).

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

A

1.1 Senator moves to amend the SCH3374A-1 amendment to H.F. No.
1.2 3374 as follows:

1.3 Page 160, delete section 11 and insert:

1.4 "Sec. 11. Minnesota Statutes 2004, section 298.28, is amended by adding a
1.5 subdivision to read:

1.6 Subd. 2a. **Cities and towns.** Two cents per taxable ton is allocated to the city or
1.7 town in the county in which the land from which the taconite was mined or quarried or
1.8 within which the concentrate was produced. If the mining, quarrying, and concentration,
1.9 or different steps in either thereof are carried on in more than one taxing district, the
1.10 commissioner shall apportion equitably the proceeds of the part of the tax going to cities
1.11 and towns among the subdivisions by attributing 50 percent of the proceeds of the tax to
1.12 the operation of mining or quarrying the taconite, and the remainder to the concentrating
1.13 plant and to the processes of concentration, and with respect to each thereof giving due
1.14 consideration to the relative extent of such operations performed in each taxing district.
1.15 The commissioner's apportionment order is subject to review by the Tax Court upon
1.16 petition by any of the interested taxing districts, in the same manner as other orders of
1.17 the commissioner.

1.18 **EFFECTIVE DATE.** This section is effective for taxes paid in 2007 and subsequent
1.19 years.

1.20 Sec. 12. Minnesota Statutes 2004, section 298.28, subdivision 6, is amended to read:

1.21 Subd. 6. **Property tax relief.** (a) In 2002 and thereafter, 33.9 cents per taxable
1.22 ton, less any amount required to be distributed under paragraphs (b) and (c), or section
1.23 298.2961, subdivision 5, must be allocated to St. Louis County acting as the counties'
1.24 fiscal agent, to be distributed as provided in sections 273.134 to 273.136.

1.25 (b) If an electric power plant owned by and providing the primary source of power
1.26 for a taxpayer mining and concentrating taconite is located in a county other than the
1.27 county in which the mining and the concentrating processes are conducted, .1875 cent per
1.28 taxable ton of the tax imposed and collected from such taxpayer shall be paid to the county.

1.29 (c) If an electric power plant owned by and providing the primary source of power
1.30 for a taxpayer mining and concentrating taconite is located in a school district other than
1.31 a school district in which the mining and concentrating processes are conducted, .4541
1.32 cent per taxable ton of the tax imposed and collected from the taxpayer shall be paid to
1.33 the school district.

1.34 Sec. 13. Minnesota Statutes 2004, section 298.28, subdivision 8, is amended to read:

2.1 Subd. 8. **Range Association of Municipalities and Schools.** ~~.20~~ .30 cent per
 2.2 taxable ton shall be paid to the Range Association of Municipalities and Schools, for
 2.3 the purpose of providing an areawide approach to problems which demand coordinated
 2.4 and cooperative actions and which are common to those areas of northeast Minnesota
 2.5 affected by operations involved in mining iron ore and taconite and producing concentrate
 2.6 therefrom, and for the purpose of promoting the general welfare and economic
 2.7 development of the cities, towns and school districts within the iron range area of
 2.8 northeast Minnesota.

2.9 **EFFECTIVE DATE.** This section is effective for taxes paid in 2007 and subsequent
 2.10 years.

2.11 Sec. 14. Minnesota Statutes 2004, section 298.28, is amended by adding a subdivision
 2.12 to read:

2.13 Subd. 9c. **Taconite environmental fund-renewable energy.** 4.4 cents per taxable
 2.14 ton is allocated to the taconite environmental protection fund for projects under section
 2.15 298.223, subdivision 1, paragraph (e).

2.16 **EFFECTIVE DATE.** This section is effective for taxes paid in 2007 and subsequent
 2.17 years."

2.18 Page 162, line 4, after "\$2,000,000" insert "of the 2008 distribution"

2.19 Page 162, line 6, after the second "Road," insert "\$250,000 must be paid to the
 2.20 Hibbing Public Utilities Commission for a new well," and after "remainder" insert "of the
 2.21 2008 distribution and the full amount of the distributions in 2009 and subsequent years"

2.22 Page 162, line 12, after the second "allocated" insert "to St. Louis County acting as
 2.23 the fiscal agent for the recipients"

2.24 Page 162, line 24, delete "the Delta Dental" and insert "a"

COMMITTEE REPORT - WITH AMENDMENTS

Committee on Taxes

H.F. No. 3374

Resolution

Re-referred (from another committee) motion made on floor

Amendments:

A-1

A-2

A-3

A-4, as amended (lines 1.7, 1.8)

A-5, as amended (line 1.7)

06-745, as amended (line 2.3) delete "narrative"

A-6

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).

5-10-06 (date of committee recommendation)