

KFM
5870
.M56
1990

930415

3 0307 00006 2557



LEGISLATIVE REFERENCE LIBRARY

MINNESOTA TAX LAW CHANGES ENACTED IN 1990

SECTION-BY-SECTION SUMMARY

IMPACT ON THE STATE GENERAL FUND

**Minnesota Department of Revenue
Tax Research Division**

TABLE OF CONTENTS

Table: Summary of Impact on the State General Fund

Chapter 604 Omnibus Tax Bill

| <u>Article</u> | <u>Page</u> |
|--|-------------|
| 1. Taxpayers' Bill of Rights | 1 |
| 2. Income, Gross Premiums, and Franchise Taxes | 5 |
| 3. Property Taxes | 8 |
| 4. Property Tax Aids and Credits | 21 |
| 5. Property Tax Refunds | 25 |
| 6. Sales and Lodging Taxes | 26 |
| 7. Tax Increment Financing | 27 |
| 8. Education Funding | 33 |
| 9. Court Funding | 34 |
| 10. Miscellaneous | 36 |

Chapter 480 Technical Tax Bill

| <u>Article</u> | <u>Page</u> |
|--|-------------|
| 1. Procedures | 42 |
| 2. Collections | 45 |
| 3. Gasoline and Special Fuel Taxes | 48 |
| 4. Sales and Use, Motor Vehicle Excise, and Petroleum Products Taxes | 49 |
| 5. Income, Franchise Taxes and Property Tax Refund | 49 |
| 6. Insurance Taxes | 51 |
| 7. Technical and Administrative Changes | 52 |
| 8. Property Tax Payments, Interest Rates, Settlements | 54 |
| 9. Property Tax System Conversions | 56 |
| 10. Miscellaneous | 56 |

| | |
|---|----|
| Chapter 441 Town and City Assessors | 58 |
|---|----|

| | |
|---|----|
| Chapter 516 Unemployment Compensation | 59 |
|---|----|

| | |
|----------------------------------|----|
| Chapter 556 Ambulances | 60 |
|----------------------------------|----|

RECEIVED
 JUL 27 2009
 LEGISLATIVE REFERENCE LIBRARY
 STATE CAPITOL
 ST. PAUL, MN 55155

TABLE OF CONTENTS

| | |
|--|----|
| Chapter 565 Transportation Bill | 61 |
| Chapter 590 Lawful Gambling | 62 |
| Chapter 594 State Departments Bill | 71 |
| Chapter 608 Campaign Financing | 72 |

**SUMMARY OF IMPACT ON THE STATE GENERAL FUND
TAX LAW AND RELATED CHANGES
1990 SESSION
(\$Millions)**

| | <u>General Fund Gain or (Loss)</u> | | |
|--|------------------------------------|----------------|-----------------|
| | <u>FY 1990</u> | <u>FY 1991</u> | <u>Biennium</u> |
| Changes in State Taxes: | | | |
| Individual Income Tax | | | |
| - Federal update (Ch. 604, Art. 2, Sec. 2) | \$(1.7) | \$(0.5) | \$(2.2) |
| - Charitable contribution deduction for AMT (Ch. 604, Art. 2, Sec. 7) | 0.0 | (0.7) | (0.7) |
| - Political contribution refund (Ch. 608, Art. 3, Sec. 28) | 0.0 | (4.7) | (4.7) |
| Corporate Franchise Tax | | | |
| - Federal update (Ch. 604, Art. 2, Sec. 2) | 6.3 | 4.6 | 10.9 |
| - Rate change, AMT rate change, minimum fee, surtax repeal (Ch. 604, Art. 2, Sec. 4, 6, 8, 9, 10, 12, and 21) | 0.0 | 0.7 | 0.7 |
| Estate Tax | | | |
| - Federal update (Ch. 604, Art. 2, Sec. 16) | minimal | 0.2 | 0.2 |
| Sales Tax | | | |
| - Mining included in capital equipment exemption (Ch. 604, Art. 6, Sec. 2) | 0.0 | (0.5) | (0.5) |
| - Telemarketing phone service exemption (Ch. 604, Art. 6, Sec. 3) | 0.0 | (0.3) | (0.3) |
| - Repair or replacement parts for ships exemption (Ch. 604, Art. 6, Sec. 4) | 0.0 | (0.5) | (0.5) |
| - Employer-provided meals exemption (Ch. 480, Art. 4, Sec. 3) | <u>0.0</u> | <u>(0.1)</u> | <u>(0.1)</u> |
| Total: Changes in State Taxes | \$4.6 | (\$1.8) | \$2.8 |
| Property Tax Relief (Other than Direct Appropriations): | | | |
| Reduction in county and city local government aid. (Ch. 604, Art. 4, Sec. 11 and 14) | 0.0 | 28.0 | 28.0 |
| Reduction in HACA payments to special districts. (Ch. 604, Art. 4, Sec. 18) | 0.0 | 5.8 | 5.8 |
| HACA adjustment (Ch. 604, Art. 4) | 0.0 | 16.7 | 16.7 |
| Tax increment financing adjustment to aids. (Ch. 604, Art. 7, Sec. 1) | 0.0 | 1.8 | 1.8 |
| Repeal of commercial/industrial equalization refund. (Ch. 604, Art. 5, Sec. 7) | <u>0.0</u> | <u>10.0</u> | <u>10.0</u> |
| Total: Property Tax Relief | 0.0 | \$62.3 | \$62.3 |

| | General Fund Gain or (Loss) | | |
|--|-----------------------------|----------------|-----------------|
| | <u>FY 1990</u> | <u>FY 1991</u> | <u>Biennium</u> |
| Direct Appropriations: | | | |
| Department of Administration for prevailing wage study (Ch. 604, Art. 10, Sec. 8) | 0.0 | (0.1) | (0.1) |
| Stearns County for kidnapping investigation (Ch. 604, Art. 10, Sec. 27) | 0.0 | (0.1) | (0.1) |
| Department of Trade and Economic Development for 1991 Special Olympics and 1992 Superbowl (Ch. 604, Art. 10, Sec. 28). | 0.0 | (0.5) | (0.5) |
| Department of Revenue (Ch. 604, Art. 10, Sec. 29). | <u>(0.1)</u> | <u>(0.3)</u> | <u>(0.4)</u> |
| Total: Direct Appropriations | \$(0.1) | \$(1.0) | \$(1.1) |
| Disposition of Proceeds from Taxes: | | | |
| Motor vehicle excise tax (Ch. 565, Sec. 30) | <u>0.0</u> | <u>12.8</u> | <u>12.8</u> |
| Total: Disposition of Proceeds from Taxes | 0.0 | \$12.8 | \$12.8 |

OMNIBUS TAX BILL
CHAPTER 604
Approved May 7, 1990

ARTICLE 1. TAXPAYERS' BILL OF RIGHTS

| <u>Section(s)</u> | | <u>Statute Reference</u> | <u>1990-91 General Fund Impact</u> |
|-------------------|--|------------------------------|--|
| 1 | Prohibits the Department of Revenue from imposing revenue quotas on its employees who are directly involved in assessment or collection activities. However, number of cases completed and, in the case of collection employees, dollars collected may be used as factors in evaluating employees. Effective for evaluations occurring on or after August 1, 1990. | 270.0602 | No |
| 2 | Requires the commissioner of Revenue to prepare statements in simple and nontechnical terms that set forth: rights and obligations of the department and the taxpayer during an audit; appeals procedures; procedures for claiming refunds; and enforcement procedures. Statement must be distributed to all taxpayers contacted by the department to determine or collect a tax, other than providing forms. Effective May 8, 1990, with the prescribed statement to be done within 180 days. | 270.0603 | No |
| 3 | Establishes procedures for requesting an abatement of a penalty and for appealing the denial of an abatement request. Requires the commissioner to abate any part of a penalty or additional tax charge attributable to erroneous written advice given to the taxpayer by a department employee under certain conditions. Effective for advice given on or after August 1, 1990. | 270.07, Subd.6 | No |
| 4 | Requires assessment and deficiency notices to contain an explanation of the basis for determination and a breakdown of the tax, penalty, and interest amounts. Effective for assessment notices issued on or after August 1, 1990. | 270.10, Subd.1a | No |
| 5 | Requires the department to allow a taxpayer to tape record an interview with a department employee relating to the audit or collection of a tax upon advance request. Allows a department employee to tape record such an interview if the taxpayer is given advance notice and a copy of the recording or a transcript is made available to the taxpayer at the taxpayer's cost. | 270.272 | No |

ARTICLE 1. TAXPAYERS' BILL OF RIGHTS (Cont.)

Section(s)

5
(Cont.) Requires that, before an initial interview, a department employee must explain the audit or collection process and the taxpayer's right in that process. If the taxpayer requests to consult with an attorney, accountant, preparer, or other appropriate person during an interview, the interview is suspended for up to thirty days. An attorney, accountant, preparer, or other appropriate person who has a written power of attorney may represent the taxpayer in an interview.

This section does not apply to criminal investigations.

Effective for interviews occurring on or after August 1, 1990.

6 Establishes a taxpayer's rights advocate (TRA) who reports directly to the commissioner of Revenue and who represents the interests of taxpayers who have grievances against the department with an audit or collection activity.

Authorizes the TRA to issue a taxpayer assistance order, under specified conditions, which requires the department to release the taxpayer's property or to refrain from taking action against the taxpayer. A taxpayer assistance order can be modified or rescinded only by the commissioner. The determination of the TRA whether or not to issue an order is final and cannot be appealed.

Effective for taxpayer assistance applications filed on or after August 1, 1990.

7 Establishes procedures for administrative and judicial review of jeopardy assessments and collections. Allows a taxpayer to request within 35 days after the assessment or levy that the commissioner review the action taken. The commissioner's determination may be appealed to the Tax Court, and the Tax Court's determination is final. Specifies burden of proof for the Tax Court proceedings. Effective for jeopardy assessments and levies made on or after August 1, 1990.

8 Authorizes a taxpayer to bring a civil action for damages against the commissioner in district court if the department has knowingly or negligently failed to release a lien after a liability has been satisfied. Thirty days prior to bringing such action, the taxpayer must provide written notice to the commissioner and the TRA. The statute of limitations for bringing actions is two years. Damages are limited to actual, direct economic damages, plus the costs of action. Effective for causes of action arising on or after August 1, 1990.

Statute
Reference

1990-91
General
Fund
Impact

270.273

No

270.274

No

270.275

No

ARTICLE 1. TAXPAYERS' BILL OF RIGHTS (Cont.)

Section(s)

| | | <u>Statute Reference</u> | <u>1990-91 General Fund Impact</u> |
|----|--|------------------------------|--|
| 9 | Authorizes a taxpayer to bring a civil action for damages against the commissioner in district court if a department employee recklessly or intentionally disregards a state tax law or rule in collecting delinquent taxes. The statute of limitations is two years. Damages are limited to the lesser of \$100,000 or the actual direct economic damages and the costs of the action. A plaintiff must first exhaust administrative remedies. If the court finds that the plaintiff failed to do so, or that the suit was frivolous or brought for purposes of delay, the court may require the taxpayer to pay the department a penalty of up to \$25,000. Effective for causes of action arising on or after August 1, 1990. | 270.276 | No |
| 10 | Provides a procedure whereby a taxpayer may appeal a lien filed in error. If the lien is erroneous and is not released within 14 days, reasonable attorney fees and damages must be paid. Effective for liens filed on or after August 1, 1990. | 270.69, Subd.11 | No |
| 11 | Exempts from the department's levy authority amounts received by an employer under the federal Job Training Partnership Act. Effective August 1, 1990. | 270.70, Subd. 1 | No |
| 12 | Changes from ten days to thirty days the notice period before a levy is made. Requires the notice to be sent to the taxpayer's last known address and must include a brief, nontechnical statement of the administrative appeals available and alternatives available to prevent a levy. Effective for levies issued on or after August 1, 1990. | 270.70, Subd.2 | No |
| 13 | Specifies that the Tax Court has jurisdiction to review a department decision to sell seized property (because the property is perishable, will reduce in value, or is expensive to store) before the appeal period has expired. Effective for property seized on or after August 1, 1990. | 270.70, Subd.4 | No |
| 14 | Allows a financial institution to wait ten days after service of a levy to surrender funds on deposit. Effective for levies issued on or after August 1, 1990. | 270.70, Subd.8 | No |
| 15 | Prohibits the department from making a levy if the expenses related to the levy and sale would exceed the fair market value of the property. Effective August 1, 1990. | 270.70, Subd.17 | No |
| 16 | Prohibits the department from levying on an individual's property on the day that the person has been subpoenaed to appear, unless the commissioner determines that the collection of the tax is in jeopardy. Effective August 1, 1990. | 270.70, Subd.18 | No |

ARTICLE 1. TAXPAYERS' BILL OF RIGHTS (Cont.)

| <u>Section(s)</u> | | <u>Statute Reference</u> | <u>1990-91 General Fund Impact</u> |
|-------------------|---|------------------------------|--|
| 17 | Allows the owner of seized property to request that the commissioner sell the property within sixty days or within a longer period. Requires the commissioner to comply with the request unless the commissioner determines and notifies the owner that it is not in the state's best interests to comply. A denial of the request can be appealed to the Tax Court. Effective for property seized on or after August 1, 1990. | 270.701, Subd.6 | No |
| 18 | Specifies the conditions under which the commissioner must release a levy on property. The conditions are: the liability is satisfied; release will facilitate collection; the taxpayer has entered into an installment agreement; or the value of the property exceeds the levy and part of the property can be released without hindering collection. Requires an expedited determination if the levy involves tangible personal property needed for a trade or business. A release of a levy does not prevent a subsequent levy on the property. Effective for levies issued on or after August 1, 1990. | 270.709, Subd.1 | No |
| 19 | Authorizes the Tax Court to enjoin a commissioner's order that is being appealed. If the commissioner does not issue a refund within 120 days after a Tax Court's decision becomes final, on motion by the taxpayer the Tax Court can order payment of the refund plus interest and reasonable litigation costs for bringing the motion. Effective for Tax Court appeals filed on or after August 1, 1990. | 271.12 | No |
| 20 | Allows costs and attorney fees to be awarded to the taxpayer for both administrative and judicial actions if the department's position was not substantially justified. Effective for Tax Court appeals filed on or after August 1, 1990. | 271.19 | No |
| 21 | Allows a taxpayer to petition the Tax Court to redetermine the interest due on an assessment within one year of a Tax Court decision upholding an assessment if the taxpayer has paid the assessment in full. Effective for interest payments made on or after August 1, 1990. | 289A.50, Subd.9 | No |
| 22 | Requires the commissioner of Revenue to study the cost, feasibility, and means of implementation of: an arbitration procedure for resolving disputes between the taxpayer and the department; and publication of letter rulings. Requires the commissioner to consult with the bar association and society of CPA's in preparing the study and to report the results to the Legislature by January 7, 1991. | Not Codified | No |

ARTICLE 2. INCOME, GROSS PREMIUMS, AND FRANCHISE TAXES

| Section(s) | | Statute Reference | 1990-91 General Fund Impact |
|------------|---|----------------------|--------------------------------------|
| 1 | Freezes the date on which the asset test is made to determine if a mutual property and casualty company qualifies for the lower premiums tax rate. The premiums tax rate for a mutual property and casualty company with assets of \$1.6 billion or less is 1% for 1990 and 1991 and 0.5% for 1992 and after, compared to the regular rate of 2%. Previously, the amount of assets at the end of the previous calendar year determined eligibility for that year. Now, the amount of assets on December 31, 1989, determines eligibility for 1990 and all subsequent years. (Fiscal impact begins in next biennium: Loss of \$700,000 in FY 92 and \$1,500,000 in FY 93). | 60A.15, Subd.1 | No |
| 2 | <p>Updates reference to federal taxable income for individuals and corporations to incorporate federal changes enacted in 1989. Most of the changes were contained in the Omnibus Budget Reconciliation Act of 1989. Included in the changes are:</p> <ul style="list-style-type: none">• Extend the expiration date for: the exclusion for employer-provided educational assistance and group legal services plans; authority to issue small-issue bonds and the deductibility of self-employed health insurance costs.• Repeal or modify various preferential provisions for employee stock ownership plans.• Modify the calculation of adjusted current earnings for the corporate alternative minimum tax.• Earlier repeal of the tax benefits for acquiring financial institutions with assistance from the FDIC or FSLIC. <p>A large number of other changes were made, mainly of a technical nature.</p> <p>Generally, the provisions are effective at the same time as they are federally.</p> | 290.01, Subd. 19 | Yes* |
| 3 | Similar to Sec. 1, freezes the date on which the asset test is done to determine if a mutual property and casualty company qualifies for exemption from the corporate franchise tax. A mutual property and casualty company is exempt if its assets are \$1.6 billion or less. The determination date is December 31, 1989, rather than the end of the preceding year. Beginning with tax year 1991. | 290.05, Subd.1a | No |

*For fiscal year impact, see table at the beginning of the report.

ARTICLE 2. INCOME, GROSS PREMIUMS, AND FRANCHISE TAXES (Cont.)

| Section(s) | | Statute Reference | 1990-91 General Fund Impact |
|-------------------|--|------------------------------|--|
| 4 | Increases from 9.5% to 9.8% the corporate franchise tax. Beginning with tax year 1990. | 290.06, Subd.1 | Yes* |
| 5 | Makes technical changes to the carryover credit from the factors tax. | 290.06, Subd.21 | No |
| 6 | Provides that the research and development credit is allowed only against the regular corporate tax, not the alternative minimum tax (AMT). Beginning with tax year 1990. | 290.068, Subd.1 | Yes* |
| 7 | Allows a Minnesota charitable contribution deduction in computing alternative minimum taxable income (AMTI) for individuals. The definition of Minnesota charitable contribution deduction is the same as is used for the corporate franchise tax. For appreciated property, only the taxpayer's basis in the asset is deductible for the AMT. Beginning with the tax year 1990. | 290.091, Subd.2 | Yes* |
| 8 | Reduces the corporate AMT rate from 7% to 5.8%. Eliminates the \$500 minimum tax that would have applied to corporations with Minnesota property, payroll, and sales over \$5 million. Beginning with tax year 1990. | 290.0921, Subd.1 | Yes* |
| 9 | For the corporate AMT, the adjustment for adjusted current earnings (ACE) is calculated by comparing ACE with Minnesota AMTI. Excludes from ACE the foreign dividend gross-up, state tax refunds, and the Minnesota foreign source royalty subtraction. Beginning with tax year 1990. | 290.0921, Subd.3 | Yes* |
| 10 | Exempts from the corporate AMT cooperatives, insurance companies, real estate investment trusts, regulated investment companies, and real estate mortgage investment conduits. Beginning with tax year 1990. | 290.0921, Subd.3a | Yes* |
| 11 | Allows the corporate alternative minimum tax credit to be carried forward for an unlimited number of years, rather than five. Deletes references to the surtax which is repealed in Sec. 21. Beginning with credits generated in tax year 1990 and carried over to tax years beginning with 1991. | 290.0921, Subd.8 | No |
| 12 | Imposes a minimum fee on regular corporations, S corporations, and partnerships which is in addition to the regular tax and AMT. The fee is a flat amount based on the corporation's sum of Minnesota property, payroll, and sales factors as follows: | 290.0922 | Yes* |

*For fiscal year impact, see table at the beginning of the report.

ARTICLE 2. INCOME, GROSS PREMIUMS, AND FRANCHISE TAXES (Cont.)**Section(s)**12
(Cont.)

Sum of

Minnesota FactorsMinimum Fee

Less than \$500,000

\$0

\$500,000 to \$1 million

\$100

\$1 million to \$5 million

\$300

\$5 million to \$10 million

\$1,000

\$10 million to \$20 million

\$2,000

\$20 million or more

\$5,000

Exempt from the fee are real estate investment trusts, regulated investment companies, real estate mortgage investment conduits, town and farmers' mutual insurance companies, and corporations exempt under M.S. 290.05, except mutual property and casualty companies.

Beginning with tax year 1990.

The imposition of the fee on foreign insurance companies domiciled in states with retaliatory taxes is delayed until tax year 1991 when these companies will be exempt from all corporate franchise taxes.

| | | | |
|----|--|----------------------|-----------|
| 13 | Modifies the exemption for partnerships to provide that they are subject to the fee in Sec. 12. | 290.31, Subd.1 | No |
| 14 | Delays until January 1, 1992, the imposition of the 2% withholding on nonresident public speakers who receive less than \$2,000 in compensation or who are reimbursed only for expenses. These individuals remain subject to the nonresident entertainer tax during this time. | 290.9201, Subd.11 | (Minimal) |
| 15 | Clarifies that the exemption for S corporations does not apply to the fee in Sec. 12. | 290.9725 | No |
| 16 | Instructs the revisor of statutes to update references to the Internal Revenue Code as amended through December 31, 1989, in Chapters 290, 290A (property tax refund), and 291 (estate tax). | Not Codified | Yes* |

*For fiscal year impact, see table at the beginning of the report.

**1990-91
General
Fund
Impact****Statute
Reference**

ARTICLE 2. INCOME, GROSS PREMIUMS, AND FRANCHISE TAXES (Cont.)

| <u>Section(s)</u> | | <u>Statute Reference</u> | <u>1990-91 General Fund Impact</u> |
|-------------------|---|------------------------------|--|
| 17 | Provides that the federal update provisions generally are effective at the same time they became effective for federal purposes. | Not Codified | No |
| 18 | States the Legislature's intent that, if the changes made in Sec. 1 or Sec. 3 are held to be unconstitutional, the otherwise applicable provisions apply. The changes pertain to the date on which the asset test is applied to determine if a mutual property and casualty company is eligible for a reduced premiums tax rate and exemption from the corporate franchise tax. | Not Codified | No |
| 19 | Prohibits the commissioner from assessing additions to tax for tax year 1990 for insufficient estimated tax payments due to the changes in this article. | Not Codified | (Minimal) |
| 20 | Requires the Department of Revenue to study the state and local tax burden of small businesses, defined as those with combined Minnesota property, payroll, and sales of less than \$5 million annually. Specifies the requirements of the study which is to be submitted to the chairs of the House and Senate Tax Committees by December 1, 1990. | Not Codified | No |
| 21 | Repeals the surtax that would have applied to the corporate franchise tax and AMT, beginning in tax year 1990. | 290.06, Subd.1a | Yes* |

ARTICLE 3. PROPERTY TAXES

| | | | |
|------------------------------|---|--|----|
| 1, 2, and 30 (in part) | <p>Establish a new special levy that a county may use to fund comprehensive local water implementation activities and provide a basic grant to a county that imposes the special levy. Deletes the requirement that grants from the Board of Water and Soil Resources may not exceed the amount matched by participating local units of government.</p> <p>The basic grant is: \$37,500 or the amount needed to implement the plan, whichever is less; less the amount of the levy.</p> | 103B.3369, Subd.5 and 7; 275.50, Subd.5(z) | No |
|------------------------------|---|--|----|

*For fiscal year impact, see table at the beginning of the report.

ARTICLE 3. PROPERTY TAXES (Cont.)

| <u>Section(s)</u> | | <u>Statute Reference</u> | <u>1990-91 General Fund Impact</u> |
|----------------------------|---|----------------------------------|--|
| 1, 2, and 30 (Cont.) | To qualify for the grant, require the county to levy the tax at the specified water implementation local tax rate. Require the commissioner of Revenue to determine the rate each year. For taxes payable in 1991, the rate is calculated to raise \$1,500,000 statewide when applied to adjusted net tax capacity. For taxes payable in 1992, the rate is also to raise \$1,500,000 statewide. | | |
| 3 | Clarifies that the apportionments to the school districts from the county school fund are to be made at the same time as the property tax settlements, except that all of the power line taxes apportioned to school districts are to be included in the first half distribution. Effective May 8, 1990. | 124.10, Subd. 2 | No |
| 4 | Authorizes the commissioner of Education to make advance payments of homestead and agricultural credit aid for a district's debt service fund if the district submits evidence of a serious cash flow problem in the fund. If necessary, the commissioner may also increase the percent of the entitlement paid. Beginning with taxes payable in 1991. | 124.195, Subd.7 | No |
| 5 and 30 (in part) | Authorizes a regional public library system to allocate its levy authority among its member counties, cities, and towns upon the adoption of a written resolution. The regional library board must furnish a list of the participating members to the commissioners of Revenue and Education. Specifies the method for determining the levy limitation and allocation for participating members and specifies the reporting requirements. Beginning with taxes payable in 1991. | 134.342; 275.50, Subd.5(o) | No |
| 6 | Requires that all real and personal property taxes must be paid on a manufactured home before a permit can be issued to move it. Verification can be made by telephone with proper documentation. If a manufactured home has been repossessed by a dealer or a financial institution, only the most recent single year delinquency or current year taxes need to be paid before a permit can be issued. Effective August 1, 1990. | 169.86, Subd.1 | No |
| 7 | Provides that property that is subject to tax on January 2 that is acquired by a governmental entity, church, or educational institution before August 1 of the year is exempt for that assessment year if the property is used for an exempt purpose and is not subject to the filing requirements in M.S. 272.025. Effective January 1, 1990. | 272.02, Subd.4 | No |
| 8 | Changes from January 15 to December 1 the date after which the county assessor examines the assessment appraisal records of each local assessor. Effective July 1, 1990. | 273.064 | No |
| 9 | Requires the assessor to take into account environmental factors in the vicinity of the property in determining the market value of the property. Beginning with taxes payable in 1991. | 273.11, Subd.1 | No |

ARTICLE 3. PROPERTY TAXES (Cont.)

| <u>Section(s)</u> | | <u>Statute Reference</u> | <u>1990-91 General Fund Impact</u> |
|-------------------|---|-----------------------------------|------------------------------------|
| 10 | Extends to food or beverage facilities the nondiscrimination requirements for a golf club to be eligible for open space property tax treatment. A golf club that has food or beverage facilities or services must allow equal assess to those facilities and services to both men and women members at all times, regardless of the membership categories. Equal assess does not extend to persons under age 21 if it would violate any laws, ordinance, or rules pertaining to alcoholic beverages. Beginning with taxes payable in 1991. (Provides a transition rule which modifies reporting dates for the first year.) | 273.112, Subd. 3 | No |
| 11, 12 | Change the payment date for the conservation tax credit and the disaster credit to a single payment on December 15th. Beginning with taxes payable in 1990. | 273.119, Subd.2; 273.123, Subd.4; | No |
| 13 | Grants homestead treatment to a manufactured home park owned by a manufactured home park cooperative organized under Chapter 308A if certain conditions are met. If each person who owns a share(s) in the cooperative is entitled to occupy a lot within the park, the cooperative may claim homestead treatment for each lot occupied by a shareholder. Each lot must be designated by legal description or number and cannot be more than one-half acre of land for each homestead. If all the conditions are met, the park is valued and assessed as class 1 homestead property. Homestead treatment is also extended to a charitable organization with no outstanding stock and with tax exempt status under IRC 501(c)(3) for member residents of the manufactured home park who hold residential participation warrants. Beginning with taxes payable in 1991. | 273.124, Subd.3a | No |
| 14 | Extends homestead treatment to the principal residence of a disabled individual if the residence is owned by a parent or both parents of the disabled individual. Beginning with taxes payable in 1991. | 273.124, Subd.15 | No |
| 15 | Extends homestead treatment to a home purchased within six months after the buyer's former homestead was acquired under eminent domain proceedings. The homestead treatment applies to taxes payable the following year. Requires the homeowner to apply for the classification within 30 days and to provide the required information to the assessor. Beginning with taxes payable in 1991. | 273.124, Subd.16 | No |

ARTICLE 3. PROPERTY TAXES (Cont.)

Section(s)

16-19

Change the class rates and brackets for several types of property as shown on the table beginning on page 12.

For determining the 225-day limitation for small homestead resorts (class 1c) and other resorts (class 4c), provide that the property is devoted to a commercial purpose on a specific day if any portion, except the homestead, as applicable, is used or available for use for residential occupancy and a fee is charged for residential occupancy.

Expand the definition of "agricultural purposes" for Class 2b agricultural land to include the commercial boarding of horses if done in conjunction with the raising or cultivation of agricultural products.

Change fraternity and sorority housing from Class 4b (3%) to Class 4c (2.3%).

Remove the restriction that IRC Sec. 42 low-income housing would qualify as Class 4c only if it was built or rehabilitated after May 1, 1988.

Provide that manufactured home parks, as defined, are classified as Class 4c property.

Beginning with taxes payable in 1991.

Statute Reference

273.13,
Subd.22,
23,24,
and 25

**1990-91
General
Fund
Impact**
No

Changes to Class Rates
Beginning with Taxes Payable in 1991 (or as indicated)

| <u>Class</u> | <u>Type of Property</u> | <u>Net Class Rate</u> | |
|--------------|---|-----------------------|----------------|
| | | <u>Prior Law</u> | <u>New Law</u> |
| 1a | Residential homestead | | |
| | First \$68,000 market value (MV) | 1.0% | 1.0% |
| | \$68,000 - \$100,000 MV (\$110,000 new law) | 2.0 | 2.0 |
| | Over \$100,000 MV (\$110,000 new law) | 3.0 | 3.0 |
| 1b | Homestead of blind or disabled | | |
| | First \$32,000 MV | 0.4 | 0.45 |
| | Excess is Class 1a or 2a | | |
| 2a | Agricultural homestead | | |
| | House, garage, and one acre | | |
| | First \$68,000 MV | 1.0 | 1.0 |
| | \$68,000 - \$100,000 MV (\$110,000 new law) | 2.0 | 2.0 |
| | Over \$100,000 MV (\$110,000 new law) | 3.0 | 3.0 |
| | Excess up to 320 acres | | |
| | First \$100,000 MV (\$110,000 new law) | 0.4 | .45 |
| | Over \$100,000 MV (\$110,000 new law) | | |
| | Taxes payable 1990 | 1.3 | 1.3 |
| | Taxes payable 1991 | 1.4 | 1.3 |
| | Taxes payable 1992 | 1.5 | 1.3 |
| | Over 320 acres | | |
| | First \$100,000 MV (\$110,000 new law) | 0.4 | 0.45 |
| | Over \$100,000 MV (\$110,000 new law) | | |
| | Taxes payable 1991 | 1.6 | 1.6 |
| | Taxes payable 1992 and after | 1.5 | 1.6 |
| 2b | Nonhomestead agricultural land; timberland | | |
| | Taxes payable 1991 | 1.6 | 1.6 |
| | Taxes payable 1992 | 1.5 | 1.6 |

| <u>Class</u> | <u>Type of Property</u> | <u>Net Class Rate</u> | |
|--------------|--|-----------------------|----------------|
| | | <u>Prior Law</u> | <u>New Law</u> |
| 3b | Employment property (enterprise zones) | | |
| | Competitive zone | | |
| | First \$50,000 MV | 2.4 | 2.3 |
| | Over \$50,000 MV | 3.6 | 3.6 |
| 4c | Structures of Title II housing, Minnesota Housing Finance Agency, Section 8, IRC Sec. 42. | 2.4 | 2.3 |
| | Neighborhood real estate trust | 2.4 | 2.3 |
| | Seasonal recreational residential | 2.4 | 2.3 |
| | Nonprofit community service organization property | 2.4 | 2.3 |
| | Fraternity and sorority housing (previously Class 4b) | 3.0 | 2.3 |
| | Manufactured home parks (previously Class 4a) | | |
| | Taxes payable 1991 | 3.6 | 3.0 |
| | Taxes payable 1992 | 3.6 | 2.3 |

ARTICLE 3. PROPERTY TAXES (Cont.)

| <u>Section(s)</u> | | <u>Statute Reference</u> 273.1398, Subd.6 | <u>1990-91 General Fund Impact</u> No |
|-------------------|---|---|--|
| 20 | Changes the payment date for the disparity reduction credit to a single payment on December 15th. Beginning with taxes payable in 1990. | 273.1398, Subd.6 | No |
| 21 | For the reports that the utility companies must file annually with the commissioner of Revenue, provides that if all the required information is not available by the due date of March 31, the company must file the information that is available by March 31 and the remaining information as soon as it is available. Effective for reports filed in 1990 and thereafter. | 273.371, Subd.1 | No |
| 22 | Clarifies that certain transmission and distribution lines are taxed at the average tax capacity rate for all taxes levied throughout the county after the disparity reduction aid is applied. Beginning with taxes payable in 1990. | 273.42, Subd.1 | No |
| 23-27 | Truth in Taxation. Beginning with taxes payable in 1991. | 275.065, Subd.1 | No |
| 23 | Provides that if a board of estimate and taxation certifies the maximum tax levies for a first class city, the city will be deemed to have certified those levies. Requires the commissioner of Revenue to determine what constitutes a special taxing district. Provides that intermediate school districts, joint powers boards, and common school districts are considered special taxing districts for purposes of this section. Extends to towns with population of less than 5,000 the requirement that they certify their levies to the county auditor by September 1. | 275.065, Subd.1 | No |
| 24 | Requires the county auditor to include a town's final property taxes in the notice of proposed property taxes sent to all taxpayers. Requires that the data used to determine the property tax increase or decrease on the notice must be the same as that used for the population adjustment for levy limits. | 275.065, Subd.3 | No |
| | Extends to all counties the requirement that parcel-specific notices must be sent, beginning with taxes payable in 1993. The requirement will continue to apply to counties containing a city of the first class, beginning with taxes payable in 1992. | | |
| 25 | Requires each county, city, and school district to advertise in a general circulation newspaper a notice of its hearing on a proposed budget and property taxes. Specifies the type of newspaper, the size of the ad and its location in the newspaper, the size of the print, the wording, and when it should appear. | 275.065, Subd.5a | No |

ARTICLE 3. PROPERTY TAXES (Cont.)

| <u>Section(s)</u> | | <u>Statute Reference</u> | <u>1990-91 General Fund Impact</u> |
|-------------------|---|------------------------------|--|
| 26 | Provides that a proposed levy can be increased by an increase in levy limits certified by the commissioner of Revenue or the commissioner of Education. Requires the county auditor, rather than the commissioner of Revenue, to coordinate the hearing dates for all taxing authorities within the county. Specifies the order and procedure for scheduling dates to avoid any conflicts. | 275.065, Subd.6 | No |
| 27 | Changes the date by which a town must certify its levy to the county auditor to September 1, instead of within five working days after December 20. If the levy is changed by the town board at a special town meeting after September 1, the town board must recertify its levy within five working days after December 20. | 275.07, Subd.1 | No |
| 28 | Provides that the equalization levies are not adjusted by the amount of homestead and agricultural credit aid (HACA). Beginning with taxes payable in 1991. | 275.07, Subd.3 | No |
| 29 | Requires the commissioner of Education to notify school districts of their levy limits by August 15. | 275.125, Subd.10 | No |
| 30 | Specifies new or modified special levies as follows: <ul style="list-style-type: none">• Allows the levy limitation for a regional library to be redistributed according to M.S. 134.342. (See Sec. 5.)• Corrects an error made in the 1989 special session which inadvertently placed language related to an adjustment in clause v instead of clause u.• Authorizes a special levy for unreimbursed costs of per diem jail or correctional facilities services paid by the county if the county is operating under a Department of Corrections directive that limits the capacity of a county jail or correctional facility.• For taxes payable in 1991 and 1992 only, authorizes a special levy for the operating or maintenance costs of a county jail or correctional facility to the extent that the county can document that the cost is a direct result of a rule, minimum requirement, minimum standard, or directive of the Department of Corrections. If the county uses this special levy and levied for these purposes the previous year under its general levy limit, the levy limit base is reduced for the prior year levy.• For taxes payable in 1991 and 1992 only, authorizes a special levy for unreimbursed costs of a county for grasshopper control, as specified. | 275.50, Subd. 5 | No |

ARTICLE 3. PROPERTY TAXES (Cont.)

Section(s)

- 30
(Cont.)
- Authorizes a special levy for a water implementation plan. (See Sec. 1.)
 - Authorizes a special levy for unreimbursed county costs for court-ordered family-based services and out-of-home placement for children. Specifies the exact services covered and under what conditions. Specifies how adjustments are to be made if the county levied for these purposes the previous year.
 - Clarifies that the only special levies allowed for taxes payable in 1991 are those specified in this act and the special levy authorized for Itasca County by the 1989 Legislature.

Beginning with taxes payable in 1991.

| | | | |
|----|--|----------------------------|----|
| 31 | Reduces each city's adjusted levy limit base by the amount of its base reduction from aid payments (Art. 4, Sec. 14). Reduces each county's adjusted levy limit base by one-half of its base reduction from aid payments (Art. 4, Sec. 11). Beginning with taxes payable in 1991. | 275.51, Subd.3h | No |
| 32 | Provides that, if a governmental unit exceeds its levy limitation, a reduction can be made in taconite aids, in addition to local government aid and homestead and agricultural credit aid. Provides that any penalty must be distributed in the same manner as the taconite aids in M.S. 298.28, Subd. 11(a). Beginning with taxes payable in 1990. | 275.51, Subd.4 | No |
| 33 | Adds homestead and agricultural credit aid and taconite aids to the list of aids that the commissioner of Revenue can reduce as a penalty for violation of levy limitation provisions. Beginning with taxes payable in 1990. Provides that the penalty for an excess levy for taxes payable in 1992 will be imposed in 1992 instead of 1993. | 275.55, Subd.1 and 2 | No |
| 34 | Clarifies language pertaining to the September 1 deadline for certification of aid amounts by the commissioner of Revenue to the county auditors. Beginning with taxes payable in 1993 (1992 for counties containing a city of the first class). | 276.04, Subd.2 | No |
| 35 | Changes the computation of the reduction in value that the court must use in the case of discrimination based on the sales ratio study. Previously the reduction was equal to the difference between 90% and the median ratio determined by the court. Now it will be the difference between the ratio for the petitioner's property minus five percentage points and the median ratio determined by the court. Effective for appeals filed after May 7, 1990. | 278.05, Subd.4 | No |

1990-91
General
Fund
Impact

Statute
Reference

ARTICLE 3. PROPERTY TAXES (Cont.)

Section(s)

36 Increases from two to three years the period of redemption from the date of sale for homesteaded lands located in a targeted neighborhood and sold at a tax judgment sale. The redemption periods for other types of property remain the same. Effective May 8, 1990.

37 Reorganizes the subdivision into several subdivisions and modifies language and phrasing to aid clarity and understanding.

Gives the commissioner of Revenue the discretion to convey by deed tax-forfeited land in a targeted neighborhood outside the metropolitan area. The requirement is retained for the commissioner to convey tax-forfeited land in a targeted neighborhood in the metropolitan area.

Effective May 8, 1990.

38 Changes provisions relating to reductions or abatements of valuation or taxes.

Requires that the application for a reduction or abatement must include the social security number of the applicant. The social security number is considered private data.

Previously, the county board could grant a reduction in estimated market value of \$10,000 or less, and the commissioner of revenue had to approve an application for reduction in value of over \$10,000.

Now, the county board can grant a reduction or abatement of taxes, costs, penalties, and interest of \$10,000 or less. If the amount exceeds \$10,000, the county board must give twenty days notice to the appropriate school board and municipality. The notice must contain a description of the property, the amount of reduction, and the reason for reduction. If the school board or the municipality object, the county board must refer it to the commissioner of Revenue along with its recommendation.

A reduction, abatement, or refund of special assessments made by a municipality cannot be made unless approved by the municipality.

Prohibits an appeal to the Tax Court of any county board order made under its discretionary authority granted in this section.

Effective for reductions or abatements filed after June 30, 1990.

Statute
Reference
281.17

**1990-91
General
Fund
Impact**
No

282.01,
Subd.1,
1a-1f

No

375.192,
Subd.2

No

| ARTICLE 3. PROPERTY TAXES (Cont.) | | | 1990-91 General Fund Impact |
|-----------------------------------|---|--|--------------------------------------|
| <u>Section(s)</u> | | <u>Statute Reference</u> | |
| 38 (Cont.) | Prohibits an appeal to the Tax Court of any county board order made under its discretionary authority granted in this section. Effective for reductions or abatements filed after June 30, 1990. | | |
| 39 | Changes the maximum property tax levy for regional development commissions from a specified percentage of market value to a dollar amount specified for each region (\$180,337 for Region 1, \$15,000 for Region 2, etc.). Any regional planning grants from the State Planning Agency must be subtracted from the dollar amount. Beginning with taxes payable in 1991. | 462.396, Subd.2 | No |
| 40 | Updates a cross reference. | 469.059, Subd.11 | No |
| 41-42 | Changes the payment date for the enterprise zone property tax credit and the agricultural preserves credit to a single payment on December 15th. Beginning with taxes payable in 1990. | 469.171, Subd.7a; 473H.10, Subd.3 | No |
| 43 | Exempts aid adjustments which increase a city's property tax levy from any limitation on levies under a city charter. Beginning with taxes payable in 1991. | 477A.013, Subd.6 | No |
| 44 | Delays from July 1, 1990, to July 1, 1991, the effective date for provisions relating to disclosure of wells on tax-forfeited land. (Laws 1989, Ch. 326, Art. 3, Sec. 49) | Not Codified | No |
| 45 | Delays from March 15, 1990, to March 15, 1991, the effective date of provisions relating to marginal land and wetlands on state land and tax-forfeited land. (Laws 1989, Ch. 353, Sec. 13) | Not Codified | No |
| 46 | Limits the valuation increases of manufactured home parks. Any increase in market value for taxes payable in 1991 over 1990 must be phased in over a three-year period, with one-third of the increase added each year for taxes payable in 1991, 1992, and 1993. Any increase in market value subsequent to taxes payable in 1991 will be added in full and in addition to any phased-in amount. The limitation does not apply to increases due to improvements or property becoming subject to taxation since the January 2, 1989, assessment. (This description reflects the clarification contained in the Revisor's Bill, Ch. 612, Sec. 16.) | Not Codified | No |

ARTICLE 3. PROPERTY TAXES (Cont.)

| <u>Section(s)</u> | | <u>Statute Reference</u> | <u>1990-91 General Fund Impact</u> |
|-------------------|--|------------------------------|--|
| 46 (Cont.) | If the assessor has increased the market value over the limitation, the assessor must reduce the value to the limited amount and must notify affected property owners that the increase in value was limited by this act. | | |
| 47 | Delays the effective date of the repeal of overall levy limits for cities and towns from taxes payable in 1992 to taxes payable in 1993, which is the same date the county levy limits are repealed. (Laws 1989, First Special Session, Ch. 1, Art. 5, Sec. 52.) | Not Codified | No |
| 48 | Corrects errors in the effective dates of two sections in the 1990 technical bill. (Laws 1990, Ch. 480, Art. 8, Sec. 18). | Not Codified | No |
| 49-62 | Special Levies and Bond Authorizations for Specific Jurisdictions | | |
| 49 | Authorizes the city of Bayport to levy \$156,158 to pay the operating costs of the city library. The levy is not subject to the overall levy limits and, beginning with taxes payable in 1992, the levy may be a special levy under M.S. 275.50, Subd. 5, clause (o). Specifies the provisions of a reverse referendum. Effective upon local approval. | Not Codified | No |
| 50 | Authorizes Goodhue County to levy up to \$225,000 each year for taxes payable in 1991 and 1992 and use the proceeds for the county historical society. The levy is not subject to overall levy limits. Specifies the provisions of a reverse referendum. Effective upon local approval. | Not Codified | No |
| 51 | Authorizes the city of Windom to levy up to \$50,000 each year for taxes payable in 1991 and 1992 to meet the operating costs of the operating deficit of the municipal hospital. The levy is not subject to overall levy limits. Specifies the provisions of a reverse referendum. Effective upon local approval. | Not Codified | No |
| 52 | Authorizes Koochiching County to levy to pay the costs of ambulance service in a county subordinate service district. The levy is not subject to overall levy limits. Beginning with taxes payable in 1991. | Not Codified | No |
| 53 | Authorizes Douglas County to levy the amount necessary to pay the principal and interest on specified Department of Energy and Economic Development loans for solid waste management purposes. The levy is not subject to overall levy limits. Specifies adjustment to the levy limit base if the county levied for this purpose in the previous year. Beginning with taxes payable in 1991 and expiring when the principal and interest have been paid. | Not Codified | No |

ARTICLE 3. PROPERTY TAXES (Cont.)

| <u>Section(s)</u> | | <u>Statute Reference</u> | <u>1990-91 General Fund Impact</u> |
|-------------------|---|------------------------------|--|
| 54 | Authorizes Mille Lacs County to levy an amount equal to the expenditures from reserve funds used in 1990 to pay social service costs, but not to exceed \$694,000. The levy is not subject to overall levy limits. Effective only for taxes payable in 1991. | Not Codified | No |
| 55 | Authorizes Becker County to levy an amount equal to expenditures it made from reserve funds for calendar years 1987 and 1988, but not to exceed \$900,000. The levy is not subject to overall levy limits. Effective only for taxes payable in 1991. | Not Codified | No |
| 56 | Authorizes Goodhue County to levy an amount equal to the reduction to its levy limit base for taxes levied in 1989 under M.S. 275.51, Subd. 3f, paragraph (i). This levy is not subject to overall levy limits. Effective for taxes payable in 1991 only. | Not Codified | No |
| 57 | Authorizes the city of Bemidji or Beltrami County to issue up to \$400,000 in bonds to finance the construction and improvement of an airport terminal and related facilities. Specifies procedures for issuing the bonds and for levying property taxes for payment of principal and interest. Effective upon local approval and subject to a reverse referendum. | Not Codified | No |
| 58 | Authorizes Ramsey County to issue up to \$2 million in general obligation bonds to finance the restoration of the St. Paul union depot concourse as a facility for the arts and sciences. Requires a commitment of \$500,000 in operational funding from other sources before the bond proceeds can be used. Exempts the bonds from election requirements and debt limits, and the debt service levies from levy limits. Effective upon approval by the city of St. Paul and Ramsey County. | Not Codified | No |
| 59 | Authorizes the city of Rosemount to levy up to \$95,000 per year and to incur specified debt obligations to acquire and improve an armory. Exempts the debts from debt limits and classifies the levy as a special levy. Provides for a reverse referendum. Beginning with taxes payable in 1991. | Not Codified | No |
| 60 | Authorizes the cities of Maple Grove, Brooklyn Park, Brooklyn Center, and Coon Rapids to levy up to \$2 per capita to pay the costs incurred under a joint powers agreement for the salaries and benefits of peace officers whose primary responsibilities are to investigate controlled substance crimes or to teach drug abuse resistance education curricula in schools. Beginning with taxes payable in 1991. | Not Codified | No |

ARTICLE 3. PROPERTY TAXES (Cont.)

Section(s)

| | | <u>Statute Reference</u> | <u>1990-91 General Fund Impact</u> |
|----|--|------------------------------|--|
| 61 | Provides that if a city has issued certificates of indebtedness during 1989 in an amount not exceeding \$150,000 for meeting the unanticipated cost of repairing a major structural defect in a municipal building which was being renovated, the levy to pay the debt is a special levy. Provides for a reverse referendum. Beginning with taxes payable in 1991. | Not Codified | No |
| 62 | Authorizes the Hennepin County Regional Railroad Authority to transfer any available money, including money in capital accounts, to Hennepin County for social service costs during 1990 only. | Not Codified | No |
| 63 | Provides for the calculation of payable 1991 aids and levy limits if the state demographer's 1989 estimates of population and number of households are not available at the time of calculation. Provides for the recalculation of levy limits if the estimates become available within a specified time. | Not Codified | No |
| 64 | Instructs the Revisor of Statutes to codify in 275.50 all permanent local special levies enacted in 1990 for the next edition of Minnesota Statutes. | Not Codified | No |
| 65 | Repeals a provision relating to abatements which is replaced by Sec. 38. Effective for reductions or abatements filed after June 30, 1990. | 375.192, Subd. 1 | No |
| | Repeals a provision authorizing bonding authority for Ramsey County, which is replaced by Sec. 58. Effective upon approval by the city of St. Paul and Ramsey County. | 383A.65 | No |

ARTICLE 4. PROPERTY TAX AIDS AND CREDITS

| | | | |
|-----|---|---------------------|----|
| 1 | Delays the start of state reimbursement of specified income maintenance aids. Generally, everything is delayed by two years so that it will begin in 1994 instead of 1992 and will be completed by 2000 instead of 1998. (Will have fiscal impact after FY 1991). | 256.025, Subd. 4 | No |
| 2-5 | Homestead and Agricultural Credit Aid (HACA) | | |
| 2 | For homestead and agricultural credit aid (HACA), changes some definitions and adds others, beginning with aids payable in calendar year 1991. | 273.198, Subd. 1 | No |

ARTICLE 4. PROPERTY TAX AIDS AND CREDITS (Cont.)

| <u>Section(s)</u> | | <u>Statute Reference</u> | <u>1990-91 General Fund Impact</u> |
|-------------------|---|--------------------------|------------------------------------|
| 2 (Cont.) | <p>Changes the definition of "net tax capacity" so that tax shifts resulting from various class rate changes are not paid by the state through the HACA formula. Specifies the class rates that are to be used for the HACA formula.</p> <p>Changes the "cost-of-living adjustment factor" to be the increase in the consumer price index minus 0.36%. The factor cannot exceed 3.94%.</p> <p>Defines the "growth adjustment factor" as the household adjustment factor for counties, cities, and towns and as the change in the average daily membership for school districts. For special districts the factor equals one. The growth adjustment factor cannot be less than one.</p> <p>Adds definitions for HACA base, net tax capacity adjustment, and fiscal disparity adjustment.</p> | | |
| 3 | <p>Specifies the modified HACA formula for aids payable in 1990 and 1991 and incorporates the definitional changes contained in Sec. 2 for the 1991 aids.</p> <p>Specifies that the HACA payments for 1992 and subsequent years will equal: the product of the HACA aid base times the growth adjustment factor; plus the net tax capacity adjustment, plus the fiscal disparity adjustment.</p> | 273.1398, Subd.2 | Yes* |
| 4 | <p>Allows the commissioner of Revenue, upon consultation with the chairs of the House and Senate Tax Committees, to compute HACA at a level higher than the unique taxing jurisdiction level if the impact is negligible, or if changes in the computation of the unique taxing jurisdictions make it impossible to compute HACA at that level. Beginning with aids payable in calendar year 1991.</p> | 273.1398, Subd.2c | No |
| 5 | <p>Requires the county auditor to adjust each local government's levy by the fiscal disparity HACA, in addition to regular HACA and equalization aid. Beginning with aids payable in calendar year 1991.</p> | 275.07, Subd.3 | No |
| 6-17 | <p>Local Government Aid</p> | | |
| 6 | <p>Makes cities of the first class eligible for equalization aid. Beginning with aids payable in calendar year 1991.</p> <p>Provides that towns with a population of 5,000 or over are not subject to the city aid adjustment in Sec. 14. Beginning with aids payable in calendar year 1990.</p> | 477A.011, Subd.1a | No |

*For fiscal year impact, see table at the beginning of the report.

ARTICLE 4. PROPERTY TAX AIDS AND CREDITS (Cont.)

| <u>Section(s)</u> | | <u>Statute Reference</u> | <u>1990-91 General Fund Impact</u> |
|-------------------|--|------------------------------|--|
| 7 | Modifies the definition of "net tax capacity" for local government aids so that it is based on data for the year prior to the aid distribution. Eliminates an adjustment for the captured value of tax increment financing districts. Beginning with aids payable in calendar year 1991. | 477A.011, Subd. 25 | No |
| 8 | Defines "revenue base" as: the levy for taxes payable in 1990 less the special levies for the costs of delivery of social services and for public assistance, including the fiscal disparity distribution levy and before reduction for HACA, equalization aid, and disparity reduction aid; plus local government aid; plus taconite aids. Beginning with aids payable in 1990. | 477A.011, Subd.27 | No |
| 9 | Defines "reduction percentage" as the equal percentage reduction in each county and city revenue base needed to reduce 1990 aid payments by \$28 million. | 477A.011, Subd.28 | No |
| 10 | Sets the county local government aid for calendar year 1991 and subsequent years as the amount of aid received in 1990 less the reduction in Sec. 11. | 477A.012, Subd.1 | No |
| 11 | Reduces a county's local government aid payments in 1990 by an amount equal to the product of its revenue base times the reduction percentage. The aid cannot be reduced below zero, but, if the reduction is greater than the aid, the difference is subtracted next from the county's HACA and then, if necessary, from its disparity reduction aid. (\$12.4 million reduction) | 477A.012, Subd.5 | Yes* |
| 12 | Changes the local government aid formula for cities for 1991 and subsequent years. The 1990 equalization aid is excluded from the base. The aid for 1991 and subsequent years will be the same as the previous year (frozen at the 1990 level). | 477A.013, Subd.3 | No |
| 13 | Changes the equalization aid to an annual aid. Previously it was for 1990 only and then was folded into the local government aid base (Sec. 12). Modifies the calculation of the equalization aid and provides for an aid increase, not to exceed 12% annually for any city. Provides for the method by which the equalization aid is reduced if it exceeds the limit for the appropriation in Sec. 15. Beginning with aids payable in calendar year 1991. | 477A.013, Subd.5 | No |

*For fiscal year impact, see table at the beginning of the report.

ARTICLE 4. PROPERTY TAX AIDS AND CREDITS (Cont.)**Section(s)**

- 14 Reduces the city local government aid for 1990 only by an amount equal to the product of the city's revenue base and its reduction percentage. The subtraction will first be made from local government aid, then, if necessary, in order from equalization aid, HACA, and disparity reduction aid. (\$15.6 million reduction)
- 15 Limits the equalization aid paid under 477A.013, Subd. 5, to \$19,485,684 annually for aids payable in 1991 and thereafter.
- 16 Includes in the definition of "other natural resources land" land leased by the state from the U.S. Secretary of Agriculture pursuant to Title III of the Bankhead Jones Farm Tenant Act, commonly referred to as "land utilization project land". Effective July 1, 1990, applicable to payments due on or after that date.
- 17 Deletes language relating to payment dates for prior years.
- 18 Provides that the HACA payments to special districts will be reduced for those districts with HACA aid of \$150,000 or more for taxes payable in 1990. The reduction is for taxes payable in 1990 only.
- The amount of the reduction is equal to the unreserved fund balance, as defined, minus the greater of: 50% of its levy before HACA and disparity reduction aid, or 20% of its general fund expenditures authorized by its 1990 budget. The sum of the reductions cannot exceed \$4 million. Each district's reduction will be reduced proportionately if the total exceeds \$4 million.
- 19 Provides that if total reduction in aids and credits under this article and Art. 5 for FY 1993 is not at least \$175 million, the commissioner must further reduce aids, as specified, so that they do equal \$175 million.
- 20 Provides that if the abstract of tax lists is not available by June 15, 1990, the commissioner may use the certified levy reports to calculate the aid reductions.
- 21 Repeals the fiscal disparities HACA. Beginning with aids payable in calendar year 1992. (Replaced by a fiscal disparity adjustment in the regular HACA formula.)

**Statute
Reference**
477A.013,
Subd.7

477A.03,
Subd.1

477A.11,
Subd.4

477A.13

Not
Codified

Not
Codified

Not
Codified

273.1398,
Subd.2b

**1990-91
General
Fund
Impact**
Yes*

No

No

No

Yes*

No

No

No

*For fiscal year impact, see table at the beginning of the report.

ARTICLE 5. PROPERTY TAX REFUNDS

Section(s)

| | | <u>Statute Reference</u> | <u>1990-91 General Fund Impact</u> |
|---|--|------------------------------|--|
| 1 | Changes the computation of rent constituting property taxes. The gross rent paid for a unit is multiplied by a fraction, the numerator of which is net property tax on the property and the denominator of which is the total scheduled rent. Beginning with claims for rent paid in 1990. | 290A.03, Subd.11 | No |
| 2 | Defines "total scheduled rent" as the annualized rents that would have been paid on all units in the property if they had been occupied on May 3 for 1990 and on April 15 for subsequent years. The rents must be arm's-length rentals, including any garage rents but excluding any charges for medical services. No deduction is allowed for vacant units, uncollected rent, or reduced rents for employees or agents of the owner. Beginning with claims for rent paid in 1990. (Fiscal impact of \$8.8 million in FY 1992 and \$8.8 million in 1993 for reduced payments). | 290A.03, Subd.12a | No |
| 3 | Reduces the income thresholds in the property tax refund table for renters. Beginning with claims for rent paid in 1990. (Fiscal impact of \$6.6 million in FY 1992 and \$6.6 million in 1993 for larger refunds). | 290A.04, Subd.2a | No |
| 4 | Increases the appropriation limit for the targeting credit for taxes payable in 1991 from \$7 million to \$13 million. Modifies the adjustment in the formula if the estimated claims exceed the limit. | 290A.04, Subd.2h | No |
| 5 | For a person who can claim the property tax refund both as a renter and a homeowner, removes the limitation that the combined refunds cannot exceed the higher of the maximum refund for homeowners or renters. Beginning with claims for rent paid in 1990 and property taxes payable in 1991. | 290A.04, Subd.5 | No |
| 6 | Eliminates the requirement that landlords must submit copies of each certificate of rent paid (CRP) to the commissioner of Revenue each year. Instead, the landlord must keep a copy of each CRP or equivalent record for three years and must make the copies or records available to the commissioner upon request. | 290A.19 | No |
| | Requires the landlord to submit a form to the commissioner annually on which is reported the net property tax on the rental property, the total scheduled rent (Sec. 2), and the percentage that net tax is of total scheduled rent (Sec. 1). This percentage is then used on each CRP issued for that property. The form (LRP) is due by June 30 for taxes payable in 1990 and by May 30 for subsequent years, and a copy of the property tax statement must be attached. | | |
| | Beginning with claims for rent paid in 1990. | | |

ARTICLE 5. PROPERTY TAX REFUNDS (Cont.)

Section(s)

7

Repeals the commercial/industrial equalization refund before it goes into effect. The refund was enacted in the 1989 Special Session and would have been in effect for taxes payable in 1990 and 1991.

Statute
Reference
290A.45

1990-91
General
Fund
Impact
Yes*

ARTICLE 6. SALES AND LODGING TAXES

1

Extends the definition of "farm machinery" to include:

- all chain saws used for commercial logging, rather than only those with engine displacement of five cubic inches or more.
- electric generators used to operate farm machinery or to provide light or space heating for the production of livestock, dairy animals, dairy products, poultry, or poultry products.

By being included in the definition, these items qualify for the 2% sales and use tax rate. Effective for sales after June 30, 1990.

297A.01,
Subd.15

(Minimal)

2

Extends the definition of "capital equipment" to include mining and quarrying equipment, including peat mining. Machinery or equipment used to extract raw materials is also included in the definition. By being included in the definition, these items qualify for exemption from the sales and use tax if used by a new or expanding facility, as specified. Effective for sales made after June 30, 1990.

297A.01,
Subd.16

Yes*

3

Exempts long distance telephone calls made from within Minnesota to outside Minnesota by qualified providers of telemarketing services. A "qualified provider of telemarketing services" is defined as a telemarketing firm that derives at least 80% of its revenues from telemarketing activities, as specified. Effective for sales after June 30, 1990.

297A.25,
Subd.36

Yes*

4

Exempts repair, replacement, and rebuilding parts and materials and lubricants for ships or vessels used in interstate or foreign commerce. Effective for sales after December 31, 1983, but claims for refund are subject to the existing statute of limitations.

297A.25,
Subd.45

Yes*

5

Exempts specified purchases for a supercomputing complex. This exemption is repealed in Ch. 612, Sec. 13, so it never went into effect.

297A.25,
Subd.46

No

*For fiscal year impact, see table at the beginning of the report.

ARTICLE 6. SALES AND LODGING TAXES (Cont.)

| <u>Section(s)</u> | | <u>Statute Reference</u> | <u>1990-91 General Fund Impact</u> |
|-------------------|--|--------------------------------|--|
| 6-8 | Reduces from 6% to 3% the maximum rate for the generally-authorized lodging tax for cities and towns. Effective February 1, 1990. The authorization for the additional 3% had been enacted in the 1989 Special Session, effective January 1, 1990. | 469.190, Subd.1,2, and 3 | No |
| 9 | Authorizes the city of Bloomington to impose an additional 1% lodging tax with the proceeds to be used for promotion of the metropolitan sports area, as defined. Effective upon local approval. | Not Codified | No |
| 10 | Authorizes the city of Roseville to impose an additional 2% lodging tax with the proceeds to be used for a multi-use speed skating and bandy facility. Effective May 8, 1990, if the legislature authorizes issues of bonds for the construction of the facility during the 1990 session. (Bonds were not authorized so lodging tax did not go into effect.) | Not Codified | No |

ARTICLE 7. TAX INCREMENT FINANCING

| | | | |
|---|--|--------------------|------|
| 1 | Reduces first local government aids and then HACA of municipalities to offset a portion of the increased school aids resulting from the use of tax increment financing. Specifies the method for calculating the reduction in state tax increment financing aid. Effective for districts for which certification was requested after April 30, 1990. Effective for school year 1991-1992 and for HACA and local government aids for taxes payable in 1991. | 273.1399 | Yes* |
| 2 | Allows the tax exemption for a redevelopment company to continue even if the project is no longer owned by the redevelopment company or governmental unit. The exemption is not available during any period when the earnings of the owner from the project, as specified, exceed 8% of invested capital or equity in the project. Effective May 1, 1990. | 469.043, Subd.5 | No |
| 3 | Repeals the authority to issue revenue bonds to refund the principal and interest of general obligation bonds originally issued to finance a development district. Effective May 1, 1990. | 469.129, Subd.2 | No |
| 4 | Provides that it is the authority, not the municipality, that is responsible for entering into an agreement for the cleanup of a hazardous substance site. Effective May 1, 1990. | 469.174, Subd.7 | No |

*For fiscal year impact, see table at the beginning of the report.

ARTICLE 7. TAX INCREMENT FINANCING (Cont.)

Section(s)

5

Eliminates the obsolescence test for redevelopment districts. (Recodified under a new type of district in Sec. 6).

Establishes a new test to determine that a building is not substandard for purposes of the blight test. A building is not structurally substandard if it complies with the building code for new buildings or can be modified to meet the building code at a cost of less than 15% of the cost of constructing a new building of the same size and type.

Effective for districts for which certification is requested after April 30, 1990.

6

Establishes a new type of tax increment financing district called a "renewal and renovation district", which is basically a recodification of the obsolescence test that had been used for redevelopment districts. Effective for districts for which certification is requested after April 30, 1990.

7

Reduces from one-third to 20% the proportion of the value of a housing district that can be for commercial use or uses other than low and moderate income housing. Effective for districts for which certification is requested after April 30, 1990.

8

Modifies the requirements for an economic development district. Requires the authority to find that the project will result in increased employment or preservation and enhancement in the state rather than the municipality, or that it will discourage a business from leaving the municipality, in addition to the state. Effective for districts for which certification is requested after April 30, 1990.

9

Defines "credit enhanced bonds" as special obligation bonds that are payable primarily from increments derived from a tax increment financing district where the activity financed by the bonds is located and estimated at issuance to be sufficient to pay the debt service on the bonds. The bonds are further secured by increments from one or more districts and determined by the issuer to make marketing the bonds feasible. Effective for districts for which certification is requested after April 30, 1990.

10

Extends to all types of tax increment districts, rather than only to soils condition districts, the authority for the county to require payment of its county road costs out of increment revenues under specified conditions. Adds to the conditions that the improvements are not scheduled for construction within five years under the county's capital improvement plan or other formal plan. Effective for districts for which certification is requested after April 30, 1990.

Statute Reference

469.174
Subd. 10

469.174,
Subd.10a

469.174,
Subd.11

469.174,
Subd.12

469.174.
Subd.21

469.175,
Subd.1a

1990-91 General Fund Impact

No

No

No

No

No

No

ARTICLE 7. TAX INCREMENT FINANCING (Cont.)

Section(s)

11-12;
19 Add references to the renewal and renovation districts established in Sec. 6.

Statute Reference

469.175,
Subd.3 and
4;
469.176,
Subd.4

1990-91 General Fund Impact

No

13 Clarifies that a hazardous substance subdistrict may include parcels contiguous to the site even if they are not separated by a right of way. Provides that it is the authority, not the municipality, that determines the size of the subdistrict and the period of time necessary so that the costs of the hazardous substance site are covered. Effective May 1, 1990.

469.175,
Subd.7

No

14 Allows a tax increment financing plan to provide for the use of increments to pay the debt service on credit enhanced bonds (Sec.9) which finance projects within the municipality, not just within the district from which the increment is derived. Effective for districts for which certification is requested after April 30, 1990.

469.175,
Subd.8

No

15 Provides that the duration for a renewal and renovation district is fifteen years. Effective for districts for which certification is requested after April 30, 1990.

469.176,
Subd.1

No

16 Requires excess tax increments distributed to a city or county to be deducted from that unit's levy limits for the following year. In calculating the levy limit base for later years, the amount deducted must be treated as a local government aid payment. Effective for distributions of excess tax increments received after December 31, 1990.

469.176,
Subd.2

No

17 Extends the 10% limit on administrative expenses to pre-1979 districts. Codifies the 5% limit for districts certified between August 1, 1979, and June 30, 1982.

469.176,
Subd.3

No

18 Limits the use of economic development districts to manufacturing, warehousing, research and development, telemarketing, and tourism facilities if the tourism facility is outside the metropolitan area. Up to 10% of the buildings and facilities may be used for other purposes, and the 10% limit may be increased up to 25% to the extent that the nonqualifying property is directly related to and supports the qualifying activity.

469.176.
Subd.4c

No

Defines what qualifies as a tourism facility.

ARTICLE 7. TAX INCREMENT FINANCING (Cont.)

Section(s)

18
(Cont.) If the authority used increments to finance the construction of improvements in anticipation of the development of qualifying facilities, and the construction of nonqualifying property exceeded the threshold within five years after the district was created, the developer of the nonqualified property must pay the authority 90 % of the benefit resulting from the improvements. The payment must be used to prepay or discharge bonds. If no bonds are outstanding, the payment is distributed as an excess increment.

In a city with a population of 5,000 or less, the increments from an economic development district can be used for up to 5,000 square feet of commercial and retail facilities within the city.

Effective for districts for which certification is requested after April 30, 1990.

20 Requires that disputes between the county and the city or authority over county road costs or administrative costs must be submitted to binding arbitration if either party demands arbitration. Specifies procedures and time schedule. Effective May 1, 1990.

21 Imposes restrictions on pooling arrangements. At least 75% of the increments derived from a district must be spent on activities within the district or to pay debt service on credit enhanced bonds (Sec.9). Not more than 25 % of the increments can be spent outside the district.

Establishes the five-year rule under which at least one of the specified conditions must be met within five years after certification of the district. Either: revenues must be paid to a third party for the activity; bonds must be issued and sold to a third party and revenues spent to repay the bonds; binding contracts with a third party are entered into and revenues are spent under the contract; or costs are paid and revenues are used to reimburse a party for the costs.

Specifies the use of increments after the five-year period. The increments are used to pay the obligations and to pay the outstanding bonds. Requires the district to then be decertified.

Effective for districts for which certification is requested after April 30, 1990.

22 Eliminates the requirement that an authority must enter into a development or redevelopment agreement under 469.176, Subd. 5, before entering into a written assessment agreement with a developer or redeveloper. Effective May 1, 1990.

Statute
Reference

1990-91
General
Fund
Impact

469.1762 No

469.1763 No

469.177
Subd.8 No

ARTICLE 7. TAX INCREMENT FINANCING (Cont.)

Section(s)

23 Modifies the distribution of excess taxes on captured net tax capacity to school districts. The excess taxes for a school district will be apportioned separately for the state equalized levies, as defined, and unequalized levies. Specifies relationships to levy limits and state aid payments. Effective for distributions of excess taxes received after December 31, 1990.

Statute
Reference
469.177,
Subd.9

**1990-91
General
Fund
Impact**
No

24 Authorizes payment of tax increments to a school district for the increase in the increments attributable to a school referendum passed after the district was certified. Effective May 1, 1990.

469.177,
Subd.10

No

25 Requires the commissioner of Revenue to enforce the tax increment financing law (469.174 to 469.179). The state auditor retains responsibility for financial and compliance auditing of local government's use of tax increment financing. Requires the state auditor to forward information to the commissioner if any violations are found during an audit. Authorizes the commissioner to audit an authority's use of tax increment financing.

469.1771

No

Allows the owner of taxable property in a jurisdiction in which a district is located to bring suit for equitable relief or for damages resulting from a failure of a municipality or authority to comply with 469.174 to 469.179. The prevailing party is entitled to costs, including attorney fees.

Provides that, if an authority includes or retains a parcel of property in the district that does not qualify, the authority must pay to the county auditor an amount equal to the increment on that property, and the property must be eliminated from the district for the current assessment year.

If the authority violates the provisions of the law, as specified, the authority must pay to the county auditor an amount equal to the expenditures made in violation of the law. The payment is distributed as excess increments, but no distribution is made to the municipality that approved the district. If the increments are pledged to repay bonds issued before the lawsuit was filed, the amount is limited, as specified. Authorizes the court to abate all or part of the damages if it determines the action was taken in good faith or would cause undue hardship on the municipality. If the authority does not have enough increments or other money to pay the damages, the authorizing municipality must make the money available.

Effective for violations occurring after December 31, 1990, in all districts, regardless of the date of certification (including pre-1979).

ARTICLE 7. TAX INCREMENT FINANCING (Cont.)

Section(s)

26

Requires Minneapolis for calendar years 1990 through 2001 to spend on a neighborhood revitalization program (Sec.27) an amount of revenue from increments equal to at least 1) the debt service savings realized from the refunding of pre-1979 bonds for each year; and 2) the amount that would have been distributed as excess increments if the city ordinance had not been modified.

Although not mentioned by name, the conditions specified in this section make it applicable to the city of Minneapolis and the refunding of its pre-1979 bonds.

Effective May 1, 1990.

27

Authorizes a city of the first class to establish a neighborhood revitalization program. Specifies all aspects of the program, including: qualifying purposes; distribution of and restrictions on program money; principles on which the program must be based; citizen participation and membership of the policy board; and review of the program by the policy board.

Requires the city to pay at least the following amount of program money: 15% to the school district; 7.5% to the county; and 7.5% for social services. Of the amount received by the school district, one-half is deducted from state education aid payments. The money paid to the school district must be for additional education programs and services, not to replace existing services.

Effective May 1, 1990.

28

Amends the effective date of the 1988 tax increment financing act to provide that reimbursement of county administrative costs also applies to pre-1979 districts.

29

Requires the city of Minneapolis to reserve \$10 million in 1990 and \$20 million in each year from 1991 to 2009 from tax increment and other revenues generated from the Minneapolis community development agency common project to be spent for neighborhood revitalization. Requires the city to report to the Legislature by February 1, 1991, on the collaborative process, as specified.

30

Provides several transition rules applicable to specific districts. Effective May 1, 1990.

Statute
Reference
469.1781

1990-91
General
Fund
Impact
No

469.1831

No

Not
Codified

No

Not
Codified

No

Not
Codified

No

ARTICLE 8. EDUCATION FUNDING

| <u>Section(s)</u> | | <u>Statute Reference</u> | <u>1990-91 General Fund Impact</u> |
|-------------------|--|--|--|
| 1 | Extends to intermediate school districts the authorization to receive capital expenditure health and safety revenue if conditions are met. | 124.83, Subd.1 | No |
| 2 | Prohibits the use of health and safety revenue for a building or property used for post-secondary instruction, administration, or any purpose unrelated to elementary and secondary education. | 124.83, Subd.6 | No |
| 3-8 | Authorize intermediate school districts 287, 916, and 917 to levy for the health and safety program and to receive health and program safety aids. | 136D.27, Subd. 2 and 3; 136D.74, Subd.2 and 2b; 136D.87, Subd.2 and 3. | No |
| 9 | Extends to calendar years 1991 through 1996 the authorization for the Minneapolis school district to issue and sell up to \$7.5 million annually in general obligation bonds. Previously the authorization was for 1991 only. | Not Codified | No |
| 10 | Authorizes the St. Paul school district to issue and sell up to \$9 million annually in general obligation bonds for calendar years 1990 and 1991 to acquire or better facilities. Requires the school district to levy to pay the debt service on the bonds. Effective upon approval of the school board. | Not Codified | No |
| 11 | Authorizes Duluth School District No. 709 to issue and sell general obligation bonds in calendar years 1990 and 1991 of up to \$9.6 million in aggregate for the acquisition and betterment of facilities. Specifies requirements for publication of notice and reverse referendum. Authorizes the school district to levy to pay the debt service on the bonds. | Not Codified | No |
| 12 | Requires the Minneapolis and St. Paul school districts to hold public meetings in each senate district affected regarding the sale of bonds authorized in Sections 9 and 10. Specifies the requirements for the meetings and notifications by mail and in the newspaper. | Not Codified | No |

ARTICLE 8. EDUCATION FUNDING (Cont.)

Section(s)

13

Authorizes the issuance of bonds for a list of school districts to be used for specified purposes as follows:

No. 316 Coleraine - \$950,000

No. 381 Lake Superior - \$300,000

No. 692 Babbitt - \$500,000

No. 695 Chisholm - \$3,500,000

No. 696 Ely - \$1,000,000

No. 697 Eveleth - \$3,500,000

No. 699 Gilbert - \$1,000,000

No. 710 St. Louis County - \$1,750,000

Except for District No. 710, requires a referendum on issuing the bonds and requires that 20% of the debt service be paid from an additional property tax levy and 80% (100% for District No. 710) from an appropriation from the taconite production tax revenues that are distributed to the Taconite Environmental Protection Fund and the Northeast Minnesota Economic Protection Trust Fund.

Effective upon local approval.

14

Authorizes the White Bear Lake School District, No. 624 to make a special levy to replace the revenue lost through the fund balance reduction provisions of the foundation formula for three previous school years.

Specifies conditions and requirements. The levy may be made in 1990 and 1991 or in 1990, 1991, and 1992.

ARTICLE 9. COURT FUNDING

1 and 14

Modify the special levy for counties in the eighth judicial district to include a levy for taxes payable in 1991 for court costs not paid by the state. Each county must pay its share to the state court administrator by May 15, 1991.

2

Makes permanent the 1989 levy limit base adjustment for the state takeover of the eighth judicial district court costs.

Statute
Reference
Not
Codified

**1990-91
General
Fund
Impact**
No

Not
Codified

No

275.50
Subd.5;
Not
Codified

No

Not
Codified

No

ARTICLE 9. COURT FUNDING (Cont.)

| <u>Section(s)</u> | | <u>Statute Reference</u> | <u>1990-91 General Fund Impact</u> |
|-------------------|---|---|--|
| 3 and 15 | Require counties to pay court filing fees, effective January 1, 1992. List exemptions to paying the fees, including child support enforcement, medical assistance enforcement, civil commitment, etc. Specifies the disposition of the fees in a county which has a screener-collector position. | 357.021, Subd.1a; Not Codified | No |
| 4 | Modifies the aid offsets for local government aid and HACA to include a reduction to cover the costs of operation of the eighth judicial district trial courts for calendar year 1991 less the special levy. Specifies the amount of reduction is reduced by 50% if the 1991 Legislature does not appropriate the funds for July 1 through December 31, 1991. Requires the Supreme Court and the Board of Public Defense to certify to the Department of Revenue for each county its pro rata share of costs and fees. | 477A.012, Subd.3 | No |
| 5 | Requires that payments for public defenders by persons who continue to use them when they can afford to pay all or part of the costs be paid to the jurisdiction that pays the public defender costs. | 611.20 | No |
| 6, 7, 12 | (These three sections were repealed by Laws 1990, Ch. 612, Sec. 12) | | |
| 8 | Requires the counties to provide information on the compensation of county attorneys to the State Board of Public Defense rather than the information being part of the review and comment on public defender budgets. | 611.26. Subd.3 | No |
| 9 | Provides that the State Board of Public Defense will determine the expenditure of the appropriation for the board's administration, the state public defender, the district public defenders, and public defense corporations. Eliminates certain priorities and considerations in making the expenditures, but requires the result of the weighted case load study must be considered in distributing funds to district public defenders. Coordinates the timing of the county payment of costs to the state takeover. | 611.27 | No |
| 10 | Requires court administrators to furnish copies of documents to public defenders at no charge. | 611.271 | No |
| 11 | Changes terminology from "information" to "complaint" in provision dealing with prisoner requests for final disposition. | 629.292, Subd.1 | No |
| 13 | Changes from June 30, 1991, to December 31, 1991, the expiration date of the pilot project in the eighth judicial district. | Not Codified | No |

ARTICLE 10. MISCELLANEOUS

| <u>Section(s)</u> | | <u>Statute Reference</u> | <u>1990-91 General Fund Impact</u> |
|-------------------|---|------------------------------|--|
| 1 | Changes from November 15, 1990, to November 15, 1991, the date by which the Legislative Commission on Planning and Fiscal Policy must make recommendations to the Legislature on a uniform accounting and financial reporting system for local units of government, as specified. | 3.885, Subd.8 | No |
| 2 | Provides that a local unit of government may appeal to the Legislative Commission on Planning and Fiscal Policy any existing or proposed rule on the grounds that it imposes a fiscal or administrative burden on local governments which is unnecessary according to the criteria specified. This section is repealed, effective July 1, 1992. | 3.885, Subd.9 | No |
| 3 | Changes the responsibility for determining if a bill proposes a new or expanded mandate on local governments from the head of the affected state department or agency to the commissioner of Finance, who in turn directs the appropriate department or agency to prepare a fiscal note. | 3.982 | No |
| 4 | Requires that any unrestricted fund balance is first appropriated to restore the reserve account to \$550 million, beginning in November 1990. | 16A.1541 | No |
| 5 | Adds requirements to the annual report required by the Pollution Control Agency to the Legislative Commission on Waste Management. The report must also include, for the state and for each facility, estimates of the costs and liabilities associated with closure and postclosure care and requirements for proof of financial responsibility. It must also include an annual update on how each facility is meeting its financial responsibility, as specified. | 115A.981, Subd.3 | No |
| 6 | Requires the Pollution Control Agency to amend its financial responsibility rules for solid waste disposal facilities to allow a municipality to use its bonding authority to fund all or a portion of its contingency action costs for the operating life of a facility and for twenty years after closure. Specifies requirements. | 116.07, Subd.4h | No |
| 7 | Requires a state agency to provide economic development financial assistance, as defined, to a person only if the person certifies that laborers and mechanics at the project site will be paid the prevailing wage rate (177.42, Subd. 6). | 116J.871 | No |
| | Financial assistance means: a grant of \$200,000 or more to a single business; a loan or loan guarantee of \$500,000 or more to a single business; or a sales tax reduction that applies to a geographic area of the state smaller than the entire state. | | |

ARTICLE 10. MISCELLANEOUS (Cont.)

| <u>Section(s)</u> | | <u>Statute Reference</u> | <u>1990-91 General Fund Impact</u> |
|-------------------|---|------------------------------|--|
| 7 (Cont.) | <p>Specifically excluded from the requirements are rehabilitation of existing housing and new housing construction in which financial assistance at a single project site is less than \$100,000.</p> <p>Failure to pay the prevailing wage after certification is a misdemeanor, punishable by a fine of up to \$700 or imprisonment of up to ninety days, or both. Each day in violation is a separate offense. Financial assistance cannot be denied under this section if the specified work begin prior to August 1, 1990.</p> | | |
| 8 | <p>Requires the Department of Administration to study and evaluate the prevailing wage system and to report its finding to the Legislature by February 1, 1991. The study must analyze the adequacy of the method of determining prevailing wage rates, the consistency of the enforcement with statutory intent, and variations in rates among Minnesota counties and between Minnesota and federal rates.</p> <p>Appropriates \$100,000 from the general fund to the commissioner of Administration for the study.</p> | Not Codified | Yes* |
| 9 | <p>Requires the commissioner of Revenue to report to the Legislature by March 1 of each odd-numbered year on the overall incidence of the income tax, sales and excise taxes, and the property tax. Specifies contents of the report, including distribution by income classes and measure of equality and inequality.</p> <p>Requires the commissioner of Revenue, at the request of chair of the House or Senate Tax Committee, to prepare an incident impact analysis of a bill or proposal that has a revenue impact of more than \$20 million. Specifies contents.</p> | 270.0682 | No |
| 10 | <p>Requires the commissioner of Revenue to prescribe the form of the list and notice of delinquent property taxes in an easily understood and readable form. Requires court administrators to use the prescribed form.</p> | 279.06 | No |
| 11 | <p>Provides for administrative review procedures under which a taxpayer has the right to reconsideration by the commissioner. Specifies conditions and procedures. Effective for assessments or other determinations made on or after August 1, 1990.</p> | 289A.65 | No |

*For fiscal year impact, see table at the beginning of the report.

ARTICLE 10. MISCELLANEOUS (Cont.)

| <u>Section(s)</u> | | <u>Statute Reference</u> | <u>1990-91 General Fund Impact (Minimal)</u> |
|-------------------|--|--|--|
| 12-13 | Modifies the exemption from the highway fuels excise taxes for transit systems. Previously to qualify the transit system had to be owned by one or more cities or towns. Now the exemption applies to transit systems receiving financial assistance, as specified. Effective for purchases after December 31, 1990. | 296.02, Subd.1a; 296.025, Subd.1a | |
| 14 | Provides that an overage of cigarette tax determined by audit will first be applied to any shortage for the preceding month and then to any shortage for the following months. Effective May 8, 1990. | 297.07, Subd.5 | No |
| 15 | Exempts clay from the 2% net proceeds tax. Effective for tax years beginning after June 30, 1990. | 298.015, Subd.1 | No |
| 16 | Clarifies that the deduction of reclamation expenses for the net proceeds tax is allowed for the year in which the costs are incurred, not the year in which the funds are set aside. Effective for tax years beginning after June 30, 1990. | 298.017 | No |
| 17 | Changes from March 1 to March 15 the filing date for the annual report for mining companies. Beginning with tax year 1991. | 298.05 | No |
| 18 | Provides that the taconite production tax rate is \$1.975 per ton in 1990 and that the rate will be indexed, starting in 1991. | 298.24, Subd.1 | No |
| 19 | Requires a municipality to receive approval from the commissioner of Trade and Economic Development before agreeing to authorize new tax reductions to a business within eight months of the expiration of the enterprise zone. Specifies the criteria to be used in analyzing the proposal. Disapproval by the commissioner means that the tax reductions will not be allowed. Authority to grant the tax reductions continues until the commissioner acts on the proposal. Effective July 1, 1990. | 469.171, Subd.11 | No |
| 20 | Requires that the chair and director of the Legislative Commission on Waste Management be notified before expenditures are made from the metropolitan landfall contingency action trust fund. Effective July 1, 1990. | 473.845, Subd.4 | No |
| 21 | Authorizes a municipality, by ordinance, to reserve part of its unencumbered debt limit to provide proof of financial responsibility for the contingency action portion of the response costs at a solid waste disposal facility, as specified. Effective July 1, 1990. | 475.53, Subd.7 | No |

ARTICLE 10. MISCELLANEOUS (Cont.)

| <u>Section(s)</u> | | <u>Statute Reference</u> | <u>1990-91 General Fund Impact</u> |
|-------------------|--|--------------------------|------------------------------------|
| 22 | Authorizes the commissioner of Agriculture to enter into a written agreement with a person who failed to file a timely corporate or limited partnership farm ownership or investment report. This authorization may be used only once for each corporation or partnership. Effective May 8, 1990, but provision for a reduction or waiver of a civil penalty is effective for a filing due April 15, 1989, or after. | 500.24, Subd.4 | No |
| 23 | Requires a voter registration form to be inserted in the individual income tax instruction booklet only for odd-numbered years. Clarifies that the requirement also applies to forms and booklets supplied to post offices, banks, and other outlets as well as to those mailed directly to taxpayers. | Not Codified | No |
| 24 | Authorizes Ottertail County to sell six specified lots of tax forfeited land that border public water. Requires approval by the attorney general and requires that the county must determine that the lands have little or no potential use as a public access or for other public purpose. Effective May 8, 1990. | Not Codified | No |
| 25 | Cancels debts remaining under the 1989 drought emergency farm haylift program. Effective May 8, 1990. | Not Codified | (Minimal) |
| 26 | Changes the disposition of the greater Minnesota landfill cleanup fee (see also Sec. 32). The operator of the disposal facility will pay the fee to the county, sanitary district, or city instead of to the Department of Revenue. The fee must be used for landfill abatement purposes or costs of closure, postclosure care, and response actions or other designated purposes. Effective July 1, 1990. | 115A.923, Subd.1a | No |
| 27 | Appropriates \$100,000 from the general fund for a grant to Stearns county for the investigation of a kidnapping. | Not Codified | Yes* |
| 28 | Appropriates \$500,000 to the commissioner of Trade and Economic Development for the state's contribution to host the International Special Olympics in 1991 and the Superbowl in 1992 if the Metrodome is provided to both events at no charge. The appropriation is \$250,000 for each event for FY91 but may carry over to FY92. | Not Codified | Yes* |
| 29 | Appropriates \$125,000 in FY90 and \$275,000 in FY91 to the commissioner of Revenue to administer this act. | Not Codified | Yes* |

*For fiscal year impact, see table at the beginning of the report.

ARTICLE 10. MISCELLANEOUS (Cont.)

| <u>Section(s)</u> | | <u>Statute Reference</u> | <u>1990-91 General Fund Impact</u> |
|-------------------|--|------------------------------|--|
| 30 | Increases the complement of the Department of Revenue by three for FY91. | Not Codified | No |
| 31 | Authorizes the commissioner of Finance, with approval by the governor, after adjournment of the 1990 Legislature, to reduce the amount in the budget and cash flow reserve account as needed to balance the general fund for the biennium ending June 30, 1991. The Legislative Advisory Commission need not be consulted. | Not Codified | No |
| 32 | Repeals the following, effective July 1, 1990: Inclusion of volunteer sites in the inventory of preferred areas for a hazardous waste processing facility. | 115A.09, Subd.5 | No |
| | Definition section for the greater Minnesota landfill cleanup fee. | 115A.922 | No |
| | Disposition of proceeds from the greater Minnesota landfill cleanup fee to the greater Minnesota landfill maintenance fund and to the greater Minnesota landfill contingency action fund. (Replaced by Sec. 26). | 115A.923, Subd.2 | No |
| | Payment of the fee to the commissioner of Revenue. | Subd.3 | No |
| | Exchange of information between the Pollution Control Agency and the Department of Revenue. | Subd.4 | No |
| | Penalties and enforcement provisions related to the fee. | Subd.5 | No |
| | Greater Minnesota landfill maintenance fund. | 115A.924 | No |
| | Greater Minnesota landfill contingency action fund. | 115A.925 | No |
| | Biennial report to the Legislature on the above two funds. | 115A.927 | No |
| | Operator or owner liability for response expenses. | 115A.928 | No |

ARTICLE 10. MISCELLANEOUS (Cont.)

Section(s)

32 Prohibition on government purchase and use of nondegradable plastic bags.
(Cont.)

Requirement that a budget and work program for anticipated expenditures from the metropolitan landfill contingency action fund be submitted annually to the Legislative Commission on Waste Management (Laws 1987, Ch. 348, Sec. 51, Subd. 5).

**Statute
Reference**
325E.045,
Subd.3
and 4

Not
Codified

**1990-91
General
Fund
Impact**
No

No

TECHNICAL TAX BILL
CHAPTER 480
Approved April 24, 1990

ARTICLE 1. PROCEDURES

| <u>Section(s)</u> | | <u>Statute Reference</u> | <u>1990-91 General Fund Impact</u> |
|-------------------|---|------------------------------|--|
| | Generally, Article 1 consolidates and recodifies in a new Chapter 289A procedures related to taxes in Chapters 290, 290A, 291, and 297A. | | |
| 1 | Specifies that Chapter 289A applies to the taxes in Chapter 290 (individual income tax, fiduciary income tax, corporate franchise tax, withholding tax, nonresident entertainer tax), 290A (property tax refund), 291 (estate tax), and 297A (general sales and use tax). Effective April 25, 1990. | 289A.01 | No |
| 2 | Defines terms for chapter 289A: commissioner (Revenue), taxpayer, and person. | 289A.02 | No |
| 3 | Consolidates and recodifies the filing requirements for individual income tax, fiduciary income tax, corporate franchise tax, and nonresident entertainer tax returns. Effective for returns first due on or after August 1, 1990. | 289A.08 | No |
| 4 | Consolidates and recodifies the filing requirements for withholding returns. Effective for returns first due on or after August 1, 1990. | 289A.09 | No |
| 5 | Consolidates and recodifies the filing requirements for estate tax returns. Effective for returns first due on or after August 1, 1990. | 289A.10 | No |
| 6 | Consolidates and recodifies the filing requirements for sales and use tax returns. Effective for returns first due on or after August 1, 1990. | 289A.11 | No |
| 7 | Consolidates and recodifies the filing requirements for information returns and reports. Effective for returns first due on or after August 1, 1990. | 289A.12 | No |
| 8 | Consolidates and recodifies the due dates for filing: individual income tax, fiduciary income tax, corporate franchise tax, and nonresident entertainer tax returns; partnership and S corporation returns; and information returns. Effective for returns first due in or after August 1, 1990. | 289A.18 | No |
| 9 | Consolidates and recodifies the provisions for extensions for filing the individual income tax, fiduciary income tax, and entertainment tax returns, information returns, corporate franchise tax returns, withholding returns, estate tax returns, sales and use tax returns, and property tax refund returns. Effective for returns first due on or after August 1, 1990. | 289A.19 | No |

ARTICLE 1. PROCEDURES (Cont.)

| <u>Section(s)</u> | | <u>Statute Reference</u> | <u>1990-91 General Fund Impact</u> |
|-------------------|---|------------------------------|--|
| 10 | Consolidates and recodifies the due dates for paying the individual income tax, fiduciary income tax, corporate franchise tax, withholding taxes, estate tax, and sales and use tax. Effective for payments first due on or after August 1, 1990. | 289A.20 | No |
| 11 | Consolidates and recodifies the provisions relating to the payment of estimated tax for the individual income tax. Effective for payments first due on or after August 1, 1990. | 289A.25 | No |
| 12 | Consolidates and recodifies the provisions relating to the payment of estimated tax for the corporate franchise tax. Effective for payments first due on or after August 1, 1990. | 289A.26 | No |
| 13 | Consolidates and recodifies the provisions for extensions for paying the individual income tax, fiduciary income tax, corporate franchise tax, and estate tax. Effective for payments first due on or after August 1, 1990. | 289A.30 | No |
| 14 | Consolidates and recodifies the provisions relating to who is liable for payment of the tax for the individual income tax, fiduciary income tax, corporate franchise tax, entertainment taxes, withholding taxes, estate tax, and sales and use tax. Also specifies liability in the case of joint income tax returns, transferees and fiduciaries, and the liability of responsible persons. Effective for payments first due on or after August 1, 1990. | 289A.31 | No |
| 15-16 | Consolidate and recodify the commissioner's authority to make assessments and to conduct examinations, investigations, and audits. Effective for audits or investigations initiated on or after August 1, 1990. | 289A.35: 289A.36 | No |
| 17 | Specifies the procedures, content, and notification period for an order of assessment, and procedures for appeal. Effective for assessments or other determinations made on or after August 1, 1990. | 289A.37 | No |
| 18 | Specifies the limitations on time for assessment of tax. Generally the limitation is three and a half years after the return is filed, but it is 180 days for the estate tax. The limitation is six and a half years if the taxpayer omits more than 25% of: gross income; sales or withholding tax; or gross estate assets. Specifies limitations when a federal audit has occurred on an amended federal return filed. Provides for requests for early audit. | 298A.38 | No |
| | If a false or fraudulent return is filed or if the taxpayer fails to file a return, the assessment can be made at any time. | | |
| | Effective for returns becoming due on or after August 1, 1990. | | |

ARTICLE 1. PROCEDURES (Cont.)

| Section(s) | | | |
|------------|---|--|--|
| 19 | Recodifies the extensions and other provisions relating to persons serving in the armed forces. Effective August 1, 1990. | | |
| 20 | Provides a general time limit for filing a claim for refund of three and a half years after the return is due or two years after the tax is paid in full, whichever is later. If a claim involves a bad debt or security becoming worthless, the limitation is seven years after the due date of the return. Effective for overpayments first due on or after August 1, 1990. | | |
| 21 | Recodifies the provision relating to the suspension of time for assessing or collecting a tax during bankruptcy proceedings. Effective August 1, 1990. | | |
| 22 | Recodifies the provision relating to the consent to extend the statute upon written agreement between the commissioner and the taxpayer. Requires a taxpayer who has consented to an extension for the assessment of federal income taxes to notify the commissioner within ninety days, in which case the commissioner's time period to assess tax is also extended, as specified. Effective August 1, 1990. | | |
| 23 | Consolidates and recodifies existing law regarding claims for refunds, including the general right to a refund, limitation on refund of sales tax to vendors, withholding tax refunds, and remedies available to the taxpayer if the refund claim is denied. Effective for overpayments first due on or after August 1, 1990. | | |
| 24 | Consolidates and recodifies provisions relating to interest payable to the commissioner on late payments, extensions, additional assessments, erroneous refunds, excessive property tax refunds, installment payments, judgments, and penalties. Effective for interest on amounts first becoming due to the commissioner on or after August 1, 1990. | | |
| 25 | Consolidates and recodifies provisions relating to interest due to the taxpayer on overpayments. Effective for payments first due on or after August 1, 1990. | | |
| 26 | Consolidates and recodifies provisions relating to civil penalties. Effective for payments, returns, reports, or other documents first due, or acts committed, on or after August 1, 1990. | | |
| 27 | Consolidates and recodifies provisions relating to criminal penalties. Effective for crimes committed on or after August 1, 1990. | | |

ARTICLE 1. PROCEDURES (Cont.)

Section(s)

| | |
|-------|--|
| 28 | Deletes language stating that it is a misdemeanor to fail to file a copy of an annual report required by the IRS. Such failure to file is now covered in Sec. 27 under general provisions, making it a gross misdemeanor. Effective August 1, 1990. |
| 29-43 | Delete penalty and other provisions replaced and recodified by other sections of this article. Effective August 1, 1990. |
| 44 | Contains statement of purpose: "...to simplify Minnesota's tax laws by consolidating and recodifying tax administration and compliance provisions now contained in several chapters of Minnesota Statutes." Clarifies intent to coordinate effective dates for repealers and new provisions. |
| 45 | Repeals sections of the statutes and rules that are replaced by other sections of this article. Effective August 1, 1990. |
| 46 | Instructs the revisor of statutes to change cross references consistent with the recodification contained in this article. |

Statute Reference

290.05,
Subd.4

Various

Not
Codified

Various

Not
Codified

1990-91 General Fund Impact

No

No

No

No

No

ARTICLE 2. COLLECTIONS

| | |
|---|---|
| 1 | <p>Modifies the list of the commissioner's powers and duties. Some items were reworded or renumbered. The additional powers and duties include:</p> <ul style="list-style-type: none">-prescribe rules governing the qualification and practice of agents, attorneys, or other persons representing taxpayers before the commissioner.-appoint agents to make examinations and determinations. The agents have the rights and powers of the commissioner to examine records, subpoena witnesses, administer oaths and affirmations, and take testimony.-appoint and employ additional help and incur other expenditures necessary to enforce the state tax laws. <p>Effective August 1, 1990.</p> |
|---|---|

270.06

No

ARTICLE 2. COLLECTIONS (Cont.)

| <u>Section(s)</u> | | <u>Statute Reference</u> | <u>1990-91 General Fund Impact</u> |
|-------------------|--|------------------------------|--|
| 2 | Consolidates and clarifies the provisions relating to personal liability for payment of specified taxes (motor fuels taxes, cigarette and tobacco taxes, general sales and use taxes, alcoholic beverage taxes, withholding tax, and the lawful gambling taxes). Defines the persons or entities liable for payment. An order assessing personal liability can be reconsidered through the administrative review procedures or appealed to the Tax Court. Effective for taxes becoming due on or after August 1, 1990. | 270.101 | No |
| 3 | Broadens the application of the term "date of assessment" to all taxes administered by the commissioner. Effective August 1, 1990. | 270.65 | No |
| 4 | Consolidates the provisions relating to allocation of payments and expands the application to include all taxes. Makes the order in which the payments are applied discretionary rather than mandatory. Effective for payments received on or after August 1, 1990. | 270.652 | No |
| 5 | Deletes unnecessary language. | 270.67, Subd.1 | No |
| 6 | Eliminates the 36-month limit on additional extensions that may be authorized by the commissioner. Authorizes the commissioner to accept collateral to secure satisfaction of the tax liability. Effective April 25, 1990. | 270.67, Subd.2 | No |
| 7 | Expands the provision relating to bringing legal action to include renewal of judgments. Effective April 25, 1990. | 270.68, Subd.1 | No |
| 8 | Clarifies that in any action brought by the commissioner to collect delinquent taxes, the statement filed by the commissioner showing the tax and penalties is admissible in evidence. Effective August 25, 1990. | 270.68, Subd.3 | No |
| 9 | Clarifies that third-party creditors must have interests duly perfected under state law before the filing requirement of tax liens applies. Effective for liens imposed on or after August 1, 1990. | 270.69, Subd.2 | No |
| 10 | Clarifies that the exemption from a tax lien for property purchased at retail applies if it occurs in the ordinary course of the seller's trade or business. The exemption does not apply if the purchaser intended to use the transaction to evade the tax. Effective August 1, 1990. | 270.69, Subd.3 | No |

ARTICLE 2. COLLECTIONS (Cont.)

| <u>Section(s)</u> | | <u>Statute Reference</u> | <u>1990-91 General Fund Impact</u> |
|--------------------------|---|-------------------------------------|---|
| 11 | Clarifies the circumstances under which the commissioner must be given notice of a mortgage foreclosure or contract for deed cancellation. Specifies the information to be included in the notice. Effective for mortgage foreclosures or termination of contracts for deed commenced after August 1, 1990. | 270.69, Subd.7 | No |
| 12 | Provides that a lien filed with a facsimile signature of the commissioner or delegate can be recorded. Effective for notices executed on or after August 1, 1990. | 270.69, Subd.8 | No |
| 13 | Requires that \$25 must be paid to the commissioner for each duplicate of a lien release. Effective August 1, 1990. | 270.69, Subd.12 | No |
| 14 | Provides that the commissioner can levy against the property of the taxpayer during the period that a recorded lien is enforceable. Effective April 25, 1990. | 270.70, Subd. 1 | No |
| 15 | Expands the liquor posting requirements to local sales and use tax payable to the commissioner. Effective August 1, 1990. | 270.73, Subd.1 | No |
| 16 | Provides that the provision for additional withholding of delinquent taxes by an employer can be used during the period that a recorded lien is enforceable. Requires the employer to remit the amount withheld within ten days after the end of each pay period. Effective August 1, 1990. | 290.92, Subd.23 | No |
| 17 | Provides that the probate court can settle and distribute the estate and discharge the personal representative only if the commissioner has not issued an order assessing estate tax or requested documents or if the assessment has been paid or requested documents provided. Effective August 1, 1990. | 524.3-1001 | No |
| 18 | Repeals: Orders assessing personal liability (replaced by Sec. 2). Effective for taxes becoming due on or after August 1, 1990. | 270.10, Subd.4 | No |
| | General authority of the commissioner to administer the inheritance taxes and gift taxes. Effective April 25, 1990. | 270.08 | No |

Statute
Reference

290.53,
Subd.5;
297A.39,
Subd.5

290.52;
291.31,
Subd.2;
297A.29,
297A.37

No

296.18,
Subd.2 and
3

No

296.25

No

296.027;
296.16,
Subd.3;
296.17,
Subd.13;
296.18,
Subd.3a and
7;
296.24

ARTICLE 2. COLLECTIONS (Cont.)

Section(s)

18 Provisions in the income tax and general sales and use tax chapters to allocate payments first to penalties next
(Cont.) to interest, and then to tax. (Replaced by Sec. 4). Effective for payments received on or after August 1, 1990.

General authority of the commissioner to administer and enforce the income and withholding taxes (Ch. 290), the estate tax (Ch.291), and the sales and use tax (Ch 297A) and to promulgate rules for the sales and use tax. Effective August 1, 1990.

ARTICLE 3. GASOLINE AND SPECIAL FUEL TAXES

1-2 Make changes consistent with the consolidation of the criminal penalties for Ch. 296 in Sec. 3.

3 Consolidates and recodifies the provisions for criminal penalties previously found throughout Ch. 296. Increases from a misdemeanor to a gross misdemeanor the penalty for providing false information, including a false odometer reading. If the false information is a willful attempt to evade the tax, then the violation is a felony.

Effective for acts or violations occurring on or after August 1, 1990.

4 Repeals criminal penalties that are replaced by Sec. 3.

ARTICLE 4. SALES AND USE, MOTOR VEHICLE EXCISE AND PETROLEUM PRODUCTS TAXES Effective July 1, 1990

| <u>Section(s)</u> | | <u>Statute Reference</u> | <u>1990-91 General Fund Impact</u> |
|-------------------|--|------------------------------|--|
| 1 | Requires the seller of a motor vehicle to state the actual selling price on the certificate of title. | 168A.10 Subd.1 | No |
| 2 | Eliminates the requirement that the commissioner pay the premium on surety bonds for petroleum distributors. | 296.06, Subd.2 | No |
| 3 | Eliminates the imposition of the sales tax on meals provided by employers to employees at less than fair market value. Exempts from the sales tax tickets to the 1992 Superbowl Game. | 297A.01, Subd.3 | Yes* |
| 4 | Corrects a reference. | 297A.01, Subd.8 | No |
| 5 | Provides that the use tax applies to all taxable services. | 297A.14, Subd.1 | No |
| 6 | Clarifies that otherwise taxable services provided by a government entity are subject to tax. | 297A.25 Subd.31 | No |
| 7 | Exempts from the sales and use tax the purchase or use of registered aircraft by a corporation or partnership when the transfer constitutes a return for stock or partnership interest. | 297A.255, Subd.5 | No |
| 8 | Limits the exemption from the motor vehicle excise tax for sales for resale to licensed new and use automobile dealers. | 297B.035, Subd.1 | No |

ARTICLE 5. INCOME, FRANCHISE TAXES AND PROPERTY TAX REFUND

| | | | |
|---|---|-------------------|----|
| 1 | Modifies the distribution of political checkoff funds to the state committees of the political parties. Generally the changes involve the timing of distributions and the method of making adjustments. Effective April 25, 1990. | 10A.31, Subd.5 | No |
|---|---|-------------------|----|

*For fiscal year impact, see table at the beginning of the report

ARTICLE 5. INCOME, FRANCHISE TAXES AND PROPERTY TAX REFUND (Cont.)

| <u>Section(s)</u> | | <u>Statute Reference</u> | |
|--------------------------|---|-------------------------------------|-----------|
| 2 | Provides that the gain on the sale of S corporation stock is allocated to Minnesota based on the percentage of income assigned to Minnesota in the preceding year, rather than based on the percentage of original cost of the property within Minnesota. Beginning with tax year 1989. | 290.17, Subd.2 | No |
| 3 | Eliminates the special allocation rule applicable to personal or professional services which provided that the services were assigned where performed. Now they will be subject to the three-factor formula. Beginning with tax year 1990. | 290.17, Subd.5 | No |
| 4 | Clarifies that voter registration forms are to be included in income tax forms for odd-numbered years. | 290.39, Subd.4 | No |
| 5 | Provides that a partnership need not file a separate request by the due date of the return to file a composite return for nonresident partners. Now the filing of the composite return is considered as such a request. Beginning with tax year 1990. | 290.39, Subd.5 | No |
| 6 | Corrects a reference. | 290.49, Subd.3 | No |
| 7 | Clarifies that the withholding taxes on S corporation and partnership income are credits against the income tax. Beginning with tax year 1989. | 290.92, Subd.12 | No |
| 8 | Eliminates the disallowance of a deduction against income for an employer who had to pay delinquent withholding tax due to failure to withhold from the employee. | 290.92, Subd.23 | (Minimal) |
| 9 | Corrects a reference. | 290.93, Subd.1 | No |
| 10-13 | Property Tax Refund and Targeting | | |
| 10 | For the property tax refund, provides that the federal adjusted gross income component of household income can be less than zero. Provides that federal adjusted gross income cannot be reduced by a net operating loss carryover on a capital loss carryback or carryover. Beginning with claims for rent paid in 1989 and property tax payable in 1990. | 290A.03, Subd.3 | (Minimal) |
| 11 | Eliminates obsolete language relating to persons who rented part of the year before buying a home. Beginning with taxes payable in 1990. | 290A.04, Subd.1 | No |

ARTICLE 5. INCOME, FRANCHISE TAXES AND PROPERTY TAX REFUND. (Cont.)

| <u>Section(s)</u> | | <u>Statute Reference</u> | |
|--------------------------|---|-------------------------------------|----|
| 12 | For the targeting credit, clarifies that the credit does not apply to the increase in value due to improvements for the first year that the improvements are subject to tax. Beginning with taxes payable in 1990. | 290A.04, Subd.2h | No |
| 13 | Clarifies that the targeting credit for noncommercial seasonal recreational residential property can be claimed only by an individual or married couple (and not by a corporation or other entity) for one contiguous property. For property taxes paid in 1990 only. | 290A.04, Subd.2i | No |
| 14 | Corrects a reference. | Not Codified | No |
| 15 | Repeals the add-on tax on the undistributed income of trusts. Beginning with tax year 1990. | 290.23, Subd.15 | No |

ARTICLE 6. INSURANCE TAXES

| | | | |
|-----|---|--|-----------|
| 1 | Eliminates the requirement that insurance companies with annual premiums tax of \$500 or less must pay estimated tax. Beginning with tax year 1991. | 60A.15, Subd.1 | (Minimal) |
| 2 | For the premiums tax, allows proportionate allocation of premium tax liability for policies covering risks located outside Minnesota. Beginning with tax year 1991. | 60A.198, Subd.6 | Minimal |
| 3 | Provides that it is the commissioner of Revenue, rather than the commissioner of Commerce, who is responsible for the apportionment of state fire aid to counties. Effective April 25, 1990. | 69.021, Subd.6 | No |
| 4-6 | Transfer from the commissioner of Commerce to the state auditor various responsibilities relating to volunteer firefighters' relief associations, including the determination of compliance with the financing guidelines provisions, the calculation of lump sum payments, and the distribution of aid to independent nonprofit firefighting corporations. Effective April 25, 1990. | 69.771, Subd.3; 69.772, Subd.2A; 69.774, Subd.1 | No |
| 7 | Eliminates the requirement that insurance companies with annual fire marshal tax of \$500 or less must pay estimated tax. Beginning with tax year 1991. | 299F.21, Subd.1 | (Minimal) |

Statute
Reference

116K.04,
Subd.4;
275.51,
Subd.6;
275.54

168.013,
Subd.5

272.16,
Subd.1
and 2

273.01;
274.01,
Subd.1;
274.14;
274.175

273.11,
Subd.1

273.124,
Subd.6

273.13,
Subd.25

No

No

No

No

No

No

ARTICLE 7. TECHNICAL AND ADMINISTRATIVE CHANGES

Section(s)

1, 21-22

Provide for the method by which the levy limit base of a local government unit is adjusted when an annexation occurs. Generally the provisions clarify the law in accordance with current practice. Require the state demographer to provide the pertinent population and household estimates. Beginning with taxes payable in 1991.

2

Provides that certain motor vehicles not taxed under the motor vehicle registration tax but subject to the personal property tax (utility company mobile transformers) are subject to the class rate for commercial/industrial property. Beginning with taxes payable in 1990.

3

Provides that a portion of a parcel can be conveyed through execution of a lien upon payment of the proper proportion of taxes on that part of the parcel. Requires the county auditor to determine the proper proportion of taxes to be paid.

4, 14-16

Provide that the county assessor cannot make changes in valuation or classification which are intended to correct errors in judgment after the board of review or the county board of equalization has adjourned. Corrections of clerical errors or the extension of homestead treatment to property are permitted until the tax extension date for that assessment year. Effective April 25, 1990.

5

Makes a technical correction by replacing the term "assessment" with "valuation".

6

For leasehold cooperatives, provides that the notice sent to an occupant prior to property becoming a leasehold cooperative can be in a proposed version, provided that the occupant be notified of any subsequent material changes. Effective April 25, 1990.

7

Provides that Class 4d property (structures of Farmers Home Administration housing in municipalities under 10,000 population) which is substandard will have a class rate of 2.4%, rather than the 1988 rate which is applicable to other types of residential rental property. As a result of a subsequent rate increase, the 1988 rate would have been lower than the current rate. Beginning with taxes payable in 1991.

ARTICLE 7. TECHNICAL AND ADMINISTRATIVE CHANGES (Cont.)

| <u>Section(s)</u> | | <u>Statute Reference</u> | <u>1990-91 General Fund Impact</u> |
|-------------------|--|---|--|
| 8 | Deletes a reference to obsolete terminology. | 273.1391, Subd. 2 | No |
| 9, 10, 13, 17 | Make technical corrections to HACA to conform with changes made in the 1989 Special Session. | 273.1398, Subd.1,2, and, 6; 275.07, Subd. 3 | No |
| 11 | Clarifies that the HACA guarantee includes the human services aids that the state pays starting in 1991. | 273.1398, Subd.5 | No |
| 12 | Revises the deduction schedule for county human services aids to coincide with the July and December payment schedules. Effective January 1, 1991. | 273.1398, Subd.5a | No |
| 18 | Corrects an error made to the special levy section in the 1989 Special Session. Language that was put in clause (v) should have been in clause (u). Beginning with taxes payable in 1990. | 275.50, Subd. 5 | No |
| 19 | Provides the method of adjusting the levy limit base for certain court costs for taxes payable in 1990. (Other changes contained in this section were further amended by Laws 1990, Ch. 604, Art. 9, Sec. 2.) | 275.51, Subd. 3f | No |
| 20 | Changes from September 30 to four working days after December 20 the ending date of the twelve-month period during which a general or special election is held at which a permanent increase in the levy limit base is approved. Beginning with taxes payable in 1990. | 275.51, Subd. 3h | No |
| 23-24 | Corrects an inadvertent change made in the 1989 Special Session to the disposition of the deed transfer tax. The distribution of 97% to the state, 3% to the county, is maintained. Effective for deed taxes collected after November 30, 1990. | 287.21, Subd.2; 287.29, Subd.1 | No |
| 25 | For school districts, changes the distribution formula for the taconite aids from a percent of market value to 1.8% of net tax capacity. Beginning with taxes payable in 1990. | 298.28, Subd.4 | No |

ARTICLE 7. TECHNICAL AND ADMINISTRATIVE CHANGES (Cont.)

| <u>Section(s)</u> | | <u>Statute Reference</u> | <u>1990-91 General Fund Impact</u> |
|-------------------|---|--------------------------|------------------------------------|
| 26 | For tax increment financing, clarifies that the tax capacity rate certified by the county auditor is the rate in effect for the same taxes payable year as the tax capacity values certified as the district's original tax capacity. Beginning with taxes payable in 1990. | 469.177, Subd.1a | No |
| 27 | Specifies the method for adjusting education or other state aids for the fiscal disparities distribution tax capacity to take into account changes in the highest class rate applicable to commercial/industrial property. Beginning with taxes payable in 1990. | 473F.08, Subd.8a | No |
| 28-31 | Local Government Aid | | |
| 28 | Clarifies that equalization aid is not included in the definition of "city revenue". Beginning with taxes payable in 1990. | 477A.011, Subd.15 | No |
| 29 | Adds a definition for the term "levy" to clarify that it includes the fiscal disparities distribution levy. Beginning with aid paid in 1991. | 477A.011, Subd.26 | No |
| 30 | Corrects errors in the computation of aid offset for court costs. Beginning with aid paid in 1991. | 477A.012, Subd.3 | No |
| 31 | Deletes an erroneous reference. | 477A.013, Subd.3 | No |
| 32-33 | Correct errors in effective dates made in the 1989 Special Session. (Laws 1989, First Special Session, Ch. 1, Art. 3, Sec. 35 and Art. 9, Sec. 86). | Not Codified | No |
| 34 | Repeals the section relating to the availability of assessor's field cards, because the provision is now contained in M.S., Sec. 13.51. | 272.70 | No |

ARTICLE 8. PROPERTY TAX PAYMENTS, INTEREST RATES, SETTLEMENTS

| | | | |
|---|--|--------|----|
| 1 | Provides that the settlement date between the county treasurer and the county auditor is the later of May 20 or 26 days after the property tax statements are sent out. Previously the date was May 20, and the extension would be necessary only if the statements are mailed out after the statutory deadline. Beginning with taxes payable in 1990. | 276.09 | No |
|---|--|--------|----|

ARTICLE 8. PROPERTY TAX PAYMENTS, INTEREST RATES, SETTLEMENTS (Cont.)

| <u>Section(s)</u> | | <u>Statute Reference</u> | <u>1990-91 General Fund Impact</u> |
|-------------------|---|---|--|
| 2-4, 15 | Change references to the settlement dates to conform with the change made in Sec. 1. Sec. 5 provides that a school district may request its estimated distribution early if the settlement is delayed. | 276.10; 276.11, Subd.1; 276.111; 282.09, Subd.1 | No |
| 5 | Provides that personal property taxes become delinquent 21 days after the postmark date on the property tax statement, or May 16, whichever is later. Previously no grace period was allowed even if the statements were mailed after the deadline. Changes the payment dates for certain leased property to be the same as for real property, rather than personal property. Beginning with taxes payable in 1990. | 277.01 Subd.1 | No |
| 6-8 | Change references to conform with the grace period for personal property taxes in Sec. 5. | 277.02; 277.05; 277.06 | No |
| 9 | Changes a reference to the interest rate in Sec. 11. | 277.15 | No |
| 10 | Similar to Sec. 5, provides a 21-day grace period for the payment of real property taxes if the statements are mailed late. If the tax is not paid by the extended due date, then all penalties accrue according to the May 15 due date. Beginning with taxes payable in 1990. | 279.01, Subd.1 | No |
| 11 | Changes the calculation of the interest rate on delinquent property taxes. The rate will be the same as in 270.75, Subd. 5, which is the adjusted prime rate charged by banks, with a minimum of 10% and a maximum of 14%. Effective January 1, 1991. | 279.03 Subd.1a | No |
| 12-14, 16 | Change references to the interest rate in Sec. 11. | 279.03, Subd.2; 279.37, Subd.1a; 282.01, Subd.4; 282.261, Subd.2 | No |

ARTICLE 8. PROPERTY TAX PAYMENTS, INTEREST RATES, SETTLEMENTS (Cont.)

Section(s)

17 Provides that the changes made in Sec. 5 do not require sending out revised tax statements for taxes payable in 1990. Payment of taxes by the dates provided in Sec. 5 are to be accepted as timely paid. Effective April 25, 1990.

Statute Reference

Not
Codified

1990-91 General Fund Impact

No

ARTICLE 9. PROPERTY TAX SYSTEM CONVERSIONS

1 Generally, Article 9 changes terminology consistent with the changes made in 1988 from a system based on assessed value to a system based on tax capacity. Some of the changes made under the general instructions to the revisor need to be changed back because they were inappropriate.

ARTICLE 10. MISCELLANEOUS. Effective April 25, 1990

1 Extends the liquor posting provisions to local option sales taxes administered and collected by the commissioner of Revenue.

270.73,
Subd.1

No

2-6 Revenue Recapture

2 Allows a municipal hospital or hospital district to be a claimant under revenue recapture.

270A.03,
Subd.2

No

3 Changes the reference for the income levels below which the person's medical bills are not subject to revenue recapture. Previously the levels referenced the low income credit and were indexed, but the low income credit has been repealed. The new income levels are essentially the same and are indexed.

270A.03,
Subd.5

No

4 Clarifies that lottery prizes of \$1,000 or more are treated as refunds for revenue recapture purposes. Similar language already appears in the lottery provisions (349A.08, Subd. 8).

270A.03,
Subd.7

No

5 Provides that revenue recapture cannot be used if the debtor is complying with a payment agreement.

270A.04,
Subd.2

No

6 Provides that the notice to the debtor must include the statement that revenue recapture cannot be used for debts incurred more than six years before the agency submits a claim to the commissioner.

270A.08,
Subd.2

No

7 Recodifies and consolidates the provisions which allow the commissioner to disclose and certify to a county or municipality if an applicant for a liquor license owes uncontested state or local taxes.

270B.07,
Subd.5

No

ARTICLE 10. MISCELLANEOUS (Cont.)**Section(s)****Statute
Reference****1990-91
General
Fund
Impact**

- | | | | |
|----|--|----------------------|----|
| 8 | Changes the exemption from the sales tax for pull-tabs and tipboards from being conditional upon payment of the 2% gambling tax to an unconditional exemption. | 349.212, Subd.4 | No |
| 9 | Imposes a penalty of 6% of ideal gross for the possession of untaxed pull-tabs or tipboards. The penalty is in addition to other penalties or criminal sanctions and is considered a jeopardy assessment. Specifies procedures and requirements. | 349.212, Subd.7 | No |
| 10 | Extends to all counties the authority to issue tax anticipation certificates of indebtedness and removes the 6% maximum interest rate. | 383.06 | No |
| 11 | Requires the decedent's social security number to be included in an application for informal proceeding for probate of a will or appointment of a personal representative. | 524.3-301 | No |
| 12 | Repeals the separate provisions in the income and sales tax chapters which are replaced by Sec. 7. | 290.612; 297A.431 | |

**TOWN AND CITY ASSESSORS
CHAPTER 441
Approved April 16, 1990**

| <u>Section(s)</u> | | <u>Statute Reference</u> | 1990-91 General Fund <u>Impact</u> |
|--------------------------|--|-------------------------------------|---|
| 1 | Provides that a town or statutory city assessor who is an employee may be dismissed by the appointing authority for cause. Effective April 17, 1990. | 273.05, Subd.1 | No |

UNEMPLOYMENT COMPENSATION
CHAPTER 516, SEC. 6,8,9
Approved April 26, 1990

| <u>Section(s)</u> | | <u>Statute Reference</u> | <u>1990-91 General Fund Impact</u> |
|-------------------|--|------------------------------|--|
| 6 | <p>Relates to the exchange of information with the Department of Jobs and Training. Clarifies that the Department of Revenue shall (not "may") have access to the Department of Jobs and Training private data on individuals and nonpublic data not on individuals to the extent necessary to enforce Minnesota tax laws.</p> <p>Eliminates the authority for the Department of Jobs and Training to have access to Department of Revenue specified individual income tax return data.</p> <p>Makes some other modifications to the classification of data held by the Department of Jobs and Training and exchanges with other agencies. Effective April 27, 1990.</p> | 268.12, Subd.12 | No |
| 8 | Eliminates the Department of Jobs and Training from the agencies which may exchange information on a reciprocal basis to determine whether a business is an employer or a contracting agent. Effective April 27, 1990. | 270B.14, Subd.8 | No |
| 9 | Eliminates the requirement that Minnesota income tax be withheld from unemployment compensation benefits by the Department of Jobs and Training. Effective April 27, 1990. | 290.92, Subd.21 | No |

AMBULANCES
CHAPTER 556, SECTIONS 1-2, 5-6.
Approved May 3, 1990

| <u>Section(s)</u> | | <u>Statute Reference</u> | 1990-91 General Fund Impact |
|-------------------|---|--|--|
| 1-2 | Exempt from the motor vehicle registration tax ambulances owned by licensed ambulance services. Ambulances owned by a municipality are already exempt. The general appearance of the ambulance must be unmistakable. Tax-exempt plates must be purchased for a nominal fee. Previously, these ambulances were taxed the same as passenger cars. Effective August 1, 1990. | 168.012, Subd.1; 168.013, Subd.1a | No |
| 5 | Exempts from the sales tax the lease of a motor vehicle for use as an ambulance by a licensed ambulance service. Effective August 1, 1990. | 297A.25, Subd.44 | (Minimal) |
| 6 | Exempts from the motor vehicle excise tax the purchase of a motor vehicle for use as an ambulance by a licensed ambulance service. Effective August 1, 1990. | 297B.03 | (Minimal) |

**TRANSPORTATION BILL
CHAPTER 565, SECTION 30
Approved May 3, 1990**

Section(s)

30

Changes the distribution of the motor vehicle excise tax for fiscal year 1991, as follows:

| | <u>Prior Law</u> | <u>New Law</u> |
|--------------------|------------------|----------------|
| General Fund | 65.00% | 70.00% |
| Highway User Fund | 22.50% | 18.75% |
| Transit Assistance | 8.75% | 7.50% |
| Trunk Highway Fund | <u>3.75%</u> | <u>3.75%</u> |
| | 100.00% | 100.00% |

**Statue
Reference**
270B.09,
Subd. 1

**1990-91
General
Fund
Impact
Yes***

*For fiscal year impact, see table at the beginning of the report.

LAWFUL GAMBLING
CHAPTER 590
Approved May 4, 1990

ARTICLE 1. REGULATORY PROVISIONS

| <u>Section(s)</u> | | <u>Statute Reference</u> | <u>1990-91 General Fund Impact</u> |
|-------------------|---|--------------------------|------------------------------------|
| 1-3 | Gambling Enforcement, Department of Public Safety | | |
| 1 | Requires the Division of Gambling Enforcement in the Department of Public Safety to exercise the powers and duties specified in 349.50 to 349.60 relating to video games of chance. | 299L.03, Subd.9 | No |
| 2 | Authorizes the Division of Gambling Enforcement to require fingerprinting of a gambling licensee, the employee of a licensee, or a shareholder or officer of a licensee. | 299L.03, Subd.10 | No |
| 3 | Provides that any criminal violation relating to gambling, other than a tax violation, be investigated by the Division of Gambling Enforcement rather than any other agency or department. | 299L.06 | No |
| 4 | Changes the definition of "lawful purpose" for lawful gambling purposes, involving rewording and substantive changes. | 349.12, Subd.25 | No |
| 5 | Changes the definition of "organization" to be "...any fraternal, religious, veterans, or other nonprofit organization" without any further restrictions. The additional requirements are now part of M. S. 349.16 (Sec. 17). | 349.12, Subd.28 | No |
| 6 | Defines "501(c)(3) organization" as an organization exempt from federal income tax under Sec. 501 (c)(3) of the Internal Revenue Code. | 349.12, Subd.15 | No |
| 7 | Defines "affiliate". | 349.12, Subd.3 | No |
| 8 | Defines "person". | 349.12, Subd.30 | No |
| 9 | Defines "flare" as the posted display that sets forth the rules of a particular game of pull-tabs or tipboards. | 349.12, Subd. 16 | No |

ARTICLE 1. REGULATORY PROVISIONS (Cont.)

| <u>Section(s)</u> | | <u>Statute Reference</u> | <u>1990-91 General Fund Impact</u> |
|-------------------|---|------------------------------|--|
| 10 | Increases from 55 % to 60 % the expense limitation for the use of bingo receipts. Allows the state gambling taxes, except the combined receipts tax, as lawful purpose expenditures. | 349.15 | No |
| 11 | Provides that the compensation for members of the Gambling Control Board is the same as for boards generally under M.S. 15.0575, Subd. 3. | 349.151, Subd.3a | No |
| 12 | Modifies the list of powers and duties of the Gambling Control Board, mostly by adding powers and duties. | 349.151, Subd.4 | No |
| 13 | Adds to the list of duties of the director of the Gambling Control Division the issuance of premises permits. | 349.152, Subd.2 | No |
| 14 | Authorizes the director of the Gambling Control Division to issue a cease and desist order under specified conditions. Authorizes the Gambling Control Board to bring action in district court to enjoin the acts or practices and to enforce compliance with Ch. 349. Upon a proper showing, a permanent or temporary injunction, restraining order, or writ of mandamus shall be granted. | 349.152, Subd.3 | No |
| 15 | Authorizes the director to appoint an executive assistant in the unclassified service. | 349.152, Subd.4 | No |
| 16 | Requires the board to prescribe by rule standards that must be met by a 501(c)(3) organization that is licensed for lawful gambling. Specifies what must be included in the standards. Specifies the contents and filing requirements of net profit reports. Authorizes the board to require the registration of any individual, organization, or entity in order to receive a contribution of net profits from lawful gambling. The rules may designate and define specific categories of recipients that are subject to registration. | 349.154 | No |
| 17 | Lists the conditions for issuing licenses to conduct lawful gambling. Specifies the term of the licenses and provisions for suspension or revocation. Eliminates the fees for organization licenses. | 349.16 | No |

ARTICLE 1. REGULATORY PROVISIONS (Cont.)

| <u>Section(s)</u> | | <u>Statute Reference</u> | <u>1990-91 General Fund Impact</u> |
|-------------------|---|------------------------------|--|
| 18 | Modifies the provisions relating to distributor licenses. Specifies that a distributor can sell gambling equipment only to a licensed organization, an organization exempt from licensing, or the governing body of an Indian tribe. Only an employee of a licensed distributor can make sales on behalf of the distributor. | 349.161 | No |
| 19 | Requires that, from January 1, 1991, to June 30, 1992, a pull-tab sold in Minnesota must be marked "For Sale in Minnesota Only" and, beginning July 1, 1992, "Manufactured in Minnesota for Sale in Minnesota" (not applicable to sales to Indian tribes). Modifies the requirements for records that a distributor must maintain. Beginning January 1, 1991, each bingo card must have an individual number and each package of bingo cards must contain cards in numerical order. Authorizes employees of the Departments of Revenue, Public Safety, and Gaming to remove gambling equipment for testing to determine compliance with all applicable laws and rules. | 349.162 | No |
| 20 | Modifies the provisions relating to the licensing of manufacturers. Adds qualifications and expands the list of prohibited sales. Requires each pull-tab or tipboard deal to have its own flare and specifies the requirements for the flare. Requires that a manufacturer must submit samples of gambling equipment to the board, and the samples must be approved by the board before the equipment can be sold in Minnesota. | 349.163 | No |
| 21 | Modifies the requirements for bingo hall licenses. | 349.164 | No |
| 22 | Authorizes the board to summarily suspend: the license of an organization that is more than three months late in filing a tax return required under Ch. 349; and any license issued by the board or director for actions detrimental to the integrity of lawful gambling in Minnesota. Specifies notice and other requirements. | 349.1641 | No |
| 23 | Requires a licensed organization to obtain a premises permit for each site. The annual fees are the same amount as the license fees which were eliminated in Sec. 17. Specifies application requirements. | 349.165 | No |
| 24 | Recodifies the exemptions and exclusions from licensing and, therefore, from the gambling tax. | 349.166 | No |

ARTICLE 1. REGULATORY PROVISIONS (Cont.)**Section(s)**

**1990-91
General
Fund
Impact**

**Statute
Reference**

No

25 Requires all lawful gambling conducted by a licensed organization to be supervised by a gambling manager and requires a gambling manager to be licensed by the board. A person may not be a gambling manager for more than one organization, and an organization may not have more than one gambling manager at a time. Specifies other requirements, including the periodic training of gambling managers in the laws and rules governing lawful gambling.

26 Specifies the requirements for gambling employees. Each employee participating in the conduct of lawful gambling must register with the board, except for sellers of pull-tabs, tipboards, raffle tickets, paddlewheel tickets, and bingo paper. Requires compensation must be paid by check.

27 Requires manufacturers and distributors to file with the director by the first day of each month the prices at which they will sell all gambling equipment that month.

28 Increases from six to seven the number of bingo occasions that can be conducted each week by an organization. Removes restriction on lessors of bingo premises regarding the number of bingo occasions.

Requires the board to issue rules requiring that licensed organizations conduct bingo using liquid daubers, that bingo cards be sold in order by number, and that each card be used for no more than one bingo occasion. Provides some exceptions.

29 Requires that an organization selling pull-tabs must post the major prizes that have been awarded for each deal of pull-tabs.

30 Requires that pull-tabs purchased before September 1, 1989, must be played before September 1, 1990, unless the deal bears a serial number so it can be traced to its manufacturer and distributor.

31 Prohibits gambling equipment owned by an organization from being kept at a distributor's office, warehouse, storage unit, or other place of the distributor's business.

Prohibits an organization from using gambling receipts as collateral for a loan.

ARTICLE 1. REGULATORY PROVISIONS (Cont.)

| <u>Section(s)</u> | | <u>Statute Reference</u> | <u>1990-91 General Fund Impact</u> |
|-------------------|--|--|--|
| 32 | Requires that all checks for expenditures must be signed by at least two authorized persons. | 349.19 | No |
| | Requires each winner of a pull-tab prize of \$50 or more to present identification and requires the licensed organization to retain the winning pull-tab of \$50 or more and the identification of the winner for 3 1/2 years. | | |
| 33 | Provides that credit may not be extended for more than thirty days by a manufacturer to a distributor or by a distributor to an organization. | 349.191 | No |
| 34 | Authorizes the commissioner to require that gambling tax returns be filed via magnetic media or electronic data transfer. | 349.212, Subd.2 | No |
| 35 | Authorizes the commissioner to require that the monthly reports of manufacturers be submitted via magnetic media or electronic data transfer. | 349.2122 | No |
| 36 | Authorizes the board, in addition to the commissioner, to request a certified physical inventory of all gambling equipment, not just pull-tabs and tipboards. | 349.2123 | No |
| 37 | Provides that, if a political subdivision adopts a more stringent regulation of lawful gambling, it must apply equally to all forms of lawful gambling. | 349.213 | No |
| 38 | Changes the definition of "gambling device" to refer to the definition in the criminal code (M.S. 609.75, Subd. 4). | 349.30, Subd.2 | No |
| 39-42, 44-45 | Allow gambling licenses to be suspended as well as revoked. | 349.31; 349.32; 349.34; 349.35, Subd.1; 349.38; 349.39 | No |
| 43 | Allows the city attorney to appear for the city if the suspension or revocation of a license by the city is appealed to district court, the same as the county attorney would do when the county is the issuing authority. | 349.36 | No |

ARTICLE 1. REGULATORY PROVISIONS (Cont.)

| <u>Section(s)</u> | | <u>Statute Reference</u> | <u>1990-91 General Fund Impact</u> |
|--------------------------|--|---|---|
| 46 | For the definition of "video game of chance" deletes qualification that it contains a device that permits credits or replays to be canceled. | 349.50 Subd.8 | No |
| 47 | Specifies cancellation features that must be programmed into a video game of chance. | 349.55 | No |
| 48 | Repeals the statutory provisions relating to video games of chance, effective January 1, 1992. Licenses issued under those provisions expire on that date. Requires the commissioner of Finance to transfer all money in the video gaming license account to the general fund. | 349.61; 299L.03, Subd.9; 349.50 through 349.60 | No |
| 49-51 | State Lottery | | |
| 49 | Authorizes the director of the State Lottery Division, rather than the commissioner of Employee Relations, to develop and implement a plan for making incentive payments to marketing employees of the division. | 349A.02, Subd.5 | No |
| 50 | Prohibits a currency exchange from being a lottery retailer, effective August 1, 1990. | 349A.06, Subd.2 | No |
| 51 | Gives the director of the State Lottery Division access to all criminal history data compiled by the director of Gambling Enforcement on any person holding or applying for a retailer contract, any person holding or bidding for a lottery vendor contract, and any person applying for employment with the lottery. | 349A.06, Subd.4 | No |
| 52 | Adds to the definition of "gambling device" in the criminal code any video game of chance not in compliance with M.S. 349.50 to 349.60. | 609.75, Subd.4 | No |
| 53 | Provides a transitional rule for the transportation of unstamped deals until January 1, 1991. | Not Codified | No |
| 54 | Contains legislative finding that it is necessary and desirable that all pull-tabs sold in Minnesota after June 30, 1992, be required to be manufactured in Minnesota because of the difficulty of ensuring the security and integrity of pull-tabs when they are manufactured in another state. | Not Codified | No |

ARTICLE 1. REGULATORY PROVISIONS (Cont.)

Section(s)

55 Repeals provisions that are recodified in this article, effective August 1, 1990.

Statute Reference

349.14;
349.214,
349.151,
Subd.4a

1990-91 General Fund Impact

No

Repeals provisions relating to managers and compensation, effective January 1, 1991.

349.20;
349.21

No

Repeals the provision that required the state to be the sole supplier of gambling equipment after June 30, 1990. (Laws 1989, First Special Session, Ch.1, Art. 13, Sec. 27)

Not
Codified

No

ARTICLE 2. PENALTY PROVISIONS

1 Amends definition of contraband to include any gambling equipment not in conformity with law or board rule.

349.2125,
Subd.1

No

2 Modifies provisions relating to procedures after contraband is seized.

349.2125,
Subd.3

No

3 Changes the distribution of proceeds from the sale of seized contraband from all to the general fund to: 70% to the seizing authority for deposit in its operating fund; 20% to the county attorney or other prosecuting agency for deposit in its operating fund; and 10% to the Department of Human Services to fund programs for the treatment of compulsive gamblers.

349.2125,
Subd.4

(Minimal)

4 Makes it a felony to counterfeit any license or stamp provided for in Ch. 349.

349.2127,
Subd.1

No

5 Provides criminal penalties for knowingly making unlawful expenditure of gross profits from lawful gambling. The penalty depends upon the size of the expenditure, up to a felony for an unlawful expenditure of more than \$2,500.

349.2127,
Subd. 6

No

ARTICLE 2. PENALTY PROVISIONS (Cont.)

Section(s)

| | | <u>Statute Reference</u> | <u>1990-91 General Fund Impact</u> |
|----|---|------------------------------|--|
| 6 | Provides criminal penalties for: a person other than a licensed distributor to sell or possess an unstamped pull-tab or tipboard deal; a person other than a licensed distributor or licensed or exempt organization to sell or possess gambling equipment; and a person, firm, or organization who alters, modifies, or counterfeits pull-tabs or tipboards or possesses such. The penalty depends on the number of deals or face value of the items. The penalty can be up to a felony in each situation. | 349.2127, Subd.2 | No |
| 7 | Makes it a felony for a distributor to falsify or fail to keep the records required by law. Also makes it a felony to knowingly submit false information in a license application or any other document or communication submitted to the board or to the commissioner of Revenue. | 349.2127, Subd.3 | No |
| 8 | Makes it a gross misdemeanor to transport unstamped pull-tab or tipboards in Minnesota and a felony if more than ten unstamped deals are transported. | 349.2127, Subd.4 | No |
| 9 | Makes it a gross misdemeanor for an employee of an organization to provide information to a person that would provide unfair advantage and a felony for the second such conviction within five years. | 349.2127, Subd.5 | No |
| 10 | Prohibits an organization from accepting checks as payment for participation in lawful gambling. | 349.2127, Subd.7 | No |
| 11 | Makes it a misdemeanor to violate any provision of M.S. 349.11 to 349.23 for which another penalty is not specified and a gross misdemeanor for the second conviction within five years. | 349.22, Subd.1 | No |
| 12 | Provides that, when a person commits two or more offenses within a six-month period in two or more counties, the accused may be prosecuted in one of the counties for all of the offenses aggregated. | 349.22, Subd.3a | No |
| 13 | Requires that the posted notice describing the legal consequences of awarding cash on video games of chance must include the consequences of receiving cash and that it is also a violation of the criminal code (Sec. 17). | 349.501, Subd.1 | No |
| 14 | Makes it a misdemeanor to receive anything of value from a video game of chance. | 349.502, Subd.1 | No |
| 15 | Allows a city or county to adopt more stringent regulations for video games of chance, including prohibition. | 349.52, Subd.5 | No |

ARTICLE 2. PENALTY PROVISIONS (Cont.)

Section(s)

| | | | 1990-91 General Fund Impact |
|----|---|--|--|
| | | <u>Statute Reference</u> | |
| 16 | Includes in the definition of contraband all video games of chance that do not conform to the specifications in M.S. 349.55 (Art.1, Sec. 47). | 349.59, Subd.1 | No |
| 17 | Imposes a fine of not less than \$700 for paying anything of value, other than free plays, to a player of video games of chance. | 609.76, Subd.1 | No |
| 18 | Repeals penalty provisions replaced by other sections of this article. | 349.22, Subd.3; 349.502, Subd.2 | No |

STATE DEPARTMENTS BILL
CHAPTER 594, VARIOUS SECTIONS
Approved May 8, 1990

ARTICLE 1. STATE DEPARTMENTS

| <u>Section(s)</u> | | <u>Statute Reference</u> | <u>1990-91 General Fund Impact</u> |
|-------------------|--|---|------------------------------------|
| 62,70,71 | Authorize the attorney general, in addition to the county attorney, to assist in a criminal tax investigation of a suspected criminal violation of the lawful gambling laws (Ch. 349) and to prosecute violations. Specify other authorities of the attorney general regarding lawful gambling. Effective July 1, 1990. | 270.064; 349.22, Subd.2; 349.36 | No |
| 63 | Authorizes the attorney general to conduct a proceeding if a proceeding is referred to a county attorney and the county attorney fails to issue an indictment or criminal complaint within thirty days. Effective July 1, 1990. | 270.68, Subd.1 | No |
| 64 | Increases from \$20 to \$25 the fee for the purchase of tax-forfeited land. Effective July 1, 1990. | 282.014 | No |
| 65-69 | Increase the following fees related to the motor fuels taxes, effective for license or permit applications filed on or after July 1, 1990: -distributor's license from \$10 to \$25. -special fuel dealer's license from \$10 to \$25. -bulk purchaser's license from \$10 to \$25 -motor carrier license under the motor carrier road tax from \$20 to \$30. -trip permit for an unlicensed motor carrier from \$15 to \$25. | 296.06, Subd.2; 296.12, Subd.1 and 2; 296.17, Subd.10 and 17 | No |

ARTICLE 3. FUND CONSOLIDATION

| | | | |
|----|---|--------------------|----|
| 12 | Eliminates the revolving account for heat applied cigarette stamps. Effective July 1, 1991. | 297.03, Subd.5a | No |
|----|---|--------------------|----|

CAMPAIGN FINANCING
CHAPTER 608, ARTICLE 3, SECTION 28
Approved May 5, 1990

ARTICLE 3. STATE CAMPAIGN REFORM

Section(s)

28

Establishes a refund equal to the amount of a taxpayer's contribution to political candidates and to political parties made during the calendar year. The maximum refund is \$50 for an individual and \$100 for a married couple filing jointly. A person can file only one claim per calendar year. The claim for refund is filed with the commissioner of Revenue between September 1 of the year the contribution is made and April 15 of the following year.

A contribution eligible for the refund can be made to the state party organization, to the party organization within each house of the Legislature, or to the party organization within a smaller geographic district, as specified. To qualify for the refund, a contribution must be to a candidate for a statewide or legislative office, but not for judicial office, who has signed an agreement to limit campaign spending. Beginning January 1, 1991, contributions to candidates for the U.S. Senate and House of Representatives are also eligible.

The claim for refund must be accompanied by an official receipt from the candidate or party.

Appropriates to the commissioner of Revenue the amount necessary to pay the refunds.

Effective January 1, 1990. For contributions to candidates for Congress, effective January 1, 1991.

Note: Other sections of this article contain provisions related to the refund, including the revised spending limits (Sec. 11) and content of the official receipt forms (Sec. 24).

Statute
Reference
290.06,
Subd.23

1990-91
General
Fund
Impact
Yes*

*For fiscal year impact, see table at the beginning of the report.