

SENATE

STATE OF MINNESOTA

EIGHTY-EIGHTH SESSION

S.F. No. 2091

(SENATE AUTHORS: REST and Skoe)

DATE	D-PG	OFFICIAL STATUS
02/27/2014	5896	Introduction and first reading Referred to Taxes

1.1

A bill for an act

1.2

relating to taxation; making technical and clarifying changes to income and

1.3

franchise taxes, property taxes, sales and use taxes, and other taxes and tax

1.4

provisions; amending Minnesota Statutes 2012, sections 126C.01, subdivision

1.5

3; 168.013, subdivision 5; 270.12, subdivision 4; 270.87; 270.91; 270C.34,

1.6

subdivision 2; 272.029, subdivision 4a; 273.01; 273.11, subdivisions 12, 19;

1.7

273.1102, subdivision 3; 273.124, subdivisions 3, 8; 273.13, subdivisions 22, 24,

1.8

25a, 31; 273.1383, subdivision 1; 273.1386, subdivision 1; 273.33, subdivision

1.9

2; 273.37, subdivision 2; 273.3711; 275.08, subdivision 1a; 276A.06, subdivision

1.10

9; 282.241, subdivision 2; 296A.01, subdivision 16; 469.1763, subdivision 6;

1.11

469.177, subdivisions 1, 11; 469.1792, subdivision 1; 469.1794, subdivisions 3,

1.12

6; 469.1814, subdivision 6; 473F.08, subdivision 8a; 473H.10, subdivision 3;

1.13

Minnesota Statutes 2013 Supplement, sections 272.03, subdivision 15; 273.117;

1.14

273.124, subdivision 3a; 273.13, subdivisions 21b, 23, 25; 273.1398, subdivision

1.15

3; 290.01, subdivision 19d; 290.0921, subdivision 3; 290.191, subdivision 5;

1.16

290C.03; 403.162, subdivision 5; 423A.02, subdivision 3; 477A.12, subdivision

1.17

1; 477A.14, subdivision 1; Laws 2013, chapter 143, article 8, section 3;

1.18

repealing Minnesota Statutes 2012, sections 273.13, subdivision 21a; 290C.02,

1.19

subdivisions 5, 9; 290C.06; Minnesota Rules, parts 8130.8900, subpart 3;

1.20

8130.9500, subparts 1, 1a, 2, 3, 4, 5.

1.21

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

1.22

ARTICLE 1

1.23

INCOME AND FRANCHISE TAXES

1.24

Section 1. Minnesota Statutes 2013 Supplement, section 290.01, subdivision 19d,

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is amended to read:

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Subd. 19d. **Corporations; modifications decreasing federal taxable income.** For

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corporations, there shall be subtracted from federal taxable income after the increases

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provided in subdivision 19c:

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(1) the amount of foreign dividend gross-up added to gross income for federal

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income tax purposes under section 78 of the Internal Revenue Code;

(2) the amount of salary expense not allowed for federal income tax purposes due to claiming the work opportunity credit under section 51 of the Internal Revenue Code;

(3) any dividend (not including any distribution in liquidation) paid within the taxable year by a national or state bank to the United States, or to any instrumentality of the United States exempt from federal income taxes, on the preferred stock of the bank owned by the United States or the instrumentality;

~~(4) amounts disallowed for intangible drilling costs due to differences between this chapter and the Internal Revenue Code in taxable years beginning before January 1, 1987, as follows:~~

~~(i) to the extent the disallowed costs are represented by physical property, an amount equal to the allowance for depreciation under Minnesota Statutes 1986, section 290.09, subdivision 7, subject to the modifications contained in subdivision 19c; and~~

~~(ii) to the extent the disallowed costs are not represented by physical property, an amount equal to the allowance for cost depletion under Minnesota Statutes 1986, section 290.09, subdivision 8;~~

~~(5)~~ (4) the deduction for capital losses pursuant to sections 1211 and 1212 of the Internal Revenue Code, except that:

(i) for capital losses incurred in taxable years beginning after December 31, 1986, capital loss carrybacks shall not be allowed;

(ii) for capital losses incurred in taxable years beginning after December 31, 1986, a capital loss carryover to each of the 15 taxable years succeeding the loss year shall be allowed;

(iii) for capital losses incurred in taxable years beginning before January 1, 1987, a capital loss carryback to each of the three taxable years preceding the loss year, subject to the provisions of Minnesota Statutes 1986, section 290.16, shall be allowed; and

(iv) for capital losses incurred in taxable years beginning before January 1, 1987, a capital loss carryover to each of the five taxable years succeeding the loss year to the extent such loss was not used in a prior taxable year and subject to the provisions of Minnesota Statutes 1986, section 290.16, shall be allowed;

~~(6)~~ (5) an amount for interest and expenses relating to income not taxable for federal income tax purposes, if (i) the income is taxable under this chapter and (ii) the interest and expenses were disallowed as deductions under the provisions of section 171(a)(2), 265 or 291 of the Internal Revenue Code in computing federal taxable income;

~~(7)~~ (6) in the case of mines, oil and gas wells, other natural deposits, and timber for which percentage depletion was disallowed pursuant to subdivision 19c, clause (8), a reasonable allowance for depletion based on actual cost. In the case of leases the deduction

must be apportioned between the lessor and lessee in accordance with rules prescribed by the commissioner. In the case of property held in trust, the allowable deduction must be apportioned between the income beneficiaries and the trustee in accordance with the pertinent provisions of the trust, or if there is no provision in the instrument, on the basis of the trust's income allocable to each;

~~(8)~~ (7) for certified pollution control facilities placed in service in a taxable year beginning before December 31, 1986, and for which amortization deductions were elected under section 169 of the Internal Revenue Code of 1954, as amended through December 31, 1985, an amount equal to the allowance for depreciation under Minnesota Statutes 1986, section 290.09, subdivision 7;

~~(9)~~ (8) amounts included in federal taxable income that are due to refunds of income, excise, or franchise taxes based on net income or related minimum taxes paid by the corporation to Minnesota, another state, a political subdivision of another state, the District of Columbia, or a foreign country or possession of the United States to the extent that the taxes were added to federal taxable income under subdivision 19c, clause (1), in a prior taxable year;

~~(10)~~ (9) income or gains from the business of mining as defined in section 290.05, subdivision 1, clause (a), that are not subject to Minnesota franchise tax;

~~(11)~~ (10) the amount of disability access expenditures in the taxable year which are not allowed to be deducted or capitalized under section 44(d)(7) of the Internal Revenue Code;

~~(12)~~ (11) the amount of qualified research expenses not allowed for federal income tax purposes under section 280C(c) of the Internal Revenue Code, but only to the extent that the amount exceeds the amount of the credit allowed under section 290.068;

~~(13)~~ (12) the amount of salary expenses not allowed for federal income tax purposes due to claiming the Indian employment credit under section 45A(a) of the Internal Revenue Code;

~~(14)~~ (13) any decrease in subpart F income, as defined in section 952(a) of the Internal Revenue Code, for the taxable year when subpart F income is calculated without regard to the provisions of Division C, title III, section 303(b) of Public Law 110-343;

~~(15)~~ (14) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19c, clause (12), an amount equal to one-fifth of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the amount of the addition made by the taxpayer under subdivision 19c, clause (12). The resulting delayed depreciation cannot be less than zero;

4.1 ~~(16)~~ (15) in each of the five tax years immediately following the tax year in which an
4.2 addition is required under subdivision 19c, clause (13), an amount equal to one-fifth of the
4.3 amount of the addition;

4.4 ~~(17)~~ (16) to the extent included in federal taxable income, discharge of indebtedness
4.5 income resulting from reacquisition of business indebtedness included in federal taxable
4.6 income under section 108(i) of the Internal Revenue Code. This subtraction applies only
4.7 to the extent that the income was included in net income in a prior year as a result of the
4.8 addition under subdivision 19c, clause (16); and

4.9 ~~(18)~~ (17) the amount of expenses not allowed for federal income tax purposes due
4.10 to claiming the railroad track maintenance credit under section 45G(a) of the Internal
4.11 Revenue Code.

4.12 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
4.13 December 31, 2013.

4.14 Sec. 2. Minnesota Statutes 2013 Supplement, section 290.0921, subdivision 3, is
4.15 amended to read:

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

4.23 (1) For purposes of the depreciation adjustments under section 56(a)(1) and
4.24 56(g)(4)(A) of the Internal Revenue Code, the basis for depreciable property placed in
4.25 service in a taxable year beginning before January 1, 1990, is the adjusted basis for federal
4.26 income tax purposes, including any modification made in a taxable year under section
4.27 290.01, subdivision 19e, or Minnesota Statutes 1986, section 290.09, subdivision 7,
4.28 paragraph (c).

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

4.33 (2) The portion of the depreciation deduction allowed for federal income tax
4.34 purposes under section 168(k) of the Internal Revenue Code that is required as an

addition under section 290.01, subdivision 19c, clause (12), is disallowed in determining alternative minimum taxable income.

(3) The subtraction for depreciation allowed under section 290.01, subdivision 19d, clause ~~(15)~~ (14), is allowed as a depreciation deduction in determining alternative minimum taxable income.

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

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

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

~~(7) The tax preference for intangible drilling costs under section 57(a)(2) of the Internal Revenue Code must be calculated without regard to subparagraph (E) and the subtraction under section 290.01, subdivision 19d, clause (4).~~

~~(8)~~ (7) The tax preference for tax exempt interest under section 57(a)(5) of the Internal Revenue Code does not apply.

~~(9)~~ (8) The tax preference for charitable contributions of appreciated property under section 57(a)(6) of the Internal Revenue Code does not apply.

~~(10)~~ (9) For purposes of calculating the tax preference for accelerated depreciation or amortization on certain property placed in service before January 1, 1987, under section 57(a)(7) of the Internal Revenue Code, the deduction allowable for the taxable year is the deduction allowed under section 290.01, subdivision 19e.

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

~~(11)~~ (10) For purposes of calculating the adjustment for adjusted current earnings in section 56(g) of the Internal Revenue Code, the term "alternative minimum taxable income" as it is used in section 56(g) of the Internal Revenue Code, means alternative minimum taxable income as defined in this subdivision, determined without regard to the adjustment for adjusted current earnings in section 56(g) of the Internal Revenue Code.

~~(12)~~ (11) For purposes of determining the amount of adjusted current earnings under section 56(g)(3) of the Internal Revenue Code, no adjustment shall be made under section 56(g)(4) of the Internal Revenue Code with respect to (i) the amount of foreign dividend gross-up subtracted as provided in section 290.01, subdivision 19d, clause (1), or (ii) the amount of refunds of income, excise, or franchise taxes subtracted as provided in section 290.01, subdivision 19d, clause ~~(9)~~ (8).

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

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

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

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2013.

Sec. 3. Minnesota Statutes 2013 Supplement, section 290.191, subdivision 5, is amended to read:

Subd. 5. Determination of sales factor. For purposes of this section, the following rules apply in determining the sales factor.

(a) The sales factor includes all sales, gross earnings, or receipts received in the ordinary course of the business, except that the following types of income are not included in the sales factor:

(1) interest;

(2) dividends;

(3) sales of capital assets as defined in section 1221 of the Internal Revenue Code;

(4) sales of property used in the trade or business, except sales of leased property of a type which is regularly sold as well as leased; and

(5) sales of debt instruments as defined in section 1275(a)(1) of the Internal Revenue Code or sales of stock.

(b) Sales of tangible personal property are made within this state if the property is received by a purchaser at a point within this state, ~~and the taxpayer is taxable in this state,~~ regardless of the f.o.b. point, other conditions of the sale, or the ultimate destination of the property.

(c) Tangible personal property delivered to a common or contract carrier or foreign vessel for delivery to a purchaser in another state or nation is a sale in that state or nation, regardless of f.o.b. point or other conditions of the sale.

(d) Notwithstanding paragraphs (b) and (c), when intoxicating liquor, wine, fermented malt beverages, cigarettes, or tobacco products are sold to a purchaser who is licensed by a state or political subdivision to resell this property only within the state of ultimate destination, the sale is made in that state.

(e) Sales made by or through a corporation that is qualified as a domestic international sales corporation under section 992 of the Internal Revenue Code are not considered to have been made within this state.

(f) Sales, rents, royalties, and other income in connection with real property is attributed to the state in which the property is located.

(g) Receipts from the lease or rental of tangible personal property, including finance leases and true leases, must be attributed to this state if the property is located in this state and to other states if the property is not located in this state. Receipts from the lease or rental of moving property including, but not limited to, motor vehicles, rolling stock, aircraft, vessels, or mobile equipment are included in the numerator of the receipts factor to the extent that the property is used in this state. The extent of the use of moving property is determined as follows:

(1) A motor vehicle is used wholly in the state in which it is registered.

(2) The extent that rolling stock is used in this state is determined by multiplying the receipts from the lease or rental of the rolling stock by a fraction, the numerator of which is the miles traveled within this state by the leased or rented rolling stock and the denominator of which is the total miles traveled by the leased or rented rolling stock.

(3) The extent that an aircraft is used in this state is determined by multiplying the receipts from the lease or rental of the aircraft by a fraction, the numerator of which is the number of landings of the aircraft in this state and the denominator of which is the total number of landings of the aircraft.

(4) The extent that a vessel, mobile equipment, or other mobile property is used in the state is determined by multiplying the receipts from the lease or rental of the property by a fraction, the numerator of which is the number of days during the taxable year the property was in this state and the denominator of which is the total days in the taxable year.

(h) Royalties and other income received for the use of or for the privilege of using intangible property, including patents, know-how, formulas, designs, processes, patterns, copyrights, trade names, service names, franchises, licenses, contracts, customer lists, or similar items, must be attributed to the state in which the property is used by the purchaser. If the property is used in more than one state, the royalties or other income must be apportioned to this state pro rata according to the portion of use in this state. If the portion of use in this state cannot be determined, the royalties or other income must be excluded from both the numerator and the denominator. Intangible property is used in this state if the purchaser uses the intangible property or the rights therein in the regular course of its business operations in this state, regardless of the location of the purchaser's customers.

(i) Sales of intangible property are made within the state in which the property is used by the purchaser. If the property is used in more than one state, the sales must be apportioned to this state pro rata according to the portion of use in this state. If the portion of use in this state cannot be determined, the sale must be excluded from both the numerator and the denominator of the sales factor. Intangible property is used in this state if the purchaser used the intangible property in the regular course of its business operations in this state.

(j) Receipts from the performance of services must be attributed to the state where the services are received. For the purposes of this section, receipts from the performance of services provided to a corporation, partnership, or trust may only be attributed to a state where it has a fixed place of doing business. If the state where the services are received is not readily determinable or is a state where the corporation, partnership, or trust receiving the service does not have a fixed place of doing business, the services shall be deemed to be received at the location of the office of the customer from which the services were ordered in the regular course of the customer's trade or business. If the ordering office cannot be determined, the services shall be deemed to be received at the office of the customer to which the services are billed.

(k) For the purposes of this subdivision and subdivision 6, paragraph (l), receipts from management, distribution, or administrative services performed by a corporation or trust for a fund of a corporation or trust regulated under United States Code, title 15, sections 80a-1 through 80a-64, must be attributed to the state where the shareholder of the fund resides. Under this paragraph, receipts for services attributed to shareholders are determined on the basis of the ratio of: (1) the average of the outstanding shares in the fund owned by shareholders residing within Minnesota at the beginning and end of each year; and (2) the average of the total number of outstanding shares in the fund at the beginning and end of each year. Residence of the shareholder, in the case of an individual, is determined by the mailing address furnished by the shareholder to the fund. Residence of the shareholder, when the shares are held by an insurance company as a depositor for the insurance company policyholders, is the mailing address of the policyholders. In the case of an insurance company holding the shares as a depositor for the insurance company policyholders, if the mailing address of the policyholders cannot be determined by the taxpayer, the receipts must be excluded from both the numerator and denominator. Residence of other shareholders is the mailing address of the shareholder.

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

9.1 **ARTICLE 2**

9.2 **PROPERTY TAXES**

9.3 Section 1. Minnesota Statutes 2012, section 126C.01, subdivision 3, is amended to read:

9.4 Subd. 3. **Referendum market value.** "Referendum market value" means the
9.5 market value of all taxable property, excluding property classified as class 2, 4c(4), or
9.6 4c(12) under section 273.13. The portion of class 2a property consisting of the house,
9.7 garage, and surrounding one acre of land of an agricultural homestead is included in
9.8 referendum market value. For the purposes of this subdivision, in the case of class 1a,
9.9 1b, or 2a property, "market value" means the value prior to the exclusion under section
9.10 273.13, subdivision 35. Any class of property, or any portion of a class of property, that is
9.11 included in the definition of referendum market value and that has a ~~class~~ classification
9.12 rate of less than one percent under section 273.13 shall have a referendum market value
9.13 equal to its market value times its ~~class~~ classification rate, multiplied by 100.

9.14 **EFFECTIVE DATE.** This section is effective beginning with assessment year 2014.

9.15 Sec. 2. Minnesota Statutes 2012, section 168.013, subdivision 5, is amended to read:

9.16 Subd. 5. **Certain vehicles subject to personal property tax.** Motor vehicles not
9.17 subject to taxation as provided in section 168.012, but subject to taxation as personal
9.18 property within the state under section 273.36 or 273.37, subdivision 1, have a ~~class~~
9.19 classification rate as provided in section 273.13, subdivision 24, provided, that if the
9.20 person against whom any tax has been levied on the ad valorem basis because of any
9.21 motor vehicle shall, during the calendar year for which such tax is levied, be also taxed
9.22 under the provisions of this chapter, then and in that event, upon proper showing, the
9.23 commissioner of revenue shall grant to the person against whom said ad valorem tax was
9.24 levied, such reduction or abatement of net tax capacity or taxes as was occasioned by the
9.25 so-called ad valorem tax imposed, and provided further that, if said ad valorem tax upon
9.26 any motor vehicle has been assessed against a dealer in new and unused motor vehicles,
9.27 and the tax imposed by this chapter for the required period is thereafter paid by the owner,
9.28 then and in that event, upon proper showing, the commissioner of revenue, upon the
9.29 application of said dealer, shall grant to such dealer against whom said ad valorem tax was
9.30 levied such reduction or abatement of net tax capacity or taxes as was occasioned by the
9.31 so-called ad valorem tax imposed. If such motor vehicle be registered and taxed under this
9.32 chapter for a fractional part of the calendar year only, then such ad valorem tax shall be
9.33 reduced in the percentage which such fractional part of the years bears to a full year.

10.1 **EFFECTIVE DATE.** This section is effective beginning with assessment year 2014.

10.2 Sec. 3. Minnesota Statutes 2012, section 270.12, subdivision 4, is amended to read:

10.3 Subd. 4. **Public utility property.** For purposes of equalization only, public utility
10.4 personal property shall be treated as a separate class of property notwithstanding the fact
10.5 that its ~~class~~ classification rate is the same as commercial-industrial property.

10.6 **EFFECTIVE DATE.** This section is effective beginning with assessment year 2014.

10.7 Sec. 4. Minnesota Statutes 2012, section 270.87, is amended to read:

10.8 **270.87 CERTIFICATION TO COUNTY ASSESSORS.**

10.9 After making an annual determination of the equalized fair market value of the
10.10 operating property of each company in each of the respective counties, and in the taxing
10.11 districts therein, the commissioner shall certify the equalized fair market value to the
10.12 county assessor on or before June 30. The equalized fair market value of the operating
10.13 property of the railroad company in the county and the taxing districts therein is the value
10.14 on which taxes must be levied and collected in the same manner as on the commercial and
10.15 industrial property of such county and the taxing districts therein. If the commissioner
10.16 determines that the equalized fair market value certified on or before June 30 is in error,
10.17 the commissioner may issue a corrected certification on or before August 31. The
10.18 commissioner may correct errors that are merely clerical in nature until December 31.

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

10.20 Sec. 5. Minnesota Statutes 2012, section 270.91, is amended to read:

10.21 **270.91 CONTAMINATION TAX.**

10.22 Subdivision 1. **Imposition.** A tax is annually imposed on the contamination value of
10.23 taxable real property in this state.

10.24 Subd. 2. **Initial tax rates.** Unless the rates under subdivision 3 or 4 apply, the
10.25 tax imposed under this section equals 100 percent of the ~~class~~ classification rate for the
10.26 property under section 273.13, multiplied by the contamination value of the property.

10.27 Subd. 3. **Tax rates, nonresponsible party.** If neither the owner nor the operator of
10.28 the taxable real property, in the assessment year, is a responsible person under chapter
10.29 115B or a responsible party under chapter 18D for the presence of contaminants on the
10.30 property, unless subdivision 4 applies, the tax imposed under this section equals 25
10.31 percent of the ~~class~~ classification rate for the property under section 273.13, multiplied
10.32 by the contamination value of the property. A determination under section 115B.177 or

other similar determination by the commissioner of the Pollution Control Agency or by the commissioner of agriculture for a release of agricultural chemicals is dispositive of whether the owner or operator is not a responsible person under chapter 18D or 115B for purposes of this section. To qualify under this subdivision, the property owner must provide the assessor with a copy of the determination by July 1 of the assessment year.

Subd. 4. **Tax rates after plan approval.** (a) The tax imposed under this subdivision applies for the first assessment year that begins after one of the following occurs:

(1) a response action plan for the property has been approved by the commissioner of the Pollution Control Agency or by the commissioner of agriculture for an agricultural chemical release or incident subject to chapter 18D and work under the plan has begun; or

(2) the contaminants are asbestos and the property owner has in place an abatement plan for enclosure, removal, or encapsulation of the asbestos. To qualify under this clause, the property owner must (i) have entered into a binding contract with a licensed contractor for completion of the work, or (ii) have obtained a license from the commissioner of health and begun the work. An abatement plan must provide for completion of the work within a reasonable time period, as determined by the assessors.

(b) To qualify under paragraph (a), the property owner must provide the assessor with a copy of: (1) the approved response action plan; or (2) a copy of the asbestos abatement plan and contract for completion of the work or the owner's license to perform the work. The property owner also must file with the assessor an affidavit indicating when work under the response action plan or asbestos abatement plan began.

(c) The tax imposed under this subdivision equals 50 percent of the ~~class~~ classification rate for the property under section 273.13, multiplied by the contamination value of the property, unless paragraph (d) applies.

(d) The tax imposed under this subdivision equals 12.5 percent of the ~~class~~ classification rate for the property under section 273.13, multiplied by the contamination value of the property, if one of the following conditions is satisfied:

(1) the contaminants are subject to chapter 115B and neither the owner nor the operator of the taxable real property in the assessment year is a responsible person under chapter 115B;

(2) the contaminants are subject to chapter 18D and neither the owner nor the operator of the taxable real property in the assessment year is a responsible party under chapter 18D.

EFFECTIVE DATE. This section is effective beginning with assessment year 2014.

Sec. 6. Minnesota Statutes 2012, section 272.029, subdivision 4a, is amended to read:

12.1 Subd. 4a. **Correction of errors.** If the commissioner of revenue determines that
12.2 the amount of production tax has been erroneously calculated, the commissioner may
12.3 correct the error. The commissioner must notify the owner of the wind energy conversion
12.4 system of the correction and the amount of tax due to each county and must certify the
12.5 correction to the county auditor of each county in which the system is located on or before
12.6 April 1 of the current year. The commissioner may correct errors that are merely clerical
12.7 in nature until December 31.

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

12.9 Sec. 7. Minnesota Statutes 2013 Supplement, section 272.03, subdivision 15, is
12.10 amended to read:

12.11 Subd. 15. **Taxable market value.** "Taxable market value" means estimated market
12.12 value for the parcel as reduced by market value exclusions, deferments of value, or other
12.13 adjustments required by law, that reduce market value before the application of ~~class~~
12.14 classification rates.

12.15 **EFFECTIVE DATE.** This section is effective beginning with assessment year 2014.

12.16 Sec. 8. Minnesota Statutes 2012, section 273.01, is amended to read:

12.17 **273.01 LISTING AND ASSESSMENT, TIME.**

12.18 All real property subject to taxation shall be listed and at least one-fifth of the parcels
12.19 listed shall be appraised each year with reference to their value on January 2 preceding the
12.20 assessment so that each parcel shall be reappraised at maximum intervals of five years. All
12.21 real property becoming taxable in any year shall be listed with reference to its value on
12.22 January 2 of that year. Except as provided in this section and section 274.01, subdivision
12.23 1, all real property assessments shall be completed two weeks prior to the date scheduled
12.24 for the local board of review or equalization. No changes in valuation or classification
12.25 which are intended to correct errors in judgment by the county assessor may be made by
12.26 the county assessor after the board of review or the county board of equalization has
12.27 adjourned; however, corrections of errors for real or personal property that are merely
12.28 clerical in nature or changes that extend homestead treatment to property are permitted
12.29 after adjournment until the tax extension date for that assessment year. Any changes made
12.30 by the assessor after adjournment must be fully documented and maintained in a file in the
12.31 assessor's office and shall be available for review by any person. A copy of any changes
12.32 made during this period shall be sent to the county board no later than December 31 of
12.33 the assessment year. In the event a valuation and classification is not placed on any real

property by the dates scheduled for the local board of review or equalization the valuation and classification determined in the preceding assessment shall be continued in effect and the provisions of section 273.13 shall, in such case, not be applicable, except with respect to real estate which has been constructed since the previous assessment. Real property containing iron ore, the fee to which is owned by the state of Minnesota, shall, if leased by the state after January 2 in any year, be subject to assessment for that year on the value of any iron ore removed under said lease prior to January 2 of the following year. Personal property subject to taxation shall be listed and assessed annually with reference to its value on January 2; and, if acquired on that day, shall be listed by or for the person acquiring it.

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

Sec. 9. Minnesota Statutes 2012, section 273.11, subdivision 12, is amended to read:

Subd. 12. **Community land trusts.** (a) A community land trust, as defined under chapter 462A, is (i) a community-based nonprofit corporation organized under chapter 317A, which qualifies for tax exempt status under 501(c)(3), or (ii) a "city" as defined in section 462C.02, subdivision 6, which has received funding from the Minnesota housing finance agency for purposes of the community land trust program. The Minnesota Housing Finance Agency shall set the criteria for community land trusts.

(b) All occupants of a community land trust building must have a family income of less than 80 percent of the greater of (1) the state median income, or (2) the area or county median income, as most recently determined by the Department of Housing and Urban Development. Before the community land trust can rent or sell a unit to an applicant, the community land trust shall verify to the satisfaction of the administering agency or the city that the family income of each person or family applying for a unit in the community land trust building is within the income criteria provided in this paragraph. The administering agency or the city shall verify to the satisfaction of the county assessor that the occupant meets the income criteria under this paragraph. The property tax benefits under paragraph (c) shall be granted only to property owned or rented by persons or families within the qualifying income limits. The family income criteria and verification is only necessary at the time of initial occupancy in the property.

(c) A unit which is owned by the occupant and used as a homestead by the occupant qualifies for homestead treatment as class 1a under section 273.13, subdivision 22. A unit which is rented by the occupant and used as a homestead by the occupant shall be class 4a or 4b property, under section 273.13, subdivision 25, whichever is applicable. Any remaining portion of the property not used for residential purposes shall be classified by the assessor in the appropriate class based upon the use of that portion of the property

14.1 owned by the community land trust. The land upon which the building is located shall
14.2 be assessed at the same ~~class~~ classification rate as the units within the building, provided
14.3 that if the building contains some units assessed as class 1a and some units assessed as
14.4 class 4a or 4b, the market value of the land will be assessed in the same proportions as
14.5 the value of the building.

14.6 **EFFECTIVE DATE.** This section is effective beginning with assessment year 2014.

14.7 Sec. 10. Minnesota Statutes 2012, section 273.11, subdivision 19, is amended to read:

14.8 Subd. 19. **Valuation exclusion for improvements to certain business property.**

14.9 Property classified under ~~Minnesota Statutes~~, section 273.13, subdivision 24, which is
14.10 eligible for the preferred ~~class~~ classification rate on the market value up to \$150,000, shall
14.11 qualify for a valuation exclusion for assessment purposes, provided all of the following
14.12 conditions are met:

14.13 (1) the building must be at least 50 years old at the time of the improvement or
14.14 damaged by the 1997 floods;

14.15 (2) the building must be located in a city or town with a population of 10,000 or
14.16 less that is located outside the seven-county metropolitan area, as defined in section
14.17 473.121, subdivision 2;

14.18 (3) the total estimated market value of the land and buildings must be \$100,000 or
14.19 less prior to the improvement and prior to the damage caused by the 1997 floods;

14.20 (4) the current year's estimated market value of the property must be equal to or less
14.21 than the property's estimated market value in each of the two previous years' assessments;

14.22 (5) a building permit must have been issued prior to the commencement of the
14.23 improvement, or if the building is located in a city or town which does not have a building
14.24 permit process, the property owner must notify the assessor prior to the commencement of
14.25 the improvement;

14.26 (6) the property, including its improvements, has received no public assistance,
14.27 grants or financing except, that in the case of property damaged by the 1997 floods, the
14.28 property is eligible to the extent that the flood losses are not reimbursed by insurance or
14.29 any public assistance, grants, or financing;

14.30 (7) the property is not receiving a property tax abatement under section 469.1813; and

14.31 (8) the improvements are made after the effective date of Laws 1997, chapter 231,
14.32 and prior to January 1, 1999.

14.33 The assessor shall estimate the market value of the building in the assessment year
14.34 immediately following the year that (1) the building permit was taken out, or (2) the
14.35 taxpayer notified the assessor that an improvement was to be made. If the estimated

market value of the building has increased over the prior year's assessment, the assessor shall note the amount of the increase on the property's record, and that amount shall be subtracted from the value of the property in each year for five years after the improvement has been made, at which time an amount equal to 20 percent of the excluded value shall be added back in each of the five subsequent assessment years.

For any property, there can be no more than two improvements qualifying for exclusion under this subdivision. The maximum amount of value that can be excluded from any property under this subdivision is \$50,000.

The assessor shall require an application, including documentation of the age of the building from the owner, if unknown by the assessor. Applications must be received prior to July 1 of any year in order to be effective for taxes payable in the following year.

For purposes of this subdivision, "population" has the same meaning given in ~~Minnesota Statutes~~, section 477A.011, subdivision 3.

EFFECTIVE DATE. This section is effective beginning with assessment year 2014.

Sec. 11. Minnesota Statutes 2012, section 273.1102, subdivision 3, is amended to read:

Subd. 3. **1988 adjustment.** School district levy limitations or authorities expressed in terms of mills and adjusted assessed value in any special law that is not codified in Minnesota Statutes shall be converted by the Department of Education to equalized gross local tax rates for taxes payable in 1989 and 1990 and to equalized net local tax rates for taxes payable in 1991 and thereafter. For purposes of this calculation, the 1987 adjusted assessed values of the district shall be converted to "adjusted gross tax capacities" by multiplying the equalized market values by class of property by the gross ~~class~~ classification rates provided in section 273.13. Each county assessor and the city assessors of Minneapolis, Duluth, and St. Cloud shall furnish the commissioner of revenue the 1987 market value for taxes payable in 1988 for any new classes of property established in Laws 1988, chapter 719, article 5. The commissioner shall use those values, and estimate values where needed, in developing the 1987 tax capacity for each school district under this section. The requirements of section 124.2131, subdivisions 1, paragraph (c), 2, and 3, shall remain in effect.

EFFECTIVE DATE. This section is effective beginning with assessment year 2014.

Sec. 12. Minnesota Statutes 2013 Supplement, section 273.117, is amended to read:

273.117 CONSERVATION PROPERTY TAX VALUATION.

The value of real property which is subject to a conservation restriction or easement shall not be reduced by the assessor if:

(a) the restriction or easement is for a conservation purpose ~~as defined in section 84.64, subdivision 2,~~ and is recorded on the property; and

(b) the property is being used in accordance with the terms of the conservation restriction or easement.

This section does not apply to (1) conservation restrictions or easements covering riparian buffers along lakes, rivers, and streams that are used for water quantity or quality control; ~~or~~ (2) easements in a county that has adopted, by referendum, a program to protect farmland and natural areas since 1999; or (3) conservation restrictions or easements entered into prior to May 23, 2013.

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

Sec. 13. Minnesota Statutes 2012, section 273.124, subdivision 3, is amended to read:

Subd. 3. Cooperatives and charitable corporations; homestead and other property. (a) When property is owned by a corporation or association organized under chapter 308A or 308B, and each person who owns a share or shares in the corporation or association is entitled to occupy a building on the property, or a unit within a building on the property, the corporation or association may claim homestead treatment for each dwelling, or for each unit in the case of a building containing several dwelling units, or for the part of the value of the building occupied by a shareholder. Each building or unit must be designated by legal description or number. The net tax capacity of each building or unit that qualifies for assessment as a homestead under this subdivision must include not more than one-half acre of land, if platted, nor more than 80 acres if unplatted. The net tax capacity of the property is the sum of the net tax capacities of each of the respective buildings or units comprising the property, including the net tax capacity of each unit's or building's proportionate share of the land and any common buildings. To qualify for the treatment provided by this subdivision, the corporation or association must be wholly owned by persons having a right to occupy a building or unit owned by the corporation or association. A charitable corporation organized under the laws of Minnesota and not otherwise exempt thereunder with no outstanding stock qualifies for homestead treatment with respect to member residents of the dwelling units who have purchased and hold residential participation warrants entitling them to occupy the units.

(b) To the extent provided in paragraph (a), a cooperative or corporation organized under chapter 308A or 308B may obtain separate assessment and valuation, and separate property tax statements for each residential homestead, residential nonhomestead, or for

each seasonal residential recreational building or unit not used for commercial purposes. The appropriate ~~class~~ classification rates under section 273.13 shall be applicable as if each building or unit were a separate tax parcel; provided, however, that the tax parcel which exists at the time the cooperative or corporation makes application under this subdivision shall be a single parcel for purposes of property taxes or the enforcement and collection thereof, other than as provided in paragraph (a) or this paragraph.

(c) A member of a corporation or association may initially obtain the separate assessment and valuation and separate property tax statements, as provided in paragraph (b), by applying to the assessor by June 30 of the assessment year.

(d) When a building, or dwelling units within a building, no longer qualify under paragraph (a) or (b), the current owner must notify the assessor within 30 days. Failure to notify the assessor within 30 days shall result in the loss of benefits under paragraph (a) or (b) for taxes payable in the year that the failure is discovered. For these purposes, "benefits under paragraph (a) or (b)" means the difference in the net tax capacity of the building or units which no longer qualify as computed under paragraph (a) or (b) and as computed under the otherwise applicable law, times the local tax rate applicable to the building for that taxes payable year. Upon discovery of a failure to notify, the assessor shall inform the auditor of the difference in net tax capacity for the building or buildings in which units no longer qualify, and the auditor shall calculate the benefits under paragraph (a) or (b). Such amount, plus a penalty equal to 100 percent of that amount, shall then be demanded of the building's owner. The property owner may appeal the county's determination by serving copies of a petition for review with county officials as provided in section 278.01 and filing a proof of service as provided in section 278.01 with the Minnesota Tax Court within 60 days of the date of the notice from the county. The appeal shall be governed by the Tax Court procedures provided in chapter 271, for cases relating to the tax laws as defined in section 271.01, subdivision 5; disregarding sections 273.125, subdivision 5, and 278.03, but including section 278.05, subdivision 2. If the amount of the benefits under paragraph (a) or (b) and penalty are not paid within 60 days, and if no appeal has been filed, the county auditor shall certify the amount of the benefit and penalty to the succeeding year's tax list to be collected as part of the property taxes on the affected property.

EFFECTIVE DATE. This section is effective beginning with assessment year 2014.

Sec. 14. Minnesota Statutes 2013 Supplement, section 273.124, subdivision 3a, is amended to read:

Subd. 3a. **Manufactured home park cooperative.** (a) When a manufactured home park is owned by a corporation or association organized under chapter 308A or 308B,

and each person who owns a share or shares in the corporation or association is entitled to occupy a lot within the park, the corporation or association may claim homestead treatment for the park. Each lot must be designated by legal description or number, and each lot is limited to not more than one-half acre of land.

(b) The manufactured home park shall be entitled to homestead treatment if all of the following criteria are met:

(1) the occupant or the cooperative corporation or association is paying the ad valorem property taxes and any special assessments levied against the land and structure either directly, or indirectly through dues to the corporation or association; and

(2) the corporation or association organized under chapter 308A or 308B is wholly owned by persons having a right to occupy a lot owned by the corporation or association.

(c) A charitable corporation, organized under the laws of Minnesota with no outstanding stock, and granted a ruling by the Internal Revenue Service for 501(c)(3) tax-exempt status, qualifies for homestead treatment with respect to a manufactured home park if its members hold residential participation warrants entitling them to occupy a lot in the manufactured home park.

(d) "Homestead treatment" under this subdivision means the ~~class~~ classification rate provided for class 4c property classified under section 273.13, subdivision 25, paragraph (d), clause (5), item (ii). The homestead market value exclusion under section 273.13, subdivision 35, does not apply and the property taxes assessed against the park shall not be included in the determination of taxes payable for rent paid under section 290A.03.

EFFECTIVE DATE. This section is effective beginning with assessment year 2014.

Sec. 15. Minnesota Statutes 2012, section 273.124, subdivision 8, is amended to read:

Subd. 8. **Homestead owned by or leased to family farm corporation, joint farm venture, limited liability company, or partnership.** (a) Each family farm corporation; each joint family farm venture; and each limited liability company or partnership which operates a family farm; is entitled to class 1b under section 273.13, subdivision 22, paragraph (b), or class 2a assessment for one homestead occupied by a shareholder, member, or partner thereof who is residing on the land, and actively engaged in farming of the land owned by the family farm corporation, joint family farm venture, limited liability company, or partnership. Homestead treatment applies even if legal title to the property is in the name of the family farm corporation, joint family farm venture, limited liability company, or partnership, and not in the name of the person residing on it.

"Family farm corporation," "family farm," and "partnership operating a family farm" have the meanings given in section 500.24, except that the number of allowable

shareholders, members, or partners under this subdivision shall not exceed 12. "Limited liability company" has the meaning contained in sections 322B.03, subdivision 28, and 500.24, subdivision 2, paragraphs (l) and (m). "Joint family farm venture" means a cooperative agreement among two or more farm enterprises authorized to operate a family farm under section 500.24.

(b) In addition to property specified in paragraph (a), any other residences owned by family farm corporations, joint family farm ventures, limited liability companies, or partnerships described in paragraph (a) which are located on agricultural land and occupied as homesteads by its shareholders, members, or partners who are actively engaged in farming on behalf of that corporation, joint farm venture, limited liability company, or partnership must also be assessed as class 2a property or as class 1b property under section 273.13.

(c) Agricultural property that is owned by a member, partner, or shareholder of a family farm corporation or joint family farm venture, limited liability company operating a family farm, or by a partnership operating a family farm and leased to the family farm corporation, limited liability company, partnership, or joint farm venture, as defined in paragraph (a), is eligible for classification as class 1b or class 2a under section 273.13, if the owner is actually residing on the property, and is actually engaged in farming the land on behalf of that corporation, joint farm venture, limited liability company, or partnership. This paragraph applies without regard to any legal possession rights of the family farm corporation, joint family farm venture, limited liability company, or partnership under the lease.

(d) Nonhomestead agricultural property that is owned by a family farm corporation, joint farm venture, limited liability company, or partnership; and located not farther than four townships or cities, or combination thereof, from agricultural land that is owned, and used for the purposes of a homestead by an individual who is a shareholder, member, or partner of the corporation, venture, company, or partnership; is entitled to receive the first tier homestead ~~class~~ classification rate on any remaining market value in the first homestead class tier that is in excess of the market value of the shareholder's, member's, or partner's class 2 agricultural homestead property, if the owner, or someone acting on the owner's behalf notifies the county assessor by July 1 that the property may be eligible under this paragraph for the current assessment year, for taxes payable in the following year. As used in this paragraph, "agricultural property" means property classified as 2a under section 273.13, along with any contiguous property classified as 2b under section 273.13, if the contiguous 2a and 2b properties are under the same ownership.

EFFECTIVE DATE. This section is effective beginning with assessment year 2014.

Sec. 16. Minnesota Statutes 2013 Supplement, section 273.13, subdivision 21b, is amended to read:

Subd. 21b. **Net tax capacity.** "Net tax capacity" means the product of the appropriate ~~net class~~ classification rates in this section and taxable market values.

EFFECTIVE DATE. This section is effective beginning with assessment year 2014.

Sec. 17. Minnesota Statutes 2012, section 273.13, subdivision 22, is amended to read:

Subd. 22. **Class 1.** (a) Except as provided in subdivision 23 and in paragraphs (b) and (c), real estate which is residential and used for homestead purposes is class 1a. In the case of a duplex or triplex in which one of the units is used for homestead purposes, the entire property is deemed to be used for homestead purposes. The market value of class 1a property must be determined based upon the value of the house, garage, and land.

The first \$500,000 of market value of class 1a property has a net ~~class~~ classification rate of one percent of its market value; and the market value of class 1a property that exceeds \$500,000 has a ~~class~~ classification rate of 1.25 percent of its market value.

(b) Class 1b property includes homestead real estate or homestead manufactured homes used for the purposes of a homestead by:

(1) any person who is blind as defined in section 256D.35, or the blind person and the blind person's spouse;

(2) any person who is permanently and totally disabled or by the disabled person and the disabled person's spouse; or

(3) the surviving spouse of a permanently and totally disabled veteran homesteading a property classified under this paragraph for taxes payable in 2008.

Property is classified and assessed under clause (2) only if the government agency or income-providing source certifies, upon the request of the homestead occupant, that the homestead occupant satisfies the disability requirements of this paragraph, and that the property is not eligible for the valuation exclusion under subdivision 34.

Property is classified and assessed under paragraph (b) only if the commissioner of revenue or the county assessor certifies that the homestead occupant satisfies the requirements of this paragraph.

Permanently and totally disabled for the purpose of this subdivision means a condition which is permanent in nature and totally incapacitates the person from working at an occupation which brings the person an income. The first \$50,000 market value of class 1b property has a net ~~class~~ classification rate of .45 percent of its market value. The remaining market value of class 1b property has a ~~class~~ classification rate using the rates for class 1a or class 2a property, whichever is appropriate, of similar market value.

21.1 (c) Class 1c property is commercial use real and personal property that abuts public
21.2 water as defined in section 103G.005, subdivision 15, and is devoted to temporary and
21.3 seasonal residential occupancy for recreational purposes but not devoted to commercial
21.4 purposes for more than 250 days in the year preceding the year of assessment, and that
21.5 includes a portion used as a homestead by the owner, which includes a dwelling occupied
21.6 as a homestead by a shareholder of a corporation that owns the resort, a partner in a
21.7 partnership that owns the resort, or a member of a limited liability company that owns the
21.8 resort even if the title to the homestead is held by the corporation, partnership, or limited
21.9 liability company. For purposes of this paragraph, property is devoted to a commercial
21.10 purpose on a specific day if any portion of the property, excluding the portion used
21.11 exclusively as a homestead, is used for residential occupancy and a fee is charged for
21.12 residential occupancy. Class 1c property must contain three or more rental units. A "rental
21.13 unit" is defined as a cabin, condominium, townhouse, sleeping room, or individual camping
21.14 site equipped with water and electrical hookups for recreational vehicles. Class 1c property
21.15 must provide recreational activities such as the rental of ice fishing houses, boats and
21.16 motors, snowmobiles, downhill or cross-country ski equipment; provide marina services,
21.17 launch services, or guide services; or sell bait and fishing tackle. Any unit in which the
21.18 right to use the property is transferred to an individual or entity by deeded interest, or the
21.19 sale of shares or stock, no longer qualifies for class 1c even though it may remain available
21.20 for rent. A camping pad offered for rent by a property that otherwise qualifies for class 1c
21.21 is also class 1c, regardless of the term of the rental agreement, as long as the use of the
21.22 camping pad does not exceed 250 days. If the same owner owns two separate parcels that
21.23 are located in the same township, and one of those properties is classified as a class 1c
21.24 property and the other would be eligible to be classified as a class 1c property if it was
21.25 used as the homestead of the owner, both properties will be assessed as a single class 1c
21.26 property; for purposes of this sentence, properties are deemed to be owned by the same
21.27 owner if each of them is owned by a limited liability company, and both limited liability
21.28 companies have the same membership. The portion of the property used as a homestead
21.29 is class 1a property under paragraph (a). The remainder of the property is classified as
21.30 follows: the first \$600,000 of market value is tier I, the next \$1,700,000 of market value is
21.31 tier II, and any remaining market value is tier III. The class classification rates for class 1c
21.32 are: tier I, 0.50 percent; tier II, 1.0 percent; and tier III, 1.25 percent. Owners of real and
21.33 personal property devoted to temporary and seasonal residential occupancy for recreation
21.34 purposes in which all or a portion of the property was devoted to commercial purposes for
21.35 not more than 250 days in the year preceding the year of assessment desiring classification
21.36 as class 1c, must submit a declaration to the assessor designating the cabins or units

occupied for 250 days or less in the year preceding the year of assessment by January 15 of the assessment year. Those cabins or units and a proportionate share of the land on which they are located must be designated as class 1c as otherwise provided. The remainder of the cabins or units and a proportionate share of the land on which they are located must be designated as class 3a commercial. The owner of property desiring designation as class 1c property must provide guest registers or other records demonstrating that the units for which class 1c designation is sought were not occupied for more than 250 days in the year preceding the assessment if so requested. The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, (4) conference center or meeting room, and (5) other nonresidential facility operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreation purposes does not qualify for class 1c.

(d) Class 1d property includes structures that meet all of the following criteria:

(1) the structure is located on property that is classified as agricultural property under section 273.13, subdivision 23;

(2) the structure is occupied exclusively by seasonal farm workers during the time when they work on that farm, and the occupants are not charged rent for the privilege of occupying the property, provided that use of the structure for storage of farm equipment and produce does not disqualify the property from classification under this paragraph;

(3) the structure meets all applicable health and safety requirements for the appropriate season; and

(4) the structure is not salable as residential property because it does not comply with local ordinances relating to location in relation to streets or roads.

The market value of class 1d property has ~~the same class rates as class 1a property under paragraph (a)~~ a classification rate of one percent on the first \$500,000 of market value and a classification rate of 1.25 percent on the market value that exceeds \$500,000.

EFFECTIVE DATE. This section is effective beginning with assessment year 2014.

Sec. 18. Minnesota Statutes 2013 Supplement, section 273.13, subdivision 23, is amended to read:

Subd. 23. **Class 2.** (a) An agricultural homestead consists of class 2a agricultural land that is homesteaded, along with any class 2b rural vacant land that is contiguous to the class 2a land under the same ownership. The market value of the house and garage and immediately surrounding one acre of land has the same ~~class~~ classification rates as class 1a or 1b property under subdivision 22. The value of the remaining land including improvements up to the first tier valuation limit of agricultural homestead property has a ~~net class~~ classification rate of 0.5 percent of market value. The remaining property over

23.1 the first tier has a ~~class~~ classification rate of one percent of market value. For purposes
23.2 of this subdivision, the "first tier valuation limit of agricultural homestead property" and
23.3 "first tier" means the limit certified under section 273.11, subdivision 23.

23.4 (b) Class 2a agricultural land consists of parcels of property, or portions thereof,
23.5 that are agricultural land and buildings. Class 2a property has a ~~net-class~~ classification
23.6 rate of one percent of market value, unless it is part of an agricultural homestead under
23.7 paragraph (a). Class 2a property must also include any property that would otherwise be
23.8 classified as 2b, but is interspersed with class 2a property, including but not limited to
23.9 sloughs, wooded wind shelters, acreage abutting ditches, ravines, rock piles, land subject
23.10 to a setback requirement, and other similar land that is impractical for the assessor to
23.11 value separately from the rest of the property or that is unlikely to be able to be sold
23.12 separately from the rest of the property.

23.13 An assessor may classify the part of a parcel described in this subdivision that is used
23.14 for agricultural purposes as class 2a and the remainder in the class appropriate to its use.

23.15 (c) Class 2b rural vacant land consists of parcels of property, or portions thereof,
23.16 that are unplatted real estate, rural in character and not used for agricultural purposes,
23.17 including land used for growing trees for timber, lumber, and wood and wood products,
23.18 that is not improved with a structure. The presence of a minor, ancillary nonresidential
23.19 structure as defined by the commissioner of revenue does not disqualify the property from
23.20 classification under this paragraph. Any parcel of 20 acres or more improved with a
23.21 structure that is not a minor, ancillary nonresidential structure must be split-classified, and
23.22 ten acres must be assigned to the split parcel containing the structure. Class 2b property
23.23 has a ~~net-class~~ classification rate of one percent of market value unless it is part of an
23.24 agricultural homestead under paragraph (a), or qualifies as class 2c under paragraph (d).

23.25 (d) Class 2c managed forest land consists of no less than 20 and no more than
23.26 1,920 acres statewide per taxpayer that is being managed under a forest management
23.27 plan that meets the requirements of chapter 290C, but is not enrolled in the sustainable
23.28 forest resource management incentive program. It has a classification rate of .65
23.29 percent, provided that the owner of the property must apply to the assessor in order for
23.30 the property to initially qualify for the reduced rate and provide the information required
23.31 by the assessor to verify that the property qualifies for the reduced rate. If the assessor
23.32 receives the application and information before May 1 in an assessment year, the property
23.33 qualifies beginning with that assessment year. If the assessor receives the application
23.34 and information after April 30 in an assessment year, the property may not qualify until
23.35 the next assessment year. The commissioner of natural resources must concur that the
23.36 land is qualified. The commissioner of natural resources shall annually provide county

assessors verification information on a timely basis. The presence of a minor, ancillary nonresidential structure as defined by the commissioner of revenue does not disqualify the property from classification under this paragraph.

(e) Agricultural land as used in this section means:

(1) contiguous acreage of ten acres or more, used during the preceding year for agricultural purposes; or

(2) contiguous acreage used during the preceding year for an intensive livestock or poultry confinement operation, provided that land used only for pasturing or grazing does not qualify under this clause.

"Agricultural purposes" as used in this section means the raising, cultivation, drying, or storage of agricultural products for sale, or the storage of machinery or equipment used in support of agricultural production by the same farm entity. For a property to be classified as agricultural based only on the drying or storage of agricultural products, the products being dried or stored must have been produced by the same farm entity as the entity operating the drying or storage facility. "Agricultural purposes" also includes enrollment in the Reinvest in Minnesota program under sections 103F.501 to 103F.535 or the federal Conservation Reserve Program as contained in Public Law 99-198 or a similar state or federal conservation program if the property was classified as agricultural (i) under this subdivision for taxes payable in 2003 because of its enrollment in a qualifying program and the land remains enrolled or (ii) in the year prior to its enrollment. Agricultural classification shall not be based upon the market value of any residential structures on the parcel or contiguous parcels under the same ownership.

"Contiguous acreage," for purposes of this paragraph, means all of, or a contiguous portion of, a tax parcel as described in section 272.193, or all of, or a contiguous portion of, a set of contiguous tax parcels under that section that are owned by the same person.

(f) Agricultural land under this section also includes:

(1) contiguous acreage that is less than ten acres in size and exclusively used in the preceding year for raising or cultivating agricultural products; or

(2) contiguous acreage that contains a residence and is less than 11 acres in size, if the contiguous acreage exclusive of the house, garage, and surrounding one acre of land was used in the preceding year for one or more of the following three uses:

(i) for an intensive grain drying or storage operation, or for intensive machinery or equipment storage activities used to support agricultural activities on other parcels of property operated by the same farming entity;

(ii) as a nursery, provided that only those acres used intensively to produce nursery stock are considered agricultural land; or

25.1 (iii) for intensive market farming; for purposes of this paragraph, "market farming"
25.2 means the cultivation of one or more fruits or vegetables or production of animal or other
25.3 agricultural products for sale to local markets by the farmer or an organization with which
25.4 the farmer is affiliated.

25.5 "Contiguous acreage," for purposes of this paragraph, means all of a tax parcel as
25.6 described in section 272.193, or all of a set of contiguous tax parcels under that section
25.7 that are owned by the same person.

25.8 (g) Land shall be classified as agricultural even if all or a portion of the agricultural
25.9 use of that property is the leasing to, or use by another person for agricultural purposes.

25.10 Classification under this subdivision is not determinative for qualifying under
25.11 section 273.111.

25.12 (h) The property classification under this section supersedes, for property tax
25.13 purposes only, any locally administered agricultural policies or land use restrictions that
25.14 define minimum or maximum farm acreage.

25.15 (i) The term "agricultural products" as used in this subdivision includes production
25.16 for sale of:

25.17 (1) livestock, dairy animals, dairy products, poultry and poultry products, fur-bearing
25.18 animals, horticultural and nursery stock, fruit of all kinds, vegetables, forage, grains,
25.19 bees, and apiary products by the owner;

25.20 (2) fish bred for sale and consumption if the fish breeding occurs on land zoned
25.21 for agricultural use;

25.22 (3) the commercial boarding of horses, which may include related horse training and
25.23 riding instruction, if the boarding is done on property that is also used for raising pasture
25.24 to graze horses or raising or cultivating other agricultural products as defined in clause (1);

25.25 (4) property which is owned and operated by nonprofit organizations used for
25.26 equestrian activities, excluding racing;

25.27 (5) game birds and waterfowl bred and raised (i) on a game farm licensed under
25.28 section 97A.105, provided that the annual licensing report to the Department of Natural
25.29 Resources, which must be submitted annually by March 30 to the assessor, indicates
25.30 that at least 500 birds were raised or used for breeding stock on the property during the
25.31 preceding year and that the owner provides a copy of the owner's most recent schedule F;
25.32 or (ii) for use on a shooting preserve licensed under section 97A.115;

25.33 (6) insects primarily bred to be used as food for animals;

25.34 (7) trees, grown for sale as a crop, including short rotation woody crops, and not
25.35 sold for timber, lumber, wood, or wood products; and

(8) maple syrup taken from trees grown by a person licensed by the Minnesota Department of Agriculture under chapter 28A as a food processor.

(j) If a parcel used for agricultural purposes is also used for commercial or industrial purposes, including but not limited to:

(1) wholesale and retail sales;

(2) processing of raw agricultural products or other goods;

(3) warehousing or storage of processed goods; and

(4) office facilities for the support of the activities enumerated in clauses (1), (2), and (3),

the assessor shall classify the part of the parcel used for agricultural purposes as class 1b, 2a, or 2b, whichever is appropriate, and the remainder in the class appropriate to its use. The grading, sorting, and packaging of raw agricultural products for first sale is considered an agricultural purpose. A greenhouse or other building where horticultural or nursery products are grown that is also used for the conduct of retail sales must be classified as agricultural if it is primarily used for the growing of horticultural or nursery products from seed, cuttings, or roots and occasionally as a showroom for the retail sale of those products. Use of a greenhouse or building only for the display of already grown horticultural or nursery products does not qualify as an agricultural purpose.

(k) The assessor shall determine and list separately on the records the market value of the homestead dwelling and the one acre of land on which that dwelling is located. If any farm buildings or structures are located on this homesteaded acre of land, their market value shall not be included in this separate determination.

(l) Class 2d airport landing area consists of a landing area or public access area of a privately owned public use airport. It has a ~~class~~ classification rate of one percent of market value. To qualify for classification under this paragraph, a privately owned public use airport must be licensed as a public airport under section 360.018. For purposes of this paragraph, "landing area" means that part of a privately owned public use airport properly cleared, regularly maintained, and made available to the public for use by aircraft and includes runways, taxiways, aprons, and sites upon which are situated landing or navigational aids. A landing area also includes land underlying both the primary surface and the approach surfaces that comply with all of the following:

(i) the land is properly cleared and regularly maintained for the primary purposes of the landing, taking off, and taxiing of aircraft; but that portion of the land that contains facilities for servicing, repair, or maintenance of aircraft is not included as a landing area;

(ii) the land is part of the airport property; and

(iii) the land is not used for commercial or residential purposes.

27.1 The land contained in a landing area under this paragraph must be described and certified
27.2 by the commissioner of transportation. The certification is effective until it is modified,
27.3 or until the airport or landing area no longer meets the requirements of this paragraph.
27.4 For purposes of this paragraph, "public access area" means property used as an aircraft
27.5 parking ramp, apron, or storage hangar, or an arrival and departure building in connection
27.6 with the airport.

27.7 (m) Class 2e consists of land with a commercial aggregate deposit that is not actively
27.8 being mined and is not otherwise classified as class 2a or 2b, provided that the land is not
27.9 located in a county that has elected to opt-out of the aggregate preservation program as
27.10 provided in section 273.1115, subdivision 6. It has a ~~class~~ classification rate of one percent
27.11 of market value. To qualify for classification under this paragraph, the property must be
27.12 at least ten contiguous acres in size and the owner of the property must record with the
27.13 county recorder of the county in which the property is located an affidavit containing:

27.14 (1) a legal description of the property;

27.15 (2) a disclosure that the property contains a commercial aggregate deposit that is not
27.16 actively being mined but is present on the entire parcel enrolled;

27.17 (3) documentation that the conditional use under the county or local zoning
27.18 ordinance of this property is for mining; and

27.19 (4) documentation that a permit has been issued by the local unit of government
27.20 or the mining activity is allowed under local ordinance. The disclosure must include a
27.21 statement from a registered professional geologist, engineer, or soil scientist delineating
27.22 the deposit and certifying that it is a commercial aggregate deposit.

27.23 For purposes of this section and section 273.1115, "commercial aggregate deposit"
27.24 means a deposit that will yield crushed stone or sand and gravel that is suitable for use
27.25 as a construction aggregate; and "actively mined" means the removal of top soil and
27.26 overburden in preparation for excavation or excavation of a commercial deposit.

27.27 (n) When any portion of the property under this subdivision or subdivision 22 begins
27.28 to be actively mined, the owner must file a supplemental affidavit within 60 days from
27.29 the day any aggregate is removed stating the number of acres of the property that is
27.30 actively being mined. The acres actively being mined must be (1) valued and classified
27.31 under subdivision 24 in the next subsequent assessment year, and (2) removed from the
27.32 aggregate resource preservation property tax program under section 273.1115, if the
27.33 land was enrolled in that program. Copies of the original affidavit and all supplemental
27.34 affidavits must be filed with the county assessor, the local zoning administrator, and the
27.35 Department of Natural Resources, Division of Land and Minerals. A supplemental
27.36 affidavit must be filed each time a subsequent portion of the property is actively mined,

28.1 provided that the minimum acreage change is five acres, even if the actual mining activity
28.2 constitutes less than five acres.

28.3 (o) The definitions prescribed by the commissioner under paragraphs (c) and (d) are
28.4 not rules and are exempt from the rulemaking provisions of chapter 14, and the provisions
28.5 in section 14.386 concerning exempt rules do not apply.

28.6 **EFFECTIVE DATE.** This section is effective beginning with assessment year 2014.

28.7 Sec. 19. Minnesota Statutes 2012, section 273.13, subdivision 24, is amended to read:

28.8 Subd. 24. **Class 3.** Commercial and industrial property and utility real and personal
28.9 property is class 3a.

28.10 (1) Except as otherwise provided, each parcel of commercial, industrial, or utility
28.11 real property has a ~~class~~ classification rate of 1.5 percent of the first tier of market value,
28.12 and 2.0 percent of the remaining market value. In the case of contiguous parcels of
28.13 property owned by the same person or entity, only the value equal to the first-tier value
28.14 of the contiguous parcels qualifies for the reduced ~~class~~ classification rate, except that
28.15 contiguous parcels owned by the same person or entity shall be eligible for the first-tier
28.16 value ~~class~~ classification rate on each separate business operated by the owner of the
28.17 property, provided the business is housed in a separate structure. For the purposes of
28.18 this subdivision, the first tier means the first \$150,000 of market value. Real property
28.19 owned in fee by a utility for transmission line right-of-way shall be classified at the ~~class~~
28.20 classification rate for the higher tier.

28.21 For purposes of this subdivision, parcels are considered to be contiguous even if
28.22 they are separated from each other by a road, street, waterway, or other similar intervening
28.23 type of property. Connections between parcels that consist of power lines or pipelines
28.24 do not cause the parcels to be contiguous. Property owners who have contiguous parcels
28.25 of property that constitute separate businesses that may qualify for the first-tier ~~class~~
28.26 classification rate shall notify the assessor by July 1, for treatment beginning in the
28.27 following taxes payable year.

28.28 (2) All personal property that is: (i) part of an electric generation, transmission, or
28.29 distribution system; or (ii) part of a pipeline system transporting or distributing water, gas,
28.30 crude oil, or petroleum products; and (iii) not described in clause (3), and all railroad
28.31 operating property has a ~~class~~ classification rate as provided under clause (1) for the first
28.32 tier of market value and the remaining market value. In the case of multiple parcels in
28.33 one county that are owned by one person or entity, only one first tier amount is eligible
28.34 for the reduced rate.

(3) The entire market value of personal property that is: (i) tools, implements, and machinery of an electric generation, transmission, or distribution system; (ii) tools, implements, and machinery of a pipeline system transporting or distributing water, gas, crude oil, or petroleum products; or (iii) the mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings, has a ~~class~~ classification rate as provided under clause (1) for the remaining market value in excess of the first tier.

EFFECTIVE DATE. This section is effective beginning with assessment year 2014.

Sec. 20. Minnesota Statutes 2013 Supplement, section 273.13, subdivision 25, is amended to read:

Subd. 25. **Class 4.** (a) Class 4a is residential real estate containing four or more units and used or held for use by the owner or by the tenants or lessees of the owner as a residence for rental periods of 30 days or more, excluding property qualifying for class 4d. Class 4a also includes hospitals licensed under sections 144.50 to 144.56, other than hospitals exempt under section 272.02, and contiguous property used for hospital purposes, without regard to whether the property has been platted or subdivided. The market value of class 4a property has a ~~class~~ classification rate of 1.25 percent.

(b) Class 4b includes:

(1) residential real estate containing less than four units that does not qualify as class 4bb, other than seasonal residential recreational property;

(2) manufactured homes not classified under any other provision;

(3) a dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b) containing two or three units; and

(4) unimproved property that is classified residential as determined under subdivision 33.

The market value of class 4b property has a ~~class~~ classification rate of 1.25 percent.

(c) Class 4bb includes nonhomestead residential real estate containing one unit, other than seasonal residential recreational property, and a single family dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b).

Class 4bb property has ~~the same class rates as class 1a property under subdivision 22~~ a classification rate of one percent on the first \$500,000 of market value and a classification rate of 1.25 percent on the market value that exceeds \$500,000.

Property that has been classified as seasonal residential recreational property at any time during which it has been owned by the current owner or spouse of the current owner does not qualify for class 4bb.

30.1 (d) Class 4c property includes:

30.2 (1) except as provided in subdivision 22, paragraph (c), real and personal property
30.3 devoted to commercial temporary and seasonal residential occupancy for recreation
30.4 purposes, for not more than 250 days in the year preceding the year of assessment. For
30.5 purposes of this clause, property is devoted to a commercial purpose on a specific day
30.6 if any portion of the property is used for residential occupancy, and a fee is charged for
30.7 residential occupancy. Class 4c property under this clause must contain three or more
30.8 rental units. A "rental unit" is defined as a cabin, condominium, townhouse, sleeping room,
30.9 or individual camping site equipped with water and electrical hookups for recreational
30.10 vehicles. A camping pad offered for rent by a property that otherwise qualifies for class
30.11 4c under this clause is also class 4c under this clause regardless of the term of the rental
30.12 agreement, as long as the use of the camping pad does not exceed 250 days. In order for a
30.13 property to be classified under this clause, either (i) the business located on the property
30.14 must provide recreational activities, at least 40 percent of the annual gross lodging receipts
30.15 related to the property must be from business conducted during 90 consecutive days,
30.16 and either (A) at least 60 percent of all paid bookings by lodging guests during the year
30.17 must be for periods of at least two consecutive nights; or (B) at least 20 percent of the
30.18 annual gross receipts must be from charges for providing recreational activities, or (ii) the
30.19 business must contain 20 or fewer rental units, and must be located in a township or a city
30.20 with a population of 2,500 or less located outside the metropolitan area, as defined under
30.21 section 473.121, subdivision 2, that contains a portion of a state trail administered by the
30.22 Department of Natural Resources. For purposes of item (i)(A), a paid booking of five or
30.23 more nights shall be counted as two bookings. Class 4c property also includes commercial
30.24 use real property used exclusively for recreational purposes in conjunction with other class
30.25 4c property classified under this clause and devoted to temporary and seasonal residential
30.26 occupancy for recreational purposes, up to a total of two acres, provided the property is
30.27 not devoted to commercial recreational use for more than 250 days in the year preceding
30.28 the year of assessment and is located within two miles of the class 4c property with which
30.29 it is used. In order for a property to qualify for classification under this clause, the owner
30.30 must submit a declaration to the assessor designating the cabins or units occupied for 250
30.31 days or less in the year preceding the year of assessment by January 15 of the assessment
30.32 year. Those cabins or units and a proportionate share of the land on which they are located
30.33 must be designated class 4c under this clause as otherwise provided. The remainder of the
30.34 cabins or units and a proportionate share of the land on which they are located will be
30.35 designated as class 3a. The owner of property desiring designation as class 4c property
30.36 under this clause must provide guest registers or other records demonstrating that the units

31.1 for which class 4c designation is sought were not occupied for more than 250 days in the
31.2 year preceding the assessment if so requested. The portion of a property operated as a
31.3 (1) restaurant, (2) bar, (3) gift shop, (4) conference center or meeting room, and (5) other
31.4 nonresidential facility operated on a commercial basis not directly related to temporary and
31.5 seasonal residential occupancy for recreation purposes does not qualify for class 4c. For
31.6 the purposes of this paragraph, "recreational activities" means renting ice fishing houses,
31.7 boats and motors, snowmobiles, downhill or cross-country ski equipment; providing
31.8 marina services, launch services, or guide services; or selling bait and fishing tackle;

31.9 (2) qualified property used as a golf course if:

31.10 (i) it is open to the public on a daily fee basis. It may charge membership fees or
31.11 dues, but a membership fee may not be required in order to use the property for golfing,
31.12 and its green fees for golfing must be comparable to green fees typically charged by
31.13 municipal courses; and

31.14 (ii) it meets the requirements of section 273.112, subdivision 3, paragraph (d).

31.15 A structure used as a clubhouse, restaurant, or place of refreshment in conjunction
31.16 with the golf course is classified as class 3a property;

31.17 (3) real property up to a maximum of three acres of land owned and used by a
31.18 nonprofit community service oriented organization and not used for residential purposes
31.19 on either a temporary or permanent basis, provided that:

31.20 (i) the property is not used for a revenue-producing activity for more than six days
31.21 in the calendar year preceding the year of assessment; or

31.22 (ii) the organization makes annual charitable contributions and donations at least
31.23 equal to the property's previous year's property taxes and the property is allowed to be
31.24 used for public and community meetings or events for no charge, as appropriate to the
31.25 size of the facility.

31.26 For purposes of this clause:

31.27 (A) "charitable contributions and donations" has the same meaning as lawful
31.28 gambling purposes under section 349.12, subdivision 25, excluding those purposes
31.29 relating to the payment of taxes, assessments, fees, auditing costs, and utility payments;

31.30 (B) "property taxes" excludes the state general tax;

31.31 (C) a "nonprofit community service oriented organization" means any corporation,
31.32 society, association, foundation, or institution organized and operated exclusively for
31.33 charitable, religious, fraternal, civic, or educational purposes, and which is exempt from
31.34 federal income taxation pursuant to section 501(c)(3), (8), (10), or (19) of the Internal
31.35 Revenue Code; and

(D) "revenue-producing activities" shall include but not be limited to property or that portion of the property that is used as an on-sale intoxicating liquor or 3.2 percent malt liquor establishment licensed under chapter 340A, a restaurant open to the public, bowling alley, a retail store, gambling conducted by organizations licensed under chapter 349, an insurance business, or office or other space leased or rented to a lessee who conducts a for-profit enterprise on the premises.

Any portion of the property not qualifying under either item (i) or (ii) is class 3a. The use of the property for social events open exclusively to members and their guests for periods of less than 24 hours, when an admission is not charged nor any revenues are received by the organization shall not be considered a revenue-producing activity.

The organization shall maintain records of its charitable contributions and donations and of public meetings and events held on the property and make them available upon request any time to the assessor to ensure eligibility. An organization meeting the requirement under item (ii) must file an application by May 1 with the assessor for eligibility for the current year's assessment. The commissioner shall prescribe a uniform application form and instructions;

(4) postsecondary student housing of not more than one acre of land that is owned by a nonprofit corporation organized under chapter 317A and is used exclusively by a student cooperative, sorority, or fraternity for on-campus housing or housing located within two miles of the border of a college campus;

(5)(i) manufactured home parks as defined in section 327.14, subdivision 3, excluding manufactured home parks described in section 273.124, subdivision 3a, and (ii) manufactured home parks as defined in section 327.14, subdivision 3, that are described in section 273.124, subdivision 3a;

(6) real property that is actively and exclusively devoted to indoor fitness, health, social, recreational, and related uses, is owned and operated by a not-for-profit corporation, and is located within the metropolitan area as defined in section 473.121, subdivision 2;

(7) a leased or privately owned noncommercial aircraft storage hangar not exempt under section 272.01, subdivision 2, and the land on which it is located, provided that:

(i) the land is on an airport owned or operated by a city, town, county, Metropolitan Airports Commission, or group thereof; and

(ii) the land lease, or any ordinance or signed agreement restricting the use of the leased premise, prohibits commercial activity performed at the hangar.

If a hangar classified under this clause is sold after June 30, 2000, a bill of sale must be filed by the new owner with the assessor of the county where the property is located within 60 days of the sale;

(8) a privately owned noncommercial aircraft storage hangar not exempt under section 272.01, subdivision 2, and the land on which it is located, provided that:

(i) the land abuts a public airport; and

(ii) the owner of the aircraft storage hangar provides the assessor with a signed agreement restricting the use of the premises, prohibiting commercial use or activity performed at the hangar; and

(9) residential real estate, a portion of which is used by the owner for homestead purposes, and that is also a place of lodging, if all of the following criteria are met:

(i) rooms are provided for rent to transient guests that generally stay for periods of 14 or fewer days;

(ii) meals are provided to persons who rent rooms, the cost of which is incorporated in the basic room rate;

(iii) meals are not provided to the general public except for special events on fewer than seven days in the calendar year preceding the year of the assessment; and

(iv) the owner is the operator of the property.

The market value subject to the 4c classification under this clause is limited to five rental units. Any rental units on the property in excess of five, must be valued and assessed as class 3a. The portion of the property used for purposes of a homestead by the owner must be classified as class 1a property under subdivision 22;

(10) real property up to a maximum of three acres and operated as a restaurant as defined under section 157.15, subdivision 12, provided it: (A) is located on a lake as defined under section 103G.005, subdivision 15, paragraph (a), clause (3); and (B) is either devoted to commercial purposes for not more than 250 consecutive days, or receives at least 60 percent of its annual gross receipts from business conducted during four consecutive months. Gross receipts from the sale of alcoholic beverages must be included in determining the property's qualification under subitem (B). The property's primary business must be as a restaurant and not as a bar. Gross receipts from gift shop sales located on the premises must be excluded. Owners of real property desiring 4c classification under this clause must submit an annual declaration to the assessor by February 1 of the current assessment year, based on the property's relevant information for the preceding assessment year;

(11) lakeshore and riparian property and adjacent land, not to exceed six acres, used as a marina, as defined in section 86A.20, subdivision 5, which is made accessible to the public and devoted to recreational use for marina services. The marina owner must annually provide evidence to the assessor that it provides services, including lake or river access to the public by means of an access ramp or other facility that is either located on

the property of the marina or at a publicly owned site that abuts the property of the marina. No more than 800 feet of lakeshore may be included in this classification. Buildings used in conjunction with a marina for marina services, including but not limited to buildings used to provide food and beverage services, fuel, boat repairs, or the sale of bait or fishing tackle, are classified as class 3a property; and

(12) real and personal property devoted to noncommercial temporary and seasonal residential occupancy for recreation purposes.

Class 4c property has a class classification rate of 1.5 percent of market value, except that (i) each parcel of noncommercial seasonal residential recreational property under clause (12) has ~~the same class rates as class 4bb property~~ a classification rate of one percent on the first \$500,000 of market value and a classification rate of 1.25 percent on the market value that exceeds \$500,000, (ii) manufactured home parks assessed under clause (5), item (i), ~~have the same class rate as class 4b property~~ a classification rate of 1.25 percent, and the market value of manufactured home parks assessed under clause (5), item (ii), ~~has the same class rate as class 4d property~~ have a classification rate of 0.75 percent if more than 50 percent of the lots in the park are occupied by shareholders in the cooperative corporation or association and a class classification rate of one percent if 50 percent or less of the lots are so occupied, (iii) commercial-use seasonal residential recreational property and marina recreational land as described in clause (11), has a class classification rate of one percent for the first \$500,000 of market value, and 1.25 percent for the remaining market value, (iv) the market value of property described in clause (4) has a class classification rate of one percent, (v) the market value of property described in clauses (2), (6), and (10) has a class classification rate of 1.25 percent, and (vi) that portion of the market value of property in clause (9) qualifying for class 4c property has a class classification rate of 1.25 percent.

(e) Class 4d property is qualifying low-income rental housing certified to the assessor by the Housing Finance Agency under section 273.128, subdivision 3. If only a portion of the units in the building qualify as low-income rental housing units as certified under section 273.128, subdivision 3, only the proportion of qualifying units to the total number of units in the building qualify for class 4d. The remaining portion of the building shall be classified by the assessor based upon its use. Class 4d also includes the same proportion of land as the qualifying low-income rental housing units are to the total units in the building. For all properties qualifying as class 4d, the market value determined by the assessor must be based on the normal approach to value using normal unrestricted rents.

(f) The first tier of market value of class 4d property has a class classification rate of 0.75 percent. The remaining value of class 4d property has a class classification rate of 0.25 percent. For the purposes of this paragraph, the "first tier of market value

of class 4d property" means the market value of each housing unit up to the first tier limit. For the purposes of this paragraph, all class 4d property value must be assigned to individual housing units. The first tier limit is \$100,000 for assessment year 2014. For subsequent years, the limit is adjusted each year by the average statewide change in estimated market value of property classified as class 4a and 4d under this section for the previous assessment year, excluding valuation change due to new construction, rounded to the nearest \$1,000, provided, however, that the limit may never be less than \$100,000. Beginning with assessment year 2015, the commissioner of revenue must certify the limit for each assessment year by November 1 of the previous year.

EFFECTIVE DATE. This section is effective beginning with assessment year 2014.

Sec. 21. Minnesota Statutes 2012, section 273.13, subdivision 25a, is amended to read:

Subd. 25a. **Elderly assisted living facility property.** "Elderly assisted living facility property" means residential real estate containing more than one unit held for use by the tenants or lessees as a residence for periods of 30 days or more, along with community rooms, lounges, activity rooms, and related facilities, designed to meet the housing, health, and financial security needs of the elderly. The real estate may be owned by an individual, partnership, limited partnership, for-profit corporation or nonprofit corporation exempt from federal income taxation under United States Code, title 26, section 501(c)(3) or related sections.

An admission or initiation fee may be required of tenants. Monthly charges may include charges for the residential unit, meals, housekeeping, utilities, social programs, a health care alert system, or any combination of them. On-site health care may be provided by in-house staff or an outside health care provider.

The assessor shall classify elderly assisted living facility property, depending upon the property's ownership, occupancy, and use. The applicable ~~class~~ classification rates shall apply based on its classification, if taxable.

EFFECTIVE DATE. This section is effective beginning with assessment year 2014.

Sec. 22. Minnesota Statutes 2012, section 273.13, subdivision 31, is amended to read:

Subd. 31. **Class 5.** Class 5 property includes:

(1) unmined iron ore and low-grade iron-bearing formations as defined in section 273.14; and

(2) all other property not otherwise classified.

Class 5 property has a ~~class~~ classification rate of 2.0 percent of market value.

36.1 **EFFECTIVE DATE.** This section is effective beginning with assessment year 2014.

36.2 Sec. 23. Minnesota Statutes 2012, section 273.1383, subdivision 1, is amended to read:

36.3 Subdivision 1. **Flood net tax capacity loss.** In assessment years 1998, 1999,
36.4 and 2000, the county assessor of each county listed in section 273.124, subdivision 14,
36.5 paragraph (d), clause (2), shall compute a hypothetical county net tax capacity based upon
36.6 market values for the current assessment year and the ~~class~~ classification rates that were in
36.7 effect for assessment year 1997. The amount, if any, by which the assessment year 1997
36.8 total taxable net tax capacity exceeds the hypothetical taxable net tax capacity shall be
36.9 known as the county's "flood net tax capacity loss" for the current assessment year. The
36.10 county assessor of each county whose flood net tax capacity loss for the current year exceeds
36.11 five percent of its assessment year 1997 total taxable net tax capacity shall certify its flood
36.12 net tax capacity loss to the commissioner of revenue by August 1 of the assessment year.

36.13 **EFFECTIVE DATE.** This section is effective beginning with assessment year 2014.

36.14 Sec. 24. Minnesota Statutes 2012, section 273.1386, subdivision 1, is amended to read:

36.15 Subdivision 1. **Flood net tax capacity loss.** The county assessor of each qualified
36.16 county shall compute a hypothetical city taxable net tax capacity for each city in the
36.17 county based upon market values for assessment year 2003 and the ~~class~~ classification
36.18 rates that were in effect for assessment year 2002. The amount, if any, by which the
36.19 assessment year 2002 total taxable net tax capacity of the city exceeds the hypothetical
36.20 taxable net tax capacity of the city is the city's "flood net tax capacity loss." A county
36.21 assessor of a qualified county that contains a city that has a flood net tax capacity loss that
36.22 exceeds five percent of its assessment year 2002 total taxable net tax capacity shall certify
36.23 the city's flood net tax capacity loss to the commissioner of revenue by August 1, 2003.

36.24 As used in this section, a "qualified county" is a county located within the area
36.25 included in DR-1419.

36.26 **EFFECTIVE DATE.** This section is effective beginning with assessment year 2014.

36.27 Sec. 25. Minnesota Statutes 2013 Supplement, section 273.1398, subdivision 3,
36.28 is amended to read:

36.29 Subd. 3. **Disparity reduction aid.** The amount of disparity aid certified for each
36.30 taxing district within each unique taxing jurisdiction for taxes payable in the prior year
36.31 shall be multiplied by the ratio of (1) the jurisdiction's tax capacity using the ~~class~~
36.32 classification rates for taxes payable in the year for which aid is being computed, to (2) its

tax capacity using the ~~class~~ classification rates for taxes payable in the year prior to that for which aid is being computed, both based upon taxable market values for taxes payable in the year prior to that for which aid is being computed. If the commissioner determines that insufficient information is available to reasonably and timely calculate the numerator in this ratio for the first taxes payable year that a ~~class~~ classification rate change or new ~~class~~ classification rate is effective, the commissioner shall omit the effects of that ~~class~~ classification rate change or new ~~class~~ classification rate when calculating this ratio for aid payable in that taxes payable year. For aid payable in the year following a year for which such omission was made, the commissioner shall use in the denominator for the class that was changed or created, the tax capacity for taxes payable two years prior to that in which the aid is payable, based on taxable market values for taxes payable in the year prior to that for which aid is being computed.

EFFECTIVE DATE. This section is effective beginning with assessment year 2014.

Sec. 26. Minnesota Statutes 2012, section 273.33, subdivision 2, is amended to read:

Subd. 2. **Listing and assessment by commissioner.** The personal property, consisting of the pipeline system of mains, pipes, and equipment attached thereto, of pipeline companies and others engaged in the operations or business of transporting natural gas, gasoline, crude oil, or other petroleum products by pipelines, shall be listed with and assessed by the commissioner of revenue and the values provided to the city or county assessor by order. This subdivision shall not apply to the assessment of the products transported through the pipelines nor to the lines of local commercial gas companies engaged primarily in the business of distributing gas to consumers at retail nor to pipelines used by the owner thereof to supply natural gas or other petroleum products exclusively for such owner's own consumption and not for resale to others. If more than 85 percent of the natural gas or other petroleum products actually transported over the pipeline is used for the owner's own consumption and not for resale to others, then this subdivision shall not apply; provided, however, that in that event, the pipeline shall be assessed in proportion to the percentage of gas actually transported over such pipeline that is not used for the owner's own consumption. On or before August 1, the commissioner shall certify to the auditor of each county, the amount of such personal property assessment against each company in each district in which such property is located. If the commissioner determines that the amount of personal property assessment certified on or before August 1 is in error, the commissioner may issue a corrected certification on or before October 1. The commissioner may correct errors that are merely clerical in nature until December 31.

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

Sec. 27. Minnesota Statutes 2012, section 273.37, subdivision 2, is amended to read:

Subd. 2. **Listing and assessment by commissioner.** Transmission lines of less than 69 kv, transmission lines of 69 kv and above located in an unorganized township, and distribution lines, and equipment attached thereto, having a fixed situs outside the corporate limits of cities except distribution lines taxed as provided in sections 273.40 and 273.41, shall be listed with and assessed by the commissioner of revenue in the county where situated and the values provided to the city or county assessor by order. The commissioner shall assess such property at the percentage of market value fixed by law; and, on or before August 1, shall certify to the auditor of each county in which such property is located the amount of the assessment made against each company and person owning such property. If the commissioner determines that the amount of the assessment certified on or before August 1 is in error, the commissioner may issue a corrected certification on or before October 1. The commissioner may correct errors that are merely clerical in nature until December 31.

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

Sec. 28. Minnesota Statutes 2012, section 273.3711, is amended to read:

273.3711 RECOMMENDED AND ORDERED VALUES.

For purposes of sections 273.33, 273.35, 273.36, 273.37, 273.371, and 273.372, all values not required to be listed and assessed by the commissioner of revenue are recommended values. If the commissioner provides recommended values, the values must be certified to the auditor of each county in which the property is located on or before August 1. If the commissioner determines that the certified recommended value is in error the commissioner may issue a corrected certification on or before October 1. The commissioner may correct errors that are merely clerical in nature until December 31.

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

Sec. 29. Minnesota Statutes 2012, section 275.08, subdivision 1a, is amended to read:

Subd. 1a. **Computation of tax capacity.** For taxes payable in 1989, the county auditor shall compute the gross tax capacity for each parcel according to the ~~class~~ classification rates specified in section 273.13. The gross tax capacity will be the appropriate ~~class~~ classification rate multiplied by the parcel's market value. For taxes payable in 1990 and subsequent years, the county auditor shall compute the net tax

39.1 capacity for each parcel according to the ~~class~~ classification rates specified in section
39.2 273.13. The net tax capacity will be the appropriate ~~class~~ classification rate multiplied by
39.3 the parcel's market value.

39.4 **EFFECTIVE DATE.** This section is effective beginning with assessment year 2014.

39.5 Sec. 30. Minnesota Statutes 2012, section 276A.06, subdivision 9, is amended to read:

39.6 Subd. 9. **Fiscal disparities adjustment.** In any year in which the highest ~~class~~
39.7 classification rate for class 3a property changes from the rate in the previous year, the
39.8 following adjustments shall be made to the procedures described in sections 276A.04 to
39.9 276A.06:

39.10 (1) An initial contribution tax capacity shall be determined for each municipality
39.11 based on the previous year's ~~class~~ classification rates.

39.12 (2) Each jurisdiction's distribution tax capacity shall be determined based upon the
39.13 areawide tax base determined by summing the tax capacities computed under clause (1)
39.14 for all municipalities and apportioning the resulting sum pursuant to section 276A.05,
39.15 subdivision 5.

39.16 (3) Each jurisdiction's distribution levy shall be determined by applying the
39.17 procedures described in subdivision 3, clause (a), to the distribution tax capacity
39.18 determined pursuant to clause (2).

39.19 (4) Each municipality's final contribution tax capacity shall be determined equal
39.20 to its initial contribution tax capacity multiplied by the ratio of the new highest ~~class~~
39.21 classification rate for class 3a property to the previous year's highest ~~class~~ classification
39.22 rate for class 3a property.

39.23 (5) For the purposes of computing education aids and any other state aids requiring
39.24 the addition of the fiscal disparities distribution tax capacity to the local tax capacity,
39.25 each municipality's final distribution tax capacity shall be determined equal to its initial
39.26 distribution tax capacity multiplied by the ratio of the new highest ~~class~~ classification rate
39.27 for class 3a property to the previous year's highest ~~class~~ classification rate for class 3a
39.28 property.

39.29 (6) The areawide tax rate shall be determined by dividing the sum of the amounts
39.30 determined in clause (3) by the sum of the values determined in clause (4).

39.31 (7) The final contribution tax capacity determined in clause (4) shall also be used to
39.32 determine the portion of each commercial-industrial property's tax capacity subject to the
39.33 areawide tax rate pursuant to subdivision 7.

39.34 **EFFECTIVE DATE.** This section is effective beginning with assessment year 2014.

Sec. 31. Minnesota Statutes 2012, section 282.241, subdivision 2, is amended to read:

Subd. 2. **Alternative computation of repurchase amount.** A county board may by resolution establish an alternative method of computing the repurchase amount under this subdivision for property homesteaded at the time of forfeiture that has been in forfeited status for more than ten years. Equivalent taxes, penalties, interest, and costs for each year the property was in forfeiture status must be computed using the simple average of the assessor's estimated market value at forfeiture and the assessor's current estimated market value multiplied by the ~~class~~ classification rates under current law and applying the current tax, penalty, and interest rates. Those amounts, plus any unpaid special assessments reinstated and included in the purchase price under section 282.251, including the penalties and interest that accrued or would have accrued on the special assessments, computed under current rates, are the repurchase price. The county assessor shall determine the current market value and classification of the property.

EFFECTIVE DATE. This section is effective beginning with assessment year 2014.

Sec. 32. Minnesota Statutes 2013 Supplement, section 290C.03, is amended to read:

290C.03 ELIGIBILITY REQUIREMENTS.

(a) Land may be enrolled in the sustainable forest incentive program under this chapter if all of the following conditions are met:

(1) the land consists of at least 20 contiguous acres and at least 50 percent of the land must meet the definition of forest land in section 88.01, subdivision 7, during the enrollment;

(2) a forest management plan for the land must be prepared by an approved plan writer and implemented during the period in which the land is enrolled;

(3) timber harvesting and forest management guidelines must be used in conjunction with any timber harvesting or forest management activities conducted on the land during the period in which the land is enrolled;

(4) the land must be enrolled for a minimum of eight years;

(5) there are no delinquent property taxes on the land; ~~and~~

(6) claimants enrolling more than 1,920 acres in the sustainable forest incentive program must allow year-round, nonmotorized access to fish and wildlife resources and motorized access on established and maintained roads and trails, unless the road or trail is temporarily closed for safety, natural resource, or road damage reasons on enrolled land except within one-fourth mile of a permanent dwelling or during periods of high fire hazard as determined by the commissioner of natural resources; and

41.1 (7) the land is not classified as class 2c managed forest land.

41.2 (b) Claimants required to allow access under paragraph (a), clause (6), do not by
41.3 that action:

41.4 (1) extend any assurance that the land is safe for any purpose;

41.5 (2) confer upon the person the legal status of an invitee or licensee to whom a duty
41.6 of care is owed; or

41.7 (3) assume responsibility for or incur liability for any injury to the person or property
41.8 caused by an act or omission of the person.

41.9 **EFFECTIVE DATE.** This section is effective for certifications and applications
41.10 due in 2014 and thereafter.

41.11 Sec. 33. Minnesota Statutes 2013 Supplement, section 423A.02, subdivision 3, is
41.12 amended to read:

41.13 Subd. 3. **Reallocation of amortization state aid.** (a) Seventy percent of the
41.14 difference between \$5,720,000 and the current year amortization aid distributed under
41.15 subdivision 1 that is not distributed for any reason to a municipality must be distributed
41.16 by the commissioner of revenue according to this paragraph. The commissioner shall
41.17 distribute 50 percent of the amounts derived under this paragraph to the Teachers
41.18 Retirement Association, ten percent to the Duluth Teachers Retirement Fund Association,
41.19 and 40 percent to the St. Paul Teachers Retirement Fund Association to fund the unfunded
41.20 actuarial accrued liabilities of the respective funds. These payments must be made on July
41.21 15 each fiscal year. If the St. Paul Teachers Retirement Fund Association or the Duluth
41.22 Teachers Retirement Fund Association becomes fully funded, the association's eligibility
41.23 for its portion of this aid ceases. Amounts remaining in the undistributed balance account
41.24 at the end of the biennium if aid eligibility ceases cancel to the general fund.

41.25 (b) In order to receive amortization aid under paragraph (a), before June 30 annually
41.26 Independent School District No. 625, St. Paul, must make an additional contribution of
41.27 \$800,000 each year to the St. Paul Teachers Retirement Fund Association.

41.28 (c) Thirty percent of the difference between \$5,720,000 and the current year
41.29 amortization aid under subdivision ~~1a~~ 1 that is not distributed for any reason to a
41.30 municipality must be distributed under section 69.021, subdivision 7, paragraph (d), as
41.31 additional funding to support a minimum fire state aid amount for volunteer firefighter
41.32 relief associations.

41.33 **EFFECTIVE DATE.** This section is effective retroactively from June 1, 2013.

Sec. 34. Minnesota Statutes 2012, section 469.1763, subdivision 6, is amended to read:

Subd. 6. Pooling permitted for deficits. (a) This subdivision applies only to districts for which the request for certification was made before August 1, 2001, and without regard to whether the request for certification was made prior to August 1, 1979.

(b) The municipality for the district may transfer available increments from another tax increment financing district located in the municipality, if the transfer is necessary to eliminate a deficit in the district to which the increments are transferred. The municipality may transfer increments as provided by this subdivision without regard to whether the transfer or expenditure is authorized by the tax increment financing plan for the district from which the transfer is made. A deficit in the district for purposes of this subdivision means the lesser of the following two amounts:

(1)(i) the amount due during the calendar year to pay preexisting obligations of the district; minus

(ii) the total increments collected or to be collected from properties located within the district that are available for the calendar year including amounts collected in prior years that are currently available; plus

(iii) total increments from properties located in other districts in the municipality including amounts collected in prior years that are available to be used to meet the district's obligations under this section, excluding this subdivision, or other provisions of law; or

(2) the reduction in increments collected from properties located in the district for the calendar year as a result of the changes in ~~class~~ classification rates in Laws 1997, chapter 231, article 1; Laws 1998, chapter 389, article 2; and Laws 1999, chapter 243, and Laws 2001, First Special Session chapter 5, or the elimination of the general education tax levy under Laws 2001, First Special Session chapter 5.

The authority may compute the deficit amount under clause (1) only (without regard to the limit under clause (2)) if the authority makes an irrevocable commitment, by resolution, to use increments from the district to which increments are to be transferred and any transferred increments are only used to pay preexisting obligations and administrative expenses for the district that are required to be paid under section 469.176, subdivision 4h, paragraph (a).

(c) A preexisting obligation means:

(1) bonds issued and sold before August 1, 2001, or bonds issued pursuant to a binding contract requiring the issuance of bonds entered into before July 1, 2001, and bonds issued to refund such bonds or to reimburse expenditures made in conjunction with a signed contractual agreement entered into before August 1, 2001, to the extent that the bonds are secured by a pledge of increments from the tax increment financing district; and

(2) binding contracts entered into before August 1, 2001, to the extent that the contracts require payments secured by a pledge of increments from the tax increment financing district.

(d) The municipality may require a development authority, other than a seaway port authority, to transfer available increments including amounts collected in prior years that are currently available for any of its tax increment financing districts in the municipality to make up an insufficiency in another district in the municipality, regardless of whether the district was established by the development authority or another development authority. This authority applies notwithstanding any law to the contrary, but applies only to a development authority that:

(1) was established by the municipality; or

(2) the governing body of which is appointed, in whole or part, by the municipality or an officer of the municipality or which consists, in whole or part, of members of the governing body of the municipality. The municipality may use this authority only after it has first used all available increments of the receiving development authority to eliminate the insufficiency and exercised any permitted action under section 469.1792, subdivision 3, for preexisting districts of the receiving development authority to eliminate the insufficiency.

(e) The authority under this subdivision to spend tax increments outside of the area of the district from which the tax increments were collected:

(1) is an exception to the restrictions under section 469.176, subdivisions 4b, 4c, 4d, 4e, 4i, and 4j; the expenditure limits under section 469.176, subdivision 1c; and the other provisions of this section; and the percentage restrictions under subdivision 2 must be calculated after deducting increments spent under this subdivision from the total increments for the district; and

(2) applies notwithstanding the provisions of the Tax Increment Financing Act in effect for districts for which the request for certification was made before June 30, 1982, or any other law to the contrary.

(f) If a preexisting obligation requires the development authority to pay an amount that is limited to the increment from the district or a specific development within the district and if the obligation requires paying a higher amount to the extent that increments are available, the municipality may determine that the amount due under the preexisting obligation equals the higher amount and may authorize the transfer of increments under this subdivision to pay up to the higher amount. The existence of a guarantee of obligations by the individual or entity that would receive the payment under this paragraph is disregarded in the determination of eligibility to pool under this subdivision. The authority to transfer

increments under this paragraph may only be used to the extent that the payment of all other preexisting obligations in the municipality due during the calendar year have been satisfied.

(g) For transfers of increments made in calendar year 2005 and later, the reduction in increments as a result of the elimination of the general education tax levy for purposes of paragraph (b), clause (2), for a taxes payable year equals the general education tax rate for the school district under Minnesota Statutes 2000, section 273.1382, subdivision 1, for taxes payable in 2001, multiplied by the captured tax capacity of the district for the current taxes payable year.

EFFECTIVE DATE. This section is effective beginning with assessment year 2014.

Sec. 35. Minnesota Statutes 2012, section 469.177, subdivision 1, is amended to read:

Subdivision 1. **Original net tax capacity.** (a) Upon or after adoption of a tax increment financing plan, the auditor of any county in which the district is situated shall, upon request of the authority, certify the original net tax capacity of the tax increment financing district and that portion of the district overlying any subdistrict as described in the tax increment financing plan and shall certify in each year thereafter the amount by which the original net tax capacity has increased or decreased as a result of a change in tax exempt status of property within the district and any subdistrict, reduction or enlargement of the district or changes pursuant to subdivision 4. The auditor shall certify the amount within 30 days after receipt of the request and sufficient information to identify the parcels included in the district. The certification relates to the taxes payable year as provided in subdivision 6.

(b) If the classification under section 273.13 of property located in a district changes to a classification that has a different assessment ratio, the original net tax capacity of that property must be redetermined at the time when its use is changed as if the property had originally been classified in the same class in which it is classified after its use is changed.

(c) The amount to be added to the original net tax capacity of the district as a result of previously tax exempt real property within the district becoming taxable equals the net tax capacity of the real property as most recently assessed pursuant to section 273.18 or, if that assessment was made more than one year prior to the date of title transfer rendering the property taxable, the net tax capacity assessed by the assessor at the time of the transfer. If improvements are made to tax exempt property after the municipality approves the district and before the parcel becomes taxable, the assessor shall, at the request of the authority, separately assess the estimated market value of the improvements. If the property becomes taxable, the county auditor shall add to original net tax capacity, the net tax capacity of the parcel, excluding the separately assessed improvements. If substantial taxable improvements were made to a parcel after certification of the district and if the

property later becomes tax exempt, in whole or part, as a result of the authority acquiring the property through foreclosure or exercise of remedies under a lease or other revenue agreement or as a result of tax forfeiture, the amount to be added to the original net tax capacity of the district as a result of the property again becoming taxable is the amount of the parcel's value that was included in original net tax capacity when the parcel was first certified. The amount to be added to the original net tax capacity of the district as a result of enlargements equals the net tax capacity of the added real property as most recently certified by the commissioner of revenue as of the date of modification of the tax increment financing plan pursuant to section 469.175, subdivision 4.

(d) If the net tax capacity of a property increases because the property no longer qualifies under the Minnesota Agricultural Property Tax Law, section 273.111; the Minnesota Open Space Property Tax Law, section 273.112; or the Metropolitan Agricultural Preserves Act, chapter 473H, the Rural Preserve Property Tax Program under section 273.114, or because platted, unimproved property is improved or market value is increased after approval of the plat under section 273.11, subdivision 14a or 14b, the increase in net tax capacity must be added to the original net tax capacity. If the net tax capacity of a property increases because the property no longer qualifies for the homestead market value exclusion under section 273.13, subdivision 35, the increase in net tax capacity must be added to original net tax capacity if the original construction of the affected home was completed before the date the assessor certified the original net tax capacity of the district.

(e) The amount to be subtracted from the original net tax capacity of the district as a result of previously taxable real property within the district becoming tax exempt or qualifying in whole or part for an exclusion from taxable market value, or a reduction in the geographic area of the district, shall be the amount of original net tax capacity initially attributed to the property becoming tax exempt, being excluded from taxable market value, or being removed from the district. If the net tax capacity of property located within the tax increment financing district is reduced by reason of a court-ordered abatement, stipulation agreement, voluntary abatement made by the assessor or auditor or by order of the commissioner of revenue, the reduction shall be applied to the original net tax capacity of the district when the property upon which the abatement is made has not been improved since the date of certification of the district and to the captured net tax capacity of the district in each year thereafter when the abatement relates to improvements made after the date of certification. The county auditor may specify reasonable form and content of the request for certification of the authority and any modification thereof pursuant to section 469.175, subdivision 4.

(f) If a parcel of property contained a substandard building or improvements described in section 469.174, subdivision 10, paragraph (e), that were demolished or removed and if the authority elects to treat the parcel as occupied by a substandard building under section 469.174, subdivision 10, paragraph (b), or by improvements under section 469.174, subdivision 10, paragraph (e), the auditor shall certify the original net tax capacity of the parcel using the greater of (1) the current net tax capacity of the parcel, or (2) the estimated market value of the parcel for the year in which the building or other improvements were demolished or removed, but applying the ~~class~~ classification rates for the current year.

(g) For a redevelopment district qualifying under section 469.174, subdivision 10, paragraph (a), clause (4), as a qualified disaster area, the auditor shall certify the value of the land as the original tax capacity for any parcel in the district that contains a building that suffered substantial damage as a result of the disaster or emergency.

EFFECTIVE DATE. This section is effective beginning with assessment year 2014.

Sec. 36. Minnesota Statutes 2012, section 469.177, subdivision 11, is amended to read:

Subd. 11. **Deduction for enforcement costs; appropriation.** (a) The county treasurer shall deduct an amount equal to 0.25 percent of any increment distributed to an authority or municipality. The county treasurer shall pay the amount deducted to the commissioner of management and budget for deposit in an account in the special revenue fund.

(b) The amounts deducted and paid under paragraph (a) are appropriated to the state auditor for the cost of (1) the financial reporting of tax increment financing information and (2) the cost of examining and auditing of authorities' use of tax increment financing as provided under section 469.1771, subdivision 1. Notwithstanding section 16A.28 or any other law to the contrary, this appropriation does not cancel and remains available until spent.

(c) For taxes payable in 2002 and thereafter, the commissioner of revenue shall increase the percent in paragraph (a) to a percent equal to the product of the percent in paragraph (a) and the amount that the statewide tax increment levy for taxes payable in 2002 would have been without the ~~class~~ classification rate changes in Laws 2001, First Special Session chapter 5, and the elimination of the general education levy in Laws 2001, First Special Session chapter 5, divided by the statewide tax increment levy for taxes payable in 2002.

EFFECTIVE DATE. This section is effective beginning with assessment year 2014.

Sec. 37. Minnesota Statutes 2012, section 469.1792, subdivision 1, is amended to read:

Subdivision 1. **Scope.** This section applies only to an authority with a preexisting district for which:

(1) the increments from the district were insufficient to pay preexisting obligations as a result of the ~~class~~ classification rate changes or the elimination of the state-determined general education property tax levy under this act, or both; or

(2)(i) the development authority has a binding contract, entered into before August 1, 2001, with a person requiring the authority to pay to the person an amount that may not exceed the increment from the district or a specific development within the district; and

(ii) the authority is unable to pay the full amount under the contract from the pledged increments or other increments from the district that would have been due if the ~~class~~ classification rate changes or elimination of the state-determined general education property tax levy or both had not been made under Laws 2001, First Special Session chapter 5.

EFFECTIVE DATE. This section is effective beginning with assessment year 2014.

Sec. 38. Minnesota Statutes 2012, section 469.1794, subdivision 3, is amended to read:

Subd. 3. **Preconditions.** Before an authority may extend the duration of district under this section, the following conditions must be met with regard to the district:

(1) the original local tax rate under section 469.177, subdivision 1a, does not apply under an election made under section 469.1792, subdivision 3, or under other operation of law;

(2) for a district in the metropolitan area or taconite tax relief area, the fiscal disparities contribution is computed under section 469.177, subdivision 3, paragraph (a);

(3) the municipality has transferred any available increments in other districts to pay qualified obligations of the district or other districts in the municipality under section 469.1763, subdivision 6; and

(4) the authority finds that, taking into account all of the increments that are available to pay qualifying obligations for the district, the increments from the district will be insufficient to pay the amount of qualifying obligations and that the insufficiency is a result of (i) the changes in the ~~class~~ classification rates and (ii) elimination of the state-determined general education property tax levy under Laws 2001, First Special Session chapter 5.

EFFECTIVE DATE. This section is effective beginning with assessment year 2014.

Sec. 39. Minnesota Statutes 2012, section 469.1794, subdivision 6, is amended to read:

Subd. 6. **Commissioner authority.** (a) If the municipality determines that the extension permitted under subdivision 5 will not provide sufficient revenue to pay in full the amount of qualifying obligations, the municipality may apply to the commissioner of revenue for an additional duration extension. The commissioner may authorize an extension of the duration of the district of up to two years after determining that:

(1) the insufficiency of revenues to pay the qualifying obligations, which will be offset by the additional extension of the duration limit, result from (i) the changes in the class classification rates and (ii) elimination of the state-determined general education property tax levy under Laws 2001, First Special Session chapter 5;

(2) the municipality has or is transferring all available increments from other preexisting districts and after August 1, 2001, has not entered into new obligations or authorized new spending that reduced the amount of those increments that are available for transfer to pay qualifying obligations; and

(3) increases in increments over the term of the district are unlikely to eliminate the insufficiency.

(b) The commissioner may:

(1) establish the form of and time for applications under this subdivision; and

(2) require the municipality to provide the information that the commissioner determines is necessary or useful in evaluating the application.

(c) This subdivision does not apply to a district if the authority has made an election under subdivision 5, paragraph (c).

EFFECTIVE DATE. This section is effective beginning with assessment year 2014.

Sec. 40. Minnesota Statutes 2012, section 469.1814, subdivision 6, is amended to read:

Subd. 6. **Levy to offset tax changes.** (a) This subdivision applies only to abatements pledged to pay preexisting obligations.

(b) For purposes of this subdivision, "preexisting obligation" means a bond or binding contract that:

(1) was issued or approved before August 1, 2001;

(2) is secured by abatements approved before August 1, 2001; and

(3) is not a general obligation.

(c) If a political subdivision granted an abatement pledged to pay a preexisting obligation and if the changes in the property tax class classification rates enacted in calendar year 2001 reduce the abatement by an amount sufficient to prevent payment in full of the preexisting obligation, the political subdivision may add to its levy under section 469.1815 an amount sufficient to provide an abatement equal to the least of:

(1) the amount of the abatement using the political subdivision's tax rate for the current year and the ~~class~~ classification rates for property taxes payable in 2001;

(2) the amount required to pay the amount due on the preexisting obligation for the year from the political subdivision; or

(3) the maximum dollar amount of the political subdivision's abatement, if any, under the abatement resolution.

EFFECTIVE DATE. This section is effective beginning with assessment year 2014.

Sec. 41. Minnesota Statutes 2012, section 473F.08, subdivision 8a, is amended to read:

Subd. 8a. **Fiscal disparities adjustment.** In any year in which the highest ~~class~~ classification rate for class 3a property changes from the rate in the previous year, the following adjustments shall be made to the procedures described in sections 473F.06 to 473F.08.

(1) An initial contribution tax capacity shall be determined for each municipality based on the previous year's ~~class~~ classification rates.

(2) Each jurisdiction's distribution tax capacity shall be determined based upon the areawide tax base determined by summing the tax capacities computed under clause (1) for all municipalities and apportioning the resulting sum pursuant to section 473F.07, subdivision 5.

(3) Each jurisdiction's distribution levy shall be determined by applying the procedures described in subdivision 3, clause (a), to the distribution tax capacity determined pursuant to clause (2).

(4) Each municipality's final contribution tax capacity shall be determined equal to its initial contribution tax capacity multiplied by the ratio of the new highest ~~class~~ classification rate for class 3a property to the previous year's highest ~~class~~ classification rate for class 3a property.

(5) For the purposes of computing education aids and any other state aids requiring the addition of the fiscal disparities distribution tax capacity to the local tax capacity, each municipality's final distribution tax capacity shall be determined equal to its initial distribution tax capacity multiplied by the ratio of the new highest ~~class~~ classification rate for class 3a property to the previous year's highest ~~class~~ classification rate for class 3a property.

(6) The areawide tax rate shall be determined by dividing the sum of the amounts determined in clause (3) by the sum of the values determined in clause (4).

(7) The final contribution tax capacity determined in clause (4) shall also be used to determine the portion of each commercial/industrial property's tax capacity subject to the areawide tax rate pursuant to subdivision 6.

EFFECTIVE DATE. This section is effective beginning with assessment year 2014.

Sec. 42. Minnesota Statutes 2012, section 473H.10, subdivision 3, is amended to read:

Subd. 3. Computation of tax; state reimbursement. (a) After having determined the market value of all land valued according to subdivision 2, the assessor shall compute the net tax capacity of those properties by applying the appropriate ~~class~~ classification rates. When computing the rate of tax pursuant to section 275.08, the county auditor shall include the net tax capacity of land as provided in this paragraph.

(b) The county auditor shall compute the tax on lands valued according to subdivision 2 and nonresidential buildings by multiplying the net tax capacity times the total local tax rate for all purposes as provided in paragraph (a).

(c) The county auditor shall then compute the tax on lands valued according to subdivision 2 and nonresidential buildings by multiplying the net tax capacity times the total local tax rate for all purposes as provided in paragraph (a), subtracting \$1.50 per acre of land in the preserve.

(d) The county auditor shall then compute the maximum ad valorem property tax on lands valued according to subdivision 2 and nonresidential buildings by multiplying the net tax capacity times 105 percent of the previous year's statewide average local tax rate levied on property located within townships for all purposes.

(e) The tax due and payable by the owner of preserve land valued according to subdivision 2 and nonresidential buildings will be the amount determined in paragraph (c) or (d), whichever is less. The state shall reimburse the taxing jurisdictions for the amount of the difference between the net tax determined under this paragraph and the gross tax in paragraph (b). Residential buildings shall continue to be valued and classified according to the provisions of sections 273.11 and 273.13, as they would be in the absence of this section, and the tax on those buildings shall not be subject to the limitation contained in this paragraph.

The county may transfer money from the county conservation account created in section 40A.152 to the county revenue fund to reimburse the fund for the tax lost as a result of this subdivision or to pay taxing jurisdictions within the county for the tax lost. The county auditor shall certify to the commissioner of revenue on or before June 1 the total amount of tax lost to the county and taxing jurisdictions located within the county as a result of this subdivision and the extent that the tax lost exceeds funds available in

the county conservation account. Payment shall be made by the state on December 26 to each of the affected taxing jurisdictions, other than school districts, in the same proportion that the ad valorem tax is distributed if the county conservation account is insufficient to make the reimbursement. There is annually appropriated from the Minnesota conservation fund under section 40A.151 to the commissioner of revenue an amount sufficient to make the reimbursement provided in this subdivision. If the amount available in the Minnesota conservation fund is insufficient, the balance that is needed is appropriated from the general fund.

EFFECTIVE DATE. This section is effective beginning with assessment year 2014.

Sec. 43. Minnesota Statutes 2013 Supplement, section 477A.12, subdivision 1, is amended to read:

Subdivision 1. **Types of land; payments.** The following amounts are annually appropriated to the commissioner of natural resources from the general fund for transfer to the commissioner of revenue. The commissioner of revenue shall pay the transferred funds to counties as required by sections 477A.11 to 477A.14. The amounts, based on the acreage as of July 1 of each year prior to the payment year, are:

(1) \$5.133 multiplied by the total number of acres of acquired natural resources land or, at the county's option three-fourths of one percent of the appraised value of all acquired natural resources land in the county, whichever is greater;

(2) \$5.133, multiplied by the total number of acres of transportation wetland or, at the county's option, three-fourths of one percent of the appraised value of all transportation wetland in the county, whichever is greater;

(3) \$5.133, multiplied by the total number of acres of wildlife management land, or, at the county's option, three-fourths of one percent of the appraised value of all wildlife management land in the county, whichever is greater;

(4) 50 percent of the dollar amount as determined under clause (1), multiplied by the number of acres of military refuge land in the county;

(5) \$1.50, multiplied by the number of acres of county-administered other natural resources land in the county;

(6) \$5.133, multiplied by the total number of acres of land utilization project land in the county;

(7) \$1.50, multiplied by the number of acres of commissioner-administered other natural resources land in the county; and

(8) without regard to acreage, \$300,000 for local assessments under section 84A.55, subdivision 9.

52.1 **EFFECTIVE DATE.** This section is effective July 1, 2014.

52.2 Sec. 44. Minnesota Statutes 2013 Supplement, section 477A.14, subdivision 1, is
52.3 amended to read:

52.4 Subdivision 1. **General distribution.** Except as provided in subdivisions 2 and 3,
52.5 40 percent of the total payment to the county shall be deposited in the county general
52.6 revenue fund to be used to provide property tax levy reduction. The remainder shall be
52.7 distributed by the county in the following priority:

52.8 (a) (1) 64.2 cents, for each acre of county-administered other natural resources land
52.9 shall be deposited in a resource development fund to be created within the county treasury
52.10 for use in resource development, forest management, game and fish habitat improvement,
52.11 and recreational development and maintenance of county-administered other natural
52.12 resources land. Any county receiving less than \$5,000 annually for the resource
52.13 development fund may elect to deposit that amount in the county general revenue fund;

52.14 ~~(b) from the funds remaining, (2)~~ within 30 days of receipt of the payment to
52.15 the county, the county treasurer shall pay ~~each organized township ten percent of the~~
52.16 ~~amount received~~ a township with land that qualifies for payment under section 477A.12,
52.17 subdivision 1, clauses (1), (2), and (5) to (7), ten percent of the payment the county
52.18 received for such land within that township. Payments for natural resources lands not
52.19 located in an organized township shall be deposited in the county general revenue fund.
52.20 Payments to counties and townships pursuant to this paragraph shall be used to provide
52.21 property tax levy reduction, except that of the payments for natural resources lands not
52.22 located in an organized township, the county may allocate the amount determined to be
52.23 necessary for maintenance of roads in unorganized townships. ~~Provided that, if the total~~
52.24 ~~payment to the county pursuant to section 477A.12 is not sufficient to fully fund the~~
52.25 ~~distribution provided for in this clause, the amount available shall be distributed to each~~
52.26 ~~township and the county general revenue fund on a pro rata basis; and~~
52.27 (e) (3) any remaining funds shall be deposited in the county general revenue fund.
52.28 Provided that, if the distribution to the county general revenue fund exceeds \$35,000, the
52.29 excess shall be used to provide property tax levy reduction.

52.30 **EFFECTIVE DATE.** This section is effective July 1, 2014.

52.31 Sec. 45. **REPEALER.**

52.32 Minnesota Statutes 2012, sections 273.13, subdivision 21a; 290C.02, subdivisions 5
52.33 and 9; and 290C.06, are repealed.

53.1 **EFFECTIVE DATE.** This section is effective the day following final enactment,
53.2 except that section 273.13, subdivision 21a, is repealed effective beginning with
53.3 assessment year 2014.

53.4 **ARTICLE 3**

53.5 **SALES AND USE TAXES**

53.6 Section 1. Minnesota Statutes 2013 Supplement, section 403.162, subdivision 5,
53.7 is amended to read:

53.8 Subd. 5. **Fees deposited.** (a) The commissioner of revenue shall, based on
53.9 the relative proportion of the prepaid wireless E911 fee and the prepaid wireless
53.10 telecommunications access Minnesota fee imposed per retail transaction, divide the fees
53.11 collected in corresponding proportions. Within 30 days of receipt of the collected fees,
53.12 the commissioner shall:

53.13 (1) deposit the proportion of the collected fees attributable to the prepaid wireless
53.14 E911 fee in the 911 emergency telecommunications service account in the special revenue
53.15 fund; and

53.16 (2) deposit the proportion of collected fees attributable to the prepaid wireless
53.17 telecommunications access Minnesota fee in the telecommunications access fund
53.18 established in section 237.52, subdivision 1.

53.19 (b) The ~~department~~ commissioner of revenue may deduct and ~~retain~~ deposit in a
53.20 special revenue account an amount, not to exceed two percent of collected fees;. Money
53.21 in the account is annually appropriated to the commissioner of revenue to reimburse its
53.22 direct costs of administering the collection and remittance of prepaid wireless E911 fees
53.23 and prepaid wireless telecommunications access Minnesota fees.

53.24 **EFFECTIVE DATE.** This section is effective retroactively from January 1, 2014.

53.25 Sec. 2. Laws 2013, chapter 143, article 8, section 3, the effective date, is amended to
53.26 read:

53.27 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
53.28 June 30, 2013, except for paragraph (p), which is effective the day following final
53.29 enactment.

53.30 **EFFECTIVE DATE.** This section is effective retroactively from the day following
53.31 final enactment of Laws 2013, chapter 143, article 8, section 3.

54.1 Sec. 3. **REPEALER.**

54.2 Minnesota Rules, parts 8130.8900, subpart 3; and 8130.9500, subparts 1, 1a, 2,
54.3 3, 4, and 5, are repealed.

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

54.5 **ARTICLE 4**54.6 **MISCELLANEOUS**

54.7 Section 1. Minnesota Statutes 2012, section 270C.34, subdivision 2, is amended to read:

54.8 Subd. 2. **Procedure.** (a) A request for abatement of penalty under subdivision 1 or
54.9 section 289A.60, subdivision 4, or a request for abatement of interest or additional tax
54.10 charge, must be filed with the commissioner within 60 days of the date the notice was
54.11 mailed to the taxpayer's last known address, stating that a penalty has been imposed.

54.12 (b) If the commissioner issues an order denying a request for abatement of penalty,
54.13 interest, or additional tax charge, the taxpayer may file an administrative appeal as
54.14 provided in section 270C.35 or appeal to Tax Court as provided in section 271.06.

54.15 (c) If the commissioner does not issue an order on the abatement request within
54.16 60 days from the date the request is received, the taxpayer may appeal to Tax Court as
54.17 provided in section 271.06.

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

54.19 Sec. 2. Minnesota Statutes 2012, section 296A.01, subdivision 16, is amended to read:

54.20 Subd. 16. **Dyed fuel.** "Dyed fuel" means ~~diesel~~ motor fuel to which indelible dye
54.21 has been added, either before or upon withdrawal at a terminal or refinery rack, and which
54.22 may be sold for exempt purposes. The dye may be either dye required to be added per the
54.23 EPA or dye that meets other specifications required by the Internal Revenue Service or
54.24 the commissioner.

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

APPENDIX
Article locations in 14-4606

ARTICLE 1	INCOME AND FRANCHISE TAXES	Page.Ln 1.22
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ARTICLE 3	SALES AND USE TAXES	Page.Ln 53.4
ARTICLE 4	MISCELLANEOUS	Page.Ln 54.5

273.13 CLASSIFICATION OF PROPERTY.

Subd. 21a. **Class rate.** In this section, wherever the "class rate" of a class of property is specified without qualification as to whether it is the property's "net class rate" or its "gross class rate," the "net class rate" and "gross class rate" of that property are the same as its "class rate."

290C.02 DEFINITIONS.

Subd. 5. **Current use value.** "Current use value" means the statewide average annual income per acre, multiplied by 90 percent and divided by the capitalization rate determined under subdivision 9. The statewide net annual income shall be a weighted average based on the most recent data as of July 1 of the computation year on stumpage prices and annual tree growth rates and acreage by cover type provided by the Department of Natural Resources and the United States Department of Agriculture Forest Service North Central Research Station.

Subd. 9. **Capitalization rate.** By July 1 of each year, the commissioner shall determine a statewide capitalization rate for use under this chapter. The rate shall be the average annual effective interest rate for St. Paul on new loans under the Farm Credit Bank system calculated under section 2032A(e)(7)(A) of the Internal Revenue Code.

**290C.06 CALCULATION OF AVERAGE ESTIMATED MARKET VALUE;
MANAGED FOREST LAND.**

The commissioner shall annually calculate a statewide average estimated market value per acre for class 2c managed forest land under section 273.13, subdivision 23.

8130.8900 FLORISTS AND NURSERIES.

Subp. 3. **Telegraphic orders.** When florists or nurseries conduct transactions through a florist telegraphic delivery association, or otherwise by telephone, telegraph, or other means of communication with other florists or nurseries, the following rules apply in the application of the tax:

A. Where an order for flowers, wreaths, or other tangible personal property is taken from a customer by a Minnesota florist or nursery and transmitted to another florist or nursery located within or outside of Minnesota for delivery, the florist or nursery which initially takes the order from the customer is required to collect the tax.

B. Minnesota florists or nurseries who receive orders from other florists or nurseries, whether located within or outside this state, for delivery of flowers, wreaths, or other tangible personal property to locations either within or outside of Minnesota, are not required to collect the tax.

C. The sales tax does not apply to telegraph or telephone charges if such charges are separately stated from the price of the flowers or other tangible personal property ordered by the customer.

However, the tax does apply to relay or handling charges paid to the florist or nursery which sends an order whether these charges are separately stated or not.

The sales tax does not apply to transportation charges to the extent they are separately stated and the transportation occurs after the retail sale.

8130.9500 AIRCRAFT REGISTRATION.

Subpart 1. **In general.** Minnesota Statutes, section 297A.255, requires persons who wish to license or register an aircraft in Minnesota to furnish proof to the Minnesota Department of Transportation, Office of Aeronautics, that the Minnesota sales or use tax has been paid, or that the purchase or acquisition of the aircraft was not subject to the Minnesota sales or use tax. The seller of the aircraft may furnish proof that the Minnesota sales or use tax has been paid as the agent of the purchaser of the aircraft. This law imposes a use tax on an occasional or isolated sale of an aircraft or an interest in an aircraft by persons not in the business of selling aircraft.

The necessary forms (form UT-1 and form ST-24) for reporting and paying the use tax or for claiming exemption are available upon request from the Minnesota Department of Revenue or the Minnesota Department of Transportation, Office of Aeronautics.

This statute does not affect the exemption provided by Minnesota Statutes, section 297A.25, subdivision 14, for purchases of aircraft equipment by airline companies taxed under Minnesota Statutes, sections 270.071 to 270.079.

When the sales tax has not been paid to the dealer as set forth in subpart 2, item A, the Department of Revenue will forward a completed certificate of tax payment or exemption, form ST-24, to the Department of Transportation, Office of Aeronautics.

8130.9500 AIRCRAFT REGISTRATION.

Subp. 1a. **Commercial use, defined.** "Commercial use" means any operation of an aircraft for consideration or hire, any services performed incidental to the operation of any aircraft for which a fee is charged or consideration received, the servicing, maintaining, and repairing of aircraft, or the charter of aircraft, the operation of flight or ground schools, the operation of aircraft for the application or distribution of chemicals or other substances, aerial photography and surveys, air shows or expositions, and the operation of aircraft for fishing. Commercial use is any use by a dealer other than the sale or lease of an aircraft or personal use of an aircraft.

8130.9500 AIRCRAFT REGISTRATION.

Subp. 2. **Registration of aircraft by purchasers.** When the sales tax is paid or not paid:

A. Minnesota sales tax paid to dealer. When a purchaser pays the Minnesota sales tax for the purchase of an aircraft or an interest in an aircraft to a Minnesota aircraft dealer who holds a Minnesota sales and use tax permit, the dealer shall furnish the purchaser with a statement showing that the sales tax has been paid. The aircraft dealer must report and pay the sales tax to the Minnesota Department of Revenue. If a dealer licensed by the Office of Aeronautics states to the Office of Aeronautics that sales tax was collected, it is not necessary for the purchaser of the aircraft to obtain a certificate of tax payment or exemption, form ST-24, from the Minnesota Department of Revenue. The purchaser or the purchaser's agent, for example the licensed dealer,

APPENDIX
Repealed Minnesota Rule: 14-4606

should present the statement, which the purchaser or purchaser's agent received from the aircraft dealer, directly to the Department of Transportation, Office of Aeronautics, in order to license or register the aircraft.

B. No Minnesota sales tax paid to seller. When the purchaser does not pay a Minnesota sales tax to the seller on the purchase of an aircraft or an interest in an aircraft, the purchaser must obtain a certificate of tax payment or exemption, form ST-24, from the Minnesota Department of Revenue. If a use tax is due, the purchaser must complete a consumer's use tax return, form UT-1, and file it along with the purchaser's tax payment when applying for the certificate form ST-24. If the purchaser claims exemption from the tax, the purchaser must furnish proof showing that the purchaser is entitled to the exemption when applying for the certificate. Illustrative exemptions include purchases by organizations that are organized and operated exclusively for charitable, religious, or educational purposes; purchases of aircraft outside Minnesota by a nonresident and later brought into Minnesota for use; and aircraft purchased for resale or lease.

8130.9500 AIRCRAFT REGISTRATION.

Subp. 3. **Registration of aircraft by dealers who are licensed in accordance with Minnesota Statutes, section 360.63.** When a licensed dealer purchases an aircraft for resale, no certificate of tax payment or exemption is required. When a licensed dealer puts an aircraft to commercial use, the dealer is required to pay a use tax on the dealer's purchase price of the aircraft unless the dealer makes application to the commissioner of revenue for an aircraft commercial use permit, on form ST-22, and pays a \$20 fee (see Minnesota Statutes, section 360.654). By obtaining an aircraft commercial use permit from the commissioner, a licensed dealer may purchase an aircraft for resale and put it to commercial use for up to one year without paying a sales or use tax on the dealer's purchase. While the aircraft commercial use permit is in effect, use tax is imposed on the fair market value of the commercial use. When the dealer sells the aircraft, the dealer is required to collect a sales tax. If the dealer keeps the aircraft for more than one year after purchase or makes personal use of the aircraft, a use tax is also due on the purchase price. If the sole use by the dealer of the aircraft that is exempt from use tax is leasing the aircraft while holding it for sale, sales tax is due on the taxable rent and lease payments.

8130.9500 AIRCRAFT REGISTRATION.

Subp. 4. **Registration by dealers who are not licensed in accordance with Minnesota Statutes, section 360.63.** A dealer who is not licensed in accordance with Minnesota Statutes, section 360.63, is required to file form ST-24, which indicates the aircraft was purchased for resale or lease by the holder of a Minnesota sales and use tax permit. The dealer is further required to provide evidence that the dealer conducts business regularly selling or leasing aircraft. However, if the dealer purchases an aircraft or puts the aircraft to personal or commercial use, the dealer is required to file form ST-24 and form UT-1 and to pay the use tax on the purchase price.

8130.9500 AIRCRAFT REGISTRATION.

Subp. 5. **Registration of aircraft by lessor or lessee.** When a lessor registers an aircraft in the lessor's name, the lessor must furnish his or her sales and use tax account number when applying for the certificate of tax payment or exemption, form ST-24, and claim exemption for resale. Leases are defined as resales. The lessor must collect and remit sales tax on lease payments the lessor receives. The lessor must report all lease payments received as gross sales and collect and remit tax on all sales, net of exempt sales. An example of an exempt sale is the lease of an aircraft to a fixed base operator who rents the aircraft to others at retail.

When a lessee registers an aircraft in the lessee's name, and the lessor does not hold a Minnesota sales and use tax permit, the lessor is required to obtain a permit. If the lessee is leasing the same aircraft to others, the lessee must also obtain a permit, file returns, and pay the sales and use tax in the same manner as all other Minnesota permit holders.