

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

A bill for an act

1.1 relating to taxation; making technical and clarifying changes to income and
 1.2 franchise taxes, property taxes, sales and use taxes, and other taxes and tax
 1.3 provisions; amending Minnesota Statutes 2012, sections 126C.01, subdivision
 1.4 3; 168.013, subdivision 5; 270.12, subdivision 4; 270.87; 270.91; 270C.34,
 1.5 subdivision 2; 272.029, subdivision 4a; 273.01; 273.11, subdivisions 12, 19;
 1.6 273.1102, subdivision 3; 273.124, subdivisions 3, 8; 273.13, subdivisions 22, 24,
 1.7 25a, 31; 273.1383, subdivision 1; 273.1386, subdivision 1; 273.33, subdivision
 1.8 2; 273.37, subdivision 2; 273.3711; 275.08, subdivision 1a; 276A.06, subdivision
 1.9 9; 282.241, subdivision 2; 296A.01, subdivision 16; 469.1763, subdivision 6;
 1.10 469.177, subdivisions 1, 11; 469.1792, subdivision 1; 469.1794, subdivisions 3,
 1.11 6; 469.1814, subdivision 6; 473F.08, subdivision 8a; 473H.10, subdivision 3;
 1.12 Minnesota Statutes 2013 Supplement, sections 272.03, subdivision 15; 273.117;
 1.13 273.124, subdivision 3a; 273.13, subdivisions 21b, 23, 25; 273.1398, subdivision
 1.14 3; 290.01, subdivision 19d; 290.0921, subdivision 3; 290.191, subdivision 5;
 1.15 290C.03; 403.162, subdivision 5; 423A.02, subdivision 3; 477A.12, subdivision
 1.16 1; 477A.14, subdivision 1; Laws 2013, chapter 143, article 8, section 3;
 1.17 repealing Minnesota Statutes 2012, sections 273.13, subdivision 21a; 290C.02,
 1.18 subdivisions 5, 9; 290C.06; Minnesota Rules, parts 8130.8900, subpart 3;
 1.19 8130.9500, subparts 1, 1a, 2, 3, 4, 5.
 1.20

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

ARTICLE 1

INCOME AND FRANCHISE TAXES

1.24 Section 1. Minnesota Statutes 2013 Supplement, section 290.01, subdivision 19d,
 1.25 is amended to read:

1.26 Subd. 19d. **Corporations; modifications decreasing federal taxable income.** For
 1.27 corporations, there shall be subtracted from federal taxable income after the increases
 1.28 provided in subdivision 19c:

1.29 (1) the amount of foreign dividend gross-up added to gross income for federal
 1.30 income tax purposes under section 78 of the Internal Revenue Code;

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

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

2.7 ~~(4) amounts disallowed for intangible drilling costs due to differences between~~
2.8 ~~this chapter and the Internal Revenue Code in taxable years beginning before January~~
2.9 ~~1, 1987, as follows:~~

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

2.13 ~~(ii) to the extent the disallowed costs are not represented by physical property, an~~
2.14 ~~amount equal to the allowance for cost depletion under Minnesota Statutes 1986, section~~
2.15 ~~290.09, subdivision 8;~~

2.16 ~~(5) (4) the deduction for capital losses pursuant to sections 1211 and 1212 of the~~
2.17 ~~Internal Revenue Code, except that:~~

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

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

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

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

2.30 ~~(6) (5) an amount for interest and expenses relating to income not taxable for federal~~
2.31 ~~income tax purposes, if (i) the income is taxable under this chapter and (ii) the interest and~~
2.32 ~~expenses were disallowed as deductions under the provisions of section 171(a)(2), 265 or~~
2.33 ~~291 of the Internal Revenue Code in computing federal taxable income;~~

2.34 ~~(7) (6) in the case of mines, oil and gas wells, other natural deposits, and timber for~~
2.35 ~~which percentage depletion was disallowed pursuant to subdivision 19c, clause (8), a~~
2.36 ~~reasonable allowance for depletion based on actual cost. In the case of leases the deduction~~

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

3.6 ~~(8)~~ (7) for certified pollution control facilities placed in service in a taxable year
3.7 beginning before December 31, 1986, and for which amortization deductions were elected
3.8 under section 169 of the Internal Revenue Code of 1954, as amended through December
3.9 31, 1985, an amount equal to the allowance for depreciation under Minnesota Statutes
3.10 1986, section 290.09, subdivision 7;

3.11 ~~(9)~~ (8) amounts included in federal taxable income that are due to refunds of
3.12 income, excise, or franchise taxes based on net income or related minimum taxes paid
3.13 by the corporation to Minnesota, another state, a political subdivision of another state,
3.14 the District of Columbia, or a foreign country or possession of the United States to the
3.15 extent that the taxes were added to federal taxable income under subdivision 19c, clause
3.16 (1), in a prior taxable year;

3.17 ~~(10)~~ (9) income or gains from the business of mining as defined in section 290.05,
3.18 subdivision 1, clause (a), that are not subject to Minnesota franchise tax;

3.19 ~~(11)~~ (10) the amount of disability access expenditures in the taxable year which are not
3.20 allowed to be deducted or capitalized under section 44(d)(7) of the Internal Revenue Code;

3.21 ~~(12)~~ (11) the amount of qualified research expenses not allowed for federal income
3.22 tax purposes under section 280C(c) of the Internal Revenue Code, but only to the extent
3.23 that the amount exceeds the amount of the credit allowed under section 290.068;

3.24 ~~(13)~~ (12) the amount of salary expenses not allowed for federal income tax purposes
3.25 due to claiming the Indian employment credit under section 45A(a) of the Internal
3.26 Revenue Code;

3.27 ~~(14)~~ (13) any decrease in subpart F income, as defined in section 952(a) of the
3.28 Internal Revenue Code, for the taxable year when subpart F income is calculated without
3.29 regard to the provisions of Division C, title III, section 303(b) of Public Law 110-343;

3.30 ~~(15)~~ (14) in each of the five tax years immediately following the tax year in which
3.31 an addition is required under subdivision 19c, clause (12), an amount equal to one-fifth
3.32 of the delayed depreciation. For purposes of this clause, "delayed depreciation" means
3.33 the amount of the addition made by the taxpayer under subdivision 19c, clause (12). The
3.34 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

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

5.3 (3) The subtraction for depreciation allowed under section 290.01, subdivision
5.4 19d, clause ~~(15)~~ (14), is allowed as a depreciation deduction in determining alternative
5.5 minimum taxable income.

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

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

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

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

5.15 ~~(8)~~ (7) The tax preference for tax exempt interest under section 57(a)(5) of the
5.16 Internal Revenue Code does not apply.

5.17 ~~(9)~~ (8) The tax preference for charitable contributions of appreciated property under
5.18 section 57(a)(6) of the Internal Revenue Code does not apply.

5.19 ~~(10)~~ (9) For purposes of calculating the tax preference for accelerated depreciation
5.20 or amortization on certain property placed in service before January 1, 1987, under section
5.21 57(a)(7) of the Internal Revenue Code, the deduction allowable for the taxable year is the
5.22 deduction allowed under section 290.01, subdivision 19e.

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

5.26 ~~(11)~~ (10) For purposes of calculating the adjustment for adjusted current earnings
5.27 in section 56(g) of the Internal Revenue Code, the term "alternative minimum taxable
5.28 income" as it is used in section 56(g) of the Internal Revenue Code, means alternative
5.29 minimum taxable income as defined in this subdivision, determined without regard to the
5.30 adjustment for adjusted current earnings in section 56(g) of the Internal Revenue Code.

5.31 ~~(12)~~ (11) For purposes of determining the amount of adjusted current earnings
5.32 under section 56(g)(3) of the Internal Revenue Code, no adjustment shall be made under
5.33 section 56(g)(4) of the Internal Revenue Code with respect to (i) the amount of foreign
5.34 dividend gross-up subtracted as provided in section 290.01, subdivision 19d, clause (1), or
5.35 (ii) the amount of refunds of income, excise, or franchise taxes subtracted as provided in
5.36 section 290.01, subdivision 19d, clause ~~(9)~~ (8).

6.1 ~~(13)~~ (12) Alternative minimum taxable income excludes the income from operating
6.2 in a job opportunity building zone as provided under section 469.317.

6.3 ~~(14)~~ (13) Alternative minimum taxable income excludes the income from operating
6.4 in a biotechnology and health sciences industry zone as provided under section 469.337.

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

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

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

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

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

6.16 (1) interest;

6.17 (2) dividends;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8.34 **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

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

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

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

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

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

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

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

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

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

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

11.34 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, deferrals 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

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

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

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

13.12 Subd. 12. **Community land trusts.** (a) A community land trust, as defined under
 13.13 chapter 462A, is (i) a community-based nonprofit corporation organized under chapter
 13.14 317A, which qualifies for tax exempt status under 501(c)(3), or (ii) a "city" as defined in
 13.15 section 462C.02, subdivision 6, which has received funding from the Minnesota housing
 13.16 finance agency for purposes of the community land trust program. The Minnesota Housing
 13.17 Finance Agency shall set the criteria for community land trusts.

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

13.30 (c) A unit which is owned by the occupant and used as a homestead by the occupant
 13.31 qualifies for homestead treatment as class 1a under section 273.13, subdivision 22. A unit
 13.32 which is rented by the occupant and used as a homestead by the occupant shall be class
 13.33 4a or 4b property, under section 273.13, subdivision 25, whichever is applicable. Any
 13.34 remaining portion of the property not used for residential purposes shall be classified by
 13.35 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

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

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

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

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

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

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

15.16 Subd. 3. **1988 adjustment.** School district levy limitations or authorities expressed
 15.17 in terms of mills and adjusted assessed value in any special law that is not codified
 15.18 in Minnesota Statutes shall be converted by the Department of Education to equalized
 15.19 gross local tax rates for taxes payable in 1989 and 1990 and to equalized net local tax
 15.20 rates for taxes payable in 1991 and thereafter. For purposes of this calculation, the 1987
 15.21 adjusted assessed values of the district shall be converted to "adjusted gross tax capacities"
 15.22 by multiplying the equalized market values by class of property by the gross ~~class~~
 15.23 classification rates provided in section 273.13. Each county assessor and the city assessors
 15.24 of Minneapolis, Duluth, and St. Cloud shall furnish the commissioner of revenue the 1987
 15.25 market value for taxes payable in 1988 for any new classes of property established in
 15.26 Laws 1988, chapter 719, article 5. The commissioner shall use those values, and estimate
 15.27 values where needed, in developing the 1987 tax capacity for each school district under
 15.28 this section. The requirements of section 124.2131, subdivisions 1, paragraph (c), 2, and
 15.29 3, shall remain in effect.

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

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

15.32 **273.117 CONSERVATION PROPERTY TAX VALUATION.**

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

16.3 (a) the restriction or easement is for a conservation purpose ~~as defined in section~~
16.4 ~~84.64, subdivision 2,~~ and is recorded on the property; and

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

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

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

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

16.14 Subd. 3. **Cooperatives and charitable corporations; homestead and other**

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

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

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

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

17.10 (d) When a building, or dwelling units within a building, no longer qualify under
 17.11 paragraph (a) or (b), the current owner must notify the assessor within 30 days. Failure to
 17.12 notify the assessor within 30 days shall result in the loss of benefits under paragraph (a) or
 17.13 (b) for taxes payable in the year that the failure is discovered. For these purposes, "benefits
 17.14 under paragraph (a) or (b)" means the difference in the net tax capacity of the building or
 17.15 units which no longer qualify as computed under paragraph (a) or (b) and as computed
 17.16 under the otherwise applicable law, times the local tax rate applicable to the building for
 17.17 that taxes payable year. Upon discovery of a failure to notify, the assessor shall inform the
 17.18 auditor of the difference in net tax capacity for the building or buildings in which units no
 17.19 longer qualify, and the auditor shall calculate the benefits under paragraph (a) or (b). Such
 17.20 amount, plus a penalty equal to 100 percent of that amount, shall then be demanded of the
 17.21 building's owner. The property owner may appeal the county's determination by serving
 17.22 copies of a petition for review with county officials as provided in section 278.01 and
 17.23 filing a proof of service as provided in section 278.01 with the Minnesota Tax Court within
 17.24 60 days of the date of the notice from the county. The appeal shall be governed by the Tax
 17.25 Court procedures provided in chapter 271, for cases relating to the tax laws as defined in
 17.26 section 271.01, subdivision 5; disregarding sections 273.125, subdivision 5, and 278.03,
 17.27 but including section 278.05, subdivision 2. If the amount of the benefits under paragraph
 17.28 (a) or (b) and penalty are not paid within 60 days, and if no appeal has been filed, the
 17.29 county auditor shall certify the amount of the benefit and penalty to the succeeding year's
 17.30 tax list to be collected as part of the property taxes on the affected property.

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

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

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

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

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

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

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

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

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

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

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

18.24 Subd. 8. **Homestead owned by or leased to family farm corporation, joint farm**

18.25 **venture, limited liability company, or partnership.** (a) Each family farm corporation;

18.26 each joint family farm venture; and each limited liability company or partnership which

18.27 operates a family farm; is entitled to class 1b under section 273.13, subdivision 22,

18.28 paragraph (b), or class 2a assessment for one homestead occupied by a shareholder,

18.29 member, or partner thereof who is residing on the land, and actively engaged in farming of

18.30 the land owned by the family farm corporation, joint family farm venture, limited liability

18.31 company, or partnership. Homestead treatment applies even if legal title to the property is

18.32 in the name of the family farm corporation, joint family farm venture, limited liability

18.33 company, or partnership, and not in the name of the person residing on it.

18.34 "Family farm corporation," "family farm," and "partnership operating a family

18.35 farm" have the meanings given in section 500.24, except that the number of allowable

19.1 shareholders, members, or partners under this subdivision shall not exceed 12. "Limited
19.2 liability company" has the meaning contained in sections 322B.03, subdivision 28, and
19.3 500.24, subdivision 2, paragraphs (l) and (m). "Joint family farm venture" means a
19.4 cooperative agreement among two or more farm enterprises authorized to operate a family
19.5 farm under section 500.24.

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

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

19.23 (d) Nonhomestead agricultural property that is owned by a family farm corporation,
19.24 joint farm venture, limited liability company, or partnership; and located not farther than
19.25 four townships or cities, or combination thereof, from agricultural land that is owned, and
19.26 used for the purposes of a homestead by an individual who is a shareholder, member, or
19.27 partner of the corporation, venture, company, or partnership; is entitled to receive the
19.28 first tier homestead ~~class~~ classification rate on any remaining market value in the first
19.29 homestead class tier that is in excess of the market value of the shareholder's, member's,
19.30 or partner's class 2 agricultural homestead property, if the owner, or someone acting on
19.31 the owner's behalf notifies the county assessor by July 1 that the property may be eligible
19.32 under this paragraph for the current assessment year, for taxes payable in the following
19.33 year. As used in this paragraph, "agricultural property" means property classified as 2a
19.34 under section 273.13, along with any contiguous property classified as 2b under section
19.35 273.13, if the contiguous 2a and 2b properties are under the same ownership.

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

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

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

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

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

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

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

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

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

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

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

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

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

20.30 Permanently and totally disabled for the purpose of this subdivision means a
20.31 condition which is permanent in nature and totally incapacitates the person from working
20.32 at an occupation which brings the person an income. The first \$50,000 market value of
20.33 class 1b property has a net ~~class~~ classification rate of .45 percent of its market value. The
20.34 remaining market value of class 1b property has a ~~class~~ classification rate using the rates
20.35 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

22.1 occupied for 250 days or less in the year preceding the year of assessment by January 15 of
 22.2 the assessment year. Those cabins or units and a proportionate share of the land on which
 22.3 they are located must be designated as class 1c as otherwise provided. The remainder of
 22.4 the cabins or units and a proportionate share of the land on which they are located must be
 22.5 designated as class 3a commercial. The owner of property desiring designation as class
 22.6 1c property must provide guest registers or other records demonstrating that the units for
 22.7 which class 1c designation is sought were not occupied for more than 250 days in the
 22.8 year preceding the assessment if so requested. The portion of a property operated as a
 22.9 (1) restaurant, (2) bar, (3) gift shop, (4) conference center or meeting room, and (5) other
 22.10 nonresidential facility operated on a commercial basis not directly related to temporary
 22.11 and seasonal residential occupancy for recreation purposes does not qualify for class 1c.

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

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

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

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

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

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

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

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

22.29 Subd. 23. **Class 2.** (a) An agricultural homestead consists of class 2a agricultural
 22.30 land that is homesteaded, along with any class 2b rural vacant land that is contiguous to
 22.31 the class 2a land under the same ownership. The market value of the house and garage
 22.32 and immediately surrounding one acre of land has the same ~~class~~ classification rates as
 22.33 class 1a or 1b property under subdivision 22. The value of the remaining land including
 22.34 improvements up to the first tier valuation limit of agricultural homestead property has a
 22.35 ~~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

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

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

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

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

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

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

24.26 (f) Agricultural land under this section also includes:

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

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

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

24.35 (ii) as a nursery, provided that only those acres used intensively to produce nursery
24.36 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

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

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

26.5 (1) wholesale and retail sales;

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

26.7 (3) warehousing or storage of processed goods; and

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

26.10 the assessor shall classify the part of the parcel used for agricultural purposes as class
26.11 1b, 2a, or 2b, whichever is appropriate, and the remainder in the class appropriate to its
26.12 use. The grading, sorting, and packaging of raw agricultural products for first sale is
26.13 considered an agricultural purpose. A greenhouse or other building where horticultural
26.14 or nursery products are grown that is also used for the conduct of retail sales must be
26.15 classified as agricultural if it is primarily used for the growing of horticultural or nursery
26.16 products from seed, cuttings, or roots and occasionally as a showroom for the retail sale of
26.17 those products. Use of a greenhouse or building only for the display of already grown
26.18 horticultural or nursery products does not qualify as an agricultural purpose.

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

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

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

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

26.36 (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.

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

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

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

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

29.17 (b) Class 4b includes:

29.18 (1) residential real estate containing less than four units that does not qualify as class
 29.19 4bb, other than seasonal residential recreational property;

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

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

29.23 (4) unimproved property that is classified residential as determined under subdivision
 29.24 33.

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

29.26 (c) Class 4bb includes nonhomestead residential real estate containing one unit,
 29.27 other than seasonal residential recreational property, and a single family dwelling, garage,
 29.28 and surrounding one acre of property on a nonhomestead farm classified under subdivision
 29.29 23, paragraph (b).

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

29.33 Property that has been classified as seasonal residential recreational property at
 29.34 any time during which it has been owned by the current owner or spouse of the current
 29.35 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

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

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

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

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

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

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

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

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

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

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

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

33.3 (i) the land abuts a public airport; and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

35.30 (1) unmined iron ore and low-grade iron-bearing formations as defined in section
 35.31 273.14; and

35.32 (2) all other property not otherwise classified.

35.33 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

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

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

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

37.15 Subd. 2. **Listing and assessment by commissioner.** The personal property,
 37.16 consisting of the pipeline system of mains, pipes, and equipment attached thereto, of
 37.17 pipeline companies and others engaged in the operations or business of transporting natural
 37.18 gas, gasoline, crude oil, or other petroleum products by pipelines, shall be listed with and
 37.19 assessed by the commissioner of revenue and the values provided to the city or county
 37.20 assessor by order. This subdivision shall not apply to the assessment of the products
 37.21 transported through the pipelines nor to the lines of local commercial gas companies
 37.22 engaged primarily in the business of distributing gas to consumers at retail nor to pipelines
 37.23 used by the owner thereof to supply natural gas or other petroleum products exclusively
 37.24 for such owner's own consumption and not for resale to others. If more than 85 percent
 37.25 of the natural gas or other petroleum products actually transported over the pipeline is
 37.26 used for the owner's own consumption and not for resale to others, then this subdivision
 37.27 shall not apply; provided, however, that in that event, the pipeline shall be assessed in
 37.28 proportion to the percentage of gas actually transported over such pipeline that is not used
 37.29 for the owner's own consumption. On or before August 1, the commissioner shall certify
 37.30 to the auditor of each county, the amount of such personal property assessment against
 37.31 each company in each district in which such property is located. If the commissioner
 37.32 determines that the amount of personal property assessment certified on or before August
 37.33 1 is in error, the commissioner may issue a corrected certification on or before October 1.
 37.34 The commissioner may correct errors that are merely clerical in nature until December 31.

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

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

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

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

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

38.18 **273.3711 RECOMMENDED AND ORDERED VALUES.**

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

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

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

38.28 Subd. 1a. **Computation of tax capacity.** For taxes payable in 1989, the county
 38.29 auditor shall compute the gross tax capacity for each parcel according to the ~~class~~
 38.30 classification rates specified in section 273.13. The gross tax capacity will be the
 38.31 appropriate ~~class~~ classification rate multiplied by the parcel's market value. For taxes
 38.32 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.

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

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

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

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

40.16 **290C.03 ELIGIBILITY REQUIREMENTS.**

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

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

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

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

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

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

40.29 (6) claimants enrolling more than 1,920 acres in the sustainable forest incentive
 40.30 program must allow year-round, nonmotorized access to fish and wildlife resources and
 40.31 motorized access on established and maintained roads and trails, unless the road or trail is
 40.32 temporarily closed for safety, natural resource, or road damage reasons on enrolled land
 40.33 except within one-fourth mile of a permanent dwelling or during periods of high fire
 40.34 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.

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

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

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

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

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

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

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

42.25 The authority may compute the deficit amount under clause (1) only (without regard
42.26 to the limit under clause (2)) if the authority makes an irrevocable commitment, by
42.27 resolution, to use increments from the district to which increments are to be transferred and
42.28 any transferred increments are only used to pay preexisting obligations and administrative
42.29 expenses for the district that are required to be paid under section 469.176, subdivision
42.30 4h, paragraph (a).

42.31 (c) A preexisting obligation means:

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

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

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

43.11 (1) was established by the municipality; or

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

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

43.21 (1) is an exception to the restrictions under section 469.176, subdivisions 4b, 4c,
43.22 4d, 4e, 4i, and 4j; the expenditure limits under section 469.176, subdivision 1c; and the
43.23 other provisions of this section; and the percentage restrictions under subdivision 2 must
43.24 be calculated after deducting increments spent under this subdivision from the total
43.25 increments for the district; and

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

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

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

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

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

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

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

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

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

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

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

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

46.1 (f) If a parcel of property contained a substandard building or improvements described
46.2 in section 469.174, subdivision 10, paragraph (e), that were demolished or removed and if
46.3 the authority elects to treat the parcel as occupied by a substandard building under section
46.4 469.174, subdivision 10, paragraph (b), or by improvements under section 469.174,
46.5 subdivision 10, paragraph (e), the auditor shall certify the original net tax capacity of the
46.6 parcel using the greater of (1) the current net tax capacity of the parcel, or (2) the estimated
46.7 market value of the parcel for the year in which the building or other improvements were
46.8 demolished or removed, but applying the ~~class~~ classification rates for the current year.

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

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

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

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

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

46.26 (c) For taxes payable in 2002 and thereafter, the commissioner of revenue shall
46.27 increase the percent in paragraph (a) to a percent equal to the product of the percent in
46.28 paragraph (a) and the amount that the statewide tax increment levy for taxes payable in
46.29 2002 would have been without the ~~class~~ classification rate changes in Laws 2001, First
46.30 Special Session chapter 5, and the elimination of the general education levy in Laws
46.31 2001, First Special Session chapter 5, divided by the statewide tax increment levy for
46.32 taxes payable in 2002.

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

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

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

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

47.7 (2)(i) the development authority has a binding contract, entered into before August
47.8 1, 2001, with a person requiring the authority to pay to the person an amount that may not
47.9 exceed the increment from the district or a specific development within the district; and

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

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

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

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

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

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

47.23 (3) the municipality has transferred any available increments in other districts to
47.24 pay qualified obligations of the district or other districts in the municipality under section
47.25 469.1763, subdivision 6; and

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

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

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

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

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

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

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

48.16 (b) The commissioner may:

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

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

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

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

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

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

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

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

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

48.30 (3) is not a general obligation.

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

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

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

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

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

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

49.9 Subd. 8a. **Fiscal disparities adjustment.** In any year in which the highest class
49.10 classification rate for class 3a property changes from the rate in the previous year, the
49.11 following adjustments shall be made to the procedures described in sections 473F.06 to
49.12 473F.08.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

51.17 (1) \$5.133 multiplied by the total number of acres of acquired natural resources land
 51.18 or, at the county's option three-fourths of one percent of the appraised value of all acquired
 51.19 natural resources land in the county, whichever is greater;

51.20 (2) \$5.133, multiplied by the total number of acres of transportation wetland or, at
 51.21 the county's option, three-fourths of one percent of the appraised value of all transportation
 51.22 wetland in the county, whichever is greater;

51.23 (3) \$5.133, multiplied by the total number of acres of wildlife management land, or,
 51.24 at the county's option, three-fourths of one percent of the appraised value of all wildlife
 51.25 management land in the county, whichever is greater;

51.26 (4) 50 percent of the dollar amount as determined under clause (1), multiplied by
 51.27 the number of acres of military refuge land in the county;

51.28 (5) \$1.50, multiplied by the number of acres of county-administered other natural
 51.29 resources land in the county;

51.30 (6) \$5.133, multiplied by the total number of acres of land utilization project land
 51.31 in the county;

51.32 (7) \$1.50, multiplied by the number of acres of commissioner-administered other
 51.33 natural resources land in the county; and

51.34 (8) without regard to acreage, \$300,000 for local assessments under section 84A.55,
 51.35 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
ARTICLE 2	PROPERTY TAXES	Page.Ln 9.1
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 airflight 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.