

**FIRST SPECIAL SESSION LAWS
of the
STATE OF MINNESOTA**

**Enacted by the Seventy-Fourth Legislature
at the 1986 First Special Session,
April 2, 1986**

Proclamation

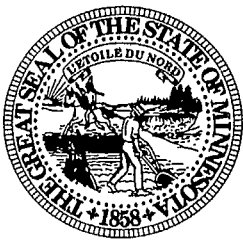
WHEREAS: The Minnesota Legislature adjourned without completing action on certain bills relating to budget, revenues, farm security loan guarantees and other matters affecting the health, safety and welfare of Minnesota citizens; and

WHEREAS: The people of Minnesota are best served by an orderly conclusion of legislative business, with a limited agenda and prior agreement on laws to be enacted; and

WHEREAS: Article IV, Section 12 of the Constitution of the State of Minnesota provides that a special session of the Legislature may be called on extraordinary occasions; and

WHEREAS: Elected leaders of the Legislature have agreed on an agenda and procedures to complete a special session in the shortest time possible.

NOW, THEREFORE, I, Rudy Perpich, Governor of the State of Minnesota, do hereby summon you, members of the Legislature, to convene in Special Session on Wednesday, April 2, 1986, at 12 o'clock noon on that day, in the Capitol in Saint Paul, Minnesota.



IN WITNESS WHEREOF, I have hereunto set my hand and caused the Great Seal of the State of Minnesota to be affixed at the State Capitol this first day of April in the year of our Lord one thousand nine hundred and eighty-six, and of the State the one hundred-twenty-seventh.

JOAN ANDERSON GROWE

RUDY PERPICH

SECRETARY OF STATE

GOVERNOR

SESSIONS LAWS

of the

STATE OF MINNESOTA

ENACTED BY THE SEVENTY-FOURTH LEGISLATURE

AT THE 1986 FIRST SPECIAL SESSION

APRIL 2, 1986

CHAPTER 1—H.F.No. 1

An act relating to government in this state; updating the income tax law to conform with federal tax law changes; making administrative and technical changes in the income tax law; providing for direct payments of fire and police state aids; requiring a one-year sales ratio study; changing dates for payments of certain state aids; delaying date for payment of second half taxes on agricultural property; authorizing reciprocal agreements with other states regarding interstate vehicles; requiring a report on the sales ratio study; eliminating a durational restriction on a special levy in Clearwater county; providing for delay of certain aid payments and altering computations; adjusting the computation and payment of local government aids; expanding tax clearance authority; expanding tax collection authority of the department of revenue; authorizing the department to file tax liens against homestead property; increasing the rate of interest to be paid on tax refunds; changing times for payment of certain taxes on liquor, cigarettes, tobacco products, and insurance premiums; imposing certain requirements on liquor wholesalers; altering enterprise zone provisions; providing for certain examinations; delaying transfer of motor vehicle excise taxes; reinstating the bottle tax; reducing the ethanol credit and providing payments to ethanol producers; adjusting income and asset criteria for recipients of medical assistance; repealing the provision for suspension of income tax indexing; making technical changes in property tax and other miscellaneous tax laws; transferring certain positions within the department of natural resources; establishing priorities for expenditure of additional revenues; reducing certain appropriations for education with certain conditions; adjusting complements; setting the foundation formula allowance and the amount to be raised by the basic maintenance mill rate; altering certain education aid and levy formulas and requirements; authorizing levies in certain school districts; making changes in certain pension, retirement, and social security

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provisions; limiting eligibility for school bus driver endorsements; providing for insurance coverage, expense allowances, board duties, office location, class days, building construction, approval on certain capital improvements involving certain post-secondary education systems; providing for community emergency response hazardous substance protection; transferring certain funds between agencies; requiring certain studies and reports; imposing penalties; appropriating money; amending Minnesota Statutes 1984, sections 15.38, subdivision 3; 60A.15, subdivision 2; 60A.17, by adding a subdivision; 69.021, subdivisions 4, 5, 7, and 9; 69.031, subdivision 3; 69.54; 82.22, subdivision 3; 82.27, by adding a subdivision; 121.901, subdivision 2; 123.71, subdivision 1; 124.195, subdivisions 3, 5, and by adding a subdivision; 124.32, subdivision 1c; 124.573, subdivision 3; 124.71, subdivision 2; 136.14; 148.10, by adding a subdivision; 150A.08, by adding a subdivision; 162.06, subdivision 1; 162.12, subdivision 1; 270.12, subdivision 2; 270.69, by adding a subdivision; 270.72, subdivisions 1, 2, and 3; 270A.03, subdivision 5; 273.072, subdivision 1; 273.1391, subdivision 3; 275.125, subdivision 9, and by adding a subdivision; 276.09; 276.10; 276.11; 278.03; 279.01, as amended; 290.067, subdivision 2; 290.281, subdivision 5; 290.34, subdivision 2; 290.36; 290.50, subdivision 3; 290.53, subdivision 2; 290.56, subdivision 3; 290.61; 290A.03, subdivision 8; 296.16, subdivision 1; 296.17, subdivision 6, and by adding a subdivision; 297.07, subdivisions 1 and 4; 297.23, subdivision 1; 297.35, subdivisions 5 and 8; 297A.27, by adding a subdivision; 297A.43; 297B.09, subdivision 2; 298.24, subdivision 1; 299F.21; 326.20, by adding a subdivision; 364.09; and 477A.015; Minnesota Statutes 1985 Supplement, sections 15A.081, subdivision 8; 16A.15, subdivisions 1 and 6; 16A.1541; 60A.17, subdivision 1a; 69.031, subdivision 1; 116C.63, subdivision 4; 121.904, subdivision 4c; 124.155, subdivision 2; 124.17, subdivision 1a; 124.195, subdivision 11; 124.2131, subdivision 3; 124.2161, subdivision 6; 124.2162, subdivision 2; 124.2163, subdivision 2; 124.225, subdivisions 7b and 10; 124.245, subdivisions 1 and 3; 124.271, subdivision 2b; 124.573, subdivision 2; 124A.02, subdivisions 9 and 15; 124A.03, subdivision 1a; 129B.38, subdivision 1; 136C.07, subdivision 5a; 136C.35; 147.021, by adding a subdivision; 256B.06, subdivision 1; 270.063; 270.69, subdivisions 2, 3, and 4; 270.76; 270.77; 273.11, subdivision 8; 273.124, subdivisions 6, 8, 9, 10, 11, and by adding a subdivision; 273.13, subdivisions 15a, 26, 28, and 30; 273.1314, subdivisions 6 and 16a, as amended; 273.136; 273.42, subdivision 2; 274.19, subdivisions 1 and 8; 275.125, subdivisions 8, 11a, and 11c; 278.05, subdivision 5; 279.06; 287.12; 287.29, subdivision 1; 290.01, subdivision 20; 290.06, subdivision 3g; 290.068, subdivision 3; 290.079, subdivision 1; 290.089, subdivision 3; 290.09, subdivision 7; 290.091, subdivision 2; 290.095, subdivisions 9 and 11; 290.10; 290.12, subdivision 2; 290.13, subdivision 1; 290.132, subdivision 1; 290.14; 290.16, subdivisions 7 and 15; 290.17, subdivision 2; 290.21, subdivisions 4 and 8; 290.41, subdivision 1; 290.92, subdivision 2a; 290.93, subdivision 10; 290A.03, subdivisions 3, 6, and 13; 296.02, subdivision 7; 296.22, subdivision 13; 297.35, subdivision 1; 297C.02, by adding a subdivision; 297C.03, subdivision 1; 297C.04; 297C.05, subdivision 2; 298.28, subdivision 1; 354.43, subdivision 3; 354A.12, subdivision 2; 355.208; 355.287; 355.46, subdivision 3; 477A.011, subdivisions 10 and 14; 477A.012; 477A.013; and 609.101; Laws 1985, chapter 289, section 5, subdivision 2; and section 7; Laws 1985, First Special Session chapter 12, article 1, section 36, subdivision 3; article 2, section 15, subdivision 2; article 3, section 28, subdivisions 9 and 10; article 4, section 11, subdivision 6; article 5, section 10, subdivisions 2 and 4; article 6, section 28, subdivisions 11, 16, 17, and 20, article 8, section 60, subdivisions 1 and 4; section 62, subdivisions 2, 3, 4, 6, 8, 9, 12, 13, 14, 15, and 17; section 63, subdivisions 2 and 3; section 64, subdivision 2; article 9, section 3, subdivisions 2

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and 3; article 11, section 21, subdivision 3; chapter 14, article 11, section 13; proposing coding for new law in Minnesota Statutes, chapters 41A; 135A; 256; 270; 276; 297A; and 299F; 458; repealing Minnesota Statutes 1984, sections 69.031, subdivision 4; 121.495; 124A.031, subdivision 2; 136.063; 270.72, subdivision 5; 275.125, subdivision 16; 290.06, subdivision 15; 290.39, subdivision 1a; and 290A.04, subdivision 2f; Minnesota Statutes 1985 Supplement, sections 16A.154; 124.245, subdivisions 2 and 5; 129B.38; 275.125, subdivision 11b; and 290.06, subdivision 2f; Laws 1985, First Special Session chapter 14, article 21, sections 16 and 17.

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

ARTICLE 1

INCOME TAX UPDATE

Section 1. Minnesota Statutes 1985 Supplement, section 290.01, subdivision 20, is amended to read:

Subd. 20. **GROSS INCOME.** Except as otherwise provided in this chapter, the term "gross income," as applied to corporations includes every kind of compensation for labor or personal services of every kind from any private or public employment, office, position or services; income derived from the ownership or use of property; gains or profits derived from every kind of disposition of, or every kind of dealing in, property; income derived from the transaction of any trade or business; and income derived from any source.

The term "gross income" in its application to individuals, estates, and trusts shall mean the adjusted gross income as defined in the Internal Revenue Code of 1954, as amended through the date specified herein for the applicable taxable year, with the modifications specified in this subdivision and in subdivisions 20a to 20f. For estates and trusts the adjusted gross income shall be their federal taxable income as defined in the Internal Revenue Code of 1954, as amended through the date specified herein for the applicable taxable year, with the modifications specified in this subdivision and in subdivisions 20a to 20f.

(i) The Internal Revenue Code of 1954, as amended through December 31, 1980, and as amended by sections 302(b) and 501 to 509 of Public Law Number 97-34, shall be in effect for taxable years beginning after December 31, 1980 including the provisions of section 404 (relating to partial exclusions of dividends and interest received by individuals) of the Crude Oil Windfall Profit Tax Act of 1980, Public Law Number 96-223. The provisions of Public Law Num-

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ber 96-471 (relating to installment sales) sections 122, 123, 126, 201, 202, 203, 204, 211, 213, 214, 251, 261, 264, 265, 311(g)(3), 313, 314(a)(1), 321(a), 501 to 507, 811, and 812 of the Economic Recovery Tax Act of 1981, Public Law Number 97-34 and section 113 of Public Law Number 97-119 shall be effective at the same time that they become effective for federal income tax purposes.

(ii) The Internal Revenue Code of 1954, as amended through December 31, 1981, shall be in effect for taxable years beginning after December 31, 1981. The provisions of sections 205(a), 214 to 222, 231, 232, 236, 247, 251, 252, 253, 265, 266, 285, 288, and 335 of the Tax Equity and Fiscal Responsibility Act of 1982, Public Law Number 97-248, section 6(b)(2) and (3) of the Subchapter S Revision Act of 1982, Public Law Number 97-354, section 517 of Public Law Number 97-424, sections 101(c) and (d), 102(a), (aa), (f)(4), (g), (j), (l), 103(c), 104(b)(3), 105, 305(d), 306(a)(9) of Public Law Number 97-448, and sections 101 and 102 of Public Law Number 97-473 shall be effective at the same time that they become effective for federal income tax purposes. The Payment-in-Kind Tax Treatment Act of 1983, Public Law Number 98-4, shall be effective at the same time that it becomes effective for federal income tax purposes.

(iii) The Internal Revenue Code of 1954, as amended through January 15, 1983, shall be in effect for taxable years beginning after December 31, 1982.

(iv) The Internal Revenue Code of 1954, as amended through December 31, 1983, shall be in effect for taxable years beginning after December 31, 1983. The provisions of sections 13, 17, 25(b), 31, 32, 41 to 43, 52, 55, 56, 71 to 74, 77, 81, 82, 91, 92, 94, 101 to 103, 105 to 108, 111 to 113, 147(c), 171, 172, 174, 175, 179(a), 221, 223, 224, 421(b), 432, 481, 491, 512, 522 to 524, 554 to 557, 561, 611(a), 621 to 623, 626 to 628, 711(c), 712(d), 713(b), (e), (g), and (h), 721(a), (b), (d), (g), (i), (o), (p), (r), (t), and (w), 722(e), 1001, 1026, 1061 to 1064, 1066, 1076, 1078, and 2638(b) of the Deficit Reduction Act of 1984, Public Law Number 98-369, and section 1 of Public Law Number 98-611 shall be effective at the same time that they become effective for federal income tax purposes.

(v) The Internal Revenue Code of 1954, as amended through May 25, 1985, shall be in effect for taxable years beginning after December 31, 1984. The provisions of sections 101, 102, 103, 201, and 202 of Public Law Number 99-121 shall be effective at the same time that they become effective for federal income tax purposes.

(vi) The Internal Revenue Code of 1954, as amended through December 31, 1985, shall be in effect for taxable years beginning after December 31, 1985.

References to the Internal Revenue Code of 1954 in subdivisions 20a, 20b, 20e, and 20f mean the code in effect for the purpose of defining gross income for the applicable taxable year.

Sec. 2. Minnesota Statutes 1985 Supplement, section 290.079, subdivision 1, is amended to read:

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Subdivision 1. **AMOUNT CONSTITUTING INTEREST.** For purposes of this chapter, in the case of any contract for the sale or exchange of property there shall be treated as interest that part of a payment to which section 483 of the Internal Revenue Code of 1954, as amended through December 31, ~~1984~~ 1985, applies. The treatment of loans with below-market interest rates shall be the same as is provided in section 7872 of the Internal Revenue Code of 1954, as amended through December 31, ~~1984~~ 1985.

Sec. 3. Minnesota Statutes 1985 Supplement, section 290.09, subdivision 7, is amended to read:

Subd. 7. **DEPRECIATION. (A) CUMULATIVE DEPRECIATION.** (a) There shall be allowed as a depreciation deduction a reasonable allowance for the exhaustion, wear and tear (including a reasonable allowance for obsolescence):

- (1) of property used in the trade or business, or
- (2) of property held for the production of income.

In the case of recovery property as provided in clause (c), the deduction allowable under clause (c) shall be deemed to constitute the reasonable allowance provided by this subdivision, except for the provisions of Part (B) relating to first year depreciation and except with respect to that portion of the basis of the property to which section 167(k) of the Internal Revenue Code of 1954, as amended through December 31, ~~1984~~ 1985, applies.

(b) The term "reasonable allowance" as used in clause (a) shall include (but shall not be limited to) an allowance computed in accordance with regulations prescribed by the commissioner, under any of the following methods:

- (1) the straight line method.
- (2) the declining balance method, using a rate not exceeding twice the rate which would have been used had the annual allowance been computed under the method described in paragraph (1).
- (3) the sum of the years-digits method, and
- (4) any other consistent method productive of an annual allowance, which, when added to all allowances for the period commencing with the taxpayer's use of the property and including the taxable year, does not, during the first two-thirds of the useful life of the property, exceed the total of such allowances which would have been used had such allowances been computed under the method described in (2). Nothing in this clause shall be construed to limit or reduce an allowance otherwise allowable under clause (a).

(c) For purposes of this subdivision "reasonable allowance" shall be the accelerated cost recovery system provisions of section 168 of the Internal Revenue

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nue Code of 1954, as amended through December 31, ~~1984~~ 1985, except as provided in this subdivision. In the case of recovery property within the meaning of section 168 of the Internal Revenue Code of 1954, as amended through December 31, ~~1984~~ 1985, the term "reasonable allowance" as used in clause (a) shall mean 85 percent of the deduction allowed pursuant to section 168 of the Internal Revenue Code of 1954 for property placed in service after December 31, 1980 and for taxable years beginning before January 1, 1982.

For taxable years beginning after December 31, 1981 the term reasonable allowance as used in clause (a) shall mean the following percent of the deduction allowed pursuant to section 168 of the Internal Revenue Code of 1954, as amended through December 31, ~~1984~~ 1985:

(1) For 3, 5 and 10 year property and for 15 year public utility property the allowable percentage is 83 percent and 80 percent for taxable years beginning after December 31, 1982.

(2) For 15 ~~or~~, 18, or 19 year real property the allowable percentage is 60 percent.

For property placed in service after December 31, 1980 the term "reasonable allowance" as used in clause (a) shall mean 100 percent of the deduction allowed pursuant to section 168 of the Internal Revenue Code of 1954 where the taxpayer uses for federal income tax purposes the straight line method provided in section 168(b)(3), (f)(12), or (j)(1) or a method provided in section 168(e)(2) of the Internal Revenue Code of 1954, as amended through December 31, ~~1984~~ 1985. For property placed in service after December 31, 1980 and for which the full amount of the deduction allowed under section 168 of the Internal Revenue Code of 1954, as amended through December 31, ~~1984~~ 1985 has been allowed, the remaining depreciable basis in those assets for Minnesota purposes shall be a depreciation allowance computed by using the straight line method over the following number of years:

(1) 3 year property - 1 year.

(2) 5 year property - 2 years.

(3) 10 year property - 5 years.

(4) All 15 ~~and~~, 18, and 19 year property - 7 years.

When an asset is exchanged for another asset including an involuntary conversion and under the provision of the Internal Revenue Code gain is not recognized in whole or in part on the exchange of the first asset, the basis of the second asset shall be the same as its federal basis provided that the difference in basis due to the limitations provided in this clause can be written off as provided in the preceding sentence.

After the full amount of the allowable deduction for that property under the

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provision of section 168 of the Internal Revenue Code of 1954, as amended through December 31, ~~1984~~ 1985, has been obtained, the remaining depreciable basis in those assets for Minnesota purposes that shall be allowed as a depreciation allowance as provided above shall include the amount of any basis reduction made for federal purposes under section 48(q) of the Internal Revenue Code, as amended through December 31, ~~1984~~ 1985, to reflect the investment tax credit. No amount shall be allowed as a deduction under section 196 of the Internal Revenue Code of 1954, as amended through December 31, ~~1984~~ 1985.

The provisions of section 168(i)(4) of the Internal Revenue Code of 1954, as amended through December 31, ~~1984~~ 1985 shall apply to restrict research credit carrybacks and net operating loss carrybacks which are allocable to elected qualified leased property, notwithstanding section 290.068, subdivision 3, or 290.095, subdivision 3.

The provisions of section 280F of the Internal Revenue Code of 1954, as amended through ~~May 25~~ December 31, 1985, shall apply to limit the depreciation deductions, (including the first year depreciation deduction provided in paragraph (B)), for luxury automobiles and other property as provided in that section, and provided that if that section applies, the taxpayer shall be allowed to deduct the same amount of depreciation as was deducted for federal income tax purposes.

(d) Paragraphs (2), (3), and (4) of clause (b) shall apply only in the case of property (other than intangible property) described in clause (a) with a useful life of three years or more.

(1) the construction, reconstruction, or erection of which is completed after December 31, 1958, and then only to that portion of the basis which is properly attributable to such construction, reconstruction, or erection after December 31, 1958, or

(2) acquired after December 31, 1958, if the original use of such property commenced with the taxpayer and commences after such date.

(e) Where, under rules prescribed by the commissioner, the taxpayer and the commissioner have, after June 30, 1959, entered into an agreement in writing specifically dealing with the useful life and rate of depreciation of any property, the rate so agreed upon shall be binding on both the taxpayer and the commissioner in the absence of facts or circumstances not taken into consideration in the adoption of such agreement. The responsibility of establishing the existence of such facts and circumstances shall rest with the party initiating the modification. Any change in the agreed rate and useful life specified in the agreement shall not be effective for taxable years before the taxable year in which notice in writing by certified mail is served by the party to the agreement initiating such change. This clause shall not apply with respect to recovery property as defined in clause (c).

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(f) In the absence of an agreement under clause (e) containing a provision to the contrary, a taxpayer may at any time elect in accordance with rules prescribed by the commissioner to change from the method of depreciation prescribed in clause (b)(2) to the method described in clause (b)(1).

(g) The basis on which exhaustion, wear and tear, and obsolescence are to be allowed in respect of any property shall be the adjusted basis provided in this chapter for the purpose of determining the gain on the sale or other disposition of such property.

(B) FIRST YEAR DEPRECIATION. The term "reasonable allowance" as used in this subdivision may, at the election of the taxpayer, include an amount as provided under section 179 of the Internal Revenue Code of 1954, as amended through December 31, 1984 ~~1985~~.

Sec. 4. Minnesota Statutes 1985 Supplement, section 290.091, subdivision 2, is amended to read:

Subd. 2. **DEFINITIONS.** For purposes of the tax imposed by this section, the following terms have the meanings given:

(a) "Alternative minimum taxable income" means the sum of the following for the taxable year:

(1) the taxpayer's federal adjusted gross income as defined in the Internal Revenue Code;

(2) the taxpayer's federal tax preference items; less the sum of

(i) interest income as defined in section 290.01, subdivision 20b, clause (1); and

(ii) the amount of interest paid or accrued within the taxable year on indebtedness to the extent that the amount does not exceed qualified net investment income, as defined in section 55(e)(5) of the Internal Revenue Code. Interest does not include amounts deducted in computing federal adjusted gross income or amounts that are not allowable under section 55(e)(8) of the Internal Revenue Code.

In the case of an estate or trust, adjusted gross income must be modified as provided in section 55(e)(6)(B) of the Internal Revenue Code.

(b) "Federal tax preference items" means items as defined in sections 57, 58, and 443(d) of the Internal Revenue Code, modified as follows:

(1) The capital gain preference item shall be reduced where the gain would be modified because some or all of the assets have a higher basis for Minnesota purposes than for federal purposes.

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(2) In the case of a nonresident individual, or an estate or trust, with a net operating loss that is a larger amount for Minnesota than for federal, the capital gain preference item shall be reduced to the extent it was reduced in the allowance of the net operating loss.

(3) Federal preference items from the business of mining or producing iron ore and other ores which are subject to the occupation tax and exempt from taxation under section 290.05, subdivision 1, shall not be a preference item for Minnesota.

(4) Other federal preference items to the extent not allowed in the computation of Minnesota gross income, as determined by the commissioner, are not preference items for Minnesota.

(c) "Internal Revenue Code" means the Internal Revenue Code of 1954, as amended through December 31, ~~1984~~ 1985.

(d) "Regular tax" means the tax that would be imposed under this chapter (without regard to this section), reduced by the sum of the nonrefundable credits allowed under this chapter.

Sec. 5. Minnesota Statutes 1985 Supplement, section 290.132, subdivision 1, is amended to read:

Subdivision 1. **TAXABILITY OF CORPORATION ON DISTRIBUTION.** No gain or loss shall be recognized to a corporation on the distribution, with respect to its stock as provided in section 311 of the Internal Revenue Code of 1954, as amended through December 31, ~~1984~~ 1985.

The effect on earnings and profits shall be determined according to the provisions of section 312 of the Internal Revenue Code of 1954, as amended through December 31, ~~1984~~ 1985. However, when determining earnings and profits in section 312(f) and (g), the date December 31, 1932 shall be substituted for February 28, 1913, and January 1, 1933 shall be substituted for March 1, 1913.

Sec. 6. Minnesota Statutes 1985 Supplement, section 290.16, subdivision 7, is amended to read:

Subd. 7. **BONDS, OTHER EVIDENCES OF INDEBTEDNESS.** For the purpose of this section, the treatment of bonds and other debt instruments shall be governed by the provisions of sections 1271 to 1288 of the Internal Revenue Code of 1954, as amended through December 31, ~~1984~~ 1985.

Sec. 7. Minnesota Statutes 1985 Supplement, section 290.16, subdivision 15, is amended to read:

Subd. 15. **GAIN FROM DISPOSITIONS OF CERTAIN DEPRECIABLE PROPERTY.** For purposes of this subdivision "depreciable property" shall mean

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"Section 1245 property" or "Section 1245 recovery property" as those phrases are defined in section 1245(a) (3) or (5) of the Internal Revenue Code of 1954, as amended through December 31, ~~1984~~ 1985.

In determining net income of any corporate taxpayer, the gain realized from the disposition of "depreciable property" shall be treated in the same manner as is provided by section 1245 of the Internal Revenue Code of 1954, as amended through December 31, ~~1984~~ 1985 and regulations adopted pursuant thereto except that the determination shall be made using the basis computed under this chapter.

Sec. 8. Minnesota Statutes 1985 Supplement, section 290A.03, subdivision 3, is amended to read:

Subd. 3. **INCOME.** (1) "Income" means the sum of the following:

(a) federal adjusted gross income as defined in the Internal Revenue Code of 1954 as amended through ~~May 25~~ December 31, 1985; and

(b) the sum of the following amounts to the extent not included in clause (a):

(i) additions to federal adjusted gross income as provided in section 290.01, subdivision 20a, clauses (1), (2), (3), and (4);

(ii) all nontaxable income;

(iii) recognized net long-term capital gains;

(iv) dividends excluded from federal adjusted gross income under section 116 of the Internal Revenue Code of 1954;

(v) cash public assistance and relief;

(vi) any pension or annuity (including railroad retirement benefits, all payments received under the federal Social Security Act, supplemental security income, and veterans benefits), which was not exclusively funded by the claimant or spouse, or which was funded exclusively by the claimant or spouse and which funding payments were excluded from federal adjusted gross income in the years when the payments were made;

(vii) nontaxable interest received from the state or federal government or any instrumentality or political subdivision thereof;

(viii) workers' compensation;

(ix) unemployment benefits;

(x) nontaxable strike benefits;

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(xi) the gross amounts of payments received in the nature of disability income or sick pay as a result of accident, sickness, or other disability, whether funded through insurance or otherwise;

(xii) the ordinary income portion of a lump sum distribution under section 402(e) of the Internal Revenue Code of 1954; and

(xiii) contributions made by the claimant to an individual retirement account, including a qualified voluntary employee contribution; simplified employee pension plan; self-employed retirement plan; cash or deferred arrangement plan under section 401(k) of the Internal Revenue Code of 1954; or deferred compensation plan under section 457 of the Internal Revenue Code of 1954.

In the case of an individual who files an income tax return on a fiscal year basis, the term "federal adjusted gross income" shall mean federal adjusted gross income reflected in the fiscal year ending in the calendar year. Federal adjusted gross income shall not be reduced by the amount of a net operating loss carry-back.

(2) "Income" does not include

(a) amounts excluded pursuant to the Internal Revenue Code, sections 101(a), 102, 117, and 121;

(b) amounts of any pension or annuity which was exclusively funded by the claimant or spouse and which funding payments were not excluded from federal adjusted gross income in the years when the payments were made;

(c) surplus food or other relief in kind supplied by a governmental agency;

(d) relief granted under this chapter;

(e) child support payments received under a temporary or final decree of dissolution or legal separation; or

(f) the first \$2,000 of household income if the claimant was disabled on or before June 1 or attained the age of 65 prior to June 1 of the year following the year for which the taxes were levied or in which the rent was paid.

Sec. 9. INSTRUCTIONS TO REVISOR.

In the next edition of Minnesota Statutes, the revisor of statutes shall substitute the phrase "Internal Revenue Code of 1954, as amended through December 31, 1985" for the words "Internal Revenue Code of 1954, as amended through December 31, 1984" or "Internal Revenue Code of 1954, as amended through May 25, 1985" wherever the phrase occurs in chapter 290, except sections 290.01, subdivision 20, and 290.068.

Sec. 10. EFFECTIVE DATE.

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Section 1 is effective for taxable years beginning after December 31, 1985, except as otherwise provided in clause (v) of that section. Sections 2 to 7 are effective at the same time as the federal changes are effective in 1985, as provided in Public Law Number 99-121. Section 8 is effective for claims based on rent paid in 1985 and thereafter and property taxes payable in 1986 and thereafter. Section 9 is effective for taxable years beginning after December 31, 1985.

ARTICLE 2

INCOME TAX ADMINISTRATIVE

Section 1. Minnesota Statutes 1985 Supplement, section 290.12, subdivision 2, is amended to read:

Subd. 2. **ADJUSTMENTS.** In computing the amount of gain or loss under subdivision 1 ~~proper adjustment shall be made for any expenditure, receipt, loss, or other item properly chargeable to capital account by the taxpayer during his ownership thereof~~ the basis of the property is its adjusted basis for federal income tax purposes, except as otherwise provided in this chapter. In addition to other adjustments provided in this chapter, the adjusted basis of property for federal income tax purposes shall be increased by the amount of accelerated cost recovery system depreciation which was allowed for federal income tax purposes but not allowed for Minnesota income tax purposes under sections 290.01, subdivision 20f or 290.09, subdivision 7, paragraph (A)(c). The basis shall be diminished by the amount of the deductions for exhaustion, wear and tear, obsolescence, amortization, depletion, and the allowance for amortization of bond premium if an election to amortize was made in accordance with section 290.09, subdivision 13, which could, during the period of his ownership thereof, have been deducted by the taxpayer under this chapter in respect of such property. In addition, if the property was acquired before January 1, 1933, the basis, if other than the fair market value as of such date, shall be diminished by the amount of exhaustion, wear and tear, obsolescence, amortization, or depletion actually sustained before such date. In respect of any period since December 31, 1932, during which property was held by a person or an organization not subject to income taxation under this chapter, ~~proper adjustment shall be made for exhaustion, wear and tear, obsolescence, amortization, and depletion of such property to the extent sustained. For the purpose of determining the amount of these adjustments the taxpayer who sells or otherwise disposes of property acquired by gift shall be treated as the owner thereof from the time it was acquired by the last preceding owner who did not acquire it by gift, and the taxpayer who sells~~

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or otherwise disposes of property acquired by gift through an inter vivos transfer in trust shall be treated as the owner from the time it was acquired by the grantor.

No adjustment shall be made:

(1) for taxes or other carrying charges described in section 290.10; clause (11); or

(2) for expenditures described in section 290.09; subdivision 16 (relating to circulation expenditures); for which deductions have been taken by the taxpayer in determining taxable income for the taxable year or prior years the basis of the property is its adjusted basis for federal income tax purposes, except as otherwise provided in this chapter.

Sec. 2. Minnesota Statutes 1985 Supplement, section 290.17, subdivision 2, is amended to read:

Subd. 2. **OTHER TAXPAYERS.** In the case of an individual who is not a full year resident, this subdivision applies to determine what income is assignable to Minnesota for purposes of determining the numerator of the fraction used in section 290.06, subdivision 2c. In the case of taxpayers not subject to the provisions of subdivision 1, items of gross income shall be assigned to this state or other states or countries in accordance with the following principles:

(1)(a) The entire income of all resident or domestic taxpayers from compensation for labor or personal services, or from a business consisting principally of the performance of personal or professional services, shall be assigned to this state, and the income of nonresident taxpayers from such sources shall be assigned to this state if, and to the extent that, the labor or services are performed within it; all other income from such sources shall be treated as income from sources without this state.

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

(i) The amount of income to be assigned to Minnesota for an individual who is a nonresident salaried athletic team employee shall be determined by using a fraction in which the denominator contains the total number of days in which the individual is under a duty to perform for the employer, and the numerator is the total number of those days spent in Minnesota. In order to eliminate the need to file state or provincial income tax returns in several states or provinces, Minnesota will exclude from income any income assigned to Minnesota under the provisions of this clause for a nonresident athlete who is employed by an athletic team whose operations are not based in this state and for a nonresident salaried entertainer who is employed by an entertainment

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organization whose operations are not based in this state if the state or province in which the athletic team or entertainment organization is based provides a similar income exclusion. If the state or province in which the athletic team's or the entertainment organization's operations are based does not have an income tax on an individual's personal service income, it will be deemed that that state or province has a similar income exclusion. As used in the preceding sentence, the term "province" means a province of Canada.

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

(2) Income from the operation of a farm shall be assigned to this state if the farm is located within this state and to other states only if the farm is not located in this state. Income from winnings on Minnesota pari-mutuel betting tickets shall be assigned to this state. Income and gains received from tangible property not employed in the business of the recipient of such income or gains, and from tangible property employed in the business of such recipient if such business consists principally of the holding of such property and the collection of the income and gains therefrom, shall be assigned to this state if such property has a situs within it, and to other states only if it has no situs in this state. Income or gains from intangible personal property not employed in the business of the recipient of such income or gains, and from intangible personal property employed in the business of such recipient if such business consists principally of the holding of such property and the collection of the income and gains therefrom, wherever held, whether in trust, or otherwise, shall be assigned to this state if the recipient thereof is domiciled within this state or is a resident trust or estate.

(3) Income derived from carrying on a trade or business, including in the case of a business owned by natural persons the income imputable to the owner for his services and the use of his property therein, shall be assigned to this state if the trade or business is conducted wholly within this state, and to other states if conducted wholly without this state. This provision shall not apply to business income subject to the provisions of clause (1).

(4) When a trade or business is carried on partly within and partly without this state, the entire income derived from such trade or business, including income from intangible property employed in such business and including, in the case of a business owned by natural persons, the income imputable to the owner for his services and the use of his property therein, shall be governed, except as otherwise provided in sections 290.35 and 290.36, by the provisions of section 290.19, notwithstanding any provisions of this subdivision to the contrary. This shall not apply to business income subject to the provisions of clause (1), nor shall it apply to income from the operation of a farm which is subject to

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the provisions of clause (2). For the purposes of this clause, a trade or business located in Minnesota is carried on partly within and partly without this state if tangible personal property is sold by such trade or business and delivered or shipped to a purchaser located outside the state of Minnesota.

If the trade or business carried on wholly or partly in Minnesota is part of a unitary business, the entire income of that unitary business shall be subject to apportionment under section 290.19 except for business income subject to the provisions of clause (1) and farm income subject to the provisions of clause (2). The term "unitary business" shall mean business activities or operations which are of mutual benefit, dependent upon, or contributory to one another, individually or as a group. Unity shall be presumed whenever there is unity of ownership, operation, and use, evidenced by centralized management or executive force, centralized purchasing, advertising, accounting, or other controlled interaction but the absence of these centralized activities will not necessarily evidence a nonunitary business. Unity of ownership will not be deemed to exist when a corporation is involved unless that corporation is a member of a group of two or more corporations more than 50 percent of the voting stock of each member of the group is directly or indirectly owned by a common owner or by common owners, either corporate or noncorporate, or by one or more of the member corporations of the group.

The entire income of a unitary business shall be subject to apportionment as provided in section 290.19. None of the income of a unitary business shall be considered as derived from any particular source and none shall be allocated to any particular place except as provided by the applicable apportionment formula.

In determining whether or not intangible property is employed in a unitary business carried on partly within and partly without this state so that income derived therefrom is subject to apportionment under section 290.19 the following rules and guidelines shall apply.

(a) Intangible property is employed in a business if the business entity owning intangible property holds it as a means of furthering the business operation of which a part is located within the territorial confines of this state.

(b) Where a business operation conducted in Minnesota, is owned by a business entity which carries on business activity outside of the state different in kind from that conducted within this state, and such other business is conducted entirely outside the state, it will be presumed that the two business operations are unitary in nature, interrelated, connected and interdependent unless it can be shown to the contrary.

(5) For purposes of this section, amounts received by a nonresident from the United States, its agencies or instrumentalities, the Federal Reserve Bank, the state of Minnesota or any of its political or governmental subdivisions, or a Minnesota volunteer fireman's relief association, by way of payment as a pen-

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sion, public employee retirement benefit, or any combination thereof, or as a retirement or survivor's benefit made from a plan qualifying under section 401, 403, 404, 408, or 409 of the Internal Revenue Code of 1954, as amended through December 31, 1984, are not considered income derived from carrying on a trade or business or from performing personal or professional services in Minnesota, and are not taxable under this chapter.

(6) All other items of gross income shall be assigned to the taxpayer's domicile.

Sec. 3. Minnesota Statutes 1985 Supplement, section 290.21, subdivision 4, is amended to read:

Subd. 4. (a) 85 percent of dividends received by a corporation during the taxable year from another corporation, when the corporate stock with respect to which dividends are paid does not constitute the stock in trade of the taxpayer or would not be included in the inventory of the taxpayer, or does not constitute property held by the taxpayer primarily for sale to customers in the ordinary course of his trade or business, or when the trade or business of the taxpayer does not consist principally of the holding of the stocks and the collection of the income and gains therefrom. The remaining 15 percent shall be allowed if the recipient owns 80 percent or more of all the voting stock of the other corporation and the dividends were paid from income arising out of business done in this state by the corporation paying the dividends. If the dividends were declared from income arising out of business done within and without this state, then a proportion of the remainder shall be allowed as a deduction. The proportion must be that which the amount of the taxable net income of the corporation paying the dividends assignable or allocable to this state bears to the entire net income of the corporation. The amounts must be determined by the returns under this chapter of the corporation paying the dividends for the taxable year preceding their distribution. The burden is on the taxpayer to show that the amount of remainder claimed as a deduction has been received from income arising out of business done in this state.

(b) If the trade or business of the taxpayer consists principally of the holding of the stocks and the collection of the income and gains therefrom, dividends received by a corporation during the taxable year from another corporation, if the recipient owns 80 percent or more of all the voting stock of the other corporation, from income arising out of business done in this state by the corporation paying the dividends. If the dividends were declared from income arising out of business done within and without this state, then a proportion of the dividends shall be allowed as a deduction. The proportion must be that which the amount of the taxable net income of the corporation paying the dividends assignable or allocable to this state bears to the entire net income of the corporation. The amounts must be determined by the returns under this chapter of the corporation paying the dividends for the taxable year preceding their distribution. The burden is on the taxpayer to show that the amount of

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dividends claimed as a deduction has been received from income arising out of business done in this state.

(c) The dividend deduction provided in this subdivision shall be allowed only with respect to dividends that are included in a corporation's Minnesota taxable net income for the taxable year.

The dividend deduction provided in this subdivision does not apply to a dividend from a corporation which, for the taxable year of the corporation in which the distribution is made or for the next preceding taxable year of the corporation, is a corporation exempt from tax under section 501 of the Internal Revenue Code of 1954, as amended through December 31, 1984.

The dividend deduction provided in this subdivision applies to the amount of regulated investment company dividends only to the extent determined under section 854(b) of the Internal Revenue Code of 1954, as amended through December 31, 1984.

The dividend deduction provided in this subdivision shall not be allowed with respect to any dividend for which a deduction is not allowed under the provisions of section 246(c) of the Internal Revenue Code of 1954, as amended through December 31, 1984.

(d) If dividends received by a corporation that does not have nexus with Minnesota under the provisions of Public Law Number 86-272 are included as income on the return of an affiliated corporation permitted or required to file a combined report under section 290.34, subdivision 2, then for purposes of this subdivision the determination as to whether the trade or business of the corporation consists principally of the holding of stocks and the collection of income and gains therefrom shall be made with reference to the trade or business of the affiliated corporation having a nexus with Minnesota.

(e) Dividends received by a corporation from another corporation which is organized under the laws of a foreign country or a political subdivision of a foreign country, if the dividends are paid from income arising from sources without the United States, the commonwealth of Puerto Rico, and the possessions of the United States. The deduction provided by this clause does not apply if the corporate stock with respect to which dividends are paid constitutes the stock in trade of the taxpayer, or would be included in the inventory of the taxpayer, or constitutes property held by the taxpayer primarily for sale to customers in the ordinary course of the taxpayer's trade or business, or if the trade or business of the taxpayer consists principally of the holding of stocks and the collection of the income or gains therefrom. No dividend may be deducted under this clause if it is deducted under clause (a).

Sec. 4. Minnesota Statutes 1984, section 290.36, is amended to read:

290.36 INVESTMENT COMPANIES; REPORT OF NET INCOME; COMPUTATION OF AMOUNT OF INCOME ALLOCABLE TO STATE.

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The taxable net income of investment companies shall be computed ~~and be~~ exclusively as follows:

Each investment company transacting business as such in this state shall report to the commissioner the net income returned by the company for the taxable year to the United States under the provisions of the Internal Revenue Code of 1954, as amended through December 31, 1983, less the credits provided therein and subject to the adjustments required by this chapter. The commissioner shall compute therefrom the taxable net income of the investment company by assigning to this state that proportion of such net income, less such credits which the aggregate of the gross payments collected by the company during the taxable year from old and new business upon investment contracts issued by the company and held by residents of this state, bears to the total amount of the gross payments collected during such year by the company from such business upon investment contracts issued by the company and held by persons residing within the state and elsewhere.

As used in this section, the term "investment company" means any person, co-partnership, association, or corporation, whether local or foreign, coming within the purview of section 54.26, and who or which is registered under the Investment Company Act of 1940 (15 U.S.C. 80a-1 and following), and who or which solicits or receives payments to be made to himself or itself and which issues therefor, or has issued therefor and has or shall have outstanding so-called bonds, shares, coupons, certificates of membership, or other evidences of obligation or agreement or pretended agreement to return to the holders or owners thereof money or anything of value at some future date; and as to whom the gross payments received during the taxable year in question upon outstanding investment contracts, plus interest and dividends earned on investment contracts determined by prorating the total dividends and interest for the taxable year in question in the same proportion that certificate reserves as defined by the Investment Company Act of 1940 is to total assets, shall be at least 50 percent of the company's gross payments upon investment contracts plus gross income from all other sources except dividends from subsidiaries for the taxable year in question. The term "investment contract" shall mean any such so-called bonds, shares, coupons, certificates of membership, or other evidences of obligation or agreement or pretended agreement issued by an investment company.

Sec. 5. Minnesota Statutes 1984, section 290.56, subdivision 3, is amended to read:

Subd. 3. FAILURE TO REPORT CHANGE OR CORRECTION OF FEDERAL RETURN. If a taxpayer shall fail to report a change or correction or renegotiation by the Commissioner of Internal Revenue or other officer of the United States or other competent authority or shall fail to file a copy of an amended return within 90 days as required by subdivision 2, the commissioner may, within six years thereafter, recompute the tax, including a refundment thereof, based upon such information as may be available to him, notwithstanding any period of limitations to the contrary.

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If a taxpayer reports the change, correction, or renegotiation, or files the amended return after the 90-day period required by subdivision 2 has expired, the time limit for the commissioner to recompute and reassess the tax due under this chapter, including making a refund, is the time limit provided in subdivision 4 determined from the date the report or amended return was filed with the commissioner.

Sec. 6. EFFECTIVE DATE.

Section 1 is effective for taxable years beginning after December 31, 1980. Section 3 is effective for taxable years beginning after June 30, 1985. Sections 2 and 4 are effective for taxable years beginning after December 31, 1985. Section 5 is effective for reports or returns filed after the day of final enactment.

ARTICLE 3

INCOME TAX TECHNICAL

Section 1. Minnesota Statutes 1985 Supplement, section 270.77, is amended to read:

270.77 SUBSTANTIAL UNDERSTATEMENT OF LIABILITY.

(a) The commissioner of revenue shall impose a penalty for substantial understatement of liability of any tax payable to the commissioner. ~~Except as otherwise provided in this section, the penalty must be determined under section 6661 of the Internal Revenue Code of 1954, as amended through December 31, 1984.~~

(b) The provisions of section 6661 (b)(3) of the Internal Revenue Code of 1954, as amended through December 31, 1984 do not apply.

(c) The penalty is not limited to taxes imposed by chapter 290.

(d) A substantial understatement of liability for a tax not imposed by chapter 290 is an understatement that exceeds ten percent of the tax required to be shown on the return or \$5,000, whichever is greater. There must be added to the tax an amount equal to ten percent of the amount of any underpayment attributable to the understatement. There is a substantial understatement of tax for the period if the amount of the understatement for the period exceeds the greater of: (1) ten percent of the tax required to be shown on the return for the period; or (2)(a) \$10,000 in the case of a corporation other than an S

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corporation as defined in section 290.9725 when the tax is imposed by chapter 290, or (b) \$5,000 in the case of any other taxpayer, and in the case of a corporation any tax not imposed by chapter 290. The term "understatement" means the excess of the amount of the tax required to be shown on the return for the period, over the amount of the tax imposed which is shown on the return. The amount of the understatement shall be reduced by that portion of the understatement which is attributable to the tax treatment of any item by the taxpayer if there is or was substantial authority for the treatment, or any item with respect to which the relevant facts affecting the item's tax treatment are adequately disclosed in the return or in a statement attached to the return. The special rules in cases involving tax shelters provided in section 6661(b)(2)(C) of the Internal Revenue Code of 1954, as amended through December 31, 1985, shall apply and shall apply to a tax shelter the principal purpose of which is the avoidance or evasion of state taxes. The commissioner may abate all or any part of the addition to the tax provided by this section on a showing by the taxpayer that there was reasonable cause for the understatement, or part of it, and that the taxpayer acted in good faith.

Sec. 2. Minnesota Statutes 1985 Supplement, section 290.06, subdivision 3g, is amended to read:

Subd. 3g. **INFLATION ADJUSTMENT OF CREDITS.** For taxable years beginning after December 31, 1985, the credits provided for individuals in subdivision 3f shall be adjusted for inflation. The dollar amount of each credit for the prior year in subdivision 3f shall be increased in the same manner as by the same percentage provided in subdivision 2d for the expansion of the tax rate brackets. The resulting amount must be rounded to the nearest whole dollar amount.

Sec. 3. Minnesota Statutes 1984, section 290.067, subdivision 2, is amended to read:

Subd. 2. **LIMITATIONS.** The credit for expenses incurred for the care of each dependent shall not exceed \$720 in any taxable year, and the total credit for all dependents of a claimant shall not exceed \$1,440 in a taxable year. The total credit shall be reduced according to the amount of the combined federal adjusted gross income, plus the ordinary income portion of any lump sum distribution under section 402(e) of the Internal Revenue Code of 1954, as amended through December 31, 1983, of the claimant and his spouse, if any, as follows:

income up to \$10,000, \$720 maximum for one dependent, \$1,440 for all dependents;

income of \$10,001 to \$11,000, \$660 maximum for one dependent, \$1,320 for all dependents;

income over \$11,000, the maximum credit for one dependent shall be reduced by \$10 for every \$200 of additional income, \$20 for all dependents;

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\$24,001 and over, no credit.

~~A married claimant shall file his income tax return for the year for which he claims the credit either jointly or separately on one form with his spouse. In the case of a married claimant only one spouse may claim the credit.~~

The commissioner shall construct and make available to taxpayers tables showing the amount of the credit at various levels of income and expenses. The tables shall follow the schedule contained in this subdivision, except that the commissioner may graduate the transitions between expenses and income brackets.

Sec. 4. Minnesota Statutes 1985 Supplement, section 290.068, subdivision 3, is amended to read:

Subd. 3. **LIMITATION; CARRYBACK AND CARRYOVER.** (a)(1) The credit for the taxable year shall not exceed the liability for tax. "Liability for tax" for purposes of this section means the tax imposed under this chapter for the taxable year reduced by the sum of the nonrefundable credits allowed under this chapter.

(2) In the case of a corporation which is a partner in a partnership, the credit allowed for the taxable year shall not exceed the lesser of the amount determined under clause (1) for the taxable year or an amount (separately computed with respect to the corporation's interest in the trade or business or entity) equal to the amount of tax attributable to that portion of taxable income which is allocable or apportionable to the corporation's interest in the trade or business or entity.

(b) If the amount of the credit determined under this section for any taxable year exceeds the limitation under clause (a), the excess shall be a research credit carryback to each of the three preceding taxable years and a research credit carryover to each of the 15 succeeding taxable years. The entire amount of the excess unused credit for the taxable year shall be carried first to the earliest of the taxable years to which the credit may be carried and then to each successive year to which the credit may be carried. The amount of the unused credit which may be added under this clause shall not exceed the taxpayer's liability for tax less the research credit for the taxable year.

For the purposes of sections 290.46 and 290.50, if the claim for refund relates to an overpayment attributable to a research and experimental expenditure credit carryback under this subdivision, in lieu of the period of limitation prescribed in sections 290.46 and 290.50, the period of limitation shall be that period which ends with the expiration of the 15th day of the 45th month following the end of the taxable year in which the research and experimental expenditure credit arises which results in the carryback, plus any extension of time granted for filing the return, but only if the return was filed within the extended time. With respect to any portion of a credit carryback from a taxable

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year attributable to a loss carryback from a subsequent taxable year, the period of limitations shall be that period which ends with the expiration of the 15th day of the 45th month following the end of the subsequent taxable year, plus any extension of time granted for filing the return, but only if the return was filed within the extended time. In any case in which a taxpayer is entitled to a refund in a carryback year due to the carryback of a research and experimental expenditure credit, interest shall be computed only from the end of the taxable year in which the credit arises. With respect to any portion of a credit carryback from a taxable year attributable to a loss carryback from a subsequent taxable year, interest shall be computed from the end of the subsequent taxable year.

Sec. 5. Minnesota Statutes 1985 Supplement, section 290.089, subdivision 3, is amended to read:

Subd. 3. **STANDARD DEDUCTION.** In lieu of the deductions provided in subdivision 2, an individual may claim or be allowed a standard deduction as follows:

(a) Subject to modification pursuant to clause (b), the standard deduction shall be an amount equal to ten percent of the gross income of the taxpayer or the joint gross income of a married couple filing a joint return, up to a maximum deduction of \$2,400.

In the case of a married individual filing a separate return, the standard deduction is ten percent of the gross income of the taxpayer, up to a maximum of \$1,200, except that the standard deduction shall not be allowed to either if the net income of one of the spouses is determined without regard to the standard deduction.

(b) For taxable years beginning after December 31, 1985, the maximum amount of the standard deduction shall be adjusted for inflation ~~in~~ by the same ~~manner~~ percentage as provided in section 290.06, subdivision 2d, for the expansion of the rate brackets. The commissioner shall then round the maximum amount of the standard deduction to the nearest hundred dollar amount. When adjusting the maximum amount of standard deduction for inflation, the commissioner shall use the actual dollar amount of the maximum amount of the standard deduction prior to rounding the dollar amounts.

(c) The commissioner of revenue may establish a ~~standard deduction tax~~ table incorporating the rates set forth in section 290.06, subdivision 2c, ~~and the standard deduction, and the personal credits.~~ The tax of any individual taxpayer whose gross income is less than \$20,000 an amount determined by the commissioner shall, if an election is made not to itemize nonbusiness deductions, be computed in accordance with tables prepared and issued by the commissioner of revenue. ~~The tables shall be prepared to reflect the allowance of the standard deduction and the personal and dependent credits.~~

Sec. 6. Minnesota Statutes 1985 Supplement, section 290.091, subdivision 2, is amended to read:

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Subd. 2. **DEFINITIONS.** For purposes of the tax imposed by this section, the following terms have the meanings given:

(a) "Alternative minimum taxable income" means the sum of the following for the taxable year:

(1) the taxpayer's federal adjusted gross income as defined in the Internal Revenue Code;

(2) the taxpayer's federal tax preference items;

(3) the amount of interest income as provided by section 290.01, subdivision 20a, clauses (1), (3), and (4); less the sum of

(i) interest income as defined in section 290.01, subdivision 20b, clause (1);
and

(ii) an overpayment of state income tax as provided by section 290.01, subdivision 20b, clause (4); and

(iii) the amount of interest paid or accrued within the taxable year on indebtedness to the extent that the amount does not exceed qualified net investment income, as defined in section 55(e)(5) of the Internal Revenue Code. Interest does not include amounts deducted in computing federal adjusted gross income ~~or amounts that are not allowable under section 55(e)(8) of the Internal Revenue Code.~~

In the case of an estate or trust, adjusted gross income must be modified as provided in section 55(e)(6)(B) of the Internal Revenue Code and reduced by the deductions allowed under sections 642(c), 651(a), and 661(a) of the Internal Revenue Code.

(b) "Federal tax preference items" means items as defined in sections 57, 58, and 443(d) of the Internal Revenue Code, modified as follows:

(1) The capital gain preference item shall be reduced where the gain would be modified because some or all of the assets have a higher basis for Minnesota purposes than for federal purposes.

(2) In the case of a nonresident individual, or an estate or trust, with a net operating loss that is a larger amount for Minnesota than for federal, the capital gain preference item shall be reduced to the extent it was reduced in the allowance of the net operating loss.

(3) Federal preference items from the business of mining or producing iron ore and other ores which are subject to the occupation tax and exempt from taxation under section 290.05, subdivision 1, shall not be a preference item for Minnesota.

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(4) Other federal preference items to the extent not allowed in the computation of Minnesota gross income, as determined by the commissioner, are not preference items for Minnesota.

(c) "Internal Revenue Code" means the Internal Revenue Code of 1954, as amended through December 31, 1984.

(d) "Regular tax" means the tax that would be imposed under this chapter (without regard to this section and section 290.032), reduced by the sum of the nonrefundable credits allowed under this chapter.

Sec. 7. Minnesota Statutes 1985 Supplement, section 290.095, subdivision 9, is amended to read:

Subd. 9. **SPECIAL PERIOD OF LIMITATION WITH RESPECT TO NET OPERATING LOSS CARRYBACKS.** For the purposes of sections 290.46 and 290.50 if the claim for refund relates to an overpayment attributable to a net operating loss carryback under this section or as the result in the case of an individual of an adjustment of "federal adjusted gross income" because of the carryback under section 172 of the Internal Revenue Code of 1954, as amended through December 31, ~~1983~~ 1985, in lieu of the period of limitation prescribed in sections 290.46 and 290.50, the period shall be that period which ends with the expiration of the 15th day of the 46th month (or the 45th month, in the case of a corporation) following the end of the taxable year of the net operating loss which results in such carryback or adjustment of "federal adjusted gross income," plus any extension of time granted for filing the return, but only if the return was filed within the extended time. During this extended period, for taxable years beginning before January 1, 1985, married individuals who elected to file separate returns or a combined return may change their election and file a joint return.

Sec. 8. Minnesota Statutes 1985 Supplement, section 290.095, subdivision 11, is amended to read:

Subd. 11. **CARRYBACK OR CARRYOVER ADJUSTMENTS.** (a) For individuals the amount of a net operating loss that may be carried back or carried over shall be the same dollar amount allowable in the determination of federal adjusted gross income. For estates and trusts the amount of a net operating loss that may be carried back or carried over shall be the same dollar amount allowable in the determination of federal taxable income.

(b) The following adjustments to the amount of the net operating loss that may be carried back or carried over must be made for:

(1) Nonassignable income or losses for estates and trusts as required by section 290.17, subdivision 2.

(2) Adjustments to the determination of federal adjusted gross income that

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must be made because of changes in the Internal Revenue Code that have not yet been adopted by the legislature by updating the reference to the Internal Revenue Code contained in section 290.01, subdivision 20.

(3) Gains or losses which result from the sale or other disposition of property having a higher adjusted basis for Minnesota income tax purposes than for federal income tax purposes subject to the limitations contained in section 290.01, subdivision 20b, clauses (2) and (3).

(4) Interest, taxes, and other expenses not allowed under section 290.10, clause (9), for estates and trusts.

(5) The modification for accelerated cost recovery system depreciation as provided in section 290.01, subdivision 20f.

(c)(1) The net operating loss carryback or carryover applied as a deduction in the taxable year to which the net operating loss is carried back or carried over shall be equal to the net operating loss carryback or carryover applied in the taxable year in arriving at federal adjusted gross income (or federal taxable income for trusts and estates) subject to the modifications contained in clause (b) and to the following modifications:

(A) Increase the amount of carryback or carryover applied in the taxable year by the amount of losses and interest, taxes and other expenses not assignable or allowable to Minnesota incurred in the taxable year.

(B) Decrease the amount of carryback or carryover applied in the taxable year by the amount of income not assignable to Minnesota earned in the taxable year.

(C) A taxpayer who is not a resident of Minnesota during any part of the taxable year and who has no income assignable to Minnesota during the taxable year shall apply no net operating loss carryback or carryover in the taxable year.

(2) The provisions of section 172(b) of the Internal Revenue Code of 1954 as amended through December 31, 1983 (relating to carrybacks and carryovers) shall apply. The net operating loss carryback or carryover to the next consecutive taxable year shall be the net operating loss carryback or carryover as calculated in clause (c)(1) less the amount applied in the earlier taxable year(s). No additional net operating loss carryback or carryover shall be allowed if the entire amount has been used to offset Minnesota income in a year earlier than was possible on the federal return. A net operating loss carryback or carryover that was allowed to offset federal income in a year earlier than was possible on the Minnesota return shall still be allowed to offset Minnesota income but only if the loss was assignable to Minnesota in the year the loss occurred.

(d) A net operating loss shall be allowed to be carried back or carried forward only to the extent that loss was assignable to Minnesota in the year the

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loss occurred or in the year to which the loss was carried over, whichever would allow more of the loss to be allowed for Minnesota purposes.

Sec. 9. Minnesota Statutes 1985 Supplement, section 290.10, is amended to read:

290.10 NONDEDUCTIBLE ITEMS.

In computing the net income no deduction shall in any case be allowed for:

- (1) personal, living or family expenses;
- (2) amounts paid out for new buildings or for permanent improvements or betterments made to increase the value of any property or estate, except as otherwise provided in this chapter;
- (3) amounts expended in restoring property or in making good the exhaustion thereof for which an allowance is or has been made;
- (4) premiums paid on any life insurance policy covering the life of the taxpayer or of any other person;
- (5) the shrinkage in value, due to the lapse of time, of a life or terminable interest of any kind in property acquired by gift, devise, bequest or inheritance;
- (6) losses from sales or exchanges of property, directly or indirectly, between ~~related taxpayers~~ persons as defined and as provided in section 267 of the Internal Revenue Code;
- (7) in computing net income, no deduction shall be allowed under section 290.09, subdivision 2, relating to expenses incurred or under section 290.09, subdivision 3, relating to interest accrued as provided in section 267 of the Internal Revenue Code;
- (8)(a) contributions by employees under the federal railroad retirement act and the federal social security act; (b) Payments to Minnesota or federal public employee retirement funds; (c) 60 percent of the amount of taxes imposed on self-employment income under section 1401 of the Internal Revenue Code. Effective for taxable years beginning after December 31, 1989, no deduction is allowed for self-employment taxes where the taxpayer claimed a deduction for those taxes under section 164(f) of the Internal Revenue Code;
- (9) expenses, interest and taxes connected with or allocable against the production or receipt of all income not included in the measure of the tax imposed by this chapter, except that for persons engaged in the business of mining or producing iron ore, the mining of which is subject to the occupation tax imposed by section 298.01, subdivision 1, this shall not prevent a subtraction to the extent allowed under section 290.01, subdivision 20b, clause (10)(b), or the deduction by a corporate taxpayer of expenses and other items to the

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extent that the expenses and other items are allowable under section 290.09 and are not deductible, capitalizable, retainable in basis, or taken into account by allowance or otherwise in computing the occupation tax and do not exceed the amounts taken for federal income tax purposes for that year. Occupation taxes imposed under chapter 298, royalty taxes imposed under chapter 299, or depletion expenses may not be deducted under this clause;

(10) in situations where this chapter provides for a subtraction from gross income of a specific dollar amount of an item of income assignable to this state, and within the measure of the tax imposed by this chapter, that portion of the federal income tax liability assessed upon such income subtracted, and any expenses attributable to earning such income, shall not be deductible in computing net income;

(11) amounts paid or accrued for such taxes and carrying charges as, under rules prescribed by the commissioner, are chargeable to capital account with respect to property, if the taxpayer elects, in accordance with such rules, to treat such taxes or charges as so chargeable;

(12) no deduction or credit shall be allowed for any amount paid or incurred during the taxable year in carrying on any trade or business if the trade or business (or the activities which comprise the trade or business) consists of trafficking in controlled substances (within the meaning of schedule I and II of the federal Controlled Substances Act) which is prohibited by federal law or the law of Minnesota.

For purposes of this section, reference to the Internal Revenue Code means the Internal Revenue Code of 1954, as amended through December 31, 1984.

Sec. 10. Minnesota Statutes 1985 Supplement, section 290.13, subdivision 1, is amended to read:

Subdivision 1. **TRANSACTIONS IN WHICH NO GAIN OR LOSS IS RECOGNIZED.** Gain or loss from transactions described in section 1031, 1032, 1035, 1036, or 1042 of the Internal Revenue Code of 1954, as amended through December 31, 1984 1985, shall be recognized at the time and in the manner, including the basis computation, provided in those sections.

Sec. 11. Minnesota Statutes 1985 Supplement, section 290.14, is amended to read:

290.14 GAIN OR LOSS ON DISPOSITION OF PROPERTY, BASIS.

Except as otherwise provided in this chapter, the basis for determining the gain or loss from the sale or other disposition of property acquired on or after January 1, 1933, shall be ~~the cost to the taxpayer of such property~~ its adjusted basis for federal income tax purposes, with the following exceptions:

(1) ~~If the property should have been included in the last inventory, it shall be the last inventory value thereof;~~

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(2) If the property was acquired by gift, it shall be the same as it would be if it were being sold or otherwise disposed of by the last preceding owner not acquiring it by gift; if the facts required for this determination cannot be ascertained, it shall be the fair market value as of the date, or approximate date, of acquisition by the last preceding owner, as nearly as the requisite facts can be ascertained by the commissioner;

(3) If the property was acquired by gift through an inter vivos transfer in trust, it shall be the same as it would be if it were being sold or otherwise disposed of by the grantor;

(4) Except as otherwise provided in this clause, the basis of property in the hands of a person acquiring the property from a decedent or to whom the property passed from a decedent shall, if not sold, exchanged or otherwise disposed of before the decedent's death by the person, be the fair market value of the property at the date of decedent's death or, in the case of an election under section 2032 (relating to alternate valuation) of the Internal Revenue Code of 1954, as amended through December 31, 1983, its valuation at the applicable valuation date prescribed by that section; or in the case of an election under section 2032A (relating to valuation of farm real property) of the Internal Revenue Code of 1954, as amended through December 31, 1983, its value determined by that section.

For the purposes of the preceding paragraph, the following property shall be considered to have been acquired from or to have passed from the decedent:

(a) property acquired by bequest, devise, or inheritance, or by the decedent's estate from the decedent;

(b) property transferred by the decedent during his lifetime in trust to pay the income for life to or on the order or direction of the decedent, with the right reserved to the decedent at all times before his death to revoke the trust;

(c) property transferred by the decedent during his lifetime in trust to pay the income for life to or on the order or direction of the decedent with the right reserved to the decedent at all times before his death to make any change in the enjoyment thereof through the exercise of a power to alter, amend, or terminate the trust;

(d) property passing without full and adequate consideration under a general power of appointment exercised by the decedent by will;

(e) in the case of a decedent's dying after December 31, 1956, property acquired from the decedent by reason of death, form of ownership, or other conditions (including property acquired through the exercise or nonexercise of a power of appointment); if by reason thereof the property is required to be included in determining the value of the decedent's gross estate for Minnesota inheritance or estate tax purposes. In this case, if the property is acquired before the death of the decedent, the basis shall be the amount determined under the first paragraph of this clause reduced by the amount allowed to the taxpayer as deductions in computing taxable net income under this chapter or

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prior Minnesota income tax laws for exhaustion; wear and tear; obsolescence; amortization; and depletion on the property before the death of the decedent. The basis shall be applicable to the property commencing on the death of the decedent. This paragraph shall not apply to annuities and property described in paragraphs (a); (b); (c) and (d) of this clause.

This clause shall not apply to property which constitutes a right to receive an item of income in respect of a decedent under section 290.077.

(5) If substantially identical property was acquired in the place of stocks or securities which were sold or disposed of and in respect of which loss was not allowed as a deduction under section 290.089 or 290.09, subdivision 5, the basis in the case of property so acquired shall be the same as that provided in section 1091 of the Internal Revenue Code of 1954, as amended through December 31, 1983.

(6) Neither the basis nor the adjusted basis of any portion of real property shall, in the case of a lessor of the property, be increased or diminished on account of income derived by the lessor in respect of the property and excludable from gross income under section 290.08, subdivision 14.

If an amount representing any part of the value of real property attributable to buildings erected or other improvements made by a lessee in respect of the property was included in gross income of the lessor for any taxable year beginning before January 1, 1943, the basis of each portion of the property shall be properly adjusted for the amount included in gross income.

(1) Corporations, partnerships, or individuals subject to the occupation tax under Minnesota Statutes, chapter 298, shall use the occupation tax basis;

(7) (2) The basis of property subject to the provisions of section 1034 of the Internal Revenue Code of 1954, as amended through December 31, 1983 1985 (relating to the rollover of gain on sale of principal residence) shall be the same as the basis for federal income tax purposes. The basis shall be increased by the amount of gain realized on the sale of a principal residence outside of Minnesota, while a nonresident of this state, which gain was not recognized because of the provisions of section 1034.

Sec. 12. Minnesota Statutes 1985 Supplement, section 290.21, subdivision 4, is amended to read:

Subd. 4. (a) 85 percent of dividends received by a corporation during the taxable year from another corporation, when the corporate stock with respect to which dividends are paid does not constitute the stock in trade of the taxpayer or would not be included in the inventory of the taxpayer, or does not constitute property held by the taxpayer primarily for sale to customers in the ordinary course of his trade or business, or when the trade or business of the taxpayer does not consist principally of the holding of the stocks and the collection of the

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income and gains therefrom. The remaining 15 percent shall be allowed if the recipient owns 80 percent or more of all the voting stock of the other corporation.

(b) If the trade or business of the taxpayer consists principally of the holding of the stocks and the collection of the income and gains therefrom, dividends received by a corporation during the taxable year from another corporation, if the recipient owns 80 percent or more of all the voting stock of the other corporation.

(c) The dividend deduction provided in this subdivision shall be allowed only with respect to dividends that are included in a corporation's Minnesota taxable net income for the taxable year.

The dividend deduction provided in this subdivision does not apply to a dividend from a corporation which, for the taxable year of the corporation in which the distribution is made or for the next preceding taxable year of the corporation, is a corporation exempt from tax under section 501 of the Internal Revenue Code of 1954, as amended through December 31, 1984.

The dividend deduction provided in this subdivision applies to the amount of regulated investment company dividends only to the extent determined under section 854(b) of the Internal Revenue Code of 1954, as amended through December 31, 1984.

The dividend deduction provided in this subdivision shall not be allowed with respect to any dividend for which a deduction is not allowed under the provisions of section 246(c) of the Internal Revenue Code of 1954, as amended through December 31, 1984.

(d) If dividends received by a corporation that does not have nexus with Minnesota under the provisions of Public Law Number 86-272 are included as income on the return of an affiliated corporation permitted or required to file a combined report under section 290.34, subdivision 2, then for purposes of this subdivision the determination as to whether the trade or business of the corporation consists principally of the holding of stocks and the collection of income and gains therefrom shall be made with reference to the trade or business of the affiliated corporation having a nexus with Minnesota.

(e) Dividends received by a corporation from another corporation which is organized under the laws of a foreign country or a political subdivision of a foreign country, if the dividends are paid from income arising from sources without the United States, the commonwealth of Puerto Rico, and the possessions of the United States. The deduction provided by this clause does not apply if the corporate stock with respect to which dividends are paid constitutes the stock in trade of the taxpayer, or would be included in the inventory of the taxpayer, or constitutes property held by the taxpayer primarily for sale to customers in the ordinary course of the taxpayer's trade or business, or if the

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trade or business of the taxpayer consists principally of the holding of stocks and the collection of the income or gains therefrom, or if the dividends are paid by a FSC as defined in section 922 of the Internal Revenue Code of 1954, as amended through December 31, 1985. No dividend may be deducted under this clause if it is deducted under clause (a).

Sec. 13. Minnesota Statutes 1985 Supplement, section 290.21, subdivision 8, is amended to read:

Subd. 8. **FOREIGN SOURCE ROYALTIES.** (a) Rentals, fees, and royalties accrued or received from a foreign corporation for the use of or for the privilege of using outside of the United States patents, copyrights, secret processes and formulas, good will, know-how, trademarks, trade brands, franchises, and other like property. Rentals, fees, or royalties deducted under this subdivision shall not be included in the taxpayer's apportionment factors under section 290.19, subdivision 1, clause (1)(a) or (2)(a)(1). The preceding sentence shall not be construed to imply that nondeductible rentals, fees, and royalties from such properties are or were included in or excluded from the apportionment factors under any other provision of law.

(b) A corporation is allowed the deduction provided by this subdivision only if during the taxable year it received or accrued at least 80 percent of its gross income from sources as defined in clause (a) and from dividends received from foreign corporations. A corporation's gross income for purposes of paragraphs (b) and (c) shall be computed without regard to the requirement of section 290.34, subdivision 2, that a combined report be filed reflecting the entire income of the unitary business.

(c) For purposes of this subdivision, a foreign corporation is (i) a corporation organized under the laws of a foreign country or the political subdivision of a foreign country or (ii) a corporation which for the taxable year derives at least 80 percent of its gross income from sources without the United States, the commonwealth of Puerto Rico, and the possessions of the United States. A foreign corporation does not include a DISC as defined in section 992(a) of the Internal Revenue Code of 1954, as amended through December 31, 1983, or a FSC as defined in section 922 of the Internal Revenue Code of 1954, as amended through December 31, 1985.

(d) The deduction provided in this subdivision is allowed only with respect to rentals, fees, and royalties that are included in a corporation's Minnesota taxable net income for the taxable year.

Sec. 14. Minnesota Statutes 1984, section 290.281, subdivision 5, is amended to read:

Subd. 5. **RETURN REQUIRED OF BANK.** Every bank maintaining a common trust fund shall make a return for each taxable year, stating specifically, with respect to such fund, the items of gross income and deductions allowed by

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this section, and shall include in the return the names and addresses of the participants who would be entitled to share in the net income if distributed and the amount of the proportionate share of each participant. ~~The return shall be sworn to as in the case of a return required to be filed by the bank under section 290.361.~~

Sec. 15. Minnesota Statutes 1984, section 290.34, subdivision 2, is amended to read:

Subd. 2. **AFFILIATED OR RELATED CORPORATIONS, COMBINED REPORT.** When a corporation which is required to file an income tax return is affiliated with or related to any other corporation through stock ownership by the same interests or as parent or subsidiary corporations, or has its income regulated through contract or other arrangement, the commissioner of revenue may permit or require such combined report as, in his opinion, is necessary in order to determine the taxable net income of any one of the affiliated or related corporations. For purposes of computing either the arithmetic average or weighted apportionment formulas under section 290.19, subdivision 1 for each corporation involved, the numerator of the fraction shall be that corporation's sales, property, and payroll in Minnesota and the denominator shall be the total sales, payroll, and property of all the corporations shown on the combined report. The combined report shall reflect the income of the entire unitary business as provided in section 290.17, subdivision 2, clause (4). The combined report shall reflect income only from corporations created or organized in the United States or under the laws of the United States or of any state, the District of Columbia, the commonwealth of Puerto Rico, any possession of the United States, or any political subdivision of any of the foregoing and from a FSC as defined in section 922 of the Internal Revenue Code of 1954, as amended through December 31, 1985. All intercompany transactions between companies which are contained on the combined report shall be eliminated. This subdivision shall not apply to insurance companies whose income is determined under section 290.35 or to investment companies whose income is determined under section 290.36.

Sec. 16. Minnesota Statutes 1985 Supplement, section 290.41, subdivision 1, is amended to read:

Subdivision 1. **PARTNERSHIPS, FIDUCIARIES, AND S CORPORATIONS.** (a) Partnerships shall make a return for each taxable year which shall conform to the requirements of section 290.31, and shall, in addition, include the names and addresses of all partners entitled to a distributive share in their taxable net income and the amount of such distributive share to which each is entitled. The return shall contain ~~or be verified by~~ a written declaration that it is ~~made under the penalties of criminal liability for willfully making a false return correct and complete.~~ Each partnership required to file a return for any partnership taxable year shall, on or before the day on which the return for the taxable year was filed, furnish to each person who is a partner at any time during

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the taxable year a copy of the information shown on the return as may be required.

(b) The fiduciary of any estate or trust making the return required to be filed under this chapter for any taxable year shall, on or before the date on which the return was filed, furnish to each beneficiary who receives a distribution from the estate or trust with respect to the taxable year or to whom any item with respect to the taxable year is allocated, a statement containing the information shown on the return as the commissioner may require.

(c) Each S corporation required to file a return under section 290.974 for any taxable year shall, on or before the day on which the return for the taxable year was filed, furnish to each person who is a shareholder at any time during the taxable year a copy of the information shown on the return.

(d) The statements required to be given to the partners, beneficiaries, or shareholders by this subdivision must be furnished at the time required by this subdivision, notwithstanding section 290.42, clause (7).

Sec. 17. Minnesota Statutes 1984, section 290.50, subdivision 3, is amended to read:

Subd. 3. **EXCEPTIONS.** This section shall not be construed so as to disallow:

(a) a net operating loss carryback to any taxable year authorized by section 290.095 or section 172 of the Internal Revenue Code of 1954, as amended through December 31, 1983, but the refund or credit shall be limited to the amount of overpayment arising from the carryback;

(b) a capital loss carryback by a corporation under section 290.16, provided that the claim for refund or credit is made prior to the expiration of the 15th day of the 45th month following the end of the taxable year of the net capital loss which results in the carryback, plus any extension of time granted for filing the return, but only if the return was filed within the extended time, and the refund or credit is limited to the amount of overpayment arising from the carryback.

Sec. 18. Minnesota Statutes 1985 Supplement, section 290.92, subdivision 2a, is amended to read:

Subd. 2a. **COLLECTION AT SOURCE. (1) DEDUCTIONS.** Every employer making payment of wages shall deduct and withhold upon such wages a tax as provided in this section.

(2) **WITHHOLDING ON PAYROLL PERIOD.** The employer shall withhold the tax on the basis of each payroll period or as otherwise provided in this section.

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(3) **WITHHOLDING TABLES.** Unless the amount of tax to be withheld is determined as provided in subdivision 3, the amount of tax to be withheld for each individual shall be based upon tables to be prepared and distributed by the commissioner. The tables shall be computed for the several permissible withholding periods and shall take account of exemptions allowed under this section; and the amounts computed for withholding shall be such that the amount withheld for any individual during his taxable year shall approximate in the aggregate as closely as possible the tax which is levied and imposed under this chapter for that taxable year, upon his salary, wages, or compensation for personal services of any kind for the employer, and shall take into consideration ~~the optional deduction for federal income tax and~~ the deduction allowable under section 290.089, subdivision 3, and the personal credits allowed against the tax.

(4) **MISCELLANEOUS PAYROLL PERIOD.** If wages are paid with respect to a period which is not a payroll period, the amount to be deducted and withheld shall be that applicable in the case of a miscellaneous payroll period containing a number of days, including Sundays and holidays, equal to the number of days in the period with respect to which such wages are paid.

(5) **MISCELLANEOUS PAYROLL PERIOD.** (a) In any case in which wages are paid by an employer without regard to any payroll period or other period, the amount to be deducted and withheld shall be that applicable in the case of a miscellaneous payroll period containing a number of days equal to the number of days, including Sundays and holidays, which have elapsed since the date of the last payment of such wages by such employer during the calendar year, or the date of commencement of employment with such employer during such year, or January 1 of such year, whichever is the later.

(b) In any case in which the period, or the time described in clause (a), in respect of any wages is less than one week, the commissioner, under regulations prescribed by him, may authorize an employer to determine the amount to be deducted and withheld under the tables applicable in the case of a weekly payroll period, in which case the aggregate of the wages paid to the employee during the calendar week shall be considered the weekly wages.

(6) **WAGES COMPUTED TO NEAREST DOLLAR.** If the wages exceed the highest bracket, in determining the amount to be deducted and withheld under this subdivision, the wages may, at the election of the employer, be computed to the nearest dollar.

(7) **REGULATIONS ON WITHHOLDING.** The commissioner may, by rule, authorize employers:

(a) to estimate the wages which will be paid to any employee in any quarter of the calendar year;

(b) to determine the amount to be deducted and withheld upon each payment of wages to such employee during such quarter as if the appropriate average of the wages so estimated constituted the actual wages paid; and

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(c) to deduct and withhold upon any payment of wages to such employee during such quarter such amount as may be necessary to adjust the amount actually deducted and withheld upon wages of such employee during such quarter to the amount required to be deducted and withheld during such quarter without regard to this paragraph (7).

(8) **ADDITIONAL WITHHOLDING.** The commissioner is authorized to provide by rule for increases or decreases in the amount of withholding otherwise required under this section in cases where the employee requests the changes. Such additional withholding shall for all purposes be considered tax required to be deducted and withheld under this section.

(9) **TIPS.** In the case of tips which constitute wages, this subdivision shall be applicable only to such tips as are included in a written statement furnished to the employer pursuant to section 6053 of the Internal Revenue Code of 1954, as amended through December 31, ~~1983~~ 1985, and only to the extent that the tax can be deducted and withheld by the employer, at or after the time such statement is so furnished and before the close of the calendar year in which such statement is furnished, from such wages of the employee (excluding tips, but including funds turned over by the employee to the employer for the purpose of such deduction and withholding) as are under the control of the employer; and an employer who is furnished by an employee a written statement of tips (received in a calendar month) pursuant to section 6053 of the Internal Revenue Code of 1954 as amended through December 31, ~~1983~~ 1985, to which subdivision 1 is applicable may deduct and withhold the tax with respect to such tips from any wages of the employee (excluding tips) under his control, even though at the time such statement is furnished the total amount of the tips included in statements furnished to the employer as having been received by the employee in such calendar month in the course of his employment by such employer is less than \$20. Such tax shall not at any time be deducted and withheld in an amount which exceeds the aggregate of such wages and funds as are under the control of the employer minus any tax required by other provisions of state or federal law to be collected from such wages and funds.

(10) **VEHICLE FRINGE BENEFITS.** An employer ~~may elect~~ shall not to deduct and withhold any tax under this section with respect to any vehicle fringe benefit provided to an employee if the employer has so elected for federal purposes and the requirement of and the definition contained in section 3402(s) of the Internal Revenue Code of 1954, as amended through May 25 December 31, 1985, are complied with.

Sec. 19. Minnesota Statutes 1985 Supplement, section 290.93, subdivision 10, is amended to read:

Subd. 10. **UNDERPAYMENT OF ESTIMATED TAX.** (1) In the case of any underpayment of estimated tax by an individual, except as provided in paragraph (4); (5); or (6), there must be added to and become a part of the taxes

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imposed by this chapter, for the taxable year an amount determined at the rate specified in section 270.75 upon the amount of the underpayment for the period of the underpayment.

(2) For purposes of the preceding paragraph, the amount of underpayment shall be the excess of

(a) the amount of the installment ~~which would be required to be paid if the estimated tax were equal to 80 percent (66-2/3 percent in the case of farmers referred to in subdivision 5(2)) of the taxes shown on the return for the taxable year or 80 percent (66-2/3 percent in the case of farmers referred to above) the taxes for such year if no return was filed;~~ over

(b) the amount, if any, of the installment paid on or before the last day prescribed for such payment.

(3) The period of the underpayment shall run from the date the installment was required to be paid to whichever of the following dates is the earlier

(a) The 15th day of the fourth month following the close of the taxable year.

(b) With respect to any portion of the underpayment, the date on which such portion is paid. For purposes of this subparagraph, a payment of estimated tax on any installment date shall be considered a payment of any unpaid required installments in the order in which the installments are required to be paid.

(4) ~~The addition to the tax with respect to any underpayment of any installment shall not be imposed if the total amount of all payments of estimated tax made on or before the last date prescribed for the payment of such installment equals or exceeds the amount which would have been required to be paid on or before such date if the estimated tax were whichever of the following is the lesser~~ The amount of any installment required to be paid shall be 25 percent of the required annual payment except as provided in paragraph (c). The term "required annual payment" means the lesser of

(a) 80 percent (66-2/3 percent in the case of farmers referred to in subdivision 5, paragraph (2)), of the tax shown on the return for the taxable year or 80 percent (66-2/3 percent in the case of farmers referred to above) of the tax for the year if no return is filed, or

(b) The total tax liability shown on the return of the individual for the preceding taxable year (if a return showing a liability for such taxes was filed by the individual for the preceding taxable year of 12 months), or

(b) (c) An amount equal to the applicable percentage of the tax for the taxable year (after deducting personal credits) computed by placing on an annualized basis the taxable income and alternative minimum taxable income for the months in the taxable year ending before the month in which the installment is required to be paid. The applicable percentage of the tax is 20 percent in the case of the

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first installment, 40 percent for the second installment, 60 percent for the third installment, and 80 percent for the fourth installment. For purposes of this subparagraph, the taxable income and alternative minimum taxable income shall be placed on an annualized basis by

(i) Multiplying by 12 (or in the case of a taxable year of less than 12 months, the number of months in the taxable year) the taxable income and alternative minimum taxable income computed for the months in the taxable year ending before the month in which the installment is required to be paid.

(ii) Dividing the resulting amount by the number of months in the taxable year ending before the month in which such installment date falls.

(5) No addition to the tax shall be imposed under this subdivision for any taxable year if:

(a) the individual did not have any liability for tax for the preceding taxable year,

(b) the preceding taxable year was a taxable year of 12 months, and

(c) the individual was a resident of Minnesota throughout the preceding taxable year.

(6) No addition to the tax shall be imposed under this subdivision with respect to any underpayment to the extent the commissioner determines that the provisions of section 6654(e)(3) of the Internal Revenue Code of 1954, as amended through December 31, 1984, apply.

(7) For the purposes of applying this subdivision, the estimated tax shall be computed without any reduction for the amount which the individual estimates as his credit under section 290.92, subdivision 12 (relating to tax withheld at source on wages), and any other refundable credits which are allowed against income tax liability, and the amount of such credits for the taxable year shall be deemed a payment of estimated tax, and an equal part of such amounts shall be deemed paid on each installment date (determined under subdivisions 6 and 7) for such taxable year, unless the taxpayer establishes the dates on which all amounts were actually withheld, in which case the amounts so withheld shall be deemed payments of estimated tax on the dates on which such amounts were actually withheld.

Sec. 20. Minnesota Statutes 1984, section 290A.03, subdivision 8, is amended to read:

Subd. 8. **CLAIMANT.** (a) "Claimant" means a person, other than a dependent, who filed a claim authorized by this chapter and who was domiciled in this state during the calendar year for which the claim for relief was filed.

(b) In the case of a claim relating to rent constituting property taxes, the

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claimant shall have resided in a rented or leased unit on which ad valorem taxes or payments made in lieu of ad valorem taxes, including payments of special assessments imposed in lieu of ad valorem taxes, are payable at some time during the calendar year covered by the claim.

(c) "Claimant" shall not include a resident of a nursing home, intermediate care facility, or long term residential facility whose rent constituting property taxes is paid pursuant to the supplemental security income program under title XVI of the Social Security Act, the Minnesota supplemental aid program under sections 256D.35 to 256D.41, the medical assistance program pursuant to title XIX of the Social Security Act, or the general assistance medical care program pursuant to section 256D.03, subdivision 3. If only a portion of the rent constituting property taxes is paid by these programs, the resident shall be a claimant for purposes of this chapter, but the refund calculated pursuant to section 290A.04 shall be multiplied by a fraction, the numerator of which is income as defined in subdivision 3 reduced by the total amount of income from the above sources other than vendor payments under the medical assistance program or the general assistance medical care program and the denominator of which is income as defined in subdivision 3 plus vendor payments under the medical assistance program or the general assistance medical care program, to determine the allowable refund pursuant to this chapter. For purposes of this paragraph and paragraph (d), household income or income as defined in subdivision 3 must not be reduced by the \$2,000 reduction provided in subdivision 3, paragraph (2), clause (f), for claimants who are disabled or age 65 or more.

(d) Notwithstanding paragraph (c), if the claimant was a resident of the nursing home, intermediate care facility or long term residential facility for only a portion of the calendar year covered by the claim, the claimant may compute rent constituting property taxes by disregarding the rent constituting property taxes from the nursing home, intermediate care facility, or long term residential facility and use only that amount of rent constituting property taxes or property taxes payable relating to that portion of the year when the claimant was not in the facility. The claimant's household income is his income for the entire calendar year covered by the claim.

(e) In the case of a claim for rent constituting property taxes of a part year Minnesota resident, the income and rental reflected in this computation shall be for the period of Minnesota residency only. Any rental expenses paid which may be reflected in arriving at federal adjusted gross income cannot be utilized for this computation. When two individuals of a household are able to meet the qualifications for a claimant, they may determine among them as to who the claimant shall be. If they are unable to agree, the matter shall be referred to the commissioner of revenue and his decision shall be final. If a homestead property owner was a part year Minnesota resident, the income reflected in the computation made pursuant to section 290A.04 shall be for the entire calendar year, including income not assignable to Minnesota.

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(f) If a homestead is occupied by two or more renters, who are not husband and wife, the rent shall be deemed to be paid equally by each, and separate claims shall be filed by each. The income of each shall be his household income for purposes of computing the amount of credit to be allowed.

Sec. 21. **REPEALER.**

(a) Minnesota Statutes 1984, sections 290.06, subdivision 15, and 290.39, subdivision 1a, are repealed.

(b) Laws 1985, First Special Session chapter 14, article 21, sections 16 and 17, are repealed.

(c) Minnesota Statutes 1984, section 290A.04, subdivision 2f, is repealed.

Sec. 22. **EFFECTIVE DATE.**

Section 1 is effective for returns filed after June 30, 1985. Sections 2, 3, 5, paragraph (b), 8, 9, 14, 16, 19, and 21, paragraph (b), are effective for taxable years beginning after December 31, 1984. Sections 4, 7, 17, and 18 are effective the day after final enactment. Section 5, paragraph (c), is effective for taxable years beginning after December 31, 1981. The amendment to paragraph (a) adding clause (3) and the new language in clause (3)(ii) in section 6 is effective for taxable years beginning after December 31, 1985. The other amendments in section 6 are effective for taxable years beginning after December 31, 1984. Sections 10, 11, and 21, paragraph (a), are effective for taxable years beginning after December 31, 1985. Sections 12, 13, and 15 are effective for transactions after December 31, 1984, in tax years ending after such date. Section 20 is effective for claims based on rent paid in 1985 and thereafter. Section 21, paragraph (c), is effective for claims based on property taxes payable in 1985 and thereafter.

ARTICLE 4

PROPERTY TAX

Section 1. Minnesota Statutes 1984, section 69.021, subdivision 4, is amended to read:

Subd. 4. **DETERMINATION OF QUALIFIED STATE AID RECIPIENTS; CERTIFICATION TO COMMISSIONER OF FINANCE.** The commissioner shall determine which municipalities and independent nonprofit

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firefighting corporations are qualified to receive fire state aid and which municipalities and counties are qualified to receive police state aid. Any municipality, independent nonprofit firefighting corporation or county which received state aid for the year immediately previous shall be presumed to be qualified to receive state aid for the year in question. If subsequent examination reveals that the state aid recipient was not in fact qualified to receive state aid for any year, the commissioner shall retroactively disqualify the recipient and shall take any necessary steps to recover the state aid payments which had been made for the years of disqualification, plus interest at a rate equal to the maximum lawful interest rate for a state bank pursuant to section 48.195, as of the date of disqualification, compounded annually from the date on which the state aid payment was made until the date on which the payment is recovered. The determination of qualification by the commissioner shall be based on information contained in the fire department, personnel and equipment certification required pursuant to section 69.011, the annual financial report required pursuant to section 69.051, any actuarial valuation or experience study report required pursuant to sections 69.77 or 69.773, any audits conducted by the state auditor or an independent auditor, and any other relevant information which comes to the attention of the commissioner. Upon completion of the determination, on or before June 1, the commissioner shall calculate pursuant to subdivision 6 the amount of fire state aid and police state aid which each county, municipality, or independent nonprofit firefighting corporation is to receive ~~for subsequent apportionment pursuant to subdivision 7~~ and shall certify to the commissioner of finance the name of each county ~~in which are located one or more qualified state aid recipients~~, municipality, or independent nonprofit firefighting corporation and the amount of state aid which each ~~county~~ is to receive ~~for subsequent apportionment~~. The commissioner shall also certify to each county auditor the name of each qualified state aid recipient located in the county and any other information deemed necessary for the county auditor to make the subsequent apportionment of state aid.

Sec. 2. Minnesota Statutes 1984, section 69.021, subdivision 5, is amended to read:

Subd. 5. **CALCULATION OF STATE AID.** The amount of state aid available for apportionment shall be two percent of the fire, lightning, sprinkler leakage and extended coverage premiums reported to the commissioner by insurers on the Minnesota Firetown Premium Report and two percent of the premiums reported to the commissioner by insurers on the Minnesota Aid to Police Premium Report. The amount for apportionment in respect to firefighter's state aid shall not be greater or lesser than the amount of premium taxes paid to the state upon the premiums reported to the commissioner by insurers on the Minnesota Firetown Premium Report. The total amount for apportionment in respect to police state aid shall not be greater or lesser than the amount of premium taxes paid to the state upon the premiums reported to the commissioner by insurers on the Minnesota Aid to Police Premium Report. ~~The total~~ amount for apportionment in respect to police state aid shall be distributed to

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the ~~counties for apportionment to~~ municipalities maintaining police departments and to the county on the basis of the number of active peace officers, as certified pursuant to section 69.011, subdivision 2, clause (b). The commissioner shall calculate the percentage of increase or decrease reflected in the apportionment over or under the previous year's available state aid using the same premiums as a basis for comparison.

Sec. 3. Minnesota Statutes 1984, section 69.021, subdivision 7, is amended to read:

Subd. 7. **APPORTIONMENT OF AID TO MUNICIPALITIES AND FIREFIGHTER'S RELIEF ASSOCIATIONS BY ~~COUNTY AUDITOR~~.** (1) The ~~county auditor~~ commissioner shall apportion the state aid received by him relative to the premiums reported on the Minnesota Firetown Premium Reports filed pursuant to this chapter to each municipality and/or firefighter's relief association certified to him ~~by the commissioner~~ in the same manner that state aid is apportioned to the counties, one-half in proportion to the population and one-half in proportion to the assessed property valuation of the fire towns in the county for which aid is proportioned. Necessary adjustments shall be made to subsequent apportionments.

In the case of municipalities or independent fire departments qualifying for the aid the ~~county auditor~~ commissioner shall calculate the state aid for the municipality or relief association on the basis of the population and the property valuation of the area furnished fire protection service by the fire department as evidenced by duly executed and valid fire service agreements filed with him. If one or more fire departments are furnishing contracted fire service to a city, town or township only the population and valuation of the area served by each fire department shall be considered in calculating the state aid and the fire departments furnishing service shall enter into an agreement apportioning among themselves the percent of the population and the assessed property valuation of each service area. Agreement shall be in writing and filed with the commissioner in duplicate. The commissioner shall forward one copy of the agreement to the county auditor of the county wherein the fire department is located and retain one copy.

In the case of cities of the first and second class the state aid calculated shall be paid directly to the treasurer of the relief association. In the case of all other municipalities and independent fire department relief associations or retirement plans the aid shall be paid to the treasurer of the municipality where the fire department is located and the treasurer of the municipality shall within 30 days transmit the aid to the relief association if the relief association has filed a financial report with the treasurer of the municipality and has met all other statutory provisions pertaining to the aid apportionment.

The ~~county auditor and~~ commissioner ~~are~~ is hereby empowered to make rules and regulations to permit the administration of the provisions of this section.

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(2) The ~~county auditor~~ commissioner shall apportion the state police aid ~~received by him~~ to each municipality and to the county in the following manner:

(a) For all municipalities maintaining police departments and the county, the state aid shall be distributed ~~by the county auditor~~ in proportion to the total number of peace officers, as determined pursuant to section 69.011, subdivision 1, clause (g), and subdivision 2, clause (b), employed by each municipality and by the county for 12 calendar months and the proportional or fractional number who were employed less than 12 months;

(b) For each municipality which contracts with the county for police service, a proportionate amount of the state aid distributed to the county based on the full time equivalent number of peace officers providing contract service shall be credited against the municipality's contract obligation;

(c) For each municipality which contracts with another municipality for police service, a proportionate amount of the state aid distributed to the municipality providing contract service based on the full time equivalent number of peace officers providing contract service on a full time equivalent basis shall be credited against the contract obligation of the municipality receiving contract service;

(d) No municipality entitled to receive police state aid shall be apportioned less police state aid for any year under Laws 1976, Chapter 315, than the amount which was apportioned to it for calendar year 1975 based on premiums reported to the commissioner for calendar year 1974; provided, the amount of police state aid to other municipalities within the county and to the county shall be adjusted in proportion to the total number of peace officers in the municipalities and the county, so that the amount of police state aid apportioned shall not exceed the amount of police state aid available for apportionment.

~~The county auditor and commissioner are hereby empowered to make rules and regulations to permit the administration of the provisions of this section.~~

Sec. 4. Minnesota Statutes 1984, section 69.021, subdivision 9, is amended to read:

Subd. 9. **APPEAL.** In the event that any fire or police department feels itself to be aggrieved, it may request the ~~county board of the county wherein the fire or police department is located~~ commissioner to review and adjust the apportionment of funds within the county and the decision of the ~~county board commissioner~~ shall be subject to appeal, review, and adjustment by the district court in the county in which the fire or police department is located.

Sec. 5. Minnesota Statutes 1985 Supplement, section 69.031, subdivision 1, is amended to read:

Subdivision 1. **COMMISSIONER OF FINANCE'S WARRANT.** The commissioner of finance shall issue to the ~~auditor of each county,~~ municipality, or

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independent nonprofit firefighting corporation certified to him by the commissioner his warrant for an amount equal to the amount certified to by the commissioner pursuant to section 69.021. The amount due to a county and not paid by September 1 accrues interest at the rate of one percent for each month or part of a month the amount remains unpaid, beginning the preceding June 1.

Sec. 6. Minnesota Statutes 1984, section 69.031, subdivision 3, is amended to read:

Subd. 3. **APPROPRIATIONS.** There is hereby appropriated annually from the state general fund to the ~~counties who are entitled to payments under sections 69.021 and 69.031~~ commissioner of revenue an amount sufficient to make the payments specified in ~~these sections~~ 69.021 and 69.031 not exceeding the tax collected.

Sec. 7. Minnesota Statutes 1985 Supplement, section 116C.63, subdivision 4, is amended to read:

Subd. 4. When private real property defined as class 1a, 1b, 1c, 2a, 2c, 4a, 5a, or 6a pursuant to section 273.13 is proposed to be acquired for the construction of a site or route by eminent domain proceedings, the fee owner, or when applicable, the fee owner with the written consent of the contract for deed vendee, or the contract for deed vendee with the written consent of the fee owner, shall have the option to require the utility to condemn a fee interest in any amount of contiguous, commercially viable land which he wholly owns or has contracted to own in undivided fee and elects in writing to transfer to the utility within 60 days after his receipt of the notice of the objects of the petition filed pursuant to section 117.055. Commercial viability shall be determined without regard to the presence of the utility route or site. The owner or, when applicable, the contract vendee shall have only one such option and may not expand or otherwise modify his election without the consent of the utility. The required acquisition of land pursuant to this subdivision shall be considered an acquisition for a public purpose and for use in the utility's business, for purposes of chapter 117 and section 500.24, respectively; provided that a utility shall divest itself completely of all such lands used for farming or capable of being used for farming not later than the time it can receive the market value paid at the time of acquisition of lands less any diminution in value by reason of the presence of the utility route or site. Upon the owner's election made under this subdivision, the easement interest over and adjacent to the lands designated by the owner to be acquired in fee, sought in the condemnation petition for a high voltage transmission line right-of-way shall automatically be converted into a fee taking.

Sec. 8. Minnesota Statutes 1984, section 124.195, subdivision 5, is amended to read:

Subd. 5. **COMMISSIONER'S ASSUMPTIONS.** For purposes of determining the amount of state general fund cash to be paid to school districts pursuant to subdivision 3, the commissioner of education shall:

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(a) assume that the payments to school districts by the county treasurer of revenues accruing to the fiscal year of receipt pursuant to section ~~276.10~~ 276.11 are made in the following manner:

- (1) 50 percent within seven business days of each due date; and
- (2) 100 percent within 14 business days of each due date;

(b) assume that the payments to school districts by the county treasurer of revenues accruing to the fiscal year of receipt pursuant to section 31 are made in the following manner:

- (1) 50 percent within seven business days of the October 15 due date;
- (2) 100 percent within 14 business days of the October 15 due date; and
- (3) 100 percent within ten business days of the November 15 due date.

(c) assume that the payments to school districts by county auditors pursuant to section 124.10, subdivision 2 are made at the end of the months indicated in that subdivision.

Sec. 9. Minnesota Statutes 1985 Supplement, section 124.2131, subdivision 3, is amended to read:

Subd. 3. **DECREASE IN IRON ORE ASSESSED VALUE.** If in any year the assessed value of class 9a and 9b property, as defined in ~~sections~~ section 273.13, subdivision 30, ~~and 273.165, subdivision 2;~~ in any district is less than the assessed value of such property in the immediately preceding year, the equalization aid review committee shall redetermine for all purposes the adjusted assessed value of the immediately preceding year taking into account only the decrease in assessed value of class 9a and 9b property. If subdivision 2, clause (a) is applicable to such a district, the decrease in class 9a and 9b property shall be applied to the adjusted assessed value as limited therein. In all other respects, the provisions of clause (1) shall be applicable.

Sec. 10. Minnesota Statutes 1984, section 270.12, subdivision 2, is amended to read:

Subd. 2. The board shall meet annually on August 15 at the office of the commissioner of revenue and examine and compare the returns of the assessment of the property in the several counties, and equalize the same so that all the taxable property in the state shall be assessed at its market value, subject to the following rules:

- (1) The board shall add to the aggregate valuation of the real property of every county, which the board believes to be valued below its market value in money, such percent as will bring the same to its market value in money;

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(2) The board shall deduct from the aggregate valuation of the real property of every county, which the board believes to be valued above its market value in money, such percent as will reduce the same to its market value in money;

(3) If the board believes the valuation of the real property of any town or district in any county, or the valuation of the real property of any county not in towns or cities, should be raised or reduced, without raising or reducing the other real property of such county, or without raising or reducing it in the same ratio, the board may add to, or take from, the valuation of any one or more of such towns or cities, or of the property not in towns or cities, such percent as the board believes will raise or reduce the same to its market value in money;

(4) The board shall add to the aggregate valuation of any class of personal property of any county, town, or city, which the board believes to be valued below the market value thereof, such percent as will raise the same to its market value in money;

(5) The board shall take from the aggregate valuation of any class of personal property in any county, town or city, which the board believes to be valued above the market value thereof, such percent as will reduce the same to its market value in money;

(6) The board shall not reduce the aggregate valuation of all the property of the state, as returned by the several county auditors, more than one percent on the whole valuation thereof; ~~and~~

(7) When it would be of assistance in equalizing values the board may require any county auditor to furnish statements showing assessments of real and personal property of any individuals, firms, or corporations within the county. The board shall consider and equalize such assessments and may increase the assessment of individuals, firms, or corporations above the amount returned by the county board of equalization when it shall appear to be undervalued, first giving notice to such persons of the intention of the board so to do, which notice shall fix a time and place of hearing. The board shall not decrease any such assessment below the valuation placed by the county board of equalization; and

(8) In equalizing values pursuant to this section, the board shall utilize a 12-month assessment/sales ratio study conducted by the department of revenue containing only sales that occurred between October 1 of the year immediately preceding the previous year to September 30 of the previous year. The sales prices used in the study must be discounted for terms of financing. The board shall use the median ratio as the statistical measure of the level of assessment for any particular category of property.

Sec. 11. Minnesota Statutes 1984, section 273.072, subdivision 1, is amended to read:

Subdivision 1. Any county and any city or town lying wholly or partially

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within the county and constituting a separate assessment district may, by agreement entered into under section 471.59 and approved by the commissioner of revenue, provide for the assessment of property in the municipality or town by the county assessor. Any two or more cities or towns constituting separate assessment districts, whether their assessors are elective or appointive, may enter into an agreement under section 471.59 for the assessment of property in the contracting units by the assessor of one of the units or by an assessor who is jointly employed.

Sec. 12. Minnesota Statutes 1985 Supplement, section 273.11, subdivision 8, is amended to read:

Subd. 8. **LIMITED EQUITY COOPERATIVE APARTMENTS.** For the purposes of this subdivision, the terms defined in this subdivision have the meanings given them.

A "limited equity cooperative" is a corporation organized under chapter 308, which has as its primary purpose the provision of housing and related services to its members, ~~who must be persons or families of low and moderate income as defined in section 462A.03, subdivision 10, whose income must not exceed 90 percent of the St. Paul-Minneapolis metropolitan area income as determined by the United States Department of Housing and Urban Development~~ at the time they purchase their membership, and which meets the following requirements:

(a) The articles of incorporation set the sale price of occupancy entitling cooperative shares or memberships at no more than a transfer value determined as provided in the articles. That value may not exceed the sum of the following:

(1) the consideration paid for the membership or shares by the first occupant of the unit, as shown in the records of the corporation;

(2) the fair market value, as shown in the records of the corporation, of any improvements to the real property that were installed at the sole expense of the member with the prior approval of the board of directors;

(3) accumulated interest, or an inflation allowance not to exceed the greater of a ten percent annual noncompounded increase on the consideration paid for the membership or share by the first occupant of the unit, or the amount that would have been paid on that consideration if interest had been paid on it at the rate of the percentage increase in the revised consumer price index for all urban consumers for the Minneapolis-St. Paul metropolitan area prepared by the United States Department of Labor, provided that the amount determined pursuant to this clause may not exceed \$500 for each year or fraction of a year the membership or share was owned; plus

(4) real property capital contributions shown in the records of the corporation to have been paid by the transferor member and previous holders of the

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same membership, or of separate memberships that had entitled occupancy to the unit of the member involved. These contributions include contributions to a corporate reserve account the use of which is restricted to real property improvements or acquisitions, contributions to the corporation which are used for real property improvements or acquisitions, and the amount of principal amortized by the corporation on its indebtedness due to the financing of real property acquisition or improvement or the averaging of principal paid by the corporation over the term of its real property-related indebtedness.

(b) The articles of incorporation require that the board of directors limit the purchase price of stock or membership interests for new member-occupants or resident shareholders to an amount which does not exceed the transfer value for the membership or stock as defined in clause (a).

(c) The articles of incorporation require that the total distribution out of capital to a member shall not exceed that transfer value.

(d) The articles of incorporation require that upon liquidation of the corporation any assets remaining after retirement of corporate debts and distribution to members will be conveyed to a charitable organization described in section 501(c)(3) of the Internal Revenue Code of 1954, as amended through December 31, 1984, or a public agency.

A "limited equity cooperative apartment" is a dwelling unit owned or leased by a limited equity cooperative. If the dwelling unit is leased by the cooperative the lease agreement must meet the conditions for a cooperative lease stated in section 273.124, subdivision 6.

"Occupancy entitling cooperative share or membership" is the ownership interest in a cooperative organization which entitles the holder to an exclusive right to occupy a dwelling unit owned or leased by the cooperative.

For purposes of taxation, the assessor shall value a unit owned by a limited equity cooperative at the lesser of its market value or the value determined by capitalizing the net operating income of a comparable apartment operated on a rental basis at the capitalization rate used in valuing comparable buildings that are not limited equity cooperatives. If a cooperative fails to operate in accordance with the provisions of clauses (a) to (d), the property shall be subject to additional property taxes in the amount of the difference between the taxes determined in accordance with this subdivision for the last ten years that the property had been assessed pursuant to this subdivision and the amount that would have been paid if the provisions of this subdivision had not applied to it. The additional taxes, plus interest at the rate specified in section 549.09, shall be extended against the property on the tax list for the current year.

Sec. 13. Minnesota Statutes 1985 Supplement, section 273.124, subdivision 6, is amended to read:

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Subd. 6. **LEASEHOLD COOPERATIVES.** When one or more dwellings or one or more buildings which each contain several dwelling units is owned by a nonprofit corporation subject to the provisions of chapter 317 or a limited partnership which corporation or partnership operates the property in conjunction with a cooperative association, homestead treatment may be claimed for each dwelling unit occupied by a member of the cooperative. To qualify for the treatment provided by this subdivision, the following conditions must be met: (a) the cooperative association must be organized under sections 308.05 to 308.18; (b) the cooperative association must have a lease for occupancy of the property for a term of at least 20 years; (c) to the extent permitted under state or federal law, the cooperative association must have a right under a written agreement with the owner to purchase the property if the owner proposes to sell it; if the cooperative association does not purchase the property when it is offered for sale, the owner may not subsequently sell the property to another purchaser at a price lower than the price at which it was offered for sale to the cooperative association unless the cooperative association approves the sale; and (d) if a limited partnership owns the property, it must include as the managing general partner either the cooperative association or a nonprofit organization operating under the provisions of chapter 317. Homestead treatment must be afforded to units occupied by members of the cooperative association and the units must be assessed as provided in subdivision + 3, provided that any unit not so occupied shall be classified and assessed pursuant to the appropriate class. No more than three acres of land may, for assessment purposes, be included with each dwelling unit that qualifies for homestead treatment under this subdivision.

Sec. 14. Minnesota Statutes 1985 Supplement, section 273.124, subdivision 8, is amended to read:

Subd. 8. **HOMESTEAD OWNED BY FAMILY FARM CORPORATION OR PARTNERSHIP.** (a) Each family farm corporation and each partnership operating a family farm is entitled to class + 1b or class 2a assessment for one homestead occupied by a shareholder or partner thereof who is residing on the land and actively engaged in farming of the land owned by the corporation or partnership. Homestead treatment applies even if legal title to the property is in the name of the corporation or partnership and not in the name of the person residing on it. "Family farm corporation" and "family farm" have the meanings given in section 500.24.

(b) In addition to property specified in paragraph (a), any other residences owned by corporations or partnerships described in paragraph (a) which are located on agricultural land and occupied as homesteads by shareholders or partners who are actively engaged in farming on behalf of the corporation or partnership must also be assessed as class + 1b or class 2a property, but the property eligible is limited to the residence itself and as much of the land surrounding the homestead, not exceeding one acre, as is reasonably necessary for the use of the dwelling as a home, and does not include any other structures that may be located on it.

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Sec. 15. Minnesota Statutes 1985 Supplement, section 273.124, subdivision 9, is amended to read:

Subd. 9. **HOMESTEAD ESTABLISHED AFTER ASSESSMENT DATE.** Any property that was not used for the purpose of a homestead on the assessment date, but which was used for the purpose of a homestead on June 1 of a year, constitutes class 1 or class 2a to the extent of one-half of the valuation that would have been includable in class 1 or class 2a.

Any taxpayer meeting the requirements of this subdivision must notify the county assessor, or the assessor who has the powers of the county assessor pursuant to section 273.063, in writing, prior to June 15 of the year of occupancy in order to qualify under this subdivision.

The county assessor and the county auditor may make the necessary changes on their assessment and tax records to provide for proper homestead classification as provided in this subdivision.

The owner of any property qualifying under this subdivision, which has not been accorded the benefits of this subdivision, regardless of whether or not the notification has been timely filed, may be entitled to receive homestead classification by proper application as provided in section 270.07 or 375.192.

The county assessor shall publish in a newspaper of general circulation within the county no later than June 1 of each year a notice informing the public of the requirement to file an application for homestead prior to June 15.

Sec. 16. Minnesota Statutes 1985 Supplement, section 273.124, subdivision 10, is amended to read:

Subd. 10. **REAL ESTATE PURCHASED FOR OCCUPANCY AS A HOMESTEAD.** Real estate purchased for occupancy as a homestead must be classified as class 1 or class 2a if the purchaser is prevented from obtaining possession on January 2 next following the purchase by reason of federal or state rent control laws or regulations.

Sec. 17. Minnesota Statutes 1985 Supplement, section 273.124, subdivision 11, is amended to read:

Subd. 11. **LIMITATION ON HOMESTEAD CLASSIFICATION.** If the assessor has classified a property as both homestead and nonhomestead, the greater of the value attributable to the portion of the property classified as class 1a, 1b, or 2a or the value of the first tier of assessment percentages provided under section 273.13, subdivision 22, paragraph (a) or (b) or subdivision 23, paragraph (a) is entitled to homestead treatment; ~~except as provided in subdivision 26 for.~~ The limitation in this subdivision does not apply to buildings containing fewer than four residential units and for or to a single rented or leased dwelling unit located within or attached to a private garage or similar

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structure owned by the owner of a homestead and located on the premises of that homestead.

If the assessor has classified a property as both homestead and nonhomestead, the homestead credit provided in section 273.13, subdivisions 22 and 23, and the reductions in tax provided under sections 273.135 and 273.1391 apply to the value of both the homestead and the nonhomestead portions of the property.

Sec. 18. Minnesota Statutes 1985 Supplement, section 273.13, subdivision 15a, is amended to read:

Subd. 15a. **GENERAL FUND, REPLACEMENT OF REVENUE.** (1) Payment from the general fund shall be made, as provided herein, for the purpose of replacing revenue lost as a result of the reduction of property taxes provided in subdivisions 22 and 23.

(2) Each county auditor shall certify, not later than May 1 of each year to the commissioner of revenue the amount of reduction resulting from subdivisions 22 and 23 in his county. This certification shall be submitted to the commissioner of revenue as part of the abstracts of tax lists required to be filed with the commissioner under the provisions of section 275.29. Any prior year adjustments shall also be certified in the abstracts of tax lists. The commissioner of revenue shall review such certifications to determine their accuracy. He may make such changes in the certification as he may deem necessary or return a certification to the county auditor for corrections.

(3) Based on current year tax data reported in the abstracts of tax lists, the commissioner of revenue shall annually determine the taxing district distribution of the amounts certified under clause (2). The commissioner of revenue shall pay to each taxing district, other than school districts, its total payment for the year in equal installments on or before July 15; ~~August 15; September 15; October 15; November 15; and December 15~~ of each year.

Sec. 19. Minnesota Statutes 1985 Supplement, section 273.13, subdivision 26, is amended to read:

Subd. 26. **CLASS 5.** (a) Residential real estate containing less than four units, other than seasonal residential, recreational, and homesteads, is class 5a. Class 5a shall also include post-secondary student housing not to exceed one acre of land which is owned by a nonprofit corporation organized under chapter 317 and is used exclusively by a sorority or fraternity organization for housing. Class 5a property is assessed at 28 percent of market value.

(b) Structures of five stories or more and constructed with materials meeting the requirements for type I or II construction as defined in the state building code, if at least 90 percent of the structure is used or to be used as apartment housing, is class 5b. Class 5b property is assessed at 25 percent of market value.

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The 25 percent assessment ratio applies to these structures for a period of 40 years from the date of completion of original construction, or the date of initial though partial use, whichever is earlier.

(c) Manufactured homes not classified under any other provision constitute class 5c. Class 5c property is assessed at 28 percent of market value.

Sec. 20. Minnesota Statutes 1985 Supplement, section 273.13, subdivision 28, is amended to read:

Subd. 28. **CLASS 7.** (a) Class 7a is a structure that is situated on real property that is used for housing for the elderly or for low and moderate income families as defined by Title II of the National Housing Act or the Minnesota housing finance agency law of 1971 or regulations promulgated by the agency pursuant thereto and financed by a direct federal loan or federally insured loan or a loan made by the Minnesota housing finance agency pursuant to the provisions of either of those acts and acts amendatory thereof. Class 7a property must, for 15 years from the date of the completion of the original construction or substantial rehabilitation, or for the original term of the loan, be assessed at 20 percent of the market value.

(b) Class 7b is a structure which is

(1) situated upon real property that is used for housing lower income families or elderly or handicapped persons, as defined in section 8 of the United States Housing Act of 1937, as amended, and

(2) owned by an entity which has entered into a housing assistance payments contract under section 8 which provides assistance for 100 percent of the dwelling units in the structure, other than dwelling units intended for management or maintenance personnel. Class 7b property must, for the term of the housing assistance payments contract, including all renewals, or for the term of its permanent financing, whichever is shorter, be assessed at 20 percent of its market value.

(c) Class 7c is any structure

(1) situated on real property that is used for housing for the elderly or for low and moderate income families as defined by the farmers home administration;

(2) located in a municipality of less than 10,000 population; and

(3) financed by a direct loan or insured loan from the farmers home administration;

Class 7c property must be assessed at ten percent of its market value for 15 years from the date of the completion of the original construction or for the original term of the loan except that if (1) construction of the structure had been

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commenced after December 31, 1983; and (2) the project had been approved by the governing body of the municipality in which it is located after June 30, 1983; and (3) financing of the project had been approved by a federal or state agency after June 30, 1983, it must be assessed at 20 percent.

The 20 percent and ten percent assessment ratios apply to the properties described in paragraphs (a), (b), and (c) only in proportion to occupancy of the structure by elderly or handicapped persons or low and moderate income families as defined in the applicable laws unless construction of the structure had been commenced prior to January 1, 1984; or the project had been approved by the governing body of the municipality in which it is located prior to June 30, 1983; or financing of the project had been approved by a federal or state agency prior to June 30, 1983.

For all properties described in paragraphs (a), (b), and (c), the market value determined by the assessor must be based on the normal approach to value using normal unrestricted rents.

The provisions of paragraphs (a) and (c) apply only to nonprofit and limited dividend entities.

(d) Class 7d property is a parcel of land, not to exceed one acre, and its improvements or a parcel of unimproved land, not to exceed one acre, if it is owned by a neighborhood real estate trust and at least 60 percent of the dwelling units, if any, on all land owned by the trust are leased to or occupied by lower income families or individuals. Class 7d land and improvements, if any, shall be assessed at 20 percent of the market value. This paragraph shall not apply to any portion of the land or improvements used for nonresidential purposes. For purposes of this paragraph, a lower income family is a family with an income that does not exceed 65 percent of the median family income for the area, and a lower income individual is an individual whose income does not exceed 65 percent of the median individual income for the area, as determined by the United States Secretary of Housing and Urban Development. For purposes of this paragraph, "neighborhood real estate trust" means an entity which is certified by the governing body of the municipality in which it is located to have the following characteristics: (1) it is a nonprofit corporation organized under chapter 317; (2) it has as its principal purpose providing housing for lower income families in a specific geographic community designated in its articles or bylaws; (3) it limits membership with voting rights to residents of the designated community; and (4) it has a board of directors consisting of at least seven directors, 60 percent of whom are members with voting rights and, to the extent feasible, 25 percent of whom are elected by resident members of buildings owned by the trust.

Sec. 21. Minnesota Statutes 1985 Supplement, section 273.13, subdivision 30, is amended to read:

Subd. 30. **CLASS 9.** (a) Unmined iron ore is class 9a and is assessed at 50 percent of ~~market~~ value.

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(b) Class 9b consists of all low-grade iron-bearing formations as defined in section 273.14. Class 9b shall be assessed at the following percentages of its value: If the tonnage recovery is less than 50 percent and not less than 49 percent, the assessed value shall be 48-1/2 percent of the value; if the tonnage recovery is less than 49 percent and not less than 48 percent, the assessed value shall be 47 percent of the value; and for each subsequent reduction of one percent in tonnage recovery, the percentage of assessed value to value shall be reduced an additional 1-1/2 percent of the value, but the assessed value shall never be less than 30 percent of the value. The land, exclusive of the formations, shall be assessed as otherwise provided by law. The commissioner of revenue may estimate the reasonable ~~market~~ value of the iron ore on any parcel of land which at the assessment date is considered uneconomical to mine.

Sec. 22. Minnesota Statutes 1985 Supplement, section 273.136, is amended to read:

273.136 TACONITE PROPERTY TAX RELIEF FUND; REPLACEMENT OF REVENUE.

Subdivision 1. Payment from the county shall be made as provided herein for the purpose of replacing revenue lost as a result of the reduction of property taxes provided in section 273.135.

Subd. 2. The commissioner of revenue shall determine, not later than ~~May~~ April 1 of each year, the amount of reduction resulting from section 273.135 in each county containing a tax relief area as defined by section 273.134, basing his determinations on a review of abstracts of tax lists submitted by the county auditors pursuant to section 275.29. He may make changes in the abstracts of tax lists as he deems necessary. The commissioner of revenue, after such review, shall submit to the St. Louis county auditor, on or before ~~June 1~~ April 15, the amount of the first half payment payable hereunder and on or before ~~October~~ September 15 the amount of the second half payment.

Subd. 3. The St. Louis county auditor shall pay out of the taconite property tax relief account to each county treasurer one-half of the amount certified under subdivision 2 not later than ~~June~~ May 15 and the remaining half not later than ~~November~~ October 15 of each year.

Subd. 4. The county treasurer shall distribute as part of the May and October settlements the funds received by him as if they had been collected as a part of the property tax reduced by section 273.135.

Sec. 23. Minnesota Statutes 1984, section 273.1391, subdivision 3, is amended to read:

Subd. 3. Not later than December 1, each county auditor having jurisdiction over one or more tax relief areas defined in subdivision 2 shall certify to the commissioner of revenue his estimate of the total amount of the reduction,

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determined under subdivision 2, in taxes payable the next succeeding year with respect to all tax relief areas in his county. The commissioner shall make payments to the county by May 15 and October 15 annually. The county treasurer shall distribute as part of the May and October settlements the funds received from the commissioner.

Sec. 24. Minnesota Statutes 1985 Supplement, section 273.42, subdivision 2, is amended to read:

Subd. 2. Owners of land defined as class 1a, 1b, 1c, 2a, 2c, 4a, 5a, or 6a, pursuant to section 273.13 listed on records of the county auditor or county treasurer over which runs a high voltage transmission line as defined in section 116C.52, subdivision 3, except a high voltage transmission line the construction of which was commenced prior to July 1, 1974, shall receive a property tax credit in an amount determined by multiplying a fraction, the numerator of which is the length of high voltage transmission line which runs over that parcel and the denominator of which is the total length of that particular line running over all property within the city or township by ten percent of the transmission line tax revenue derived from the tax on that portion of the line within the city or township pursuant to section 273.36. In the case of property owners in unorganized townships, the property tax credit shall be determined by multiplying a fraction, the numerator of which is the length of the qualifying high voltage transmission line which runs over the parcel and the denominator of which is the total length of the qualifying high voltage transmission line running over all property within all the unorganized townships within the county, by the total utility property tax credit fund amount available within the county for that year pursuant to subdivision 1. Where a right-of-way width is shared by more than one property owner, the numerator shall be adjusted by multiplying the length of line on the parcel by the proportion of the total width on the parcel owned by that property owner. The amount of credit for which the property qualifies shall not exceed 20 percent of the total gross tax on the parcel prior to deduction of the state paid agricultural credit and the state paid homestead credit, provided that, if the property containing the right-of-way is included in a parcel which exceeds 40 acres, the total gross tax on the parcel shall be multiplied by a fraction, the numerator of which is the sum of the number of acres in each quarter-quarter section or portion thereof which contains a right-of-way and the denominator of which is the total number of acres in the parcel set forth on the tax statement, and the maximum credit shall be 20 percent of the product of that computation, prior to deduction of those credits. The auditor of the county in which the affected parcel is located shall calculate the amount of the credit due for each parcel and transmit that information to the county treasurer. The county auditor, in computing the credits received pursuant to sections 273.13 and 273.135, shall reduce the gross tax by the amount of the credit received pursuant to this section, unless the amount of the credit would be less than \$10.

If, after the county auditor has computed the credit to those qualifying property owners in unorganized townships, there is money remaining in the

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utility property tax credit fund, then that excess amount in the fund shall be returned to the general school fund of the county.

Sec. 25. Minnesota Statutes 1985 Supplement, section 274.19, subdivision 1, is amended to read:

Subdivision 1. The provisions of subdivisions 1 to 7 apply to manufactured homes that are assessed under subdivision 8, clause (c). Each manufactured home shall be valued each year by the assessor and be assessed with reference to its value on January 2 of that year. Notice of the value shall be mailed to the person to be assessed at least ten days before the meeting of the local board of review or equalization. The notice shall contain the amount of valuation in terms of market value, the assessor's office address, and the date, place, and time set for the meeting of the local board of review or equalization and the county board of equalization.

Sec. 26. Minnesota Statutes 1985 Supplement, section 274.19, subdivision 8, is amended to read:

Subd. 8. **MANUFACTURED HOMES; SECTIONAL STRUCTURES.** (a) For purposes of this section, a "manufactured home" means a structure transportable in one or more sections, which is built on a permanent chassis, and designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities, and contains the plumbing, heating, air-conditioning, and electrical systems therein, including any accessory structure which is an addition or supplement to the manufactured home and, when installed, becomes a part of the manufactured home.

(b) A manufactured home which meets each of the following criteria must be valued and assessed as an improvement to real property, the appropriate real property classification shall apply and the valuation is subject to review and the taxes payable in the manner provided for real property:

(i) the owner of the unit holds title to the land upon which it is situated;

(ii) the unit is affixed to the land by a permanent foundation or is installed at its location in accordance with the manufactured home building code contained in sections 327.31 to 327.34, and the rules adopted thereto, or is affixed to the land in a manner comparable to other real property in the taxing district; and

(iii) the unit is connected to public utilities, has a well and septic tank system, or is serviced by water and sewer facilities comparable to other real property in the taxing district.

(c) A manufactured home which meets each of the following criteria must be assessed at the rate provided by the appropriate real property classification but must be classified treated as a manufactured home personal property, and

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the valuation is subject to review and the taxes payable thereon in the manner provided in this section:

(i) the owner of the unit is a lessee of the land pursuant to the terms of a lease;

(ii) the unit is affixed to the land by a permanent foundation or is installed at its location in accordance with the manufactured homes building code contained in sections 327.31 to 327.34, and the rules adopted thereto, or is affixed to the land in a manner comparable to other real property in the taxing district; and

(iii) the unit is connected to public utilities, has a well and septic tank system, or is serviced by water and sewer facilities comparable to other real property in the taxing district.

(d) Sectional structures must be valued and assessed as an improvement to real property if the owner of the structure holds title to the land upon which it is located or is a qualifying lessee of the land under the provisions of ~~this~~ section 273.19. For purposes of this paragraph "sectional structure" means a building or structural unit which has been in whole or substantial part manufactured or constructed at an off site location to be wholly or partially assembled on site alone or with other units and attached to a permanent foundation.

(e) The commissioner of revenue may adopt rules pursuant to the administrative procedure act for the purpose of establishing additional criteria for the classification of manufactured homes and sectional structures under this subdivision.

Sec. 27. Minnesota Statutes 1984, section 275.125, subdivision 9, is amended to read:

Subd. 9. **LEVY REDUCTIONS; TACONITE.** (1) Reductions in levies pursuant to subdivision 10 of this section, and section 273.138, shall be made prior to the reductions in clause (2).

(2) Notwithstanding any other law to the contrary, districts which received payments pursuant to sections 294.21 to 294.26; 298.23 to 298.28; 298.34 to 298.39; 298.391 to 298.396; 298.405; 298.51 to 298.67; 477A.15; and any law imposing a tax upon severed mineral values, or under any other law distributing proceeds in lieu of ad valorem tax assessments on copper or nickel properties, or recognized revenue pursuant to section 477A.15; shall not include a portion of these aids in their permissible levies pursuant to those sections, but instead shall reduce the permissible levies authorized by this section and sections 124A.03, 124A.06, subdivision 3a, 124A.08, subdivision 3a, 124A.10, subdivision 3a, 124A.12, subdivision 3a, and 124A.14, subdivision 5a by the greater of the following:

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(a) an amount equal to 50 percent of the total dollar amount of the payments received pursuant to those sections or revenue recognized pursuant to section 477A.15 in the previous fiscal year; or

(b) an amount equal to the total dollar amount of the payments received pursuant to those sections or revenue recognized pursuant to section 477A.15 in the previous fiscal year less the product of the same dollar amount of payments or revenue times the ratio of the maximum levy allowed the district under section 124A.03, subdivision 1, to the total levy allowed the district under this section and sections 124A.03, 124A.06, subdivision 3a, 124A.08, subdivision 3a, 124A.10, subdivision 3a, 124A.12, subdivision 3a, and 124A.14, subdivision 5a in the year in which the levy is certified.

(3) No reduction pursuant to this subdivision shall reduce the levy made by the district pursuant to section 124A.03, subdivision 1, to an amount less than the amount raised by a levy of 12.5 mills times the adjusted assessed valuation of that district for the preceding year as determined by the equalization aid review committee. The amount of any increased levy authorized by referendum pursuant to section 124A.03, subdivision 2 shall not be reduced pursuant to this subdivision. The amount of any levy authorized by subdivision 4, to make payments for bonds issued and for interest thereon, shall not be reduced pursuant to this subdivision.

(4) Before computing the reduction pursuant to this subdivision of the capital expenditure levy authorized by subdivision 11a, and the community service levy authorized by subdivision 8, the commissioner shall ascertain from each affected school district the amount it proposes to levy for capital expenditures pursuant to subdivision 11a and for community services pursuant to subdivision 8. The reduction of the capital expenditure levy and the community services levy shall be computed on the basis of the amount so ascertained.

(5) Notwithstanding any law to the contrary, any amounts received by districts in any fiscal year pursuant to sections 294.21 to 294.26; 298.23 to 298.28; 298.34 to 298.39; 298.391 to 298.396; 298.405; 298.51 to 298.67; or any law imposing a tax on severed mineral values, or under any other law distributing proceeds in lieu of ad valorem tax assessments on copper or nickel properties; and not deducted from foundation aid pursuant to section 124A.035, subdivision 5, clause (2), and not applied to reduce levies pursuant to this subdivision shall be paid by the district to the ~~commissioner of finance~~ St. Louis county auditor in the following amount by March 15 of each year except 1986, the amount required to be subtracted from the previous fiscal year's foundation aid pursuant to section 124A.035, subdivision 5, which is in excess of the foundation aid earned for that fiscal year. The ~~commissioner of finance~~ county auditor shall deposit any amounts received pursuant to this clause in the ~~taconite property tax relief fund in the state treasury, established pursuant to section 16A.70~~ St. Louis county treasury for purposes of paying the taconite homestead credit as provided in section 273.135.

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Sec. 28. Minnesota Statutes 1984, section 276.09, is amended to read:

276.09 SETTLEMENT BETWEEN AUDITOR AND TREASURER.

On the fifth day of March and the 20th day of May, ~~and October~~ of each year, the county treasurer shall make full settlement with the county auditor of all receipts collected by him for all purposes, from the date of the last settlement up to and including each day mentioned. The county auditor shall, within 30 days after each settlement, send an abstract of same to the state auditor in the form prescribed by the state auditor. At each settlement the treasurer shall make complete returns of the receipts on the current tax list, showing the amount collected on account of the several funds included in the list.

Settlement of receipts from May 20 to December 31 of each year shall be made as provided in section 31.

For purposes of this section, "receipts" shall include all tax payments received by the county treasurer on or before the settlement date.

Sec. 29. Minnesota Statutes 1984, section 276.10, is amended to read:

276.10 APPORTIONMENT AND DISTRIBUTION OF FUNDS.

On the settlement day in March, ~~and May, and October~~ of each year, the county auditor and county treasurer shall distribute all undistributed funds in the treasury, apportioning them, as provided by law, and placing them to the credit of the state, town, city, school district, special district and each county fund. Within 20 days after the distribution is completed, the county auditor shall make a report of it to the state auditor in the form prescribed by the state auditor. The county auditor shall issue his warrant for the payment of moneys in the county treasury to the credit of the state, town, city, school district, or special districts on application of the persons entitled to receive them. The county auditor may apply the mill rate from the year previous to the year of distribution when apportioning and distributing delinquent tax proceeds, provided that the composition of the previous year's mill rate between taxing districts is not significantly different than that which existed for the year of the delinquency.

Sec. 30. Minnesota Statutes 1984, section 276.11, is amended to read:

276.11 WHEN TREASURER SHALL PAY FUNDS FROM MARCH AND MAY SETTLEMENTS.

As soon as practical after ~~each settlement~~ the March and May settlements the county treasurer shall pay over to the state treasurer or the treasurer of any town, city, school district, or special district, on the warrant of the county auditor, all receipts arising from taxes levied by and belonging to the state, or to such municipal corporation, or other body, and deliver up all orders and other evidences of indebtedness of such municipal corporation or other body, taking

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triplicate receipts therefor. The treasurer shall file one of the receipts with the county auditor, and shall return one by mail on the day of its reception to the clerk of the town, city, school district, or special district to which payment was made. The clerk shall preserve the receipt in the clerk's office. Upon written request of the state, a municipal corporation or other public body, the county treasurer shall, to the extent practicable, make partial payments of amounts collected periodically in advance of the next settlement and distribution. Accompanying each payment shall be a statement prepared by the county treasurer designating the years for which taxes included in the payment were collected and, for each year, the amount of the taxes and any penalties thereon. The county treasurer shall pay, upon written request of the state, a municipal corporation or other public body except school districts, at least 70 percent of the estimated collection within 30 days after the March and May settlement date dates. Within seven business days after the due date, the county treasurer shall pay to the treasurer of the school districts 50 percent of the estimated collections arising from taxes levied by and belonging to the school district and the remaining 50 percent of the estimated collections shall be paid to the treasurer of the school district within the next seven business days. The treasurer shall pay the balance of the amounts collected to the state or to a municipal corporation or other body within 60 days after the March and May settlement date dates, provided, however, that after 45 days interest shall accrue at a rate of eight percent per annum to the credit of and shall be paid to the state, municipal corporation or other body. Interest shall be payable upon appropriation from the general revenue fund of the county and, if not paid, may be recovered by the state, municipal corporation, or other body, in a civil action.

Sec. 31. [276.111] DISTRIBUTIONS AND FINAL YEAR-END SETTLEMENT.

Within seven business days after October 15, the county treasurer shall pay to the school districts 50 percent of the estimated collections arising from taxes levied by and belonging to the school district from May 20 to October 20 and the remaining 50 percent of the estimated tax collections must be paid to the school district within the next seven business days. Within ten business days after November 15, the county treasurer shall pay to the school district 100 percent of the estimated collections arising from taxes levied by and belonging to the school districts from October 20 to November 20.

Within ten business days after November 15, the county treasurer shall pay to each taxing district, except any school district, 100 percent of the estimated collections arising from taxes levied by and belonging to each taxing district from May 20 to November 20.

On or before the fifth day of January, the county treasurer shall make full settlement with the county auditor of all receipts collected from the 20th day of May to December 31. After subtracting any tax distributions which have been made to the taxing districts in October and November, the treasurer shall pay to each of the taxing districts on or before January 25, the balance of the tax amounts collected on behalf of each taxing district. Interest shall accrue at a rate of eight percent per annum to the credit of and shall be paid to the taxing

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district if this final settlement amount is not paid by January 25. Interest shall be payable upon appropriation from the general revenue fund of the county and, if not paid may be recovered by the state, municipal corporation, or other body, in a civil action.

Sec. 32. Minnesota Statutes 1984, section 278.03, is amended to read:

278.03 PAYMENT OF TAX.

If the proceedings instituted by the filing of the petition have not been completed before the 16th day of May next following the filing, the petitioner shall pay to the county treasurer 50 percent of the tax levied for such year against the property involved, unless permission to continue prosecution of the petition without such payment is obtained as herein provided. If the proceedings instituted by the filing of the petition have not been completed by the next October 16, or, in the case of class 3cc agricultural homestead, class 3b agricultural homestead, and class 3 agricultural nonhomestead property, November 16, the petitioner shall pay to the county treasurer 50 percent of the unpaid balance of the taxes levied for the year against the property involved if the unpaid balance is \$2,000 or less and 80 percent of the unpaid balance if the unpaid balance is over \$2,000, unless permission to continue prosecution of the petition without payment is obtained as herein provided. The petitioner, upon ten days notice to the county attorney and to the county auditor, given at least ten days prior to the 16th day of May or the 16th day of October, or, in the case of class 3cc agricultural homestead, class 3b agricultural homestead, and class 3 agricultural nonhomestead property, the 16th day of November, may apply to the court for permission to continue prosecution of the petition without payment; and, if it is made to appear

(1) That the proposed review is to be taken in good faith;

(2) That there is probable cause to believe that the property may be held exempt from the tax levied or that the tax may be determined to be less than 50 percent of the amount levied; and

(3) That it would work a hardship upon petitioner to pay the taxes due,

the court may permit the petitioner to continue prosecution of the petition without payment, or may fix a lesser amount to be paid as a condition of continuing the prosecution of the petition.

Failure to make payment of the amount required when due shall operate automatically to dismiss the petition and all proceedings thereunder unless the payment is waived by an order of the court permitting the petitioner to continue prosecution of the petition without payment. The county treasurer shall, upon request of the petitioner, issue duplicate receipts for the tax payment, one of which shall be filed by the petitioner in the proceeding.

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Sec. 33. Minnesota Statutes 1985 Supplement, section 278.05, subdivision 5, is amended to read:

Subd. 5. Any time after the filing of the petition and before the trial of the issues raised thereby, when the defense or claim presented is that the property has been partially, unfairly, or unequally assessed, or that the parcel has been assessed at a valuation greater than its real or actual value, or that a parcel which is classified as homestead under the provisions of section 273.13, subdivision 22 or 23, has been assessed at a valuation which exceeds by ten percent or more the valuation which the parcel would have if it were valued at the average assessment/sales ratio for real property in the same class in that portion of the county in which the parcel is located, for which the commissioner is able to establish and publish a sales ratio study, the attorney representing the state, county, city or town in the proceedings may serve on the petitioner, or his attorney, and file with the clerk of the district court, an offer to reduce the valuation of any tract or tracts to a valuation set forth in the offer. If, within ten days thereafter, the petitioner, or his attorney, gives notice in writing to the county attorney, or the attorney for the city or town, that the offer is accepted, he may file the offer with proof of notice, and the clerk shall enter judgment accordingly. Otherwise, the offer shall be deemed withdrawn and evidence thereof shall not be given; and, unless a lower valuation than specified in the offer is found by the court, no costs or disbursements shall be allowed to the petitioner, but the costs and disbursements of the state, county, city or town, including interest at six percent on the tax based on the amount of the offer from and after the 16th day of October, or, in the case of class 3cc agricultural homestead, class 3b agricultural homestead, and class 3 agricultural nonhomestead property, the 16th day of November, of the year the taxes are payable, shall be taxed in its favor and included in the judgment and when collected shall be credited to the county revenue fund, unless the taxes were paid in full before the 16th day of October, or, in the case of class 3cc agricultural homestead, class 3b agricultural homestead, and class 3 agricultural nonhomestead property, the 16th day of November, of the year in which the taxes were payable, in which event interest shall not be taxable.

Sec. 34. Minnesota Statutes 1984, section 279.01, as amended by Laws 1985, chapter 300, section 12, and First Special Session chapter 14, article 4, section 82, is amended to read:

279.01 DUE DATE; PENALTIES, INTEREST.

Subdivision 1. Except as provided in subdivision 3, on May 16, of each year, with respect to property actually occupied and used as a homestead by the owner of the property, a penalty of three percent shall accrue and thereafter be charged upon all unpaid taxes on real estate on the current lists in the hands of the county treasurer, and a penalty of seven percent on nonhomestead property, except that this penalty shall not accrue until June 1 of each year on commercial use real property used for seasonal residential recreational purposes and classified

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as class 1c, 2e, or 6a, and on other commercial use real property classified as class 3a, provided that over 60 percent of the gross income earned by the enterprise on the class 3a property is earned during the months of May, June, July, and August. Any property owner of such class 3a property who pays the first half of the tax due on the property after May 15 and before June 1 shall attach an affidavit to his payment attesting to compliance with the income provision of this subdivision. Thereafter, for both homestead and nonhomestead property, on the 16th day of each month, up to and including October 16 following, an additional penalty of one percent for each month shall accrue and be charged on all such unpaid taxes. When the taxes against any tract or lot exceed \$50, one-half thereof may be paid prior to May 16; and, if so paid, no penalty shall attach; the remaining one-half shall be paid at any time prior to October 16 following, without penalty; but, if not so paid, then a penalty of four percent shall accrue thereon for homestead property and a penalty of four percent on nonhomestead property. Thereafter, for homestead property, on the 16th day of each month up to and including December 16 following, an additional penalty of two percent for each month shall accrue and be charged on all such unpaid taxes. Thereafter, for nonhomestead property, on the 16th day of each month up to and including December 16 following, an additional penalty of four percent for each month shall accrue and be charged on all such unpaid taxes. If one-half of such taxes shall not be paid prior to May 16, the same may be paid at any time prior to October 16, with accrued penalties to the date of payment added, and thereupon no penalty shall attach to the remaining one-half until October 16 following; provided, also, that the same may be paid in installments as follows: One-fourth prior to March 16; one-fourth prior to May 16; one-fourth prior to August 16; and the remaining one-fourth prior to October 16, subject to the aforesaid penalties. Where the taxes delinquent after October 16 against any tract or parcel exceed \$100, upon resolution of the county board, they may be paid in installments of not less than 25 percent thereof, together with all accrued penalties and costs, up to the next tax judgment sale, and after such payment, penalties, interest, and costs shall accrue only on the sum remaining unpaid. Any county treasurer who shall make out and deliver or countersign any receipt for any such taxes without including all of the foregoing penalties therein, shall be liable to the county for the amount of such penalties.

Subd. 2. In the case of any tax on class 3cc, 3b, and 3c homestead property paid within 30 days after the due date specified in this section or after the 30-day extension as specified in subdivision 3, the county board may, with the concurrence of the county treasurer, delegate to the county treasurer the power to abate the penalty provided for late payment. Notwithstanding section 270.07, if any county board so elects, the county treasurer may abate the penalty if in his judgment the imposition of the penalty would be unjust and unreasonable.

Subd. 3. In the case of class 3cc agricultural homestead, class 3b agricultural homestead property, and class 3 agricultural nonhomestead property, no penalties shall attach to the second one-half property tax payment as provided in this section if paid by November 15. Thereafter for class 3cc agricultural homestead and class 3b homestead property, on November 16 following, a

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penalty of six percent shall accrue and be charged on all such unpaid taxes and on December 16 following, an additional two percent shall be charged on all such unpaid taxes. Thereafter for class 3 agricultural nonhomestead property, on November 16 following, a penalty of eight percent shall accrue and be charged on all such unpaid taxes and on December 16 following, an additional four percent shall be charged on all such unpaid taxes.

If the owner of class 3cc agricultural homestead, class 3b, or class 3 agricultural property receives a consolidated property tax statement that shows only an aggregate of the taxes and special assessments due on that property and on other property not classified as class 3cc agricultural homestead, class 3b, or class 3 agricultural property, the aggregate tax and special assessments shown due on the property by the consolidated statement will be due on November 15 provided that at least 50 percent of the property's market value is classified class 3cc agricultural, class 3b, or class 3 agricultural.

Sec. 35. Minnesota Statutes 1985 Supplement, section 279.06, is amended to read:

279.06 COPY OF LIST AND NOTICE.

Within five days after the filing of such list, the clerk shall return a copy thereof to the county auditor, with a notice prepared and signed by him, and attached thereto, which may be substantially in the following form:

State of Minnesota)
) ss.
County of)

District Court
....., Judicial District.

The state of Minnesota, to all persons, companies, or corporations who have or claim any estate, right, title, or interest in, claim to, or lien upon, any of the several parcels of land described in the list hereto attached:

The list of taxes and penalties on real property for the county of remaining delinquent on the first Monday in January, 19....., has been filed in the office of the clerk of the district court of said county, of which that hereto attached is a copy. Therefore, you, and each of you, are hereby required to file in the office of said clerk, on or before the 20th day after the publication of this notice and list, your answer, in writing, setting forth any objection or defense you may have to the taxes, or any part thereof, upon any parcel of land described in the list, in, to, or on which you have or claim any estate, right, title, interest, claim, or lien, and, in default thereof, judgment will be entered against such parcel of land for the taxes on such list appearing against it, and for all penalties, interest, and costs. Based upon said judgment, the land shall be sold to the state of Minnesota on the second Monday in May, 19... The period of redemption for all lands sold to the state at a tax judgment sale shall be three years from the date of sale to the state of Minnesota if the land is

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within an incorporated area unless it is: (a) nonagricultural homesteaded land as defined in section 273.13, subdivision 22; (b) homesteaded agricultural land as defined in section 273.13, subdivision 23, paragraph (a); or (c) seasonal recreational land as defined in section 273.13, subdivision 22, paragraph (c) or subdivision 27, paragraph (a), in which event the period of redemption is five years from the date of sale to the state of Minnesota.

The period of redemption for all other lands sold to the state at a tax judgment sale shall be five years from the date of sale.

Inquiries as to the proceedings set forth above can be made to the county auditor of county whose address is

(Signed),
Clerk of the District Court of the County
of
(Here insert list.)

The list referred to in the notice shall be substantially in the following form:

List of real property for the county of, on which taxes remain delinquent on the first Monday in January, 19....:

Town of (Fairfield),

Township (40), Range (20),

Names (and
Current Filed
Addresses) for
the Taxpayers
and Fee Owners
and in Addition
Those Parties
Who Have Filed
Their Addresses
Pursuant to
section 276.041

	Subdivision of Section	Section	Tax Parcel Number	Total Tax and Penalty \$ cts.
John Jones (825 Fremont Fairfield, MN 55000)	S.E. 1/4 of S.W. 1/4	10	23101	2.20
Bruce Smith (2059 Hand Fairfield, MN 55000) and Fairfield	That part of N.E. 1/4 of S.W. 1/4 desc. as follows: Beg. at the S.E. corner of said N.E. 1/4 of S.W. 1/4; thence N. along the E.			

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State Bank (100 Main Street Fairfield, MN 55000)	line of said N.E. 1/4 of S.W. 1/4 a distance of 600 ft.; thence W. parallel with the S. line of said N.E. 1/4 of S.W. 1/4 a distance of 600 ft.; thence S. parallel with said E. line a distance of 600 ft. to S. line of said N.E. 1/4 of S.W. 1/4; thence E. along said S. line a distance of 600 ft. to the point of beg.	21	33211	3.15
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As to platted property, the form of heading shall conform to circumstances and be substantially in the following form:

City of (Smithtown)

Brown's Addition, or Subdivision

Names (and Current Filed Addresses) for the Taxpayers and Fee Owners and in Addition Those Parties Who have Filed Their Addresses Pursuant to section 276.041	Lot	Block	Tax Parcel Number	Total Tax and Penalty \$ cts
John Jones (825 Fremont Fairfield, MN 55000)	15	9	58243	2.20
Bruce Smith (2059 Hand Fairfield, MN 55000) and Fairfield State Bank (100 Main Street	16	9	58244	3.15

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Fairfield,
MN 55000)

The names, descriptions, and figures employed in parentheses in the above forms are merely for purposes of illustration.

The name of the town, township, range or city, and addition or subdivision, as the case may be, shall be repeated at the head of each column of the printed lists as brought forward from the preceding column.

Errors in the list shall not be deemed to be a material defect to affect the validity of the judgment and sale.

Sec. 36. Minnesota Statutes 1985 Supplement, section 287.12, is amended to read:

287.12 TAXES, HOW APPORTIONED.

All taxes paid to the county treasurer ~~on or after July 1, 1985,~~ under the provisions of sections 287.01 to 287.12 shall be credited to the county revenue fund.

On or before the tenth day of each month the county treasurer shall determine the receipts from the mortgage registration tax during the preceding month. The treasurer shall report to the county welfare agency on or before the tenth day of each month 95 percent of the receipts attributable to the statutory rate in section 287.05. That amount, in addition to 97 percent of the amount determined under section 287.29, must be shown as a deduction from the report filed with the department of human services as required by section 256.82. The net receipts from the preceding month must be credited to the county welfare fund by the tenth day of each month.

Sec. 37. Minnesota Statutes 1985 Supplement, section 287.29, subdivision 1, is amended to read:

Subdivision 1. On or before the tenth day of ~~August 1985,~~ and each month thereafter, the county treasurer shall determine and report to the county welfare agency the receipts attributable to the tax imposed during the preceding month. The report must accompany the report required in section 287.12. The receipts shall be deposited in the county treasury and credited to the county revenue fund. The net receipts from the preceding month must be credited to the county welfare fund by the tenth day of each month.

Sec. 38. Minnesota Statutes 1985 Supplement, section 290A.03, subdivision 6, is amended to read:

Subd. 6. **HOMESTEAD.** "Homestead" means the dwelling occupied by a claimant as his principal residence and so much of the land surrounding it, not exceeding ten acres, as is reasonably necessary for use of the dwelling as a home

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and any other property used for purposes of a homestead as defined in section 273.13, subdivision 22, except for agricultural land assessed as part of a homestead pursuant to section 273.13, subdivision 23, "homestead" is limited to 320 acres or, where the farm homestead is rented, one acre. The homestead may be owned or rented and may be a part of a multidwelling or multipurpose building and the land on which it is built. A manufactured home, as defined in section ~~168.014~~ 274.19, subdivision 8, assessed as personal property may be a dwelling for purposes of this subdivision.

Sec. 39. Minnesota Statutes 1985 Supplement, section 290A.03, subdivision 13, is amended to read:

Subd. 13. **PROPERTY TAXES PAYABLE.** "Property taxes payable" means the property tax exclusive of special assessments, penalties, and interest payable on a claimant's homestead before reductions made pursuant to section 273.13, subdivisions 22 and 23, but after deductions made pursuant to sections 124.2137, 273.115, 273.116, 273.135, 273.1391, 273.42, subdivision 2, and any other state paid property tax credits in any calendar year. In the case of a claimant who makes ground lease payments, "property taxes payable" includes the amount of the payments directly attributable to the property taxes assessed against the parcel on which the house is located. No apportionment or reduction of the "property taxes payable" shall be required for the use of a portion of the claimant's homestead for a business purpose if the claimant does not deduct any business depreciation expenses for the use of a portion of the homestead in the determination of federal adjusted gross income. For homesteads which are manufactured homes as defined in section ~~168.014~~ 274.19, subdivision 8, "property taxes payable" shall also include the amount of the gross rent paid in the preceding year for the site on which the homestead is located, which is attributable to the net tax paid on the site. The amount attributable to property taxes shall be determined by multiplying the net tax on the parcel by a fraction, the numerator of which is the gross rent paid for the calendar year for the site and the denominator of which is the gross rent paid for the calendar year for the parcel. When a homestead is owned by two or more persons as joint tenants or tenants in common, such tenants shall determine between them which tenant may claim the property taxes payable on the homestead. If they are unable to agree, the matter shall be referred to the commissioner of revenue and his decision shall be final. Property taxes are considered payable in the year prescribed by law for payment of the taxes.

In the case of a claim relating to "property taxes payable," the claimant must have owned and occupied the homestead on January 2 of the year in which the tax is payable and (i) the property must have been classified as homestead property pursuant to section 273.13, subdivision 22 or 23 on or before June 1 of the year in which the "property taxes payable" were levied; or (ii) the claimant must provide documentation from the local assessor that application for homestead classification has been made prior to October 1 of the year in which the "property taxes payable" were payable and that the assessor has approved the application.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

Sec. 40. Minnesota Statutes 1984, section 296.16, subdivision 1, is amended to read:

Subdivision 1. **INTENT.** All gasoline received in this state and all gasoline produced in or brought into this state except aviation gasoline and marine gasoline shall be determined to be intended for use in motor vehicles in this state. Approximately three-fourths of one percent of all gasoline received in this state and three-fourths of one percent of all gasoline produced or brought into this state, except gasoline used for aviation purposes, is being used as fuel for the operation of motor boats on the waters of this state and of the total revenue derived from the imposition of the gasoline fuel tax for uses other than ~~in motor boats~~ for aviation purposes, three-fourths of one percent of such revenues is the amount of tax on fuel used in motor boats operated on the waters of this state. Approximately three-fourths of one percent of all gasoline received in and produced or brought into this state, except gasoline used for aviation purposes, is being used as fuel for the operation of snowmobiles in this state, and of the total revenue derived from the imposition of the gasoline fuel tax for uses other than ~~in snowmobiles~~ for aviation purposes, three-fourths of one percent of such revenues is the amount of tax on fuel used in snowmobiles operated in this state.

Sec. 41. Minnesota Statutes 1984, section 296.17, subdivision 6, is amended to read:

Subd. 6. **RECIPROCAL AGREEMENTS.** The commissioner ~~is hereby empowered to~~ of public safety or the commissioner of revenue may enter into reciprocal agreements with the appropriate officials of any other state under which ~~he~~ either commissioner may waive all or any part of the requirements imposed by this section upon those who use in Minnesota gasoline or other motor vehicle fuel upon which the tax has been paid to such other state, provided that the officials of such other state grant equivalent privileges with respect to gasoline or other motor vehicle fuel used in such other state but upon which the tax has been paid to Minnesota.

The commissioner ~~is also hereby empowered to~~ of public safety or the commissioner of revenue may enter into reciprocal agreements with the appropriate officials of other states, exempting vehicles licensed in such other states from the license and use tax provisions contained in this section, which otherwise would apply to vehicles licensed by such other state, provided that such other state grant equivalent privileges with respect to vehicles licensed by Minnesota.

Sec. 42. Minnesota Statutes 1984, section 296.17, is amended by adding a subdivision to read:

Subd. 9a. **MINNESOTA BASED INTERSTATE CARRIERS.** Notwithstanding the exemption contained in subdivision 9, as the commissioner of public safety enters into interstate fuel tax compacts which require base state licensing and filing and which eliminate filing in the nonresident compact states,

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the Minnesota based motor vehicles registered pursuant to section 168.187 will be required to license under the fuel tax compact in Minnesota.

The commissioner of public safety will have all the powers granted to the commissioner of revenue under this section, including the authority to collect and issue licenses, to collect the tax due, and issue any refunds. All license fees paid to the commissioner of public safety pursuant to subdivision 10 will be deposited in the general fund.

Sec. 43. Minnesota Statutes 1984, section 298.24, subdivision 1, is amended to read:

Subdivision 1. (a) There is hereby imposed upon taconite and iron sulphides, and upon the mining and quarrying thereof, and upon the production of iron ore concentrate therefrom, and upon the concentrate so produced, a tax of \$1.25 cents per gross ton of merchantable iron ore concentrate produced therefrom. The tax on concentrates produced in 1978 and subsequent years prior to 1985 shall be equal to \$1.25 multiplied by the steel mill products index during the production year, divided by the steel mill products index in 1977. The index stated in code number 1013, or any subsequent equivalent, as published by the United States Department of Labor, Bureau of Labor Statistics Wholesale Prices and Price Indexes for the month of January of the year in which the concentrate is produced shall be the index used in calculating the tax imposed herein. In no event shall the tax be less than \$1.25 per gross ton of merchantable iron ore concentrate. The tax on concentrates produced in 1985 and 1986 shall be at the rate determined for 1984 production. For concentrates produced in 1987 and subsequent years, the tax shall be equal to the preceding year's tax plus an amount equal to the preceding year's tax multiplied by the percentage increase in the implicit price deflator from the fourth quarter of the second preceding year to the fourth quarter of the preceding year. "Implicit price deflator" means the implicit price deflator for the gross national product prepared by the bureau of economic analysis of the United States department of commerce.

(b) On concentrates produced in 1984, an additional tax is imposed equal to eight-tenths of one percent of the total tax imposed by clause (a) per gross ton for each one percent that the iron content of such product exceeds 62 percent, when dried at 212 degrees Fahrenheit.

(c) The tax imposed by this subdivision on concentrates produced in 1984 shall be computed on the production for the current year. The tax on concentrates produced in 1985 shall be computed on the average of the production for the current year and the previous year. The tax on concentrates produced in 1986 and thereafter shall be the average of the production for the current year and the previous two years. The rate of the tax imposed will be the current year's tax rate. This clause shall not apply in the case of the closing of a taconite facility if the property taxes on the facility would be higher if this clause and section 298.25 were not applicable.

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(d) If the tax or any part of the tax imposed by this subdivision is held to be unconstitutional, a tax of \$1.25 per gross ton of merchantable iron ore concentrate produced shall be imposed.

Sec. 44. Minnesota Statutes 1985 Supplement, section 298.28, subdivision 1, is amended to read:

Subdivision 1. **DISTRIBUTION.** The proceeds of the taxes collected under section 298.24, except the tax collected under section 298.24, subdivision 2, shall, upon certification of the commissioner of revenue, be allocated as follows:

(1) 2.5 cents per gross ton of merchantable iron ore concentrate, hereinafter referred to as "taxable ton," to the city or town in the county in which the lands from which taconite was mined or quarried were located or within which the concentrate was produced. If the mining, quarrying, and concentration, or different steps in either thereof are carried on in more than one taxing district, the commissioner shall apportion equitably the proceeds of the part of the tax going to cities and towns among such subdivisions upon the basis of attributing 40 percent of the proceeds of the tax to the operation of mining or quarrying the taconite, and the remainder to the concentrating plant and to the processes of concentration, and with respect to each thereof giving due consideration to the relative extent of such operations performed in each such taxing district. His order making such apportionment shall be subject to review by the tax court at the instance of any of the interested taxing districts, in the same manner as other orders of the commissioner.

(2) (a) 12.5 cents per taxable ton, less any amount distributed under clause (7), paragraph (a), and paragraph (b) of this clause, to be distributed as provided in section 298.282.

(b) An amount annually certified by the county auditor of a county containing a taconite tax relief area within which there is an organized township if, as of January 2, 1982, more than 75 percent of the assessed valuation of the township consists of iron ore. The amount will be the portion of a township's certified levy equal to the proportion of (1) the difference between 50 percent of the township's January 2, 1982, assessed value and its current assessed value to (2) the sum of its current assessed value plus the difference determined in (1). The county auditor shall extend the township's levy against the sum of the township's current assessed value plus the difference between 50 percent of its January 2, 1982, assessed value and its current assessed value. If the current assessed value of the township exceeds 50 percent of the township's January 2, 1982, assessed value, this clause shall not apply.

(3) 29 cents per taxable ton plus the increase provided in paragraph (c) to qualifying school districts to be distributed, based upon the certification of the commissioner of revenue, as follows:

(a) Six cents per taxable ton to the school districts in which the lands from

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which taconite was mined or quarried were located or within which the concentrate was produced. The distribution must be based on the apportionment formula prescribed in clause (1).

(b) 23 cents per taxable ton, less any amount distributed under part (d), shall be distributed to a group of school districts comprised of those school districts wherein the taconite was mined or quarried or the concentrate produced or in which there is a qualifying municipality as defined by section 273.134 in direct proportion to school district tax levies as follows: each district shall receive that portion of the total distribution which its certified levy for the prior year, computed pursuant to sections 124A.03, 124A.06, subdivision 3a, 124A.08, subdivision 3a, 124A.10, subdivision 3a, 124A.12, subdivision 3a, 124A.14, subdivision 5a, and 275.125, comprises of the sum of certified levies for the prior year for all qualifying districts, computed pursuant to sections 124A.03, 124A.06, subdivision 3a, 124A.08, subdivision 3a, 124A.10, subdivision 3a, 124A.12, subdivision 3a, 124A.14, subdivision 5a, and 275.125. For purposes of distributions pursuant to this part, certified levies for the prior year computed pursuant to sections 124A.03, 124A.06, subdivision 3a, 124A.08, subdivision 3a, 124A.10, subdivision 3a, 124A.12, subdivision 3a, 124A.14, subdivision 5a, and 275.125 shall not include the amount of any increased levy authorized by referendum pursuant to section 124A.03, subdivision 2.

(c) On July 15, in years prior to 1988, an amount equal to the increase derived by increasing the amount determined by clause (3)(b) in the same proportion as the increase in the steel mill products index over the base year of 1977 as provided in section 298.24, subdivision 1, clause (a), shall be distributed to any school district described in clause (3)(b) where a levy increase pursuant to section 124A.03, subdivision 2, is authorized by referendum, according to the following formula. On July 15, 1988 and subsequent years, the increase over the amount established for the prior year shall be determined according to the increase in the implicit price deflator as provided in section 298.24, subdivision 1, paragraph (a). Each district shall receive the product of:

(i) \$150 times the pupil units identified in section 124.17, subdivision 1, ~~clauses (1) and (2)~~, enrolled in the second previous year or the 1983-1984 school year, whichever is greater, less the product of 1-3/4 mills times the district's taxable valuation in the second previous year; times

(ii) the lesser of:

(A) one, or

(B) the ratio of the amount certified pursuant to section 124A.03, subdivision 2, in the previous year, to the product of 1-3/4 mills times the district's taxable valuation in the second previous year.

If the total amount provided by clause (3)(c) is insufficient to make the payments herein required then the entitlement of \$150 per pupil unit shall be

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reduced uniformly so as not to exceed the funds available. Any amounts received by a qualifying school district in any fiscal year pursuant to clause (3)(c) shall not be applied to reduce foundation aids which the district is entitled to receive pursuant to section 124A.02 or the permissible levies of the district. Any amount remaining after the payments provided in this paragraph shall be paid to the commissioner of iron range resources and rehabilitation who shall deposit the same in the taconite environmental protection fund and the northeast Minnesota economic protection trust fund as provided in clause (9).

(d) There shall be distributed to any school district the amount which the school district was entitled to receive under section 298.32 in 1975.

(4) 19.5 cents per taxable ton to counties to be distributed, based upon certification by the commissioner of revenue, as follows:

(a) 15.5 cents per taxable ton shall be distributed to the county in which the taconite is mined or quarried or in which the concentrate is produced, less any amount which is to be distributed pursuant to part (b). The apportionment formula prescribed in clause (1) is the basis for the distribution.

(b) If an electric power plant owned by and providing the primary source of power for a taxpayer mining and concentrating taconite is located in a county other than the county in which the mining and the concentrating processes are conducted, one cent per taxable ton of the tax distributed to the counties pursuant to part (a) and imposed on and collected from such taxpayer shall be paid to the county in which the power plant is located.

(c) Four cents per taxable ton shall be paid to the county from which the taconite was mined, quarried or concentrated to be deposited in the county road and bridge fund. If the mining, quarrying and concentrating, or separate steps in any of those processes are carried on in more than one county, the commissioner shall follow the apportionment formula prescribed in clause (1).

(5) (a) 17.75 cents per taxable ton, less any amount required to be distributed under part (b), to St. Louis county acting as the counties' fiscal agent, to be distributed as provided in sections 273.134 to 273.136.

(b) If an electric power plant owned by and providing the primary source of power for a taxpayer mining and concentrating taconite is located in a county other than the county in which the mining and the concentrating processes are conducted, .75 cent per taxable ton of the tax imposed and collected from such taxpayer shall be paid to the county and school district in which the power plant is located as follows: 25 percent to the county and 75 percent to the school district.

(6) Three cents per taxable ton shall be paid to the iron range resources and rehabilitation board for the purposes of section 298.22. The amount determined in this clause shall be increased in 1981 and subsequent years prior to 1988 in

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the same proportion as the increase in the steel mill products index as provided in section 298.24, subdivision 1 and shall be increased in 1988 and subsequent years according to the increase in the implicit price deflator as provided in section 298.24, subdivision 1. The amount distributed pursuant to this clause shall be expended within or for the benefit of a tax relief area defined in section 273.134. No part of the fund provided in this clause may be used to provide loans for the operation of private business unless the loan is approved by the governor and the legislative advisory commission.

(7) (a) .20 cent per taxable ton shall be paid to the range association of municipalities and schools, for the purpose of providing an areawide approach to problems which demand coordinated and cooperative actions and which are common to those areas of northeast Minnesota affected by operations involved in mining iron ore and taconite and producing concentrate therefrom, and for the purpose of promoting the general welfare and economic development of the cities, towns and school districts within the iron range area of northeast Minnesota.

(b) 1.5 cents per taxable ton shall be paid to the northeast Minnesota economic protection trust fund.

(8) the amounts determined under clauses (4)(a), (4)(c), (5), and (7)(b) shall be increased in 1979 and subsequent years prior to 1988 in the same proportion as the increase in the steel mill products index as provided in section 298.24, subdivision 1. Those amounts shall be increased in 1988 and subsequent years in the same proportion as the increase in the implicit price deflator as provided in section 298.24, subdivision 1.

(9) the proceeds of the tax imposed by section 298.24 which remain after the distributions and payments in clauses (1) to (8), as certified by the commissioner of revenue, and parts (a) and (b) of this clause have been made, together with interest earned on all money distributed under this subdivision prior to distribution, shall be divided between the taconite environmental protection fund created in section 298.223 and the northeast Minnesota economic protection trust fund created in section 298.292 as follows: Two-thirds to the taconite environmental protection fund and one-third to the northeast Minnesota economic protection trust fund. The proceeds shall be placed in the respective special accounts.

(a) There shall be distributed to each city, town, school district, and county the amount that they received under section 294.26 in calendar year 1977; provided, however, that the amount distributed in 1981 to the unorganized territory number 2 of Lake county and the town of Beaver Bay based on the between-terminal trackage of Erie Mining Company will be distributed in 1982 and subsequent years to the unorganized territory number 2 of Lake county and the towns of Beaver Bay and Stony River based on the miles of track of Erie Mining Company in each taxing district.

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(b) There shall be distributed to the iron range resources and rehabilitation board the amounts it received in 1977 under section 298.22. The amount distributed under this subclause (b) shall be expended within or for the benefit of the tax relief area defined in section 273.134.

On or before October 10 of each calendar year each producer of taconite or iron sulphides subject to taxation under section 298.24 (hereinafter called "taxpayer") shall file with the commissioner of revenue an estimate of the amount of tax which would be payable by such taxpayer under said law for such calendar year; provided such estimate shall be in an amount not less than the amount due on the mining and production of concentrates up to September 30 of said year plus the amount becoming due because of probable production between September 30 and December 31 of said year, less any credit allowable as hereinafter provided. The commissioner of revenue shall annually on or before October 10 report an estimated distribution amount to each taxing district and the officers with whom such report is so filed shall use the amount so indicated as being distributable to each taxing district in computing the permissible tax levy of such county or city in the year in which such estimate is made, and payable in the next ensuing calendar year, except that one cent per taxable ton of the amount distributed under clause (4)(c) shall not be deducted in calculating the permissible levy. In any calendar year in which a general property tax levy subject to sections 275.50 to ~~275.59~~ 275.58 has been made, if the taxes distributable to any such county or city are greater than the amount estimated by the commissioner to be paid to any such county or city in such year, the excess of such distribution shall be held in a special fund by the county or city and shall not be expended until the succeeding calendar year, and shall be included in computing the permissible levies under sections 275.50 to ~~275.59~~ 275.58, of such county or city payable in such year. If the amounts distributable to any such county or city after final determination by the commissioner of revenue under this section are less than the amounts by which a taxing district's levies were reduced pursuant to this section, such county or city may issue certificates of indebtedness in the amount of the shortage, and may include in its next tax levy, in excess of the limitations of sections 275.50 to ~~275.59~~ 275.58 an amount sufficient to pay such certificates of indebtedness and interest thereon, or, if no certificates were issued, an amount equal to such shortage.

Sec. 45. REPORT ON SALES RATIO STUDY.

The department of revenue shall study alternative means of calculating the assessment/sales ratio for communities in which few sales occur and report its findings and recommendations to the legislature by January 15, 1987.

Sec. 46. Laws 1985, chapter 289, section 5, subdivision 2, is amended to read:

Subd. 2. **REVERSE REFERENDUM.** If the Clearwater county board proposes to increase the levy of the county pursuant to subdivision 1, it shall pass a

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resolution stating that fact. Thereafter, the resolution shall be published for two successive weeks in the official newspaper of the county or if there is no official newspaper, in a newspaper of general circulation in the county, together with a notice fixing a date for a public hearing on the matter. The hearing shall be held not less than two weeks nor more than four weeks after the first publication of the resolution. Following the public hearing, the county may determine to take no further action or, in the alternative, adopt a resolution confirming its intention to exercise the authority. That resolution shall also be published in the official newspaper of the county or if there is no official newspaper, in a newspaper of general circulation in the county. If within 30 days thereafter a petition signed by voters equal in number to five percent of the votes cast in the county in the last general election requesting a referendum on the proposed resolution is filed with the county auditor the resolution shall not be effective until it has been submitted to the voters at a general or special election and a majority of votes cast on the question of approving the resolution are in the affirmative. The commissioner of revenue shall prepare a suggested form of question to be presented at the referendum. The referendum must be held at a special or general election prior to October 1, 1985 of the year when a tax is initially proposed to be levied pursuant to this section.

Sec. 47. Laws 1985, chapter 289, section 7, is amended to read:

Sec. 7. LOCAL APPROVAL.

Sections 1, 2, 3, and 4 are effective the day after compliance with Minnesota Statutes, section 645.021, subdivision 3, by the Hubbard county board. Section 5 is effective the day after compliance with Minnesota Statutes, section 645.021, subdivision 3, by the Clearwater county board for taxes levied in 1985, 1986, 1987, and 1988 and subsequent years. Section 6 is effective the day after compliance with Minnesota Statutes, section 645.021, subdivision 3, by the Cass county board.

Sec. 48. REPEALER.

Minnesota Statutes 1984, section 69.031, subdivision 4, is repealed.

Sec. 49. Laws 1985, First Special Session chapter 14, article 11, section 13, is amended to read:

Sec. 13. REPEALER.

Minnesota Statutes 1984, sections 287.27, 287.29, subdivision 3, and 287.32 are repealed.

Sec. 50. EFFECT OF PRIOR ACTION.

Notwithstanding Minnesota Statutes, section 645.36, the repeal of Minnesota Statutes, section 287.27 by Laws 1985, First Special Session chapter 14, article 11, section 13, is of no effect, and section 287.27, remains in effect without interruption. The amendment to section 287.27 by Laws 1985, First Special Session chapter 14, article 11, section 8, takes effect July 1, 1985.

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Sec. 51. INSTRUCTION TO THE REVISOR.

In the next edition of Minnesota Statutes, the revisor shall change class 3cc to class 1b, class 3b to class 2a, class 3 to class 2c, and class 3c to class 1a, wherever they appear in sections 278.03, 278.05, subdivision 5, and 279.01.

Sec. 52. EFFECTIVE DATES.

Sections 1 to 6 and 48 are effective for police and fire aids payable in 1986 and subsequent years. Sections 7, 9, 11 to 17, 19 to 26, 35, 38, and 39 are effective for property taxes levied in 1986 and subsequent years, payable in 1987 and subsequent years. Section 18 is effective July 15, 1986. Section 27 is effective March 15, 1986. Sections 8, and 28 to 34 are effective for taxes paid in 1986 and subsequent years. Sections 36, 37, 41, and 42 are effective July 1, 1986. Sections 40, 43, 44, 46, and 47 are effective the day following final enactment. Sections 49 and 50 are effective July 1, 1985.

ARTICLE 5**BUDGET RESERVE ACCOUNT AND CASH FLOW**

Section 1. Minnesota Statutes 1985 Supplement, section 16A.15, subdivision 1, is amended to read:

Subdivision 1. **REDUCTION.** (a) If the commissioner determines that probable receipts for the general fund will be less than anticipated, and that the amount available for the remainder of the biennium will be less than needed, the commissioner shall, with the approval of the governor, and after consulting the legislative advisory commission, ~~transfer from~~ reduce the amount in the budget and cash flow reserve account established in subdivision 6 ~~to the general fund and the money as~~ needed to balance expenditures with revenue. An additional deficit shall, with the approval of the governor, and after consulting the legislative advisory commission, be made up by reducing allotments.

(b) If the commissioner determines that probable receipts for any other fund, appropriation, or item will be less than anticipated, and that the amount available for the remainder of the term of the appropriation or for any allotment period will be less than needed, the commissioner shall notify the agency concerned and then reduce the amount allotted or to be allotted so as to prevent a deficit.

(c) In reducing allotments, the commissioner may consider other sources of

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revenue available to recipients of state appropriations and may apply allotment reductions based on all sources of revenue available.

(d) In like manner, the commissioner shall reduce allotments to an agency by the amount of any saving that can be made over previous spending plans through a reduction in prices or other cause.

Sec. 2. Minnesota Statutes 1985 Supplement, section 16A.15, subdivision 6, is amended to read:

Subd. 6. **BUDGET AND CASH FLOW RESERVE ACCOUNT.** A budget and cash flow reserve account is created in the general fund in the state treasury. The commissioner of finance ~~on July 1, 1983, shall transfer \$250,000,000 to the account. The commissioner of finance on July 1, 1984, shall transfer an additional \$125,000,000 to the account. The commissioner on July 1, 1985, shall transfer an additional \$75,000,000 to the account shall, as authorized from time to time by law, restrict part or all of the budgetary balance in the general fund for use as the budget and cash flow reserve account.~~ The amounts transferred restricted shall remain in the account until expended drawn down under subdivision 1. When an amount has been expended under subdivision 1, but the commissioner later determines during the same biennium that there will probably be a positive undesignated balance in the general fund at the end of the biennium, the commissioner shall transfer from the undesignated fund balance to the budget and cash flow reserve account the amount needed to restore the balance in the account to \$450,000,000.

Sec. 3. Minnesota Statutes 1985 Supplement, section 16A.1541, is amended to read:

16A.1541 ADDITIONAL REVENUES; PRIORITY.

If on the basis of a forecast of general fund revenues and expenditures indicates the commissioner of finance determines that there will be an unobligated a positive unrestricted budgetary general fund balance at the close of the biennium, ~~money the commissioner of finance must be allocated~~ allocate money in the following order of priority:

(1) ~~allocate an amount, if any, necessary to restore the budget and cash flow reserve account as provided by section 16A.15, subdivision 6;~~

(2) pay the refund of occupation taxes under Laws 1985, First Special Session chapter 14, article 18, section 7;

(3) (2) reduce property tax levy recognition percent under section 121.904, subdivision 4c; and

(4) (3) increase the school aids payment current year percentage under section 121.904, subdivision 4d.

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The amounts necessary to meet the requirements of clauses (1), (2), and (3) are appropriated from the general fund.

Sec. 4. Minnesota Statutes 1985 Supplement, section 121.904, subdivision 4c, is amended to read:

Subd. 4c. **PROPERTY TAX SHIFT REDUCTION.** (a) ~~If the most recent forecast of general fund revenues and expenditures prepared by the commissioner of finance as of December 1 indicates a projected unobligated general fund balance at the close of the biennium in excess of \$10,000,000, Money made available under section 16A.1541 must be used to reduce the levy recognition percent specified in subdivision 4a, clauses (b)(2) and (b)(3), shall be reduced for taxes payable in the succeeding calendar year, according to the provisions of this subdivision and section 16A.1541.~~

(b) The levy recognition percent shall equal the result of the following computation: 24 the current levy recognition percent, times the ratio of

(1) the statewide total amount of levy recognized in June of the year in which the taxes are payable pursuant to subdivision 4a, clause (b), reduced by the amount of the projected general fund balance money made available under section 16A.1541, to

(2) the statewide total amount of the levy recognized in June of the year in which the taxes are payable pursuant to subdivision 4a, clause (b).

The result shall be rounded up to the nearest whole percent. However, in no case shall the levy recognition percent be reduced below zero or increased above the current levy recognition percent.

(c) The commissioner of finance must certify to the commissioner of education the levy recognition percent computed under this subdivision by January 5 of each year. The commissioner of education must notify school districts of a change in the levy recognition percent by January 15.

(d) The commissioner of finance shall transfer from the general fund to the education aids appropriations specified by the commissioner of education, the amounts needed to finance the additional payments required because of the reduction pursuant to this subdivision of the levy recognition percent. Payments to a school district of additional state aids resulting from a reduction in the levy recognition percent must be included in the cash metering of payments made according to section 124.195 after January 15, and must be paid in a manner consistent with the percent specified in that section.

Sec. 5. Minnesota Statutes 1985 Supplement, section 124.155, subdivision 2, is amended to read:

Subd. 2. **SUBTRACTION FROM ADJUSTMENT TO AIDS.** ~~The amount specified in Laws 1981, Third Special Session chapter 2, article 4, section 3, subdivision 2, as amended by Laws 1982, chapter 548, article 7, section 7, as further amended by Laws 1982, Third Special Session chapter 1, article III, section 4 shall be subtracted from the following state aids and credits in the~~

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~~order listed in fiscal year 1983.~~ The amount specified in subdivision 1 shall be used to adjust the following state aids and credits in the order listed:

- (a) foundation aid as ~~authorized~~ defined in section ~~124.212, subdivision 1~~ 124A.01;
- (b) secondary vocational aid authorized in section 124.573;
- (c) special education aid authorized in section 124.32;
- (d) secondary vocational aid for handicapped children authorized in section 124.574;
- (e) gifted and talented aid authorized in section 124.247;
- (f) aid for pupils of limited English proficiency authorized in section 124.273;
- (g) aid for chemical use programs authorized in section 124.246;
- (h) interdistrict cooperation aid authorized in section 124.272;
- (i) summer program aid authorized in section 124A.033;
- (j) transportation aid authorized in section 124.225;
- (~~k~~) (k) community education programs aid authorized in section 124.271;
- (~~j~~) (l) adult education aid authorized in section 124.26;
- (m) early childhood family education aid authorized in section 124.2711;
- (~~k~~) (n) capital expenditure equalization aid authorized in section 124.245;
- (~~h~~) (o) homestead credit authorized in section 273.13, subdivisions 22 and 23;
- (p) state school agricultural tax credit aid authorized in section 124.2137;
- (~~m~~) (q) wetlands credit authorized in section 273.115;
- (~~n~~) (r) native prairie credit authorized in section 273.116; ~~and~~
- (~~o~~) (s) attached machinery aid authorized in section 273.138, subdivision 3; ~~and~~
- (t) teacher retirement and F.I.C.A. aid authorized in sections 124.2162 and 124.2163.

The commissioner of education shall schedule the timing of the reductions from state aids and credits specified in Laws 1981, Third Special Session chapter 2, article 4, section 3, subdivision 2, as amended by Laws 1982, chapter 548,

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article 7, section 7; as further amended by article III, section 4 of this act; and the adjustments to state aids and credits specified in subdivision 1, as close to the end of the fiscal year as possible ~~and in such a manner that will minimize the impact of Laws 1981, Third Special Session chapter 2, article 4; as amended; on the cash flow needs of the school districts.~~

Sec. 6. Minnesota Statutes 1984, section 124.195, subdivision 3, is amended to read:

Subd. 3. **PAYMENT DATES AND PERCENTAGES.** ~~Beginning in fiscal year 1984 and thereafter,~~ The commissioner of education shall pay to a school district on the dates indicated an amount computed as follows: the cumulative amount guaranteed minus the sum of (a) the district's other district receipts through the current payment, and (b) the aid and credit payments through the immediately preceding payment. For purposes of this computation, the payment dates and the cumulative disbursement percentages are as follows:

	Payment date	Percentage
Payment 1	First business day prior to July 15:	2.25
Payment 2	First business day prior to July 30:	4.50
Payment 3	First business day prior to August 15:	6.75
Payment 4	First business day prior to August 30:	9.0
Payment 5	First business day prior to September 15: the greater of (a) one-half of the final adjustment for the prior fiscal year for the state paid property tax credits established in section 273.1392, or (b) the amount needed to provide 12.75 percent	
Payment 6	First business day prior to September 30: the greater of (a) one-half of the final adjustment for the prior fiscal year for the state paid property tax credits established in section 273.1392, or (b) the amount needed to provide 16.5 percent	
Payment 7	First business day prior to October 15: the greater of (a) one-half of the final adjustment for the prior fiscal year for all aid entitlements except state paid property tax credits, or (b) the amount needed to provide 20.75 percent	
Payment 8	First business day prior to October 30: the greater of (a) one-half of the final adjustment for the prior fiscal year for all aid entitlements except state paid property tax credits, or (b) the amount needed to provide 25.0 percent	
Payment 9	First business day prior to November 15:	31.0
Payment 10	First business day prior to November 30:	37.0
Payment 11	First business day prior to December 15:	40.0

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Payment 12	First business day prior to December 30:	43.0
Payment 13	First business day prior to January 15:	47.25
Payment 14	First business day prior to January 30:	51.5
Payment 15	First business day prior to February 15:	56.0
Payment 16	First business day prior to February 28:	60.5
Payment 17	First business day prior to March 15:	65.25
Payment 18	First business day prior to March 30:	70.0
Payment 19	First business day prior to April 15:	74.0
		<u>73.0</u>
Payment 20	First business day prior to April 30:	85.0
		<u>79.0</u>
Payment 21	First business day prior to May 15:	92.0
		<u>82.0</u>
Payment 22	First business day prior to May 30:	100.0
		<u>90.0</u>
Payment 23	First business day prior to June 20:	<u>100.0</u>

Sec. 7. Minnesota Statutes 1984, section 124.195, is amended by adding a subdivision to read:

Subd. 3a. APPEAL. The commissioner may revise the payment dates and percentages in subdivision 3 and section 9 for a district if it is determined that there is an emergency or there are serious cash flow problems in the district that cannot be resolved by issuing warrants or other forms of indebtedness. The commissioner shall establish a process and criteria for school districts to appeal the payment dates and percentages established in subdivision 3 and section 9.

Sec. 8. 1987 BIENNIUM ADDITIONAL REVENUES; PRIORITY.

Notwithstanding Minnesota Statutes 1985 Supplement, section 16A.1541, as amended by section 3, if on the basis of a forecast of general fund revenues and expenditures the commissioner of finance determines that there will be a positive unrestricted budgetary general fund balance at the close of the biennium ending June 30, 1987, money must be allocated in the following order of priority:

(1) the first \$100,000,000 must be restricted for use as the budget and cash flow reserve account;

(2) one-half of any excess over \$100,000,000 must be used to restore the appropriation reductions to the state board of vocational technical education, state board for community colleges, state university board, and board of regents of the University of Minnesota enacted by the 1986 legislature, prorated among the boards in proportion to those appropriation reductions, but not to exceed the amount of those appropriation reductions;

(3) one-half of any excess over \$100,000,000, and any amount remaining after the application of clause (2), must be used to restore the budget and cash flow reserve account to \$450,000,000; and

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(4) any amount remaining after the application of clauses (1), (2), and (3) shall be used as provided in section 3.

The amount necessary to meet the requirements of clause (2) is appropriated from the general fund.

Sec. 9. TEMPORARY CHANGE IN PAYMENT OF AIDS AND CREDITS TO SCHOOL DISTRICTS.

If the commissioner of finance determines that modifications in the payment schedule are required to avoid state short-term borrowing, the commissioner of education shall modify payments to school districts according to this section. The modifications shall begin no sooner than September 1, 1986, and shall remain in effect until no later than May 30, 1987. In calculating the payment to a school district pursuant to Minnesota Statutes, section 124.195, subdivision 3, the commissioner may subtract the sum specified in that subdivision, plus an additional amount no greater than the following:

(1) the net cash balance in the district's four operating funds on June 30, 1986; minus

(2) the product of \$150 times the number of actual pupil units in the 1985-1986 school year; minus

(3) the amount of payments made by the county treasurer during fiscal year 1986, pursuant to Minnesota Statutes, section 276.11, which is considered revenue for the 1986-1987 school year. However, no additional amount shall be subtracted if the total of the net unappropriated fund balances in the district's four operating funds on June 30, 1986, is less than the product of \$350 times the number of actual pupil units in the 1985-1986 school year. The net cash balance shall include all cash and investments, less certificates of indebtedness outstanding, and orders not paid for want of funds.

A district may appeal the payment schedule established by this section according to the procedures established in section 7.

Sec. 10. LIMITATION ON ALLOTMENT REDUCTION.

Notwithstanding the provisions of Minnesota Statutes, section 16A.15, subdivision 1, no allotment shall be reduced before August 15, 1986, pursuant to an appropriation for state aids, payments, or reimbursements to or on behalf of school districts, or for aids to local governments authorized in Minnesota Statutes, chapter 477A, or for property tax credits or property tax relief authorized in Minnesota Statutes, chapter 273 or 290A. No allotment for these purposes shall be reduced after August 15, 1986, unless reductions totaling at least \$85,000,000 have already been made from allotments pursuant to other appropriations during calendar year 1986.

Sec. 11. PAYMENT DELAYS.

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Notwithstanding any other law to the contrary, the commissioner of finance may delay payment of any type of state aids to local units of government, excluding school districts. The commissioner may exercise the authority granted in this section only to the extent necessary to avoid short-term borrowing by the state. The delay may not extend beyond the end of the fiscal year of the recipient.

Sec. 12. **REPEALER.**

(a) Minnesota Statutes 1984, section 124A.031, subdivision 2 is repealed.

(b) Minnesota Statutes 1985 Supplement, section 16A.154, is repealed.

Sec. 13. **EFFECTIVE DATE.**

Sections 1, 2, 3, 4, 8, 10, 11, and 12, paragraph (b), are effective the day following final enactment.

ARTICLE 6

LOCAL GOVERNMENT AIDS

Section 1. Minnesota Statutes 1985 Supplement, section 477A.011, subdivision 10, is amended to read:

Subd. 10. **MAXIMUM AID AMOUNT.** For any calendar year aid distribution, a city's maximum aid amount shall be ~~496~~ 104 percent of its previous year aid amount, provided that its previous year aid amount exceeded ~~\$150~~ \$200 per capita. If its previous year aid amount was less than ~~\$150~~ \$200 per capita, its maximum aid amount shall be the lesser of: (a) ~~442~~ 105.8 percent of its previous year aid amount, or (b) ~~\$159~~ \$208 multiplied by the population figure used in determining its previous year aid.

Sec. 2. Minnesota Statutes 1985 Supplement, section 477A.011, subdivision 14, is amended to read:

Subd. 14. **LOCAL EFFORT MILL RATE.** For any calendar year aid distribution, a city's local effort mill rate means its fiscal need factor per capita divided by ~~\$16~~ \$17 per capita per mill for the first ~~\$300~~ \$350 of its fiscal need factor per capita; plus its fiscal need factor per capita divided by ~~\$14~~ \$15 per capita per mill on that part of its fiscal need factor per capita, if any, in excess of ~~\$300~~ \$350. In no case shall a city's local effort mill rate be less than eight mills.

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Sec. 3. Minnesota Statutes 1985 Supplement, section 477A.012, is amended to read:

477A.012 COUNTY GOVERNMENT DISTRIBUTIONS.

In calendar year ~~1986~~ 1987, each county government shall receive a distribution equal to ~~60~~ 104 percent of the aid amount certified for ~~1983~~ 1986 pursuant to sections 477A.011 to 477A.03. Each county government that received no distribution in 1986 pursuant to sections 477A.011 to 477A.03 shall receive a distribution in calendar year 1987 computed by multiplying the county's population by a factor equal to the total increase in aid certified to all other counties under this section in 1987 over the total amount certified in 1986, divided by the total population of those counties.

Sec. 4. Minnesota Statutes 1985 Supplement, section 477A.013, is amended to read:

477A.013 MUNICIPAL GOVERNMENT DISTRIBUTIONS.

Subdivision 1. **TOWNS.** In calendar year ~~1986~~ 1987, each town which had levied for taxes payable in the previous year at least one mill on the dollar of the assessed value of the town shall receive a distribution equal to 104 percent of the greater of: (a) 60 percent of the amount received in 1983 pursuant to Minnesota Statutes 1982, sections 273.138, 273.139, and 477A.011 to 477A.03; or (b) ~~106 percent of the amount received in 1985~~ 1986 pursuant to ~~Minnesota Statutes 1984~~, sections 477A.011 to 477A.03.

Subd. 2. **CITIES.** In calendar year ~~1986~~ 1987, each city shall receive a local government aid distribution as determined by the following steps.

(1) A preliminary aid amount shall be computed for each city equal to the amount obtained by subtracting its local effort mill rate multiplied by its equalized assessed value from its fiscal need factor, except that its preliminary aid amount may not be less than its previous year aid amount.

For any city which received more than \$70 per capita in attached machinery aids in 1983 pursuant to Minnesota Statutes 1982, section 273.138, an amount equal to the amount of attached machinery aids received in 1983 shall be added to the preliminary aid amount.

(2) For each city, an aid increase amount equal to the amount by which its preliminary aid amount exceeds its previous year aid amount shall be determined. Each city's aid increase amount shall be reduced by a uniform percentage as determined by the commissioner of revenue, to make the sum of the final aid distributions for all cities equal the aid limitation imposed by subdivision 3.

(3) Each city's final aid amount shall be equal to the sum of its aid increase amount, as adjusted, and its previous year aid amount; provided, however, that no city's aid shall exceed its maximum aid amount, and further provided that no

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city which is a city of the first class shall have a final aid amount which is less than 102 percent of its previous year aid.

Subd. 3. **AID LIMITATION.** The total amount available for distribution to cities pursuant to subdivision 2 shall be ~~\$286,000,000~~ \$297,440,000 for calendar year ~~1986~~ 1987.

Sec. 5. Minnesota Statutes 1984, section 477A.015, is amended to read:

477A.015 PAYMENT DATES.

The commissioner of revenue shall make the payments of local government aid to affected taxing authorities in ~~six~~ two installments on July 15; ~~August 15~~; ~~September 15~~; ~~October 15~~; ~~November 15~~; and December 15 annually.

~~For calendar year 1981 only, the commissioner shall make the payments in seven installments computed as follows: one-fourth of the calendar year 1981 aids shall be paid on March 15; the remaining amounts shall be divided into six equal payments to be made on July 15, August 15, September 15, October 15, November 15, and December 15. The commissioner may pay all or part of the payment due on December 15 at any time after August 15 upon the request of a city that requests such payment as being necessary for meeting its cash flow needs.~~

Sec. 6. **EFFECTIVE DATE.**

Section 5 is effective July 1, 1986.

ARTICLE 7

COMPLIANCE

Section 1. Minnesota Statutes 1984, section 60A.15, subdivision 2, is amended to read:

Subd. 2. **DOMESTIC MUTUAL INSURANCE COMPANIES.** On or before April 15, June 15, ~~September 15~~ and December 15 of each year, every domestic mutual insurance company including township and farmers' insurance companies shall pay to the commissioner of revenue ~~quarterly~~ equal installments equal to one-third of the insurer's total estimated tax for the current year based on a sum equal to two percent of the gross direct fire, lightning, and sprinkler leakage premiums, less return premiums on all direct business, except auto and ocean

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marine fire business received by it, or by its agents for it, in cash or otherwise, on property located in this state, during such year. If unpaid by such dates, there shall be added to the tax for the taxable year an amount determined pursuant to subdivisions 1a to 1c. Failure of a company to make ~~quarterly~~ payments of at least ~~one-fourth~~ one-third of either (a) the total tax paid during the previous calendar year or (b) 80 percent of the actual tax for the current calendar year shall subject the company to the penalty and interest provided in this subdivision.

Sec. 2. Minnesota Statutes 1985 Supplement, section 60A.17, subdivision 1a, is amended to read:

Subd. 1a. **LICENSE APPLICATION.** (a) **PROCEDURE.** An application for a license to act as an insurance agent shall be made to the commissioner by the person who seeks to be licensed. The application for license shall be accompanied by a written appointment from an admitted insurer authorizing the applicant to act as its agent under one or both classes of license. The insurer must also submit its check payable to the state treasurer for the amount of the appointment fee prescribed by section 60A.14, subdivision 1, paragraph (c), clause (9) at the time the agent becomes licensed. The application and appointment shall be on forms prescribed by the commissioner.

If the applicant is a natural person, no license shall be issued until that natural person has become qualified.

If the applicant is a partnership or corporation, no license shall be issued until at least one natural person who is a partner, director, officer, stockholder, or employee shall be licensed as an insurance agent.

(b) **RESIDENT AGENT.** The commissioner shall issue a resident insurance agent's license to a qualified resident of this state as follows:

(1) a person may qualify as a resident of this state if that person resides in this state or the principal place of business of that person is maintained in this state. Application for a license claiming residency in this state for licensing purposes, shall constitute an election of residency in this state. Any license issued upon an application claiming residency in this state shall be void if the licensee, while holding a resident license in this state, also holds, or makes application for, a resident license in, or thereafter claims to be a resident of, any other state or jurisdiction or if the licensee ceases to be a resident of this state; provided, however, if the applicant is a resident of a community or trade area, the border of which is contiguous with the state line of this state, the applicant may qualify for a resident license in this state and at the same time hold a resident license from the contiguous state;

(2) the commissioner shall subject each applicant who is a natural person to a written examination as to the applicant's competence to act as an insurance agent. The examination shall be held at a reasonable time and place designated by the commissioner;

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(3) the examination shall be approved for use by the commissioner and shall test the applicant's knowledge of the lines of insurance, policies, and transactions to be handled under the class of license applied for, of the duties and responsibilities of the licensee, and pertinent insurance laws of this state;

(4) the examination shall be given only after the applicant has completed a program of classroom studies in a school, which shall include a school conducted by an admitted insurer. The course of study shall consist of 30 hours of classroom study devoted to the basic fundamentals of insurance for those seeking a Minnesota license for the first time, 15 hours devoted to specific life and health topics for those seeking a life and health license, and 15 hours devoted to specific property and casualty topics for those seeking a property and casualty license. The program of studies or study course shall have been approved by the commissioner in order to qualify under this clause. If the applicant has been previously licensed for the particular line of insurance in the state of Minnesota, the requirement of a program of studies or a study course shall be waived. A certification of compliance by the organization offering the course shall accompany the applicant's license application. This program of studies in a school or a study course shall not apply to farm property perils and farm liability applicants, or to agents writing such other lines of insurance as the commissioner may exempt from examination by order;

(5) the applicant must pass the examination with a grade determined by the commissioner to indicate satisfactory knowledge and understanding of the class or classes of insurance for which the applicant seeks qualification. The commissioner shall inform the applicant as to whether or not the applicant has passed;

(6) an applicant who has failed to pass an examination may take subsequent examinations. Examination fees for subsequent examinations shall not be waived; and

(7) any applicant for a license covering the same class or classes of insurance for which the applicant was licensed under a similar license in this state, other than a temporary license, within the three years preceding the date of the application shall be exempt from the requirement of a written examination, unless the previous license was revoked or suspended by the commissioner. An applicant whose license is not renewed under subdivision 20 is exempt from the requirement of a written examination.

(c) **NONRESIDENT AGENT.** The commissioner shall issue a nonresident insurance agent's license to a qualified person who is a resident of another state or country as follows:

(1) A person may qualify for a license under this section as a nonresident only if that person holds a license in another state, province of Canada, or other foreign country which, in the opinion of the commissioner, qualifies that person for the same activity as that for which a license is sought;

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(2) The commissioner shall not issue a license to any nonresident applicant until that person files with the commissioner a designation of the commissioner and the commissioner's successors in office as the applicant's true and lawful attorney upon whom may be served all lawful process in any action, suit, or proceeding instituted by or on behalf of any interested person arising out of the applicant's insurance business in this state. This designation shall constitute an agreement that this service of process is of the same legal force and validity as personal service of process in this state upon that applicant.

Service of process upon any licensee in any action or proceeding commenced in any court of competent jurisdiction of this state may be made by serving the commissioner with appropriate copies of the process along with payment of the fee pursuant to section 60A.14, subdivision 1, paragraph (c), clause (4). The commissioner shall forward a copy of the process by registered or certified mail to the licensee at the last known address of record or principal place of business of the licensee; and

(3) A nonresident license shall terminate automatically when the resident license for that class of license in the state, province, or foreign country in which the licensee is a resident is terminated for any reason.

(d) **DENIAL.** (1) If the commissioner finds that an applicant for a resident or nonresident license has not fully met the requirements for licensing, the commissioner shall refuse to issue the license and shall promptly give written notice to both the applicant and the appointing insurer of the denial, stating the grounds for the denial. All fees which accompanied the application and appointment shall be deemed earned and shall not be refundable.

(2) The commissioner may also deny issuance of a license for any cause that would subject the license of a licensee to suspension or revocation. If a license is denied pursuant to this clause, the provisions of subdivision 6c, paragraph (c) apply.

(3) The applicant may make a written demand upon the commissioner for a hearing within 30 days of the denial of a license to determine whether the reasons stated for the denial were lawful. The hearing shall be held pursuant to chapter 14.

(e) **TERM.** All licenses issued pursuant to this section shall remain in force until voluntarily terminated by the licensee, not renewed as prescribed in subdivision 1d, or until suspended or revoked by the commissioner. A voluntary termination shall occur when the license is surrendered to the commissioner with the request that it be terminated or when the licensee dies, or when the licensee is dissolved or its existence is terminated. In the case of a nonresident license, a voluntary termination shall also occur upon the happening of the event described in paragraph (c), clause (3).

Every licensed agent shall notify the commissioner within 30 days of any change of name, address, or information contained in the application.

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(f) **SUBSEQUENT APPOINTMENTS.** A person who holds a valid agent's license from this state may solicit applications for insurance on behalf of an admitted insurer with which the licensee does not have a valid appointment on file with the commissioner; provided, that the licensee has permission from the insurer to solicit insurance on its behalf and, provided further, that the insurer upon receipt of the application for insurance submits a written notice of appointment to the commissioner accompanied by its check payable to the state treasurer in the amount of the appointment fee prescribed by section 60A.14, subdivision 1, paragraph (c), clause (9). The notice of appointment shall be on a form prescribed by the commissioner.

(g) **AMENDMENT OF LICENSE.** An application to the commissioner to amend a license to reflect a change of name, or to include an additional class of license, or for any other reason, shall be on forms provided by the commissioner and shall be accompanied by the applicant's surrendered license and a check payable to the state treasurer for the amount of fee specified in section 60A.14, subdivision 1, paragraph (c).

An applicant who surrenders an insurance license pursuant to this clause retains licensed status until an amended license is received.

(h) **EXCEPTIONS.** The following are exempt from the general licensing requirements prescribed by this section:

(1) agents of township mutuals who are exempted pursuant to subdivision 1b;

(2) fraternal beneficiary association representatives exempted pursuant to subdivision 1c;

(3) any regular salaried officer or employee of a licensed insurer, without license or other qualification, may act on behalf of that licensed insurer in the negotiation of insurance for that insurer; provided that a licensed agent must participate in the sale of any such insurance;

(4) employers and their officers or employees, and the trustees or employees of any trust plan, to the extent that the employers, officers, employees, or trustees are engaged in the administration or operation of any program of employee benefits for the employees of the employers or employees of their subsidiaries or affiliates involving the use of insurance issued by a licensed insurance company; provided, that the activities of the officers, employees and trustees are incidental to clerical or administrative duties and their compensation does not vary with the volume of insurance or applications therefor;

(5) employees of a creditor who enroll debtors for life or accident and health insurance; provided the employees receive no commission or fee therefor; and

(6) clerical or administrative employees of an insurance agent who take

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insurance applications or receive premiums in the office of their employer, if the activities are incidental to clerical or administrative duties and the employee's compensation does not vary with the volume of the applications or premiums.

Sec. 3. Minnesota Statutes 1984, section 60A.17, is amended by adding a subdivision to read:

Subd. 20. TAX CLEARANCE CERTIFICATE. (a) The commissioner may not issue or renew a license under this section if the commissioner of revenue notifies the commissioner and the licensee or applicant for a license that the licensee or applicant owes the state delinquent taxes in the amount of \$500 or more. The commissioner may issue or renew the license only if (1) the commissioner of revenue issues a tax clearance certificate and (2) the commissioner of revenue or the licensee or applicant forwards a copy of the clearance to the commissioner. The commissioner of revenue may issue a clearance certificate only if the licensee or applicant does not owe the state any uncontested delinquent taxes.

(b) For purposes of this subdivision, the following terms have the meanings given.

(1) "Taxes" are all taxes payable to the commissioner of revenue, including penalties and interest due on those taxes.

(2) "Delinquent taxes" do not include a tax liability if (i) an administrative or court action that contests the amount or validity of the liability has been filed or served, (ii) the appeal period to contest the tax liability has not expired, or (iii) the licensee or applicant has entered into a payment agreement to pay the liability and is current with the payments.

(c) In lieu of the notice and hearing requirements of subdivisions 6c and 6d, when a licensee or applicant is required to obtain a clearance certificate under this subdivision, a contested case hearing must be held if the licensee or applicant requests a hearing in writing to the commissioner of revenue within 30 days of the date of the notice provided in paragraph (a). The hearing must be held within 45 days of the date the commissioner of revenue refers the case to the office of administrative hearings. Notwithstanding any law to the contrary, the licensee or applicant must be served with 20 days' notice in writing specifying the time and place of the hearing and the allegations against the licensee or applicant. The notice may be served personally or by mail.

(d) The commissioner shall require all licensees or applicants to provide their social security number and Minnesota business identification number on all license applications. Upon request of the commissioner of revenue, the commissioner must provide to the commissioner of revenue a list of all licensees and applicants, including the name and address, social security number, and business identification number. The commissioner of revenue may request a list of the licensees and applicants no more than once each calendar year. Notwith-

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standing sections 290.61 and 297A.43, the commissioner of revenue may release information necessary to accomplish the purpose of this subdivision.

Sec. 4. Minnesota Statutes 1984, section 69.54, is amended to read:

69.54 SURCHARGE ON PREMIUMS TO RESTORE DEFICIENCY IN SPECIAL FUND.

The commissioner shall order and direct a surcharge to be collected of two percent of the fire, lightning, and sprinkler leakage gross premiums, less return premiums, on all direct business received by any foreign or domestic fire insurance company on property in this city of the first class, or by its agents for it, in cash or otherwise. This surcharge shall be due and payable from these companies to the state treasurer, in ~~semiannual~~ equal installments, on ~~June 30th and December 31st~~ March 15, May 15, and November 15 of each calendar year, and if not paid within 30 days after these dates, a penalty of ten percent shall accrue thereon and thereafter this sum and penalty shall draw interest at the rate of one percent per month until paid.

Sec. 5. Minnesota Statutes 1984, section 82.22, subdivision 3, is amended to read:

Subd. 3. **RE-EXAMINATIONS.** An examination may be required before the renewal of any license which has been suspended, or before the issuance of a license to any person whose license has been ineffective for a period of one year, except no re-examination shall be required of any individual who has failed to cause renewal of an existing license because of absence from the state while on active duty with the armed services of the United States of America, and no reexamination shall be required of an individual whose license has not been renewed under section 82.27, subdivision 7.

Sec. 6. Minnesota Statutes 1984, section 82.27, is amended by adding a subdivision to read:

Subd. 7. TAX CLEARANCE CERTIFICATE. (a) In addition to the provisions of subdivision 1, the commissioner may not issue or renew a license if the commissioner of revenue notifies the commissioner and the licensee or applicant for a license that the licensee or applicant owes the state delinquent taxes in the amount of \$500 or more. The commissioner may issue or renew the license only if (1) the commissioner of revenue issues a tax clearance certificate and (2) the commissioner of revenue or the licensee or applicant forwards a copy of the clearance to the commissioner. The commissioner of revenue may issue a clearance certificate only if the licensee or applicant does not owe the state any uncontested delinquent taxes.

(b) For purposes of this subdivision, the following terms have the meanings given.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

(1) "Taxes" are all taxes payable to the commissioner of revenue, including penalties and interest due on those taxes.

(2) "Delinquent taxes" do not include a tax liability if (i) an administrative or court action that contests the amount or validity of the liability has been filed or served, (ii) the appeal period to contest the tax liability has not expired, or (iii) the licensee or applicant has entered into a payment agreement to pay the liability and is current with the payments.

(c) In lieu of the notice and hearing requirements of subdivisions 3, 4, 5, and 6, when a licensee or applicant is required to obtain a clearance certificate under this subdivision, a contested case hearing must be held if the licensee or applicant requests a hearing in writing to the commissioner of revenue within 30 days of the date of the notice provided in paragraph (a). The hearing must be held within 45 days of the date the commissioner of revenue refers the case to the office of administrative hearings. Notwithstanding any law to the contrary, the licensee or applicant must be served with 20 days' notice in writing specifying the time and place of the hearing and the allegations against the licensee or applicant. The notice may be served personally or by mail.

(d) The commissioner shall require all licensees or applicants to provide their social security number and Minnesota business identification number on all license applications. Upon request of the commissioner of revenue, the commissioner must provide to the commissioner of revenue a list of all licensees and applicants, including the name and address, social security number and business identification number. The commissioner of revenue may request a list of the licensees and applicants no more than once each calendar year. Notwithstanding sections 290.61 and 297A.43, the commissioner of revenue may release information necessary to accomplish the purpose of this subdivision.

Sec. 7. Minnesota Statutes 1985 Supplement, section 147.021, is amended by adding a subdivision to read:

Subd. 7. TAX CLEARANCE CERTIFICATE. (a) In addition to the provisions of subdivision 1, the board may not issue or renew a license if the commissioner of revenue notifies the board and the licensee or applicant for a license that the licensee or applicant owes the state delinquent taxes in the amount of \$500 or more. The board may issue or renew the license only if (1) the commissioner of revenue issues a tax clearance certificate and (2) the commissioner of revenue or the licensee or applicant forwards a copy of the clearance to the board. The commissioner of revenue may issue a clearance certificate only if the licensee or applicant does not owe the state any uncontested delinquent taxes.

(b) For purposes of this subdivision, the following terms have the meanings given.

(1) "Taxes" are all taxes payable to the commissioner of revenue, including penalties and interest due on those taxes.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

(2) "Delinquent taxes" do not include a tax liability if (i) an administrative or court action that contests the amount or validity of the liability has been filed or served, (ii) the appeal period to contest the tax liability has not expired, or (iii) the licensee or applicant has entered into a payment agreement to pay the liability and is current with the payments.

(c) In lieu of the notice and hearing requirements of subdivision 1, when a licensee or applicant is required to obtain a clearance certificate under this subdivision, a contested case hearing must be held if the licensee or applicant requests a hearing in writing to the commissioner of revenue within 30 days of the date of the notice provided in paragraph (a). The hearing must be held within 45 days of the date the commissioner of revenue refers the case to the office of administrative hearings. Notwithstanding any law to the contrary, the licensee or applicant must be served with 20 days' notice in writing specifying the time and place of the hearing and the allegations against the licensee or applicant. The notice may be served personally or by mail.

(d) The board shall require all licensees or applicants to provide their social security number and Minnesota business identification number on all license applications. Upon request of the commissioner of revenue, the board must provide to the commissioner of revenue a list of all licensees and applicants, including the name and address, social security number, and business identification number. The commissioner of revenue may request a list of the licensees and applicants no more than once each calendar year. Notwithstanding sections 290.61 and 297A.43, the commissioner of revenue may release information necessary to accomplish the purpose of this subdivision.

Sec. 8. Minnesota Statutes 1984, section 148.10, is amended by adding a subdivision to read:

Subd. 5. TAX CLEARANCE CERTIFICATE. (a) In addition to the grounds provided in subdivision 1, the board may not issue or renew a license to practice chiropractic if the commissioner of revenue notifies the board and the licensee or applicant for a license that the licensee or applicant owes the state delinquent taxes in the amount of \$500 or more. The board may issue or renew the license only if (1) the commissioner of revenue issues a tax clearance certificate and (2) the commissioner of revenue or the licensee or applicant forwards a copy of the clearance to the board. The commissioner of revenue may issue a clearance certificate only if the licensee or applicant does not owe the state any uncontested delinquent taxes.

(b) For purposes of this subdivision, the following terms have the meanings given.

(1) "Taxes" are all taxes payable to the commissioner of revenue, including penalties and interest due on those taxes.

(2) "Delinquent taxes" do not include a tax liability if (i) an administrative

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or court action that contests the amount or validity of the liability has been filed or served, (ii) the appeal period to contest the tax liability has not expired, or (iii) the licensee or applicant has entered into a payment agreement to pay the liability and is current with the payments.

(c) In lieu of the notice and hearing requirements of subdivisions 3 and 4, when a licensee or applicant is required to obtain a clearance certificate under this subdivision, a contested case hearing must be held if the licensee or applicant requests a hearing in writing to the commissioner of revenue within 30 days of the date of the notice provided in paragraph (a). The hearing must be held within 45 days of the date the commissioner of revenue refers the case to the office of administrative hearings. Notwithstanding any law to the contrary, the licensee or applicant must be served with 20 days' notice in writing specifying the time and place of the hearing and the allegations against the licensee or applicant. The notice may be served personally or by mail.

(d) The board shall require all licensees or applicants of a license to practice chiropractic to provide their social security number and Minnesota business identification number on all license applications. Upon request of the commissioner of revenue, the board must provide to the commissioner of revenue a list of all licensees and applicants for a license to practice chiropractic, including the name and address, social security number, and business identification number. The commissioner of revenue may request a list of the licensees and applicants no more than once each calendar year. Notwithstanding sections 290.61 and 297A.43, the commissioner of revenue may release information necessary to accomplish the purpose of this subdivision.

Sec. 9. Minnesota Statutes 1984, section 150A.08, is amended by adding a subdivision to read:

Subd. 9. TAX CLEARANCE CERTIFICATE. (a) In addition to the grounds provided in subdivision 1 and notwithstanding subdivision 3, the board may not issue or renew a license to practice dentistry if the commissioner of revenue notifies the board and the licensee or applicant for a license that the licensee or applicant owes the state delinquent taxes in the amount of \$500 or more. The board may issue or renew the license only if (1) the commissioner of revenue issues a tax clearance certificate and (2) the commissioner of revenue or the licensee or applicant forwards a copy of the clearance to the board. The commissioner of revenue may issue a clearance certificate only if the licensee or applicant does not owe the state any uncontested delinquent taxes.

(b) For purposes of this subdivision, the following terms have the meanings given.

(1) "Taxes" are all taxes payable to the commissioner of revenue, including penalties and interest due on those taxes.

(2) "Delinquent taxes" do not include a tax liability if (i) an administrative

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or court action that contests the amount or validity of the liability has been filed or served, (ii) the appeal period to contest the tax liability has not expired, or (iii) the licensee or applicant has entered into a payment agreement to pay the liability and is current with the payments.

(c) In lieu of the notice and hearing requirements of subdivision 8, when a licensee or applicant is required to obtain a clearance certificate under this subdivision, a contested case hearing must be held if the licensee or applicant requests a hearing in writing to the commissioner of revenue within 30 days of the date of the notice provided in paragraph (a). The hearing must be held within 45 days of the date the commissioner of revenue refers the case to the office of administrative hearings. Notwithstanding any law to the contrary, the licensee or applicant must be served with 20 days' notice in writing specifying the time and place of the hearing and the allegations against the licensee or applicant. The notice may be served personally or by mail.

(d) The board shall require all licensees or applicants for a license to practice dentistry to provide their social security number and Minnesota business identification number on all license applications. Upon request of the commissioner of revenue, the board must provide to the commissioner of revenue a list of all licensees and applicants for a license to practice dentistry including the name and address, social security number, and business identification number. The commissioner of revenue may request a list of the licensees and applicants no more than once each calendar year. Notwithstanding sections 290.61 and 297A.43, the commissioner of revenue may release information necessary to accomplish the purpose of this subdivision.

Sec. 10. Minnesota Statutes 1985 Supplement, section 270.063, is amended to read:

270.063 COLLECTION OF DELINQUENT TAXES.

For the purpose of collecting delinquent state tax liabilities ~~from taxpayers who do not reside or are not located in Minnesota~~, there is appropriated to the commissioner of revenue an amount representing the cost of collection, not to exceed one-third of the amount collected by contract with collection agencies, revenue departments of other states, or attorneys to enable the commissioner to reimburse these agencies, departments, or attorneys for this service. The commissioner shall report quarterly on the status of this program to the chairmen of the house tax and appropriation committees and senate tax and finance committees.

Notwithstanding section 16A.15, subdivision 3, the commissioner of revenue may authorize the prepayment of sheriff's fees, attorney fees, fees charged by revenue departments of other states, or court costs to be incurred in connection with the collection ~~out of state~~ of delinquent tax liabilities owed to the commissioner of revenue.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

Sec. 11. Minnesota Statutes 1985 Supplement, section 270.69, subdivision 2, is amended to read:

Subd. 2. **FILING OF LIENS NECESSARY FOR ENFORCEABILITY AGAINST CERTAIN PERSONS.** The lien imposed by subdivision 1 is not enforceable against any purchaser, mortgagee, pledgee, holder of a uniform commercial code security interest, mechanic's lienor, or judgment lien creditor, until a notice of lien has been filed by the commissioner of revenue in the office of the county recorder of the county in which the property is situated, or in the case of personal property belonging to an individual who is not a resident of this state, or which is a corporation, partnership, or other organization, in the office of the secretary of state. ~~The indexing of liens filed pursuant to this subdivision and, notwithstanding section 386.77, the fees charged for such filing and indexing, shall be as prescribed in sections 272.483 and 272.484. Notwithstanding any other law to the contrary, the department of revenue is exempt from the payment of fees at the time the lien is offered for filing or recording. The fee for filing or recording the lien must be paid at the time the release of lien is offered for filing or recording. Notwithstanding any law to the contrary, the fee for filing or recording the lien or the release of lien is \$15.~~

Sec. 12. Minnesota Statutes 1985 Supplement, section 270.69, subdivision 3, is amended to read:

Subd. 3. **EXEMPT PROPERTY.** The lien imposed on personal property by this section, even though properly filed, is not enforceable against a purchaser with respect to tangible personal property purchased at retail, or against the personal property listed as exempt in sections 550.37, 550.38, and 550.39, or against the homestead of the taxpayer as defined in chapter 540.

Sec. 13. Minnesota Statutes 1985 Supplement, section 270.69, subdivision 4, is amended to read:

Subd. 4. **PERIOD OF LIMITATIONS.** The lien imposed by this section shall, notwithstanding any other provision of law to the contrary, be enforceable from the time the lien arises and for ten years from the date of filing the notice of lien, which must be filed by the commissioner within five years after the date of assessment of the tax. A notice of lien filed in one county may be transcribed to any other county within ten years after the date of its filing, but the transcription shall not extend the period during which the lien is enforceable. A notice of lien may be renewed by the commissioner before the expiration of the ten-year period for an additional ten years. The taxpayer must receive written notice of the renewal.

Sec. 14. Minnesota Statutes 1984, section 270.69, is amended by adding a subdivision to read:

Subd. 10. **LIMITATION FOR HOMESTEAD PROPERTY.** A lien imposed under this section upon property defined as homestead property in chap-

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ter 510 may not be enforced against homestead property by levy under section 270.70, or by judgment lien under chapter 550.

Sec. 15. Minnesota Statutes 1984, section 270.72, subdivision 1, is amended to read:

Subdivision 1. **TAX CLEARANCE REQUIRED.** The state or a political subdivision of the state may not issue, transfer, or renew a license for the conduct of a profession, trade, or business, if the commissioner notifies the licensing authority that the applicant owes the state delinquent taxes, penalties, or interest. The commissioner may not notify the licensing authority unless the applicant taxpayer owes ~~\$1,000~~ \$500 or more in delinquent taxes. A licensing authority that has received a notice from the commissioner may issue, transfer, or renew the applicant's license only if (a) the commissioner issues a tax clearance certificate and (b) the commissioner or the applicant forwards a copy of the clearance to the authority. The commissioner may issue a clearance certificate only if the applicant does not owe the state any uncontested delinquent taxes, penalties, or interest.

Sec. 16. Minnesota Statutes 1984, section 270.72, subdivision 2, is amended to read:

Subd. 2. **DEFINITIONS.** For purposes of this section, the following terms have the meanings given.

(a) "Taxes" are limited to withholding tax as provided in section 290.92, sales and use tax as provided in chapter 297A, and motor vehicle excise tax as provided in chapter 297B. Penalties and interest are limited to penalties and interest due on taxes included in this definition.

(b) "Delinquent taxes" do not include a tax liability if (i) an administrative or court action which contests the amount or validity of the liability has been filed or served, (ii) the appeal period to contest the tax liability has not expired, or (iii) the applicant has entered into a payment agreement and is current with the payments.

(c) "Applicant" means an individual if the license is issued to or in the name of an individual or the corporation or partnership if the license is issued to or in the name of a corporation or partnership. "Applicant" also means an officer of a corporation or a member of a partnership who is liable for the delinquent taxes pursuant to section 270.10, subdivision 4, either for the entity for which the license is at issue or for another entity for which the liability was incurred, or personally as a licensee.

Sec. 17. Minnesota Statutes 1984, section 270.72, subdivision 3, is amended to read:

Subd. 3. **NOTICE AND HEARING.** If the commissioner notifies a licens-

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ing authority pursuant to subdivision 1, he must send a copy of the notice to the applicant. ~~In the case of the renewal of a license~~ If the applicant requests, in writing, within 30 days of the ~~receipt date~~ of the notice a hearing, a contested case hearing must be held. The hearing must be held within 45 days of the date the commissioner refers the case to the office of administrative hearings. ~~The hearing must be held under the procedures provided by section 270A.09 and the administrative rules promulgated under chapter 270A.~~ Notwithstanding any law to the contrary, the applicant must be served with 20 days' notice in writing specifying the time and place of the hearing and the allegations against the applicant. The notice may be served personally or by mail.

Sec. 18. Minnesota Statutes 1985 Supplement, section 270.76, is amended to read:

270.76 INTEREST ON REFUNDS.

When any tax payable to the commissioner of revenue or to the department of revenue is overpaid and an amount is due the taxpayer as a refund of the overpayment, the overpayment shall bear interest from the date of payment of the tax until the date the refund is paid or credit is made, unless another period for computing interest is provided by law. The interest rate per annum on overpayments shall be ~~80 percent of~~ the interest rate contained in section 270.75, subdivision 5; the rate shall be adjusted annually and become effective as provided in section 270.75, subdivision 5; ~~and the result of the adjustment in the rate shall be rounded to the nearest full percent.~~ The determination of the commissioner pursuant to this subdivision is not a "rule" and is not subject to the administrative procedure act contained in chapter 14.

Sec. 19. Minnesota Statutes 1985 Supplement, section 273.124, is amended by adding a subdivision to read:

Subd. 13. SOCIAL SECURITY NUMBER REQUIRED FOR HOMESTEAD APPLICATION. Beginning with the January 2, 1987, assessment, every property owner applying for homestead classification must furnish to the county assessor that owner's social security or taxpayer identification number. If the social security or taxpayer identification number is not provided, the county assessor shall classify the property as nonhomestead. The social security numbers of the property owners are private data on individuals as defined by section 13.02, subdivision 12, but, notwithstanding that section, the private data may be disclosed to the commissioner of revenue.

At the request of the commissioner, each county must give the commissioner a listing that includes the name and social security or taxpayer identification number of each property owner applying for homestead classification.

If, in comparing the lists supplied by the counties, the commissioner finds that a property owner is claiming more than one homestead, the commissioner shall notify the appropriate counties. Within 90 days of the notification, the

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county assessor shall investigate to determine if the homestead classification was properly claimed. If the property owner does not qualify, the county assessor shall notify the county auditor who will determine the amount of homestead benefits that had been improperly allowed. For the purpose of this section, "homestead benefits" means homestead credit, taconite homestead credit, supplemental homestead credit, and the agricultural school credit which is in excess of the credit which would be allowed if the property had been classified as nonhomestead property. The county auditor shall send a notice to the owners of the affected property, demanding reimbursement of the homestead benefits plus a penalty equal to 25 percent of the homestead benefits. The property owners may appeal the county's determination by filing a notice of appeal with the Minnesota tax court within 60 days of the date of the notice from the county.

If the amount of homestead benefits and penalty is not paid within 60 days, and if no appeal has been filed, the county auditor shall certify the amount to the succeeding year's tax list to be collected as part of the property taxes.

Any amount of homestead benefits recovered from the property owner must be transmitted to the commissioner by the end of each calendar quarter. Any amount recovered attributable to taconite homestead credit shall be transmitted to the St. Louis county auditor to be deposited in the taconite property tax relief account. The amount of penalty collected must be deposited in the county general fund.

The commissioner will provide suggested homestead applications to each county. If a property owner has applied for more than one homestead and the county assessors cannot determine which property should be classified as homestead, the county assessors will refer the information to the commissioner. The commissioner shall make the determination and notify the counties within 60 days.

In addition to lists of homestead properties, the commissioner may ask the counties to furnish lists of all properties and the record owners.

Sec. 20. Minnesota Statutes 1984, section 290.53, subdivision 2, is amended to read:

Subd. 2. **FAILURE TO MAKE AND FILE RETURN.** In case of any failure to make and file a return as required by this chapter within the time prescribed by law or prescribed by the commissioner in pursuance of law, there shall be added to the tax or subtracted from the refund in lieu of the penalty provided in subdivision 1: ten percent of the amount of tax unpaid if the failure is for not more than 30 days with an additional five percent for each additional 30 days or fraction thereof during which such failure continues, not exceeding 25 percent in the aggregate; or ten percent of the amount of the refund claimed if the failure is for more than 60 but less than 90 days (determined with regard to any extensions of time for filing), with an additional five percent for each additional 30 days or fraction thereof during which such failure continues, not exceeding 25 percent in the aggregate.

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In addition to the penalty imposed above, in the case of a failure to file a return of tax imposed by this chapter within 60 days of the date prescribed for filing of the return (determined with regard to any extensions of time for filing), ~~where the return has been demanded by the commissioner under the provisions of section 290.47, the amount there shall be added to the tax under this subdivision shall not be less than or subtracted from the refund~~ the lesser of \$50 (i) \$100 or (ii) 100 percent of either the amount required to be shown as the amount of tax which is due with the return or the amount of the refund.

The amount so added to any tax shall be collected at the same time and in the same manner and as a part of the tax, and the amount of said tax together with the amount so added shall bear interest at the rate specified in section 270.75 from the time such tax should have been paid until paid unless the tax has been paid before the discovery of the neglect, in which case the amount so added shall be collected in the same manner as the tax.

For the purposes of this subdivision the amount of any taxes required to be shown on the return shall be reduced by the amount of any part of the tax which is paid on or before the date prescribed for payment of the tax and by the amount of any credit against the tax which may be claimed upon the return.

Sec. 21. Minnesota Statutes 1984, section 290.61, is amended to read:

290.61 PUBLICITY OF RETURNS, INFORMATION.

It shall be unlawful for the commissioner or any other public official or employee to divulge or otherwise make known in any manner any particulars set forth or disclosed in any report or return required by this chapter, or any information concerning, the taxpayer's affairs acquired from his or its records, officers, or employees while examining or auditing any taxpayer's liability for taxes imposed hereunder, except in connection with a proceeding involving taxes due under this chapter from the taxpayer making such return or to comply with the provisions of sections 256.978, 268.12, subdivision 12, 270A.11, 273.1314, subdivision 16, 290.612 and 302A.821. The commissioner may furnish a copy of any taxpayer's return, including audit documents and information, to any official of the United States or of any state having duties to perform in respect to the assessment or collection of any tax imposed upon or measured by income, if such taxpayer is required by the laws of the United States or of such state to make a return therein. Prior to the release of any information to any official of the United States or any other state under the provisions of this section, the person to whom the information is to be released shall sign an agreement which provides that he will protect the confidentiality of the returns and information revealed thereby to the extent that it is protected under the laws of the state of Minnesota. The commissioner and all other public officials and employees shall keep and maintain the same secrecy in respect to any information furnished by any department, commission, or official of the United States or of any other state in respect to the income of any person as is required by this section in

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respect to information concerning the affairs of taxpayers under this chapter. Nothing herein contained shall be construed to prohibit the commissioner from publishing statistics so classified as not to disclose the identity of particular returns or reports and the items thereof. Upon request of a majority of the members of the senate tax committee or of the house tax committee or the tax study commission, the commissioner shall furnish abstracted financial information to those committees for research purposes from returns or reports filed pursuant to this chapter, provided that he shall not disclose the name, address, social security number, business identification number or any other item of information associated with any return or report which the commissioner believes is likely to identify the taxpayer. The commissioner shall not furnish the actual return, or a portion thereof, or a reproduction or copy of any return or portion thereof. "Abstracted financial information" means only the dollar amounts set forth on each line on the form including the filing status.

Any person violating the provisions of this section shall be guilty of a gross misdemeanor.

In order to locate the named payee on state warrants issued pursuant to this chapter or chapter 290A and undeliverable by the United States postal service, the commissioner may publish in any newspaper of general circulation in this state or make available to radio or television stations a list of the name and last known address of the payee as shown on the reports or returns filed with the commissioner. The commissioner may exclude the names of payees whose refunds are in an amount which is less than a minimal amount to be determined by the commissioner. The list shall not contain any particulars set forth on any report or return. The publication or announcement shall include instructions on claiming the warrants.

An employee of the department of revenue may, in connection with his official duties relating to any audit, collection activity, or civil or criminal tax investigation or any other offense under this chapter, disclose return information to the extent that such disclosure is necessary in obtaining information, which is not not otherwise reasonably available, with respect to the correct determination of tax, liability for tax, or the amount to be collected or with respect to the enforcement of any other provision of this chapter.

In order to facilitate processing of returns and payments of taxes required by this chapter, or to facilitate the development, implementation, and use of computer programs and automated procedures for purposes of administering this chapter or chapter 290A, the commissioner may contract with outside vendors and may disclose private and nonpublic data to the vendor. The data disclosed will be administered by the vendor consistent with this section, and the vendor must agree to subject himself and his employees to the civil and criminal penalties provided by law for unlawful disclosure.

Information from a tax return required under this chapter on a holder of a

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license issued by the Minnesota racing commission or an owner of a horse may be provided by the commissioner to the Minnesota racing commission.

The commissioner may provide to the Minnesota supreme court and the board of professional responsibility information regarding the amount of any uncontested delinquent taxes due under this chapter or a failure to file a return due under this chapter by an attorney admitted to practice law in this state under chapter 481.

Sec. 22. Minnesota Statutes 1984, section 297.07, subdivision 1, is amended to read:

Subdivision 1. **MONTHLY RETURN FILED WITH COMMISSIONER.** On or before the ~~eighteenth~~ twenty-fifth day of each calendar month every distributor with a place of business in this state shall file a return with the commissioner showing the quantity of cigarettes manufactured or brought in from without the state or purchased during the preceding calendar month and the quantity of cigarettes sold or otherwise disposed of in this state and outside this state during that month. Every licensed distributor outside this state shall in like manner file a return showing the quantity of cigarettes shipped or transported into this state during the preceding calendar month. Returns shall be made upon forms furnished and prescribed by the commissioner and shall contain such other information as the commissioner may require. The return shall be accompanied by a remittance for the full unpaid tax liability shown by it.

Sec. 23. Minnesota Statutes 1984, section 297.07, subdivision 4, is amended to read:

Subd. 4. **MONTHLY TAX PAYMENTS; PENALTY FOR NONPAYMENT.** (a) Except as provided in paragraph (b), all taxes shall be due and payable not later than the ~~eighteenth~~ twenty-fifth day of the month following the calendar month in which they were incurred, and thereafter shall bear interest at the rate specified in section 270.75. The commissioner in issuing his final assessment pursuant to subdivision 3 shall add to the amount of tax found due and unpaid a penalty of ten percent thereof, except that, if he finds that the distributor has made a false and fraudulent return with intent to evade the tax imposed by sections 297.01 to 297.13, the penalty shall be 25 percent of the entire tax as shown by the corrected return. If any such tax is not paid within the time herein specified for the payment thereof or within 30 days after final determination of an appeal to the Minnesota tax court relating thereto, there shall be added thereto a specific penalty equal to ten percent of the amount so remaining unpaid, but in no event shall the penalty for failure to pay such tax within the time provided for such payment be less than \$10. The commissioner is authorized to extend the time for paying such tax without penalty for good cause shown.

(b) Every distributor having a liability of \$1,500 or more in May 1987 or in May of each subsequent year, shall remit the June liability in the manner required by this section.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

On or before June 25, 1987, or June 25 of each subsequent year, the distributor shall remit the actual May liability and one-half of the estimated June liability to the commissioner and file the return on a form prescribed by the commissioner.

On or before August 25, 1987, or August 25 of each subsequent year, the distributor shall submit a return showing the actual June liability and paying any additional amount of tax not remitted in June. A penalty is imposed equal to ten percent of the amount of June liability required to be paid in June less the amount remitted in June. However, the penalty shall not be imposed if the amount remitted in June equals the lesser of (a) 45 percent of the actual June liability, or (b) 50 percent of the preceding May's liability.

Sec. 24. Minnesota Statutes 1984, section 297.23, subdivision 1, is amended to read:

Subdivision 1. On or before the ~~eighteenth~~ twenty-fifth day of each calendar month, every consumer who during the preceding calendar month has acquired title to or possession of cigarettes for use or storage in this state, upon which cigarettes the tax imposed by sections 297.01 to 297.13 has not been paid, shall file a return with the commissioner showing the quantity of cigarettes so acquired. The return shall be made upon a form furnished and prescribed by the commissioner, and shall contain such other information as the commissioner may require. The return shall be accompanied by a remittance for the full unpaid tax liability shown by it.

Sec. 25. Minnesota Statutes 1985 Supplement, section 297.35, subdivision 1, is amended to read:

Subdivision 1. On or before the ~~eighteenth~~ twenty-fifth day of each calendar month every distributor with a place of business in this state shall file a return with the commissioner showing the quantity and wholesale sales price of each tobacco product (1) brought, or caused to be brought, into this state for sale; and (2) made, manufactured or fabricated in this state for sale in this state, during the preceding calendar month. Every licensed distributor outside this state shall in like manner file a return showing the quantity and wholesale sales price of each tobacco product shipped or transported to retailers in this state to be sold by those retailers, during the preceding calendar month. Returns shall be made upon forms furnished and prescribed by the commissioner and shall contain such other information as the commissioner may require. Each return shall be accompanied by a remittance for the full tax liability shown therein, less two percent of such liability as compensation to reimburse the distributor for his expenses incurred in the administration of sections 297.31 to 297.39.

Sec. 26. Minnesota Statutes 1984, section 297.35, subdivision 5, is amended to read:

Subd. 5. (a) Except as provided in paragraph (b), all taxes shall be due and

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payable not later than the ~~eighteenth~~ twenty-fifth day of the month following the calendar month in which they were incurred, and thereafter shall bear interest at the rate specified in section 270.75. If any tax required to be paid under the provisions of this section is not paid within the time herein specified, a penalty of five percent of the unpaid tax remaining each month up to a maximum of 25 percent is herein imposed but in no event shall the penalty for failing to pay such tax within the time so provided be less than \$10. The commissioner of revenue is authorized to extend the time for paying such tax without penalty for good cause shown.

Where, under the provisions of subdivisions 2 and 3, the amount of tax due for a given period is assessed without allocating it to any particular month or months, the interest shall commence to run from the date of such assessment.

The commissioner shall have power to reduce or abate the penalty or interest when in his opinion the facts warrant such reduction or abatement. The exercise of this power shall be subject to the provisions of chapter 270 if the reduction or abatement exceeds \$500.

(b) Every distributor having a liability of \$1,500 or more in May 1987 or in May of each subsequent year, shall remit the June liability in the manner required by this section.

On or before June 25, 1987, or June 25 of each subsequent year, the distributor shall remit the actual May liability and one-half of the estimated June liability to the commissioner and file the return on a form prescribed by the commissioner.

On or before August 25, 1987, or August 25 of each subsequent year, the distributor shall submit a return showing the actual June liability and paying any additional amount of tax not remitted in June. A penalty is imposed equal to ten percent of the amount of June liability required to be paid in June less the amount remitted in June. However, the penalty is not imposed if the amount remitted in June equals the lesser of (a) 45 percent of the actual June liability, or (b) 50 percent of the preceding May's liability.

Sec. 27. Minnesota Statutes 1984, section 297.35, subdivision 8, is amended to read:

Subd. 8. On or before the ~~eighteenth~~ twenty-fifth day of each calendar month, every consumer who, during the preceding calendar month, has acquired title to or possession of tobacco products for use or storage in this state, upon which tobacco products the tax imposed by section 297.32 has not been paid, shall file a return with the commissioner showing the quantity of tobacco products so acquired. The return shall be made upon a form furnished and prescribed by the commissioner, and shall contain such other information as the commissioner may require. The return shall be accompanied by a remittance for the full unpaid tax liability shown by it.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

Sec. 28. REVENUE FROM ACCELERATION.

Notwithstanding the provisions of Minnesota Statutes, sections 297.13, subdivision 1, and 297.32, subdivision 9, all revenue collected in June 1987 as a result of the acceleration under the provisions of sections 23 and 26 shall be deposited in the general fund.

Sec. 29. [297A.151] TAX ON LIQUOR AND BEER; DELINQUENCY.

Subdivision 1. POSTING, NOTICE. Notwithstanding section 297A.43, the commissioner shall, by the 15th of each month, submit to the commissioner of public safety a list of all permit holders who are required to collect the tax imposed by section 297A.02, subdivision 3, and who are 30 days or more delinquent in either filing a sales tax return or paying the sales tax. At least ten days before notifying the commissioner of public safety, the commissioner of revenue shall notify the permit holder of the intended action.

The commissioner of public safety shall post the list in the same manner as provided in section 340A.318, subdivision 3. The list will prominently show the date of posting. If a permit holder previously listed cures the delinquency by filing all returns and paying all taxes, the commissioner shall notify the commissioner of public safety within two business days that the delinquency was cured.

Subd. 2. SALES PROHIBITED. Beginning the third business day after the list is posted, no wholesaler, manufacturer, or brewer may sell or deliver any product to a permit holder included on the posted list.

Subd. 3. PENALTY. A wholesaler, manufacturer, or brewer of intoxicating liquor who violates subdivision 2 is subject to the penalties provided in section 340A.304.

Sec. 30. Minnesota Statutes 1984, section 297A.27, is amended by adding a subdivision to read:

Subd. 1a. Any person required to collect the tax imposed by section 297A.02, subdivision 3, on sales of intoxicating liquor and nonintoxicating malt liquor, shall report the total sales tax liability, including the sales tax on items other than intoxicating liquor and nonintoxicating malt liquor, on a distinct sales tax return prescribed by the commissioner. The due date of the return will be as otherwise provided in this chapter.

Sec. 31. Minnesota Statutes 1984, section 297A.43, is amended to read:

297A.43 CONFIDENTIAL NATURE OF INFORMATION.

It shall be unlawful for the commissioner or any other public official or employee to divulge or otherwise make known in any manner any particulars disclosed in any report or return required by sections 297A.01 to 297A.44, or any information concerning the affairs of the person making the return acquired

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

from his records, officers, or employees while examining or auditing under the authority of sections 297A.01 to 297A.44, except in connection with a proceeding involving taxes due under this chapter from the taxpayer making such report or return or to comply with the provisions of section 297A.431 or where a question arises as to the proper tax applicable, that is, sales or use tax. In the latter instance, the commissioner may furnish information to a buyer and a seller with respect to the specific transaction in question. Nothing herein contained shall be construed to prohibit the commissioner from publishing statistics so classified as not to disclose the identity of particular returns or reports and the contents thereof. Any person violating the provisions of this section shall be guilty of a gross misdemeanor.

The commissioner may enter into an agreement with the commissioner or other taxing officials of another state for the interpretation and administration of the acts of their several states providing for the collection of a sales and/or use tax for the purpose of promoting fair and equitable administration of such acts and to eliminate double taxation.

Notwithstanding the above provisions of this section, the commissioner, at his discretion, in order to implement the purposes of this chapter, may furnish information on a reciprocal basis to the taxing officials of another state, or to the taxing officials of any municipality of the state of Minnesota which has a local sales and/or use tax. The commissioner may furnish to the Minnesota supreme court and the board of professional responsibility information regarding the amount of any uncontested delinquent taxes due under this chapter or a failure to file a return due under this chapter by an attorney admitted to practice law in this state under chapter 481.

In order to facilitate processing of returns and payments of taxes required by this chapter, the commissioner may contract with outside vendors and may disclose private and nonpublic data to the vendor. The data disclosed will be administered by the vendor consistent with this section.

Sec. 32. Minnesota Statutes 1985 Supplement, section 297C.03, subdivision 1, is amended to read:

Subdivision 1. **MANNER AND TIME OF PAYMENT; PENALTIES; DEPOSIT OF TAX PROCEEDS.** The tax on wines and distilled spirits on which the excise tax has not been previously paid must be paid to the commissioner by persons having on file with the commissioner a sufficient bond as provided in subdivision 2 on or before the ~~tenth~~ twenty-fifth day of the month following the month in which the first sale is made in this state by a licensed manufacturer or wholesaler. Every person liable for the tax on wines or distilled spirits imposed by section 297C.02 must file with the commissioner on or before the ~~tenth~~ twenty-fifth day of the month following first sale in this state by a licensed manufacturer or wholesaler a return in the form prescribed by rule of the commissioner, and must keep records and render reports required by rule of

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

the commissioner. A person liable for any tax on wines or distilled spirits not having on file a sufficient bond must pay the tax within 24 hours after first sale in this state. The commissioner may certify to the commissioner of public safety any failure to pay taxes when due as a violation of a statute relating to the sale of intoxicating liquor for possible revocation or suspension of license.

If a person fails to pay the tax within the time specified or within 30 days after final determination of an appeal to the Minnesota tax court relating thereto, there is added a penalty equal to ten percent of the remaining unpaid amount. The penalty must be collected as part of the tax. The amount of tax not timely paid, together with the penalty, must bear interest at the rate specified in section 270.75 from the time the tax should have been paid until it is paid.

Sec. 33. Minnesota Statutes 1985 Supplement, section 297C.04, is amended to read:

297C.04 PAYMENT OF TAX; MALT LIQUOR.

The commissioner shall by rule provide a reporting method for paying and collecting the excise tax on fermented malt beverages. The rules must require reports to be filed with and the excise tax to be paid to the commissioner on or before the ~~fifteenth~~ twenty-fifth day of the month following the month in which the importation into or the first sale is made in this state, whichever first occurs. The rules must also require payments in June of 1987 and subsequent years according to the provisions of section 297C.05, subdivision 2, paragraph (b). If the excise tax is not paid when due, the amount due is increased by a penalty of ten percent thereof, and interest on the tax and penalty at an annual rate of 20 percent, adjusted as provided in section 270.75, from the date the tax became due until paid.

Sec. 34. Minnesota Statutes 1985 Supplement, section 297C.05, subdivision 2, is amended to read:

Subd. 2. **MONTHLY TAX PAYMENTS; PENALTY FOR NONPAYMENT.** (a) Subject to paragraph (b), all taxes shall be due and payable as directed in this chapter, and taxes not paid shall bear interest at the rate specified in section 270.75. The commissioner in issuing a final assessment shall add to the amount of tax found due and unpaid a penalty of ten percent thereof, except that, if the commissioner finds that the taxpayer has made a false and fraudulent return with intent to evade the tax imposed by this chapter, the penalty shall be 25 percent of the entire tax as shown by the corrected return. If the tax is not paid within the time herein specified for the payment thereof or within 30 days after final determination of an appeal to the Minnesota tax court relating thereto, there shall be added thereto a specific penalty equal to ten percent of the amount so remaining unpaid, but in no event shall the penalty for failure to pay the tax within the time provided for payment be less than \$10. The commissioner may extend the time for paying the tax without penalty for good cause shown.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

(b) Every person liable for tax under this chapter having a liability of \$1,500 or more in May 1987 or in May of each subsequent year, shall remit the June liability in the manner required by this section.

On or before June 25, 1987, or June 25 of each subsequent year, the taxpayer shall remit the actual May liability and one-half of the estimated June liability to the commissioner and file the return on a form prescribed by the commissioner.

On or before August 25, 1987, or August 25 of each subsequent year, the taxpayer shall submit a return showing the actual June liability and paying any additional amount of tax not remitted in June. A penalty is hereby imposed equal to ten percent of the amount of June liability required to be paid in June less the amount remitted in June. However, the penalty shall not be imposed if the amount remitted in June equals the lesser of (a) 45 percent of the actual June liability, or (b) 50 percent of the preceding May's liability.

Sec. 35. Minnesota Statutes 1984, section 299F.21, is amended to read:

299F.21 FIRE INSURANCE COMPANIES TO PAY COST OF MAINTENANCE.

Subdivision 1. ESTIMATED INSTALLMENT PAYMENTS. On or before April 15, June 15, and December 15 of each year, every insurance company, including reciprocals, interinsurance exchanges or Lloyds, doing business in the state, excepting farmers' mutual fire insurance companies and township mutual fire insurance companies, shall hereafter pay to the commissioner of revenue on or before March 1 annually installments equal to one-third of, a tax upon its fire premiums or assessments or both, as follows:

A sum equal to one-half of one percent of the estimated gross premiums and assessments, less return premiums, on all direct business received by it in this state, or by its agents for it, in cash or otherwise, during the ~~preceding~~ calendar year, including premiums on policies covering fire risks only on automobiles, whether written under floater form or otherwise. In the case of a mutual company or reciprocal exchange the dividends or savings paid or credited to members in this state shall be construed to be return premiums. The money so received into the state treasury shall be credited to the general fund.

If the tax prescribed by this section is not paid by ~~March 1, annually those~~ dates, penalties and interest as provided in section 290.53, subdivision 1, shall be imposed.

Subd. 2. ANNUAL RETURNS. (a) Every insurer required to pay a premium tax under this section shall make and file a statement of estimated premium taxes for the period covered by the installment tax payment. The statement shall be in the form prescribed by the commissioner of revenue.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

(b) On or before March 1, annually every insurer subject to taxation under this section shall make an annual return for the preceding calendar year setting forth information the commissioner of revenue may reasonably require on forms prescribed by the commissioner.

(c) On March 1, the insurer shall pay any additional amount due for the preceding calendar year; if there has been an overpayment, the overpayment may be credited without interest on the estimated tax due April 15.

(d) If unpaid by this date, penalties and interest as provided in section 290.53, subdivision 1, shall be imposed.

Sec. 36. Minnesota Statutes 1984, section 326.20, is amended by adding a subdivision to read:

Subd. 4. TAX CLEARANCE CERTIFICATE. (a) Notwithstanding subdivisions 1 and 2, the board may not issue or renew a license under sections 326.165 to 326.231 if the commissioner of revenue notifies the board and the licensee or applicant for a license that the licensee or applicant owes the state delinquent taxes in the amount of \$500 or more. The board may issue or renew the license only if (1) the commissioner of revenue issues a tax clearance certificate and (2) the commissioner of revenue or the licensee or applicant forwards a copy of the clearance to the board. The commissioner of revenue may issue a clearance certificate only if the licensee or applicant does not owe the state any uncontested delinquent taxes.

(b) For purposes of this subdivision, the following terms have the meanings given.

(1) "Taxes" are all taxes payable to the commissioner of revenue, including penalties and interest due on those taxes.

(2) "Delinquent taxes" do not include a tax liability if (i) an administrative or court action that contests the amount or validity of the liability has been filed or served, (ii) the appeal period to contest the tax liability has not expired, or (iii) the licensee or applicant has entered into a payment agreement to pay the liability and is current with the payments.

(c) When a licensee or applicant is required to obtain a clearance certificate under this subdivision, a contested case hearing must be held if the licensee or applicant requests a hearing in writing to the commissioner of revenue within 30 days of the date of the notice provided in paragraph (a). The hearing must be held within 45 days of the date the commissioner of revenue refers the case to the office of administrative hearings. Notwithstanding any law to the contrary, the licensee or applicant must be served with 20 days' notice in writing specifying the time and place of the hearing and the allegations against the licensee or applicant. The notice may be served personally or by mail.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

(d) The board shall require all licensees or applicants to provide their social security number and Minnesota business identification number on all license applications. Upon request of the commissioner of revenue, the board must provide to the commissioner of revenue a list of all licensees and applicants, including the name and address, social security number, and business identification number. The commissioner of revenue may request a list of the licensees and applicants no more than once each calendar year. Notwithstanding sections 290.61 and 297A.43, the commissioner of revenue may release information necessary to accomplish the purpose of this subdivision.

Sec. 37. **REPEALER.**

Minnesota Statutes 1984, section 270.72, subdivision 5, is repealed.

Sec. 38. **APPROPRIATION.**

Compliance Initiatives

FY1986 FY1987

300,000 2,974,500

Summary by Fund

	FY1986	FY1987
General	216,600	1,895,400
Special	83,400	1,079,100

The commissioner of revenue may use the general fund appropriation to fund any of the compliance initiatives in any program area except that this appropriation is not available for compliance initiatives in the corporate income tax area.

In addition to the amounts of corporate income tax receipts required to be credited to the special revenue fund pursuant to Laws 1985, First Special Session chapter 13, section 21, subdivision 3, an additional \$83,400 of corporate income tax receipts in the first year and an additional \$1,079,100 of corporate income tax receipts in the second year must be credited to the special revenue fund to be used to fund compliance initiatives.

Sec. 39. **EFFECTIVE DATES.**

Sections 1, 4, and 35 are effective for taxes on premiums paid after December 31, 1986. Sections 2, 3, 5 to 9, 21, 31, 36, and 37 are effective the day following final enactment. Sections 10 to 17 are effective July 1, 1986. Section 18 is effective for interest earned on overpayments after December 31, 1987. Section 20 is effective for taxable years beginning after December 31, 1985. Sections 22 to 28 and 32 to 34 are effective June 1, 1986.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

ARTICLE 8

MISCELLANEOUS

Section 1. [41A.09] ETHANOL DEVELOPMENT FUND.

Subdivision 1. FUND CREATED. An ethanol development fund is created as a separate fund in the state treasury. The department of revenue shall administer the fund. The fund is annually appropriated from the general fund to the commissioner of revenue for the purposes of this section and all money so appropriated is available until expended.

Subd. 2. DEFINITION. For purposes of this section "ethanol" means agriculturally derived fermentation ethyl alcohol of a purity of at least 99 percent, determined without regard to any added denaturants, denatured in conformity with one of the approved methods set forth by the United States Department of Treasury, Bureau of Alcohol, Tobacco and Firearms, and derived from the following agricultural products: potatoes, cereal, grains, cheese whey, or sugar beets.

Subd. 3. PAYMENTS FROM FUND. The commissioner of revenue shall make cash payments from the development fund to producers of ethanol or agricultural grade alcohol, for use as a motor fuel, located in the state. The amount of the payment for each producer's annual production shall be as follows:

(a) For each gallon of ethanol produced:

(1) For the period beginning July 1, 1986 and ending June 30, 1987, 15 cents per gallon;

(2) For the period beginning July 1, 1987 and ending June 30, 1992, 20 cents per gallon.

(b) For each gallon produced of agricultural grade alcohol of a purity of at least 50 percent but not more than 90 percent and designed to be used in conjunction with diesel fuel in an engine's internal combustion process, for the period beginning July 1, 1987 and ending June 30, 1992, 11 cents per gallon.

The total payments from the fund to all producers may not exceed \$200,000 during the period beginning July 1, 1986 and ending June 30, 1987, and may not exceed \$10,000,000 in any fiscal year during the period beginning July 1, 1987 and ending June 30, 1992. Total payments to any producer from the fund in any fiscal year may not exceed \$3,000,000.

By the last day of October, January, April, and July, each producer shall file a claim for payment for production during the preceding three calendar months. The volume of production must be verified by a certified financial audit performed by an independent certified public accountant using generally accepted accounting procedures.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

Payments shall be made November 15, February 15, May 15, and August 15.

Subd. 4. RULEMAKING AUTHORITY. The commissioner shall adopt emergency and permanent rules to implement this section.

Subd. 5. EXPIRATION. This section expires July 1, 1992 and all money in the fund on that date reverts to the general fund.

Sec. 2. Minnesota Statutes 1984, section 162.06, subdivision 1, is amended to read:

Subdivision 1. **ESTIMATE.** On or before the second Tuesday of January of each year the commissioner shall estimate the probable sum of money that will accrue to the county state-aid highway fund during the first six months of each year ending June 30. To such estimated amounts he shall add the sum of money already accrued in the county state-aid highway fund for the last preceding six month period ending December 31 of each year, adjusted to reflect the amount by which actual receipts for the preceding January 1 to June 30 were different from estimated receipts. The total of such sums except for deductions to be first made as provided herein shall be apportioned to the several counties as herein-after provided.

Sec. 3. Minnesota Statutes 1984, section 162.12, subdivision 1, is amended to read:

Subdivision 1. **ESTIMATE OF ACCRUALS.** On or before the second Tuesday of January of each year the commissioner shall estimate the probable sum of money that will accrue to the municipal state-aid street fund during the first six months of each year ending June 30. To the estimated amount he shall add the sum of money already accrued in the municipal state-aid street fund for the last preceding six-month period ending December 31, adjusted to reflect the amount by which actual receipts for the preceding January 1 to June 30 were different from estimated receipts. The total of such sums, except for deductions to be first made as provided herein, shall be apportioned by the commissioner to the cities having a population of 5,000 or more as hereinafter provided.

Sec. 4. **[256.014] STATE AND COUNTY SYSTEMS.**

Subdivision 1. ESTABLISHMENT OF SYSTEMS. The commissioner of human services shall establish and enhance computer systems necessary for the efficient operation of the programs the commissioner supervises, including:

(1) management and administration of the food stamp and income maintenance programs;

(2) the central clearinghouse project for the child support enforcement program; and

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

(3) administration of medical assistance and general assistance medical care.

The commissioner shall distribute the nonfederal share of the costs of operating and maintaining the systems to the commissioner and to the counties participating in the system in a manner that reflects actual system usage. Development costs must not be assessed against local agencies.

Subd. 2. STATE SYSTEMS ACCOUNT CREATED. A state systems account is created in the state treasury. Money collected by the commissioner of human services for the programs in subdivision 1 must be deposited in the account. Money in the state systems account and federal matching money is appropriated to the commissioner of human services for purposes of this section.

Subd. 3. REPORT. The commissioner of human services shall report to the chair of the house appropriations committee and the chair of the senate finance committee on January 1 of each year detailing project expenditures to date, methods used to maximize county participation, and the fiscal impact on programs, counties, and clients.

Sec. 5. Minnesota Statutes 1985 Supplement, section 256B.06, subdivision 1, is amended to read:

Subdivision 1. Medical assistance may be paid for any person:

(1) who is a child eligible for or receiving adoption assistance payments under Title IV-E of the Social Security Act, United States Code, title 42, sections 670 to 676 under Minnesota Statutes, section 259.40 or 259.431; or

(2) who is a child eligible for or receiving foster care maintenance payments under Title IV-E of the Social Security Act, United States Code, title 42, sections 670 to 676; or

(3) who is eligible for or receiving public assistance under the aid to families with dependent children program, the Minnesota supplemental aid program; or

(4) who is a pregnant woman, as certified in writing by a physician or nurse midwife, and who (a) meets the other eligibility criteria of this section, and (b) would be categorically eligible for assistance under the aid to families with dependent children program if the child had been born and was living with the woman; or

(5) who is a pregnant woman, as certified in writing by a physician or nurse midwife, who meets the other eligibility criteria of this section and whose unborn child would be eligible as a needy child under clause (9) if born and living with the woman; or

(6) who meets the categorical eligibility requirements of the supplemental security income program and the other eligibility requirements of this section; or

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

(7) who, except for the amount of income or resources, would qualify for supplemental security income for the aged, blind and disabled, or aid to families with dependent children, and who meets the other eligibility requirements of this section; or

(8) who is under 21 years of age and in need of medical care that neither he nor his relatives responsible under sections 256B.01 to 256B.26 are financially able to provide; or

(9) who is an infant less than one year of age born on or after October 1, 1984, whose mother was eligible at the time of birth and who remains in the mother's household. Eligibility under this clause is concurrent with the mother's and does not depend on the father's income except as the income affects the mother's eligibility; or

(10) who is residing in a hospital for treatment of mental disease or tuberculosis and is 65 years of age or older and without means sufficient to pay the per capita hospital charge; and

(11) who resides in Minnesota, or, if absent from the state, is deemed to be a resident of Minnesota in accordance with the regulations of the state agency; and

(12) who alone, or together with his spouse, does not own real property other than the homestead. For the purposes of this section, "homestead" means the house owned and occupied by the applicant or recipient as his primary place of residence, together with the contiguous land upon which it is situated. The homestead shall continue to be excluded for persons residing in a long-term care facility if it is used as a primary residence by the spouse, minor child, or disabled child of any age; or the applicant/recipient is expected to return to the home as a principal residence within six calendar months of entry to the long-term care facility. Certification of expected return to the homestead shall be documented in writing by the attending physician. Real estate not used as a home may not be retained unless it produces net income applicable to the family's needs or the family is making a continuing effort to sell it at a fair and reasonable price or unless the commissioner determines that sale of the real estate would cause undue hardship or unless the equity in the real estate when combined with the equity in the homestead totals \$15,000 or less; and

(13) who individually does not own more than \$3,000 in cash or liquid assets, or if a member of a household with two family members (husband and wife, or parent and child), does not own more than \$6,000 in cash or liquid assets, plus \$200 for each additional legal dependent. In addition to these maximum amounts, an eligible individual or family may accrue interest on these amounts, but they must be reduced to the maximum at the time of an eligibility redetermination. For residents of long-term care facilities, the accumulation of the clothing and personal needs allowance pursuant to section 256B.35 must also be reduced to the maximum at the time of the eligibility redetermination.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

Cash and liquid assets may include a prepaid funeral contract and insurance policies with cash surrender value. The value of the following shall not be included:

(a) the homestead, and (b) one motor vehicle licensed pursuant to chapter 168 and defined as: (1) passenger automobile, (2) station wagon, (3) motorcycle, (4) motorized bicycle or (5) truck of the weight found in categories A to E, of section 168.013, subdivision 1e; and

(14) who has or anticipates receiving an annual income not in excess of the income standards by family size used in the aid to families with dependent children program, or who has income in excess of these maxima and in the month of application, or during the three months prior to the month of application, incurs expenses for medical care that total more than one-half of the annual excess income in accordance with the regulations of the state agency. Notwithstanding any laws or rules to the contrary, in computing income to determine eligibility of persons who are not residents of long-term care facilities, the commissioner shall disregard increases in income ~~due solely to increases in federal retiree, survivor's, and disability insurance benefits, veterans administration benefits, and railroad retirement benefits in the percentage amount established in the biennial appropriations law unless prohibited by federal law or regulation.~~ If prohibited, the commissioner shall first seek a waiver as required by Public Law No. 94-566, section 503. In excess income cases, eligibility shall be limited to a period of six months beginning with the first of the month in which these medical obligations are first incurred; and

(15) who has continuing monthly expenses for medical care that are more than the amount of his excess income, computed on a monthly basis, in which case eligibility may be established before the total income obligation referred to in the preceding paragraph is incurred, and medical assistance payments may be made to cover the monthly unmet medical need. In licensed nursing home and state hospital cases, income over and above that required for justified needs, determined pursuant to a schedule of contributions established by the commissioner of human services, is to be applied to the cost of institutional care. The commissioner of human services may establish a schedule of contributions to be made by the spouse of a nursing home resident to the cost of care; and

(16) who has applied or agrees to apply all proceeds received or receivable by him or his spouse from automobile accident coverage and private health care coverage to the costs of medical care for himself, his spouse, and children. The state agency may require from any applicant or recipient of medical assistance the assignment of any rights accruing under private health care coverage. Any rights or amounts so assigned shall be applied against the cost of medical care paid for under this chapter. Any assignment shall not be effective as to benefits paid or provided under automobile accident coverage and private health care coverage prior to receipt of the assignment by the person or organization providing the benefits.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

Sec. 6. [270.069] COMMISSIONER TO COLLECT CERTAIN LOCAL TAXES.

Subdivision 1. COSTS DEDUCTED; APPROPRIATION. If the commissioner of revenue agrees to collect a locally imposed tax, the local unit of government must agree that all the direct and indirect costs of the department of revenue for collecting the tax and any other statewide indirect costs will be deducted from the amounts collected and paid to the local unit of government. The amounts deducted must be deposited in the state treasury and credited to a local tax collection account. Money in the account is appropriated to the commissioner of revenue to collect the locally imposed tax.

Subd. 2. DEVELOPMENT COSTS. If the commissioner determines that a new computer system will be required to collect the locally imposed taxes, the costs of development of the system will be charged to the first local units of government to be included in the system. Any additional local units of government that by agreement are added to the system will be charged for a share of the development costs. The charge will be determined by the commissioner who shall then refund to the original local units of government their portion of the development costs recovered from the additional users. The amounts necessary to make the refunds are appropriated from the local tax collection account to the commissioner of revenue.

Sec. 7. Minnesota Statutes 1984, section 270A.03, subdivision 5, is amended to read:

Subd. 5. "Debt" means a legal obligation of a natural person to pay a fixed and certain amount of money, which equals or exceeds \$25 and which is due and payable to a claimant agency. The term includes criminal fines imposed under section 609.10. A debt may arise under a contractual or statutory obligation, a court order, or other legal obligation, but need not have been reduced to judgment. A debt does not include (1) any legal obligation of a current recipient of assistance which is based on overpayment of an assistance grant, or (2) any legal obligation to pay a claimant agency for medical care, including hospitalization if the debtor would have qualified for a low income credit equal to tax liability pursuant to Minnesota Statutes 1984, section 290.06, subdivision 3d, clause (1), at the time when the medical care was rendered, provided that, for purposes of this subdivision, the income amounts in that section shall be adjusted for inflation for debts incurred in calendar years 1987 and thereafter. The dollar amount of each income level that applied to debts incurred in the prior year shall be increased in the same manner as provided in section 290.06, subdivision 2d, for the expansion of the tax rate brackets.

Sec. 8. Minnesota Statutes 1985 Supplement, section 273.1314, subdivision 6, is amended to read:

Subd. 6. LOCAL CONTRIBUTION. No area may be designated as an enterprise zone unless the municipality agrees to make a qualifying local contri-

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

bution in the form of a property tax reduction for employment property as provided by section 273.1313 for any business qualifying for a state tax reduction pursuant to this section. A qualifying local contribution may in the alternative be a local contribution or investment out of other municipal funds, but excluding any special federal grants or loans, equivalent to the property tax reduction. In concluding the agreement with the municipality the commissioner may require that the local contribution will be made in a specified ratio to the amount of the state credits authorized. If the local contribution is to be used to fund additional reductions in state taxes, the commissioner and the governing body of the municipality shall enter an agreement for timely payment to the state to reimburse the state for the amount of tax revenue foregone as a result. The qualifying local contribution for a special enterprise zone under section 273.1312, subdivision 4, paragraph (c), clause (4), shall be the complete abatement of property taxes on property in the zone. The qualifying local contribution for development within the portion of an enterprise zone that is located in a town that has been added by boundary amendment to an enterprise zone that is located within five municipalities and was designated in 1984 shall be provided by the town.

Sec. 9. Minnesota Statutes 1985 Supplement, section 273.1314, subdivision 16a, as amended by Laws 1986, chapter 465, article 2, section 3, is amended to read:

Subd. 16a. **ZONE BOUNDARY REALIGNMENT.** The commissioner may approve specific applications by a municipality to amend the boundaries of a zone or of an area or areas designated pursuant to subdivision 9, paragraph (e) at any time. Boundaries of a zone may not be amended to create noncontiguous subdivisions. If the commissioner approves the amended boundaries, the change is effective on the date of approval. Notwithstanding the area limitation under section 273.1312, subdivision 4, paragraph (b), the commissioner may approve a specific application to amend the boundaries of an enterprise zone which is located within five municipalities and was designated in 1984, to increase its area to not more than 800 acres, and may approve an additional specific application to amend the boundaries of that enterprise zone to include a sixth municipality or to further increase its area to include all or part of the territory of a town that surrounds one of the five municipalities, or both.

Sec. 10. Minnesota Statutes 1985 Supplement, section 296.02, subdivision 7, is amended to read:

Subd. 7. **TAX REDUCTION FOR AGRICULTURAL ALCOHOL GASOLINE.** A distributor shall be allowed a credit on each gallon of fuel grade alcohol commercially blended with gasoline or blended in a tank truck with gasoline on which the tax imposed by subdivision 1 is due and payable. The amount of the credit is ~~40 cents~~ for every gallon of fuel-grade alcohol blended with gasoline to produce agricultural alcohol gasoline is as follows:

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

(a) For the fiscal year ending June 30, 1987, 25 cents.

(b) On and after July 1, 1987, 20 cents.

The credit allowed a distributor must not exceed the total tax liability under subdivision 1. The tax credit received by a distributor on alcohol blended with motor fuels shall be passed on to the retailer.

Sec. 11. Minnesota Statutes 1985 Supplement, section 296.22, subdivision 13, is amended to read:

Subd. 13. **GASOLINE-ALCOHOL BLENDS; IDENTIFICATION.** When gasoline blended with alcohol is sold, offered for sale, or dispensed for use in motor vehicles, the dispenser shall be clearly marked to identify each type of alcohol, if more than one percent by volume, blended with the gasoline. The marking shall consist of a white or yellow adhesive decal not less than two inches by six inches with clearly printed black lettering not less than one-half inch high and one-eighth inch in stroke. The marking shall be conspicuously displayed on ~~the front side~~ both sides of the dispenser and state that the gasoline "CONTAINS ETHANOL" or "CONTAINS METHANOL" or has been ~~improved~~ "WITH ETHANOL ENRICHMENT ENRICHED." This subdivision does not prohibit the posting of other alcohol or additive information.

Sec. 12. Minnesota Statutes 1984, section 297B.09, subdivision 2, is amended to read:

Subd. 2. **HIGHWAY USER TAX DISTRIBUTION FUND AND TRANSIT ASSISTANCE FUND SHARE.** The proceeds collected under this chapter must be deposited in the highway user tax distribution fund and the transit assistance fund for apportionment in the following manner:

(a) None of the proceeds collected before July 1, 1984, or between July 1, 1985, and June 30, 1987, may be credited to either fund.

(b) 18.75 percent of the proceeds collected after June 30, 1984, and before July 1, ~~1987~~ 1985, must be credited to the highway user tax distribution fund for apportionment in the same manner and for the same purposes as other money in that fund. The remaining 6.25 percent of the proceeds must be credited to the transit assistance fund to be appropriated to the commissioner of transportation for transit assistance within the state.

(c) Except as provided in paragraph (f), 37.5 percent of the proceeds collected after June 30, 1987, and before July 1, 1989, must be credited to the highway user tax distribution fund for apportionment in the same manner and for the same purposes as other money in that fund. The remaining 12.5 percent of the proceeds must be credited to the transit assistance fund to be appropriated to the commissioner of transportation for transit assistance within the state.

(d) Except as provided in paragraph (f), 56.25 percent of the proceeds

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collected after June 30, 1989, and before July 1, 1991, must be credited to the highway user tax distribution fund for apportionment in the same manner and for the same purposes as other money in that fund. The remaining 18.75 percent of the proceeds must be credited to the transit assistance fund to be appropriated to the commissioner of transportation for transit assistance within the state.

(e) Except as provided in paragraph (f), 75 percent of the proceeds collected after June 30, 1991, must be credited to the highway user tax distribution fund for apportionment in the same manner and for the same purposes as other money in that fund. The remaining 25 percent of the proceeds must be credited to the transit assistance fund to be appropriated to the commissioner of transportation for transit assistance within the state.

(f) The distributions under paragraphs (c), (d), and (e) to the highway user tax distribution fund shall be reduced by the amount necessary to fund the appropriation under section 1, subdivision 1.

Sec. 13. Minnesota Statutes 1985 Supplement, section 297C.02, is amended by adding a subdivision to read:

Subd. 4. BOTTLE TAX. A tax of one cent is imposed on each bottle or container of distilled spirits and wine. The wholesaler is responsible for the payment of this tax when the bottles of distilled spirits and wine are removed from inventory for sale, delivery, or shipment.

The following are exempt from the tax:

- (1) miniatures of distilled spirits;
- (2) containers of fermented malt beverage;
- (3) containers of intoxicating liquor or wine holding less than 200 milliliters;
- (4) containers of wine intended exclusively for sacramental purposes;
- (5) containers of alcoholic beverages sold to qualified, approved military clubs;
- (6) containers of alcoholic beverages sold to common carriers engaged in interstate commerce;
- (7) containers of alcoholic beverages sold to authorized food processors or pharmaceutical firms for use exclusively in the manufacturing of food products or medicines;
- (8) containers of alcoholic beverages sold and shipped to dealers, wineries, or distillers in other states; and

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(9) containers of alcoholic beverages sold to other Minnesota wholesalers.

Sec. 14. **[458.091] COMPLIANCE EXAMINATIONS; FINANCIAL AUDITS.**

Subdivision 1. COMPLIANCE EXAMINATIONS. At the request of the city or upon the auditor's initiative, the state auditor may make a legal compliance examination of the authority for that city. Each authority examined must pay the total cost of the examination, including the salaries paid to the examiners while actually engaged in making the examination. The state auditor may bill monthly or at the completion of the audit. All collections received must be deposited in the revolving fund of the state auditor. For purposes of this section "authority" means a port authority created under chapter 458 or any other law.

Subd. 2. AUDITS. The financial statements of the authority must be prepared, audited, filed, and published or posted in the manner required for the financial statements of the city that established the authority. The financial statements must permit comparison and reconciliation with the city's accounts and financial reports. The report must be filed with the state auditor by June 30 of each year. The auditor shall review the report and may accept it or, in the public interest, audit the books of the authority.

Sec. 15. Minnesota Statutes 1985 Supplement, section 609.101, is amended to read:

609.101 SURCHARGE ON FINES, ASSESSMENTS.

When a court sentences a person convicted of a felony, gross misdemeanor, or misdemeanor, other than a petty misdemeanor such as a traffic or parking violation, and if the sentence does not include payment of a fine, the court shall impose an assessment of not less than \$20 nor more than \$40. If the sentence for the felony, gross misdemeanor, or misdemeanor includes payment of a fine of any amount, including a fine of less than \$100, the court shall impose a surcharge on the fine of ten percent of the fine. This section applies whether or not the person is sentenced to imprisonment and when the sentence is suspended. The court may, upon a showing of indigency or undue hardship upon the convicted person or his immediate family, waive payment or authorize payment of the assessment or surcharge in installments.

The court shall collect and forward to the commissioner of finance the total amount of the assessment or surcharge and the commissioner shall credit all money so forwarded to ~~the general fund for the purposes of providing services, assistance, or reparations or a combination, to victims of crimes through programs established under sections 611A.21 to 611A.36, under chapters 256D and 299B~~ a crime victim and witness account, which is established as a special account in the state treasury.

Money credited to the crime victim and witness account may be appropriated for but is not limited to the following purposes:

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- (1) use for crime victim reparations under sections 611A.51 to 611A.68;
- (2) use by the crime victim and witness advisory council established under section 611A.71; and
- (3) to supplement the federally funded activities of the crime victim ombudsman under section 611A.74.

If the convicted person is sentenced to imprisonment, the chief executive officer of the correctional facility in which the convicted person is incarcerated may collect the assessment or surcharge from any earnings the inmate accrues for work performed in the correctional facility and forward the amount to the commissioner of finance.

Sec. 16. MOTOR VEHICLE EXCISE TAX TRANSFER.

Notwithstanding any law to the contrary, tax proceeds under chapter 297B and the investment earnings on those proceeds credited to the highway user tax distribution fund and the transit assistance fund for the period after June 30, 1985, and before July 1, 1986, must be returned to the general fund on June 30, 1986.

Sec. 17. APPROPRIATION.

\$120,000 is appropriated from the general fund for fiscal years 1986 and 1987 to the commissioner of revenue for purposes of contracting with a vendor to prepare and merge federal income tax, demographic, economic and other data with state income tax data to provide a comprehensive sample of data suitable for use in empirical tax policy research and to acquire computer programs or software or modifications to existing state computer software designed to be used with the data sample.

The data sample must be made available to legislative staff in a manner that complies with the requirements of Minnesota Statutes, section 290.61, except that a formal request of a majority of the members of the tax committees is not required.

The commissioner of revenue may enter into a contract to carry out the purposes of this section without publication of notice, the requirements of competitive bidding or other procedural requirements for state contracts, notwithstanding the provisions of Minnesota Statutes, chapter 16B or any other law to the contrary.

Sec. 18. MASS TRANSIT.

\$12,235,000 in fiscal year 1986 and \$9,365,000 in fiscal year 1987 is appropriated from the general fund to the commissioner of transportation for transit assistance.

Changes or additions are indicated by underline, deletions by strikeout.

Sec. 19. **REPEALER.**

Minnesota Statutes 1985 Supplement, section 290.06, subdivision 2f, is repealed.

Sec. 20. **EFFECTIVE DATE.**

Section 7 is effective for medical care rendered after June 28, 1985. Sections 1, 10, and 11 are effective July 1, 1986. Section 13 is effective August 1, 1985. Section 14 is effective the day following final enactment. Section 16 is effective June 30, 1986. Section 19 is effective January 1, 1986. Section 15 is effective July 1, 1987.

ARTICLE 9**ELEMENTARY AND SECONDARY EDUCATION**

Section 1. Minnesota Statutes 1984, section 123.71, subdivision 1, is amended to read:

Subdivision 1. Every school board shall, no later than ~~September 1~~ October 1, publish the revenue and expenditure budgets submitted to the commissioner of education in accordance with section 121.908, subdivision 4, for the current year and the actual revenues, expenditures, fund balances for the prior year and projected fund balances for the current year in a form prescribed by the state board of education after consultation with the advisory council on uniform financial accounting and reporting standards. The forms prescribed shall be designed so that year to year comparisons of revenue, expenditures and fund balances can be made. These budgets, reports of revenue, expenditures and fund balances shall be published in a qualified newspaper of general circulation in the district.

Sec. 2. Minnesota Statutes 1985 Supplement, section 124.17, subdivision 1a, is amended to read:

Subd. 1a. **AFDC PUPIL UNITS.** In addition to the pupil units counted under subdivision 1, pupil units shall be counted as provided in this subdivision, beginning with the 1986-1987 school year.

(1) Each pupil in subdivision 1 from a family receiving aid to families with dependent children or its successor program who is enrolled in the school district on October 1 of the previous school year shall be counted as an additional five-tenths pupil unit.

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(2) In every district in which the number of pupils from families receiving aid to families with dependent children or its successor program equals six percent or more of the actual pupil units in the district for the same year as computed in subdivision 1, each such pupil shall be counted as an additional one-tenth of a pupil unit for each percent of concentration over five percent of such pupils in the district. The percent of concentration shall be rounded down to the nearest whole percent for this paragraph. In districts in which the percent of concentration is less than six, additional pupil units must not be counted under this paragraph for pupils from families receiving aid to families with dependent children or its successor program. A pupil must not be counted as more than 1-1/10 additional pupil units under this subdivision. The weighting in this paragraph is in addition to the weighting provided in subdivision 1 and paragraph (1).

Sec. 3. Minnesota Statutes 1985 Supplement, section 124.195, subdivision 11, is amended to read:

Subd. 11. **NONPUBLIC AIDS.** The state shall pay to each school district 85 percent, unless a higher rate has been established according to section 121.904, subdivision 4d, of its aid according to sections 123.931 to 123.947 for pupils attending nonpublic schools ~~and nonpublic~~ by October 31 of each fiscal year. If a payment advance to meet cash flow needs is requested by a district and approved by the commissioner, the state shall pay basic transportation aid requested by a district and approved by the commissioner according to sections 123.931 to 123.947 section 124.225, subdivision 8b attributable to pupils attending nonpublic schools by October 31. The final aid distribution shall be made by October 31 of the following school year. This subdivision applies to both the final adjustment payment for the prior fiscal year and the payment for the current fiscal year, as established in subdivision 10.

Sec. 4. Minnesota Statutes 1985 Supplement, section 124.2161, subdivision 6, is amended to read:

Subd. 6. **F.I.C.A. INFLATION FACTOR.** "F.I.C.A. inflation factor" means a factor to be multiplied by a district's F.I.C.A. obligations for the base year. For the base year of fiscal year 1985, the F.I.C.A. inflation factor shall be ~~1.1806~~ 1.1599. For base years after fiscal year 1985, the F.I.C.A. inflation factor shall be equal to the foundation aid formula allowance for the current year, divided by the foundation aid formula allowance for the base year.

Sec. 5. Minnesota Statutes 1985 Supplement, section 124.2162, subdivision 2, is amended to read:

Subd. 2. **AID.** Beginning in fiscal year 1987, the state shall pay each district for each fiscal year, teacher retirement and F.I.C.A. aid in the amount of the teacher retirement and F.I.C.A. aid allowance under subdivision 1 times the number of pupils in average daily membership in the district for the current school year. However, in no case shall the amount of aid paid to a district for

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any fiscal year exceed the sum of the district's teacher retirement obligations and F.I.C.A. obligations for that year. The revenue received from these payments shall be recognized in the appropriate funds of the district in proportion to the related expenditures from each fund.

Sec. 6. Minnesota Statutes 1985 Supplement, section 124.2163, subdivision 2, is amended to read:

Subd. 2. **AID.** Each year beginning with fiscal year 1987, the state shall pay teacher retirement and F.I.C.A. aid to intermediate school districts, joint vocational technical school districts, and other employing units equal to the district's or employing unit's aid under subdivision 1. However, in no case shall the amount of aid paid to an intermediate school district, joint vocational technical school district, or the employing unit exceed the sum of the intermediate school district, joint vocational technical school district, or other employing unit's teacher retirement obligations and F.I.C.A. obligations for that year. The revenue received from these payments shall be recognized in the appropriate funds of the intermediate school districts, joint vocational technical school districts, and other employing units in proportion to the related expenditures from each fund.

Sec. 7. Minnesota Statutes 1985 Supplement, section 124.225, subdivision 7b, is amended to read:

Subd. 7b. **INFLATION FACTORS.** The adjusted authorized predicted cost per FTE determined for a district under subdivision 7a for the base year shall be increased by 10.3 percent to determine the district's aid entitlement per FTE for the 1984-1985 school year, by 8.9 percent to determine the district's aid entitlement per FTE for the 1985-1986 school year, and by ~~6.7~~ 6.0 percent to determine the district's aid entitlement per FTE for the 1986-1987 school year.

Sec. 8. Minnesota Statutes 1985 Supplement, section 124.225, subdivision 10, is amended to read:

Subd. 10. **DEPRECIATION.** Any school district which owns school buses or mobile units shall transfer annually from the unappropriated fund balance account in its transportation fund to the appropriated fund balance account for bus purchases in its transportation fund at least an amount equal to 12-1/2 percent of the original cost of each type one or type two bus or mobile unit until the original cost of each type one or type two bus or mobile unit is fully amortized, plus 20 percent of the original cost of each type three bus included in the district's authorized cost under the provisions of subdivision 1, clause (b)(4), until the original cost of each type three bus is fully amortized, plus 33-1/3 percent of the cost to the district as of July 1 of each year for school bus reconditioning done by the department of corrections until the cost of the reconditioning is fully amortized; provided, if the district's transportation aid is reduced pursuant to subdivision 8a because the appropriation for that year is insufficient, this amount shall be reduced in proportion to the reduction pursuant to subdivision 8a as a percentage of the sum of

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(1) the district's total transportation aid without the reduction pursuant to subdivision 8a, plus

(2) for fiscal years 1985 and 1986 an amount equal to 1.75 mills times the adjusted assessed valuation of the district for the preceding year, and for fiscal year 1987 and thereafter, 2.25 mills times the adjusted assessed valuation of the district for the preceding year, plus

(3) the district's contract services aid reduction under subdivision 8k, plus

(4) the district's nonregular transportation levy limitation under section 275.125, subdivision 5c.

Sec. 9. Minnesota Statutes 1985 Supplement, section 124.245, subdivision 1, is amended to read:

Subdivision 1. **BASIC COMPUTATION.** (a) Each year the state shall pay a school district the difference by which an amount equal to \$90 per \$130 times the total pupil unit units in that school year ~~or, in districts where the number of actual pupil units has increased from the prior year, \$95 per pupil unit in that school year, exceeds the amount raised by seven nine~~ mills times the adjusted assessed valuation of the taxable property in the district for the preceding used to compute the levy attributable to the same year. To qualify for aid pursuant to this subdivision in any school year, a district must have levied ~~seven~~ EARC mills for use for capital expenditures in that year levy pursuant to section 275.125, subdivision 11a for use in that year.

(b) The aid under clause (a) for any district which operates an approved secondary vocational education program or an approved senior secondary industrial arts program shall be computed using a dollar amount per pupil unit which is \$5 higher than the amount specified in clause (a).

(c) If the sum of a district's capital expenditure levy under section 275.125, subdivision 11a, attributable to any school year and its capital expenditure equalization aid, if any, under this subdivision for that school year exceeds \$90 per pupil unit or, in districts where the number of actual pupil units has increased from the prior year, \$95 per pupil unit, the amount of the excess may be expended only for the purpose of capital expenditures for equipment for secondary vocational education programs or senior secondary industrial arts programs.

Sec. 10. Minnesota Statutes 1985 Supplement, section 124.245, subdivision 3, is amended to read:

Subd. 3. **HAZARDOUS SUBSTANCE COMPUTATION.** The state shall pay a school district the difference by which an amount equal to \$25 ~~per times~~ the total pupil unit units exceeds the amount raised by two mills times the adjusted assessed valuation of the taxable property in the district for the preceding used to compute the levy attributable to the same year. To qualify for aid

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pursuant to this subdivision in any school year, a district must levy pursuant to section 275.125, subdivision 11c for use in that year. Aid paid pursuant to this subdivision may be used only for the purposes for which the proceeds of the levy authorized in section 275.125, subdivision 11c may be used.

Sec. 11. Minnesota Statutes 1985 Supplement, section 124.271, subdivision 2b, is amended to read:

Subd. 2b. **AID; 1985, 1986, 1987, 1988 AND AFTER.** (1) Each fiscal year a district which is operating a community education program in compliance with rules promulgated by the state board shall receive community education aid. ~~For fiscal year 1985, the aid shall be an amount equal to the difference obtained by subtracting~~

~~(a) an amount equal to .8 mill times the adjusted assessed valuation used to compute the community education levy limitation for the levy attributable to that school year, from~~

~~(b) the greater of~~

~~\$7,000, or~~

~~\$5 times the population of the district.~~

For fiscal year 1986, the aid shall be an amount equal to the difference obtained by subtracting

(a) an amount equal to .8 mill times the adjusted assessed valuation used to compute the community education levy limitation for the levy attributable to that school year, from

(b) the greater of

\$7,000, or

\$5.25 times the population of the district.

For fiscal year 1987 ~~and each year thereafter~~, the aid shall be an amount equal to the difference obtained by subtracting

(a) an amount equal to .8 mill times the adjusted assessed valuation used to compute the community education levy limitation for the levy attributable to that school year, from

(b) the greater of

\$7,140, or

\$5.35 times the population of the district.

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For fiscal year 1988 and each year thereafter, the aid shall be an amount equal to the difference obtained by subtracting

(a) an amount equal to .8 mill times the adjusted assessed valuation used to compute the community education levy limitation for the levy attributable to that school year, from

(b) the greater of

\$7,340, or

\$5.50 times the population of the district.

(2) However, for any district which certifies less than the maximum permissible levy under the provisions of section 275.125, subdivision 8, clause (1), the district's community education aid under clause (1) of this subdivision shall be reduced by multiplying the aid amount computed pursuant to clause (1) of this subdivision by the ratio of the district's actual levy under section 275.125, subdivision 8, clause (1), to its maximum permissible levy under section 275.125, subdivision 8, clause (1). For purposes of computing the aid reduction pursuant to this clause, the amount certified pursuant to section 275.125, subdivision 8, clause (1), shall not reflect reductions made pursuant to section 275.125, subdivision 9.

~~(3) In addition to the amount in clause (1), in fiscal year 1985 a district which makes a levy for community education programs pursuant to section 275.125, subdivision 8, shall receive additional aid of 50 cents per capita.~~

Sec. 12. Minnesota Statutes 1985 Supplement, section 124.573, subdivision 2, is amended to read:

Subd. 2. **SALARIES AND TRAVEL.** The eligible expenses for secondary vocational aid are: (1) the salaries paid to essential, licensed personnel in that school year for services rendered in that district's or center's approved secondary vocational education programs; (2) the costs of necessary travel between instructional sites by secondary vocational education teachers; and (3) the costs of necessary travel by secondary vocational education teachers accompanying students to and from vocational student organization meetings held within the state for educational purposes. The state shall pay to any district or cooperative center 41.5 percent of the eligible expenses incurred in an approved secondary vocational program for each school year. The commissioner may withhold all or any portion of this aid for a secondary vocational education program which receives funds from any other source. In no event shall a district or center receive a total amount of state aid pursuant to this section which, when added to funds from other sources, will provide the program an amount for salaries and travel which exceeds 100 percent of the amount of its expenditures for salaries and travel in the program.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

Sec. 13. Minnesota Statutes 1984, section 124.573, subdivision 3, is amended to read:

Subd. 3. **COMPLIANCE WITH RULES.** This aid shall be paid only for services rendered or for the costs designated in subdivision 2 which are incurred in secondary vocational education programs approved by the state department of education and operated in accordance with rules promulgated by the state board of education. These rules shall provide minimum student-staff ratios required for a secondary vocational education program in a cooperative center to qualify for this aid. The rules shall not require any minimum number of administrative staff, any minimum period of coordination time or extended employment for secondary vocational education personnel, or the availability of vocational student activities or organizations for a secondary vocational education program to qualify for this aid. The requirement in these rules that program components be available for a minimum number of hours shall not be construed to prevent pupils from enrolling in secondary vocational education courses on an exploratory basis for less than a full school year. The state board of education shall not require a school district to offer more than four credits or 560 hours of vocational education course offerings in any school year. Rules relating to secondary vocational education programs shall not incorporate the provisions of the state plan for vocational education by reference. This aid shall be paid only for services rendered and for travel costs incurred by essential, licensed personnel who meet the work experience requirements for licensure pursuant to the rules of the state board of education. Notwithstanding section 124.15, the commissioner may modify or withdraw the program or aid approval and withhold aid under this section without proceeding under section 124.15 at any time. To do so, the commissioner must determine that the program does not comply with rules of the state board or that any facts concerning the program or its budget differ from the facts in the district's approved application.

Sec. 14. Minnesota Statutes 1984, section 124.32, subdivision 1c, is amended to read:

Subd. 1c. **FOUNDATION AID FORMULA ALLOWANCE.** For purposes of this section, "foundation aid formula allowance" shall have the meaning attributed to it in section 124A.02, subdivision 9, and "summer school revenue allowance" shall have the meaning attributed to it in section 124.201. For the purposes of computing foundation aid formula allowances pursuant to this section, each handicapped child shall be counted as prescribed in section 124.17, subdivision 1; ~~clause (4) or (2).~~

Sec. 15. Minnesota Statutes 1985 Supplement, section 124A.02, subdivision 9, is amended to read:

Subd. 9. **FORMULA ALLOWANCE.** "Foundation aid formula allowance" or "formula allowance" means the amount of revenue per pupil unit used in the computation of foundation aid for a particular school year and in the computation of permissible levies for use in that school year. ~~The formula allowance~~

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shall be \$1,475 for the 1983 payable 1984 levies and for foundation aid for the 1984-1985 school year. The formula allowance shall be \$1,585 for the 1984 payable 1985 levies and for foundation aid for the 1985-1986 school year. The formula allowance shall be \$1,690 for the 1985 payable 1986 levies and for foundation aid for the 1986-1987 school year. The formula allowance is \$1,700 for the 1986 payable 1987 levies and for foundation aid for the 1987-1988 school year.

Sec. 16. Minnesota Statutes 1984, section 124A.02, subdivision 15, is amended to read:

Subd. 15. **PUPIL UNITS, ACTUAL.** "Actual pupil units" means pupil units identified in section 124.17, subdivision 1; ~~clauses (1) and (2).~~

Sec. 17. Minnesota Statutes 1985 Supplement, section 124A.03, subdivision 1a, is amended to read:

Subd. 1a. **ESTABLISHMENT OF BASIC MAINTENANCE MILL RATE.**

(a) The commissioner of revenue shall establish the basic maintenance mill rate and certify it to the commissioner of education by August 1 of each year for levies payable in the following year. The established basic maintenance mill rate shall be a rate, rounded up to the nearest tenth of a mill, which when applied to the adjusted assessed valuation of taxable property for each school district under subdivision 1 or 3, as applicable, raises the total amount specified in this section.

(b) The basic maintenance mill rate for the 1985 payable 1986 levies and for foundation aid for the 1986-1987 school year shall be established at a rate that raises a total of \$702,000,000. The basic maintenance mill rate for the 1986 payable 1987 levies and for foundation aid for the 1987-1988 school year shall be set at a rate that raises \$692,000,000. The basic maintenance mill rate computed by the commissioner of revenue must not be recomputed due to changes or corrections made in a school district's adjusted assessed valuation after the mill rate has been certified to the department of education pursuant to paragraph (a).

Sec. 18. Minnesota Statutes 1985 Supplement, section 129B.38, subdivision 1, is amended to read:

Subdivision 1. **AID AMOUNT.** A district that purchases or leases courseware packages that qualify as high quality according to section 129B.37 shall receive state aid for the 1985-1986 school year. The aid shall be equal to the lesser of:

(a) \$1 50 cents times the number of pupils in average daily membership for the 1984-1985 school year; or

(b) 25 percent of the actual expenditures of the district for purchase or lease of the courseware packages between July 1, 1985, and May 31, ~~1987~~ 1986.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

Sec. 19. Minnesota Statutes 1985 Supplement, section 275.125, subdivision 8, is amended to read:

Subd. 8. **COMMUNITY EDUCATION LEVY.** (1) Each year, a district which has established a community education advisory council pursuant to section 121.88, may levy the amount raised by .8 mill times the most recent adjusted assessed valuation of the district, but no more than the greater of

~~\$5.35~~ \$5.50 times the population of the district, or

~~\$7,140~~ \$7,340.

(2) In addition to the levy authorized in clause (1), ~~in 1983~~ each year a district may levy an additional amount for community education programs equal to the difference obtained by subtracting

(a) the sum in fiscal year 1984 of

(i) the district's estimated maximum permissible revenue for fiscal year 1985 from community education aid under section 124.271, subdivision 2b, clause (1), and

(ii) the community education levy authorized in clause (1) of this subdivision, from

(b) the sum in fiscal year 1983 of

(i) the district's maximum permissible revenue from community education aid under Minnesota Statutes 1984, section 124.271, subdivision 2, excluding any reductions from community education aid made pursuant to Laws 1981, Third Special Session chapter 2, article 2, section 2, clause (mm), and Laws 1982, Third Special Session chapter 1, article 3, section 6, and

(ii) the maximum community education levy authorized in this subdivision for the district for the levy made in 1981, payable in 1982, before any reduction in the levy pursuant to subdivision 9.

(3) ~~Each year, in addition to the levy authorized in clause (1), a district may levy an amount equal to the amount the district was entitled to levy pursuant to clause (2) in 1983~~ A district having an approved adult basic and continuing education program, according to section 124.26, may levy an amount not to exceed the amount raised by .1 mill times the adjusted assessed valuation of the district for the preceding year.

(4) ~~In addition to the levy amounts authorized in this subdivision,~~ A district having an approved program and budget may levy for a handicapped adult program. The levy amount may not exceed the lesser of one-half of the amount of the approved budget for the program for the fiscal year beginning in the calendar year after the levy is certified or \$25,000 for one program. In the case

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of a program offered by a group of districts, the levy amount shall be divided among the districts according to the agreement submitted to the department. The proceeds of the levy shall be used only for a handicapped adult program or, if the program is subsequently not offered, for community education programs. For programs not offered, the department of education shall reduce the community education levy by the amount levied the previous year for handicapped adult programs.

(5) The levies authorized in this subdivision shall be used for community education, including nonvocational adult programs, recreation and leisure time activity programs, and programs authorized by sections 121.85 to 121.88 and 129B.06 to 129B.09, and 121.882. A school district may levy pursuant to this subdivision only after it has filed a certificate of compliance with the commissioner of education. The certificate of compliance shall certify that the governing boards of the county, municipality and township in which the school district or any part thereof is located have been sent 15 working days written notice of a meeting and that a meeting has been held to discuss methods of increasing mutual cooperation between such bodies and the school board. The failure of a governing board of a county, municipality or township to attend the meeting shall not affect the authority of the school district to levy pursuant to this subdivision.

(6) The population of the district for purposes of this subdivision is the population determined as provided in section 275.14 or as certified by the department of education from the most recent federal census.

Sec. 20. Minnesota Statutes 1984, section 275.125, is amended by adding a subdivision to read:

Subd. 9c. 1985 OPERATING DEBT LEVY. (1) Each year, a district may levy to eliminate a deficit in the net unappropriated balance in the general fund of the district, determined as of June 30, 1985, and certified and adjusted by the commissioner. Each year this levy may be an amount not to exceed the amount raised by a levy of 1.5 mills times the adjusted assessed valuation of the district for the preceding year. However, the total amount of this levy for all years it is made shall not exceed the amount of the deficit in the net unappropriated balance in the general fund of the district as of June 30, 1985. When the cumulative levies made pursuant to this subdivision equal the total amount permitted by this subdivision, the levy shall be discontinued.

(2) A district, if eligible, may levy under this subdivision or subdivision 9b but not both.

(3) The proceeds of this levy shall be used only for cash flow requirements and shall not be used to supplement district revenues or income for the purposes of increasing the district's expenditures or budgets.

(4) Any district that levies pursuant to this subdivision shall certify the

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maximum levy allowable under section 124A.03, subdivision 1 or 3 in that same year.

Sec. 21. Minnesota Statutes 1985 Supplement, section 275.125, subdivision 11a, is amended to read:

Subd. 11a. **CAPITAL EXPENDITURE LEVY.** (a) Each year a school district may levy an amount not to exceed the amount equal to ~~\$90 per \$130 times the total pupil unit, or \$95 per total pupil unit in districts where the number of actual pupil units has increased from the prior year~~ units in the year to which the levy is attributable. No levy under this clause shall exceed ~~seven~~ nine mills times the adjusted assessed valuation of the taxable property in the district for the preceding year.

(b) The proceeds of the levy shall be placed in the district's capital expenditure fund and may be used only:

(1) to acquire land, to equip and reequip buildings and permanent attached fixtures, to rent or lease buildings for school purposes;

(2) to purchase textbooks, to purchase and lease computer systems hardware, software, and related materials to support software; ~~and;~~

(3) to purchase or lease photocopy machines and telecommunications equipment. ~~The proceeds may also be used;~~

(4) for capital improvement and repair of school sites, buildings and permanent attached fixtures; ~~energy assessments; and;~~

(5) for energy audits on district-owned buildings and for funding those energy conservation and renewable energy measures that the energy audits indicate will reduce the use of nonrenewable sources of energy to the extent that the projected energy cost savings will amortize the cost of the conservation measures within a period of ten years or less;

(6) for the payment of any special assessments levied against the property of the district authorized ~~pursuant to~~ under section 435.19 or any other law or charter provision authorizing assessments against publicly owned property; provided that a district may not levy amounts to pay assessments for service charges, such as those described in section 429.101, whether levied ~~pursuant to~~ under that section or ~~pursuant to~~ any other law or home rule provision. ~~The proceeds may also be used;~~

(7) for capital expenditures to reduce or eliminate barriers to or increase access to school facilities by handicapped individuals. ~~The proceeds may also be used;~~

(8) to make capital improvements to schoolhouses ~~to be leased pursuant according to~~ section 123.36, subdivision 10. ~~The proceeds may also be used;~~

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

(9) to pay fees for capital expenditures assessed and certified to each participating school district by the educational cooperative service unit board of directors. ~~The proceeds may also be used;~~

(10) to pay principal and interest on loans from the state authorized by sections 116J.37 and 298.292 to 298.298;

(11) for capital expenditures to bring district facilities into compliance with the uniform fire code adopted according to chapter 299F;

(12) for expenditures for the removal of asbestos from school buildings or property, asbestos encapsulation, or asbestos-related repairs;

(13) for expenditures for the cleanup and disposal of polychlorinated biphenyls found in school buildings or property; and

(14) for the cleanup, removal, disposal, and repairs related to storing transportation fuels such as alcohol, gasoline, fuel oil, and special fuel, as defined in section 296.01.

(c) Subject to the commissioner's approval, the proceeds may also be used to acquire or construct buildings. The state board shall promulgate rules establishing the criteria to be used by the commissioner in approving and disapproving district applications requesting the use of capital expenditure tax proceeds for the acquisition or construction of buildings. The approval criteria for purposes of building acquisition and construction shall include: the appropriateness of the proposal for the district's long-term needs; the availability of adequate existing facilities; and the economic feasibility of bonding because of the proposed building's size or cost.

(d) The board shall establish a fund in which the proceeds of this tax shall be accumulated until expended. Notwithstanding anything in paragraphs (b) and (c) to the contrary, for any year for which the sum of a district's levy under this subdivision and its aid for the same year under section 124.245, subdivision 1, exceeds \$125 times the total pupil units in the same year, the amount by which the sum exceeds \$125 times the total pupil units may be expended only for equipment for secondary vocational education programs or senior secondary industrial arts programs.

(e) The proceeds of the levy shall not be used for custodial or other maintenance services.

(f) ~~Each year, subject to the mill limitation of clause (a), a school district which operates an approved secondary vocational education program or an approved senior secondary industrial arts program may levy an additional amount equal to \$5 per total pupil unit for capital expenditures for equipment for these programs.~~

Sec. 22. Minnesota Statutes 1985 Supplement, section 275.125, subdivision 11c, is amended to read:

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

Subd. 11c. **HAZARDOUS SUBSTANCE CAPITAL EXPENDITURE LEVY.** In addition to the levy authorized in subdivisions 11a and 11b, each year a school district may levy an amount not to exceed the amount equal to \$25 ~~per times the total pupil unit units in the year to which the levy is attributable.~~ No levy under this subdivision shall exceed two mills times the adjusted assessed valuation of the property in the district for the preceding year. The proceeds of the tax shall be placed in the district's capital expenditure fund and may be used only for expenditures necessary for the removal or encapsulation of asbestos from school buildings or property, asbestos related repairs, cleanup and disposal of polychlorinated biphenyls found in school buildings or property, or the cleanup, removal, disposal, and repairs related to storing transportation fuels such as alcohol, gasoline, fuel oil, and special fuel, as defined in section 296.01.

Sec. 23. Minnesota Statutes 1985 Supplement, section 354.43, subdivision 3, is amended to read:

Subd. 3. Each school district, state university, community college and any other employing authority of members of the fund shall pay employer contributions at least once each month in accordance with the provisions of sections 354.42, subdivisions 3 and 5, and 355.46, subdivision 3. Payments for school district or area vocational technical institute employees who are paid from normal operating funds, shall be made from the ~~district's or area vocational technical institute's general~~ appropriate fund of the district or area vocational technical institute. With respect to state employees, each department and agency shall pay the amounts required by section 354.42, subdivisions 3 and 5 from the accounts and funds from which each department or agency receives its revenue, including appropriations from the general fund and from any other fund, now or hereafter existing, for the payment of salaries and in the same proportion as it pays therefrom the amounts of the salaries. The payments shall be charged as an administrative cost by these units of state government.

Sec. 24. Minnesota Statutes 1985 Supplement, section 354A.12, subdivision 2, is amended to read:

Subd. 2. **EMPLOYER CONTRIBUTIONS.** Notwithstanding any law to the contrary, levies for teachers retirement fund associations in cities of the first class, including levies for any employer social security taxes for teachers covered by the Duluth teachers retirement fund association or the Minneapolis teachers retirement fund association or the St. Paul teachers retirement fund association, are disallowed.

The employing units shall make the following employer contributions to teachers retirement fund associations:

(a) For any coordinated member of a teachers retirement fund association in a city of the first class, the employing unit shall pay the employer social security taxes in accordance with section 355.46, subdivision 3, clause (b);

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

(b) For any coordinated member of one of the following teachers retirement fund associations in a city of the first class, the employing unit shall make a contribution to the respective retirement fund association in an amount equal to the designated percentage of the salary of the coordinated member as provided below:

Duluth teachers retirement fund association	5.79 percent
Minneapolis teachers retirement fund association	4.50 percent
St. Paul teachers retirement fund association	4.50 percent

(c) For any basic member of one of the following teachers retirement fund associations in a city of the first class, the employing unit shall make a contribution to the respective retirement fund in an amount equal to the designated percentage of the salary of the basic member as provided below:

Minneapolis teachers retirement fund association	13.35 percent
St. Paul teachers retirement fund association	12.63 percent

The employer contributions shall be remitted directly to each teachers retirement fund association each month.

Payments for school district or area vocational technical institute employees who are paid from normal operating funds, shall be made from the ~~district's or area vocational technical institute's~~ general appropriate fund of the district or area vocational technical institute.

Sec. 25. Minnesota Statutes 1985 Supplement, section 355.208, is amended to read:

355.208 EMPLOYER CONTRIBUTIONS.

Contributions required under the agreement or modification entered into pursuant to section 355.207 to be made by political subdivisions employing teachers, and payments required by section 355.49, which shall apply to political subdivisions employing teachers, shall be paid by the political subdivisions. Payments for school district or area vocational technical institute employees who are paid from normal operating funds, shall be made from the ~~district's or area vocational technical institute's~~ general appropriate fund of the district or area vocational technical institute.

Sec. 26. Minnesota Statutes 1985 Supplement, section 355.287, is amended to read:

355.287 EMPLOYER CONTRIBUTIONS.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

Contributions required under the agreement or modification entered into pursuant to section 355.286 to be made by political subdivisions employing teachers, and payments required by section 355.49, which shall apply to political subdivisions employing teachers, shall be paid by the political subdivision. Payments for school district or area vocational technical institute employees who are paid from normal operating funds, shall be made from the ~~district's or area vocational technical institute's general~~ appropriate fund of the district or area vocational technical institute.

Sec. 27. Minnesota Statutes 1985 Supplement, section 355.46, subdivision 3, is amended to read:

Subd. 3. **SOCIAL SECURITY CONTRIBUTIONS.** The employer taxes due with respect to employment by educational employees who have made their selection pursuant to section 218(d) (6) (C) of the Social Security Act, shall be paid in the following manner:

(a) Contributions required to be made for current service by political subdivisions employing educational employees and payments required by section 355.49 shall be paid by the political subdivision. Payments for school district or area vocational technical institute employees who are paid from normal operating funds, shall be made from the ~~district's or area vocational technical institute's general~~ appropriate fund of the district or area vocational technical institute. The state shall make payments for services rendered prior to July 1, 1986.

(b) Contributions required to be made with respect to educational employees of state departments and institutions and payments required by section 355.49 shall be paid by the departments and institutions in accordance with the provisions of sections 355.49 and 355.50.

Sec. 28. Minnesota Statutes 1984, section 364.09, is amended to read:

364.09 LAW ENFORCEMENT; EXCEPTION.

This chapter shall not apply to the practice of law enforcement ~~or~~ to eligibility for a family day care license or a family foster care license, or to eligibility for school bus driver endorsements. Nothing in this section shall be construed to preclude the Minnesota police and peace officers training board from recommending policies set forth in this chapter to the attorney general for adoption in his discretion to apply to law enforcement.

Sec. 29. Laws 1985, First Special Session chapter 12, article 1, section 36, subdivision 3, is amended to read:

Subd. 3. **SUMMER PROGRAMS.** For summer program aid pursuant to Minnesota Statutes, section 124A.033, subdivision 3, ~~and for summer instructional program aid pursuant to section 124A.033, subdivision 3a,~~ there is appropriated:

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

\$7,878,600.....1986,
~~\$7,400,000~~ \$3,145,100.....1987.

The appropriation for fiscal year 1986 is for aid for programs in summer 1985. The appropriation for fiscal year 1987 is for aid for programs in summer 1986. Summer educational improvement aid shall not be paid after fiscal year 1986.

Sec. 30. Laws 1985, First Special Session chapter 12, article 2, section 15, subdivision 2, is amended to read:

Subd. 2. **TRANSPORTATION AID.** For transportation aid there is appropriated:

\$88,993,600.....1986,
~~\$84,587,100~~ \$82,638,000.....1987.

(a) The appropriation for 1986 includes \$12,284,400 for aid for fiscal year 1985 payable in fiscal year 1986 and \$76,709,200 for fiscal year 1986 payable in fiscal year 1986.

(b) The appropriation for 1987 includes \$13,536,900 for aid for fiscal year 1986 payable in fiscal year 1987 and ~~\$71,050,200~~ \$69,101,100 for fiscal year 1987 payable in fiscal year 1987.

(c) The appropriations are based on aid entitlements of \$90,246,100 for fiscal year 1986 and ~~\$83,588,400~~ \$81,295,400 for fiscal year 1987.

Sec. 31. Laws 1985, First Special Session chapter 12, article 3, section 28, subdivision 9, is amended to read:

Subd. 9. **SECONDARY VOCATIONAL HANDICAPPED.** For aid for secondary vocational education for handicapped pupils according to section 124.574, there is appropriated:

\$3,534,000.....1986,
\$3,606,300.....1987.

The appropriation for 1986 includes \$551,700 for aid for fiscal year 1985 payable in fiscal year 1986, and \$2,982,300 for aid for fiscal year 1986 payable in fiscal year 1986. ~~This appropriation is based on the assumption that the state will spend for this purpose an amount at least equal to \$230,000 in fiscal year 1986 of federal money received for vocational education programs pursuant to the vocational education act of 1963, as amended.~~

The appropriation for 1987 includes \$526,300 for aid for fiscal year 1986 payable in fiscal year 1987, and \$3,080,000 for aid for 1987 payable in fiscal year 1987. ~~This appropriation is based on the assumption that the state will spend for this purpose an amount at least equal to \$230,000 in fiscal year 1987 of federal money received for vocational education programs pursuant to the vocational education act of 1963, as amended.~~

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

The appropriations are based on aid entitlements of \$3,508,600 for fiscal year 1986 and \$3,623,500 for fiscal year 1987.

Sec. 32. Laws 1985, First Special Session chapter 12, article 3, section 28, subdivision 10, is amended to read:

Subd. 10. **OFFICE ON TRANSITION SERVICES.** For the interagency office on transition services there is appropriated:

\$75,000.....1986,

~~\$85,000~~ \$77,000.....1987.

Sec. 33. Laws 1985, First Special Session chapter 12, article 4, section 11, subdivision 6, is amended to read:

Subd. 6. **DEPARTMENT ASSISTANCE FOR EARLY CHILDHOOD FAMILY EDUCATION.** For the department to provide assistance to districts in planning, implementing, and evaluating early childhood family education programs there is appropriated:

\$35,000.....1986,

~~\$35,000~~ \$31,500.....1987.

The department shall use the appropriation for personnel service contracts and expenses of conferences and workshops.

Sec. 34. Laws 1985, First Special Session chapter 12, article 5, section 10, subdivision 2, is amended to read:

Subd. 2. **COMPREHENSIVE ARTS PLANNING PROGRAMS.** For comprehensive arts planning programs there is appropriated:

\$100,000.....1986,

~~\$100,000~~ \$90,000.....1987.

The unencumbered balance remaining from fiscal year 1986 shall not cancel but shall be available for fiscal year 1987.

Sec. 35. Laws 1985, First Special Session chapter 12, article 5, section 10, subdivision 4, is amended to read:

Subd. 4. **SCHOOL OF THE ARTS AND RESOURCE CENTER.** For the purpose of making a grant to the Minnesota school of the arts and resource center there is appropriated:

\$ 491,000.....1986,

~~\$2,170,000~~ \$2,037,000.....1987.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

The unencumbered balance remaining from fiscal year 1986 shall not cancel but shall be available for fiscal year 1987.

For fiscal years 1986 and 1987 a complement of 13 is authorized for the school of the arts and resource center. Of this complement, eight are in the categories of director, coordinator, and department chairs.

Sec. 36. Laws 1985, First Special Session chapter 12, article 6, section 28, subdivision 11, is amended to read:

Subd. 11. **GIFTED STUDY.** For the gifted education program study there is appropriated:

~~\$35,000~~ \$33,300.....1986.

The appropriation is available until June 30, 1987. A portion of the appropriation may be used for administrative expenses.

Sec. 37. Laws 1985, First Special Session chapter 12, article 6, section 28, subdivision 16, is amended to read:

Subd. 16. **SECONDARY VOCATIONAL EDUCATION AID.** For secondary vocational education aid pursuant to Minnesota Statutes, section 124.573, there is appropriated:

\$21,117,400.....1986,

~~\$21,511,300~~ \$19,965,500.....1987.

The appropriation for 1986 includes \$3,422,400 for aid for fiscal year 1985 payable in fiscal year 1986. This amount also includes \$17,695,000 for aid for fiscal year 1986 payable in fiscal year 1986.

The appropriation for 1987 includes \$3,122,700 for aid for fiscal year 1986 payable in fiscal year 1987. This amount also includes ~~\$18,388,600~~ \$16,842,800 for aid for fiscal year 1987 payable in fiscal year 1987.

The appropriations are based on aid entitlements of \$20,817,700 for fiscal year 1986 and ~~\$21,633,600~~ \$19,815,100 for fiscal year 1987.

For the purposes of this subdivision, money appropriated for secondary vocational education programs may not be expended for the purpose of discontinuing or converting existing senior secondary school industrial arts education programs.

Sec. 38. Laws 1985, First Special Session chapter 12, article 6, section 28, subdivision 17, is amended to read:

Subd. 17. **~~COUNCIL ON QUALITY EDUCATION~~; VENTURE FUND GRANTS.** For the ~~council on quality education~~ venture fund grants pursuant to Minnesota Statutes, sections ~~129B.01~~ 129B.02 to 129B.05, there is appropriated:

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

\$717,700.....1986,
~~\$450,000~~ \$350,000.....1987.

The appropriation for fiscal year 1986 includes \$122,400 for grants for fiscal year 1985 payable in fiscal year 1986 and \$595,300 for grants for fiscal year 1986 payable in fiscal year 1986.

The appropriation for fiscal year 1987 includes \$105,100 for grants for fiscal year 1986 payable in fiscal year 1987 and ~~\$344,900~~ \$244,900 for grants for fiscal year 1987 payable in fiscal year 1987.

Any unexpended balance remaining from the appropriations in this subdivision for 1986 shall not cancel and shall be available for the second year of the biennium.

The appropriations are based on entitlements of \$700,400 for fiscal year 1986 and ~~\$405,800~~ \$288,200 for fiscal year 1987.

The council may maintain a complement of up to three professionals and one clerical staff for fiscal year 1986 and two professionals and one clerical staff for fiscal year 1987.

Sec. 39. Laws 1985, First Special Session chapter 12, article 6, section 28, subdivision 20, is amended to read:

Subd. 20. SECONDARY VOCATIONAL STUDENT ORGANIZATIONS.

For aid for secondary vocational student organizations there is appropriated:

\$60,000.....1986,
~~\$60,000~~ \$54,000.....1987.

The appropriations for fiscal years 1986 and 1987 are available for expenditure if the commissioner of education authorizes an additional ~~\$160,000~~ \$144,300 for each of fiscal years 1986 and 1987 from the department's biennial appropriations for this purpose.

Sec. 40. Laws 1985, First Special Session chapter 12, article 8, section 60, subdivision 1, is amended to read:

Subdivision 1. ESTABLISHMENT. A task force on an academic high school league is established. The task force shall consist of 15 members appointed by the academic excellence foundation. The foundation shall appoint at least one member from the state committee of the north central association and one member from the advisory committee for programs of excellence. The task force shall terminate by ~~June 30~~ December 31, 1986.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

Sec. 41. Laws 1985, First Special Session chapter 12, article 8, section 60, subdivision 4, is amended to read:

Subd. 4. **REPORT.** The task force shall report its findings and recommendations to the academic excellence foundation and the education committees of the legislature by ~~February~~ December 15, 1986.

Sec. 42. Laws 1985, First Special Session chapter 12, article 8, section 62, subdivision 2, is amended to read:

Subd. 2. **EDUCATIONAL EFFECTIVENESS.** For educational effectiveness programs according to sections 121.608 and 121.609 there is appropriated:

\$1,034,000.....1986,

~~\$781,000~~ \$690,300.....1987.

The commissioner shall assign one additional position, from the department's existing complement, to educational effectiveness programs. The legislature intends that, beginning in fiscal year 1987, districts will pay the costs of educational effectiveness in-service for district staff.

Sec. 43. Laws 1985, First Special Session chapter 12, article 8, section 62, subdivision 3, is amended to read:

Subd. 3. **ACADEMIC EXCELLENCE FOUNDATION.** For support of the academic excellence foundation according to Minnesota Statutes, section 121.612, there is appropriated:

\$89,000.....1986,

~~\$84,000~~ \$75,400.....1987.

\$5,000 of the fiscal year 1986 appropriation shall be used for expenses related to the operation of the task force established in section 60, subdivision 1.

Any unexpended balance from the appropriation for the academic excellence foundation for fiscal year 1986 shall not cancel but shall be available until June 30, 1987.

Sec. 44. Laws 1985, First Special Session chapter 12, article 8, section 62, subdivision 4, is amended to read:

Subd. 4. **MANAGEMENT ASSISTANCE.** For management assistance to school districts according to section 4 there is appropriated:

\$50,000.....1986,

~~\$50,000~~ \$45,000.....1987.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

Sec. 45. Laws 1985, First Special Session chapter 12, article 8, section 62, subdivision 6, is amended to read:

Subd. 6. **ASSESSMENT ITEM BANK.** For development and implementation of the assessment item bank according to Minnesota Statutes, section 123.742, subdivision 5, there is appropriated:

\$300,000.....1986,

~~\$300,000~~ \$270,000.....1987.

Sec. 46. Laws 1985, First Special Session chapter 12, article 8, section 62, subdivision 8, is amended to read:

Subd. 8. **PER ASSISTANCE.** For state assistance for planning, evaluation, and reporting, there is appropriated:

\$120,000.....1986,

~~\$120,000~~ \$108,000.....1987.

\$50,000 each year in fiscal year 1986 and \$45,000 in fiscal year 1987 shall be used for assisting districts with the assurance of mastery program. Up to \$50,000 each year shall be used to develop and maintain model learner expectations. Up to \$20,000 each year shall be used for the state curriculum advisory committee; a portion of this money may be for administration.

Sec. 47. Laws 1985, First Special Session chapter 12, article 8, section 62, subdivision 9, is amended to read:

Subd. 9. **TECHNOLOGY SERVICES.** For the purposes of Minnesota Statutes, sections 129B.35, 129B.37, 129B.39, and 129B.40, there is appropriated:

\$649,000.....1986,

~~\$649,000~~ \$935,100.....1987.

\$351,000 shall be used to increase the fiscal year 1987 allocation for purchase of courseware package duplication rights according to Minnesota Statutes, section 129B.39.

Sec. 48. Laws 1985, First Special Session chapter 12, article 8, section 62, subdivision 12, is amended to read:

Subd. 12. **COURSEWARE PURCHASE SUBSIDY.** For subsidies for purchases of courseware packages according to Minnesota Statutes, section 129B.38 there is appropriated:

\$351,000.....1986;

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

~~\$351,000~~.....1987.

Sec. 49. Laws 1985, First Special Session chapter 12, article 8, section 62, subdivision 13, is amended to read:

Subd. 13. **MASTERY LEARNING PROGRAM.** For the purposes of section 42, subdivisions 3 and 10 and section 59, there is appropriated:

\$160,000.....1986;

~~\$1,290,000~~ \$1,217,500.....1987.

\$125,000 of the appropriation for fiscal year 1986 shall be used for a computerized mastery management system and support materials. The remaining \$35,000 in fiscal year 1986 shall be used for planning aid to districts under section 42, subdivision 3.

~~\$1,250,000~~ \$1,187,500 of the appropriation in fiscal year 1987 shall be used for mastery learning project grants. The remaining ~~\$40,000~~ \$30,000 for fiscal year 1987 may be used by the department to administer and evaluate the program.

Sec. 50. Laws 1985, First Special Session chapter 12, article 8, section 62, subdivision 14, is amended to read:

Subd. 14. **SCHOOL MANAGEMENT ASSESSMENT CENTER.** For support of the school management assessment center at the University of Minnesota, there is appropriated:

\$25,900.....1986,

~~\$26,900~~ \$24,300.....1987.

Sec. 51. Laws 1985, First Special Session chapter 12, article 8, section 62, subdivision 15, is amended to read:

Subd. 15. **PROGRAMS OF EXCELLENCE.** For programs of excellence according to Minnesota Statutes, sections 126.60 to 126.64, there is appropriated:

\$25,000.....1986,

~~\$25,000~~ \$22,500.....1987.

Of this amount, the following sums may be used for the purposes indicated in each year: ~~\$7,500~~ \$6,750 for program administration including expenses of the programs of excellence committee, according to Minnesota Statutes, section 126.60, subdivision 3 and ~~\$17,500~~ \$15,750 for incentive grants according to Minnesota Statutes, section 126.60, subdivision 4.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

Sec. 52. Laws 1985, First Special Session chapter 12, article 8, section 62, subdivision 17, is amended to read:

Subd. 17. **INDUSTRIAL TECHNOLOGY PROGRAM.** For development of curriculum for the industrial technology program according to section 56 there is appropriated:

~~\$30,000~~ \$28,500.....1986.

The sum is available until June 30, 1987.

Sec. 53. Laws 1985, First Special Session chapter 12, article 8, section 63, subdivision 2, is amended to read:

Subd. 2. **TEACHER EXAMINATIONS.** For duties related to teacher examinations there is appropriated:

\$105,000.....1986,

~~\$ 75,000~~ \$66,000.....1987.

\$30,000 of the fiscal year 1986 appropriation is to evaluate teaching skills of beginning teachers and \$75,000 ~~each year~~ in fiscal year 1986 and \$66,000 in fiscal year 1987 is for development of teacher examinations. Funds not expended in fiscal year 1986 are available until June 30, 1987.

Sec. 54. Laws 1985, First Special Session chapter 12, article 8, section 63, subdivision 3, is amended to read:

Subd. 3. **EXEMPLARY TEACHER EDUCATION PROGRAMS.** For development of exemplary teacher education programs there is appropriated:

\$150,000.....1986,

~~\$150,000~~ \$135,000.....1987.

Up to \$30,000 of this sum may be used for evaluation. The sum is available until June 30, 1987.

Sec. 55. Laws 1985, First Special Session chapter 12, article 8, section 64, subdivision 2, is amended to read:

Subd. 2. **SUMMER PROGRAM SCHOLARSHIPS.** For scholarship awards for 1986 and 1987 summer programs according to section 22, there is appropriated:

~~\$500,000~~ \$475,000.....1986.

Of this appropriation, the amount required may be used for the higher education coordinating board's costs of administering the program.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

Sec. 56. Laws 1985, First Special Session chapter 12, article 9, section 3, subdivision 2, is amended to read:

Subd. 2. **BASIC SUPPORT GRANTS.** For basic support grants pursuant to sections 134.32 to 134.35 for the provision of library service there is appropriated:

\$4,923,600.....1986,

~~\$5,047,300~~ \$4,548,800.....1987.

The appropriation for 1986 includes \$695,000 for aid for fiscal year 1985 payable in fiscal year 1986, and \$4,228,600 for aid for fiscal year 1986 payable in fiscal year 1986.

The appropriation for 1987 includes \$746,200 for aid for fiscal year 1986 payable in fiscal year 1987 and ~~\$4,301,100~~ \$3,802,600 for aid for fiscal year 1987 payable in fiscal year 1987.

The appropriations are based on aid entitlements of \$4,974,800 for fiscal year 1986 and ~~\$5,060,100~~ \$4,473,700 for fiscal year 1987.

Sec. 57. Laws 1985, First Special Session chapter 12, article 9, section 3, subdivision 3, is amended to read:

Subd. 3. **MULTI-COUNTY, MULTI-TYPE LIBRARY SYSTEMS.** For grants pursuant to sections 134.353 and 134.354 to multi-county, multi-type library systems there is appropriated:

\$205,100.....1986,

~~\$213,000~~ \$192,100.....1987.

The appropriation for 1986 includes \$30,000 for aid for fiscal year 1985 payable in fiscal year 1986, and \$175,100 for aid for fiscal year 1986 payable in fiscal year 1986.

The appropriation for 1987 includes \$30,900 for fiscal year 1986 payable in fiscal year 1987, and ~~\$182,100~~ \$161,200 for aid for fiscal year 1987 payable in fiscal year 1987.

The appropriations are based on aid entitlements of \$206,000 for fiscal year 1986, and ~~\$214,200~~ \$189,700 for fiscal year 1987.

Sec. 58. Laws 1985, First Special Session chapter 12, article 11, section 21, subdivision 3, is amended to read:

Subd. 3. **TO DEPARTMENT OF EDUCATION.** To the department of education to make the aid payments required by section 2, as amended by section 4 of this article, there is appropriated:

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

~~\$195,462,000~~ \$192,832,700.....1987.

This appropriation is for aid for fiscal year 1987 payable in fiscal year 1987. The appropriation is based on an aid entitlement of ~~\$229,955,300~~ \$226,862,000 for fiscal year 1987.

Sec. 59. AID FORMULA FOR 1986 SUMMER PROGRAMS.

Notwithstanding Minnesota Statutes, section 124A.033, subdivision 3, a district that offers a summer instructional program in 1986, shall receive summer program aid equal to the difference between:

(1) the product of

(a) the ratio of the district's actual levy as adjusted by section 60 to its permitted levy as adjusted by section 60; times

(b) the district's summer program revenue allowance; and

(2) the levy certified by the district and adjusted by section 60 for 1986 summer programs.

Sec. 60. LEVY FORMULA FOR 1986 SUMMER PROGRAMS.

Notwithstanding Minnesota Statutes, section 124A.03, subdivision 4, for any district that certified a levy in 1985 according to that subdivision, that levy shall be recomputed according to the following provisions.

For 1986 summer programs, a district may levy an amount equal to the following product:

(a) the district's estimated summer program revenue allowance as defined in section 124A.033, subdivision 2, for the summer program session in 1986, times

(b) the lesser of

(1) one, or

(2) the ratio of

(i) the quotient derived by dividing the adjusted assessed valuation of the district in 1983 by the total pupil units in the district in the 1985-1986 school year, to

(ii) 60 percent of the equalizing factor for the 1985-1986 school year.

(c) the levy limitation in 1986 shall be adjusted by the difference between the levy certified in 1985 and the result of the computation in this section.

Sec. 61. DEBT SERVICE LEVY; INDEPENDENT SCHOOL DISTRICT NO. 750, COLD SPRING.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

Notwithstanding Minnesota Statutes, section 475.61, independent school district No. 750, Cold Spring, may increase the levies it makes for debt service in 1986, for taxes payable in 1987, and in 1987, for taxes payable in 1988, over the amount the district is otherwise entitled to levy. The amount by which the levies may be increased must not exceed the amount necessary to provide for an equal levy for payment of the district's debt service obligations for each of the next five years, beginning with the levy made in 1986. The additional amount levied under this section must not be considered to be an excess amount for the purposes of section 475.61, subdivision 3. Any surplus money remaining in the debt service fund when the obligations and interest thereon are paid shall be used to reduce the district's maintenance levy authorized pursuant to Minnesota Statutes, section 124A.03, subdivision 1, in the next levy certified. This section does not authorize the district to incur additional indebtedness.

Sec. 62. SPECIAL LEVY; MAHTOMEDI.

In addition to other levies authorized by law, independent school district No. 832, Mahtomedi, may levy in 1986 an amount up to \$250,000 for capital expenditures. The proceeds of the levy may be used only to renovate Wildwood school.

By July 30, 1986, the school board shall hold a public hearing on the need for the proposed levy. Upon receipt, within 30 days after the hearing, of a petition objecting to the levy signed by a number of qualified voters in the district equal to the greater of 50 voters or 15 percent of the number of voters who voted in the most recent school board election, the board shall hold a referendum on the proposed levy. The referendum shall be held on the date set by the board but no later than October 1, 1986. If a valid petition is not received by the school board, within 30 days after the hearing, no referendum need be held.

Sec. 63. EXCESS CAPITAL OUTLAY LEVY; MOOSE LAKE.

Subdivision 1. 1986. Independent school district No. 97, Moose Lake, may levy up to \$75,000 in 1986 for capital outlay purposes in addition to all other levies for capital outlay and other purposes.

Subd. 2. 1987. Independent school district No. 97, Moose Lake, may levy up to \$70,000 in 1987 for capital outlay purposes in addition to all other levies for capital outlay and other purposes.

Subd. 3. REFERENDUM. The authorization for the levy in subdivision 1 or 2 may be revoked or reduced as provided in this subdivision. A referendum on the question of revoking or reducing the authorized amount shall be called on the written petition of a number of qualified voters in excess of 15 percent of the average number of voters of the two most recent district-wide school elections. A petition to revoke or reduce the levy authorized by subdivision 1 must be received by September 1, 1986, and the referendum must be held by Octo-

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ber 10, 1986. A petition to revoke the levy authorized by subdivision 2 must be received by September 1, 1987, and the referendum must be held by October 10, 1987. The ballot must state the number of mills required to raise the authorized amount. The ballot question must read substantially as follows:

"Shall the authority to make an extra capital levy in (year) granted to independent school district No. 97 in (this act) be (revoked/reduced from \$.... to \$....)?"

In other respects, the referendum shall be conducted as other elections are conducted under sections 124A.03 and 123.32.

Sec. 64. REPEALER.

Subdivision 1. JULY, 1986. Minnesota Statutes 1984, section 275.125, subdivision 16, and Minnesota Statutes 1985 Supplement, sections 124.245, subdivision 5, 129B.38, and 275.125, subdivision 11b, are repealed.

Subd. 2. JUNE 30, 1987. Minnesota Statutes 1985 Supplement, section 124.245, subdivision 2, is repealed.

Sec. 65 EFFECTIVE DATES.

Subdivision 1. IMMEDIATE. Sections 3, 8, 10, 13, 14, 16, 18, 22, 23, 24, 25, 26, 27, 28, 31, 36, 40, 43, 52, 53, 55, 59, and 60 are effective the day following final enactment.

Subd. 2. JUNE 30, 1987. Sections 9 and 64, subdivision 2, are effective June 30, 1987.

ARTICLE 10

POST-SECONDARY EDUCATION BOARDS; DEPARTMENT OF EDUCATION

Section 1. APPROPRIATIONS.

Subdivision 1. The amounts shown in the columns marked "APPROPRIATIONS" are added to (or, if shown in parentheses, are subtracted from) the appropriations in Laws 1985, First Special Session chapter 11, to the specified agencies. The figures "1986" or "1987," in this article, mean that the amounts listed under them are added to (or subtracted from) the appropriations for the fiscal year ending June 30, 1986, or June 30, 1987, respectively.

SUMMARY

	1986	1987	TOTAL
General Fund	\$(31,101,200)	\$(4,848,800)	\$(35,950,000)
			APPROPRIATIONS
Subd. 2. Department of Education			1986 1987
			\$(702,300) \$(1,756,300)

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

(a) The approved complement of the department of education is reduced by 33 positions by June 30, 1987.

(b) Notwithstanding any law to the contrary, the duties and responsibilities of the council on quality education are suspended but shall instead be performed by the commissioner of education until June 30, 1987. The council on quality education shall immediately give all books, records, and other documents to the commissioner of education.

(c) Notwithstanding Minnesota Statutes, section 121.934, the commissioner of education is not required to pay compensation or expenses of the ESV computer council members for fiscal year 1987.

(d) Beginning July 1, 1986, basic skills services to school districts may be provided by contracts between the educational service units and each school district, if a school district desires the services.

(e) When preparing the 1987-1989 biennial budget request, the department of education and the department of finance shall include funding requests for regional management information centers in the education aids budget rather than the department of education budget.

Subd. 3. Higher Education

Coordinating Board

(10,000) (3,042,000)

(a) Notwithstanding Laws 1985, First Special Session chapter 11, sections 38 and 82, the higher education coordinating board shall delay implementation of the four-year eligibility component of the state grant and scholarship program until July 1, 1987.

(b) The higher education coordinating board may transfer appropriations in Laws 1985, First Special Session chap-

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ter 11, section 3, among the subdivisions in that section. The transfers must be made in accordance with Minnesota Statutes, section 3.30.

(c) The higher education coordinating board shall study the need for a loan forgiveness program for career teachers under improved learning programs as defined in Minnesota Statutes, section 129B.46. The board shall consult with the chairs of the education committees of the legislature prior to conducting the study. The board shall report by January 1, 1987, to the education committees of the legislature.

(d) The higher education coordinating board may spend up to \$500,000 of the projected unobligated balance in 1986-1987 agency appropriations for supplemental scholarships and grants or additional state work study for students in economically depressed areas of the state. The expenditure for these programs during the biennium is not subject to the rulemaking provisions of chapter 14. Of the remaining projected unobligated balance, the board may supplement the 1987 state scholarship and grant awards up to an amount equal to reductions in federal Pell grants. Any action taken under this provision must first be submitted to the chairs of the education divisions of the appropriations and finance committees of the legislature for review.

Subd. 4. State Board of
Vocational Technical Education

(6,004,400)

-0-

(a) Intermediate school district No. 287, suburban Hennepin, may construct a maintenance facility at the north campus of the AVTI. The total cost of the facility must not exceed the amount approved by the state board of vocational technical education under Minne-

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

sota Statutes, section 136C.07, subdivision 5. The entire project cost must be paid with local money.

(b) If the appropriation in Laws 1985, First Special Session chapter 11, section 4, for fiscal year 1986 is insufficient to pay teacher retirement and FICA costs, the state director of vocational technical education may transfer the necessary amounts from fiscal year 1987 to pay those costs.

(c) The state board of vocational technical education may transfer any unencumbered balances among the appropriations in Laws 1981, chapter 362, section 2; Laws 1984, chapter 597, section 13; and Laws 1985, First Special Session chapter 15, section 13. The transfers must be made according to Laws 1985, First Special Session chapter 15, section 24.

Subd. 5. State Board for
Community Colleges

(2,887,300)

-0-

(a) Notwithstanding Minnesota Statutes, chapter 94, the commissioner of administration, upon request of the state board for community colleges, may enter into an agreement with the county of St. Louis to exchange parcels of land. The conveyances must be made for no monetary consideration and by quitclaim deed in a form approved by the attorney general.

(b) The state board for community colleges in cooperation with the higher education facilities authority shall study the feasibility of constructing and operating student housing for Vermilion Community College. The study may include: methods of financing, such as higher education facilities authority revenue bonds guaranteed by the iron range resources and rehabilitation board, private sources,

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earnings from the student housing, and other methods; projected use of the facilities; and other pertinent information. The study, following approval of the state board for community colleges, must be submitted to the governor, the chairs of the senate finance and house appropriations committees, and the higher education coordinating board by January 1, 1987.

Subd. 6. State University
Board

(5,758,400) -0-

The state university board may include the remodeling of Phelps Hall in the appropriation in Laws 1985, First Special Session chapter 15, section 15, subdivision 6(a).

Subd. 7. Board of Regents of
the University of Minnesota

(15,788,800) -0-

(a) Operations and
maintenance

\$(13,368,000)

\$ -0-

(b) Special

appropriations \$ (2,420,800)

\$ -0-

Subd. 8. Mayo Medical
Foundation

-0- (50,500)

Subd. 9. Governor

50,000 -0-

The governor, after consulting with the Fond du Lac reservation and the higher education coordinating board, shall appoint a task force of 13 members to study the feasibility of establishing a coordinate campus of Arrowhead Community College on the Fond du Lac Indian reservation that would be open and available to all. The task force shall report to the legislature on the results of its study by February 1, 1987. The task force shall provide copies of its report to the state board for community colleges and the higher education coordinating board. Those boards shall respond to the legislature on the report of the task force by March 1, 1987. The task force (1) is subject to Minnesota Statutes, section 15.059, subdivision 6, (2)

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may accept money from nonstate sources to do its work, (3) shall cooperate with and invite the participation before it of the federal government, including the Bureau of Indian Affairs, and (4) shall report on, among other things, the availability of federal tribal community college funding.

Subd. 10. Education Systems

(a) The changes in subdivisions 2 to 9 may be transferred between fiscal years 1986 and 1987, upon the advance approval of the commissioner of finance.

(b) The changes in appropriations in this act must not be taken into account when calculating the 1987-1989 biennial budgets for post-secondary systems. Except for changes attributable to enrollment or internal reallocation of appropriated money, the fiscal year 1987 instructional base used by each system in its respective 1987-1989 biennial budget request must not differ from the spending level established by Laws 1985, First Special Session chapter 11.

(c) The reductions in subdivisions 4 to 7 must not be implemented until each system has submitted its plan to the chairs of the senate finance and house appropriations committees.

(d) Notwithstanding any law to the contrary, if recommended by the average cost funding task force, the board of regents of the University of Minnesota, state university board, state board for community colleges, and state board of vocational technical education shall submit 1987-1989 biennial budget requests which: (1) take into account fixed and variable instructional costs; (2) base calculation of instructional appropriations on enrollments other than those achieved two years earlier; and (3) include any

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other recommendations of the average cost funding task force.

Sec. 2. Minnesota Statutes 1984, section 15.38, subdivision 3, is amended to read:

Subd. 3. **STATE UNIVERSITIES.** The state university board may purchase insurance coverage as it deems necessary and appropriate to protect buildings and contents and for activities ancillary to the programs of the state universities.

Sec. 3. Minnesota Statutes 1985 Supplement, section 15A.081, subdivision 8, is amended to read:

Subd. 8. **EXPENSE ALLOWANCE.** Notwithstanding any law to the contrary, positions listed in subdivision 1, constitutional officers, ~~the president of each community college, and the commissioner of iron range resources and rehabilitation, and the director of vocational technical education~~ are authorized an annual expense allowance not to exceed \$1,500 for necessary expenses in the normal performance of their duties for which no other reimbursement is provided. ~~However, expense allowances for the chancellor of the state university system and the president of each state university shall be governed only by section 136.063.~~ The expenditures under this subdivision are subject to any laws and rules relating to budgeting, allotment and encumbrance, preaudit and postaudit. The commissioner of finance may promulgate rules to assure the proper expenditure of these funds, and to provide for reimbursement.

Sec. 4. Minnesota Statutes 1984, section 121.901, subdivision 2, is amended to read:

Subd. 2. The council shall expire, and the terms; ~~compensation~~ and removal of members shall be as provided in section 15.059. The state board shall determine the length of terms of the initial members consistent with section 15.059.

Sec. 5. Minnesota Statutes 1984, section 124.71, subdivision 2, is amended to read:

Subd. 2. Commissioner as used in sections 124.71 to 124.76 means the commissioner of education ~~of the state of Minnesota or, for certificates for an area vocational technical institute, the state director of vocational technical education.~~

Sec. 6. **[135A.09] EXPENSE ALLOWANCES.**

The state board of vocational technical education and the higher education coordinating board may each establish an annual expense allowance for the state director of vocational technical education and the executive director of the higher education coordinating board, respectively. The state university board and the state board for community colleges may each establish an expense allowance for the chancellors and campus presidents. The allowances are not

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subject to chapter 16A, but each board shall report the allowances and expenditures annually to the chairs of the house appropriations and senate finance committees, and to the commissioner of finance.

Sec. 7. Minnesota Statutes 1984, section 136.14, is amended to read:

136.14 DUTIES OF BOARD.

Subdivision 1. GENERAL. The state university board shall have the educational management, supervision, and control of the state universities and of all ~~related property appertaining thereto~~. It shall appoint all presidents, teachers, and other necessary employees ~~therein~~ and fix their salaries. It shall prescribe courses of study, conditions of admission, prepare and confer diplomas, report graduates of the state university department, and adopt suitable ~~rules~~ policies for the universities. Sections 14.01 to 14.47 do not apply to policies and procedures of the board. It shall, as a whole or by committee, visit each state university at least once in each year for the purpose of meeting with administrators, faculty, students and the community to discuss such matters as facilities, modes of instruction, curriculum, extracurricular programs and management.

Subd. 2. OFFICE LOCATION. Notwithstanding chapter 16B, the state university board may select the location for its central office.

Sec. 8. Minnesota Statutes 1985 Supplement, section 136C.07, subdivision 5a, is amended to read:

Subd. 5a. **REVIEW OF CAPITAL IMPROVEMENTS.** A school board, as defined in section 136C.02, subdivision 8, must not award final contracts for capital improvements until the state director has reviewed and approved the final plans, specifications, and cost estimates ~~and made recommendations on them.~~

Sec. 9. Minnesota Statutes 1984, section 136C.35, is amended to read:

136C.35 LENGTH OF SCHOOL YEAR AND DAY.

For an AVTI, the normal school year shall be at least 175 session days. In all AVTI's, the length of the school day for each pupil, exclusive of the noon intermission, shall be at least six hours. Exceptions may be made by the district for approved AVTI programs provided on a part-time or extended day basis to meet the needs of individual students or classes. These exceptions are authorized only for programs originally provided on a full-time basis. Notwithstanding section 126.12, an AVTI may conduct regularly scheduled classes on Saturdays.

Sec. 10. **[299F.091] CITATION.**

Sections 10 to 18 may be cited as the "community emergency response hazardous substances protection act."

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

Sec. 11. [299F.092] DEFINITIONS.

Subdivision 1. SCOPE. The terms used in sections 10 to 18 have the meanings given them in this section.

Subd. 2. CLASSIFIED INFORMATION. "Classified information" means information, data, or both that, for security reasons, has been given a special security classification such as "secret," "confidential," "private," or "nonpublic," by federal statute or rule and that, when so classified, is subject to handling, use, and storage in accordance with established standards to prevent unauthorized use or disclosure.

Subd. 3. COMMISSIONER. "Commissioner" means the commissioner of public safety.

Subd. 4. EMERGENCY RESPONSE PERSONNEL. "Emergency response personnel" means personnel employed or authorized by the federal government, the state, or a political subdivision to provide fire suppression, police protection, emergency medical services, or emergency activities relating to health and safety.

Subd. 5. EMPLOYER. "Employer" means an employer as defined in section 182.651, subdivision 7. For the purposes of sections 10 to 18, "employer" also means a partnership or a self-employed person, whether or not the partnership or person has other employees. "Employer" does not mean a farm that is a "small business."

Subd. 6. FIRE DEPARTMENT. "Fire department" means a regularly organized fire department, fire protection district, or fire company as defined in the uniform fire code adopted under section 299F.011, regularly charged with the responsibility of providing fire protection to the state or a political subdivision.

Subd. 7. HAZARD CATEGORY. "Hazard category" means a list or description of hazardous substances, as developed by rule by the commissioner of public safety, including human reproductive hazards, flammable substances, human carcinogens, explosives, corrosives, and reactive agents, that present similar hazards in an emergency, or individual hazardous substances of special concern to emergency response personnel.

Subd. 8. HAZARDOUS SUBSTANCE. "Hazardous substance" means a substance or mixture as defined in section 182.651, subdivisions 14, 17, and 18, except that sections 10 to 18 do not apply to any hazardous substance while it is being transported in interstate or intrastate commerce.

Subd. 9. HAZARDOUS SUBSTANCE NOTIFICATION ADVISORY COMMITTEE. "Hazardous substance notification advisory committee" is the committee established under section 16.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

Subd. 10. HAZARDOUS SUBSTANCE NOTIFICATION REPORT. "Hazardous substance notification report" means a written record submitted to a fire department, for each workplace, that contains the information required in section 13.

Subd. 11. LOCAL FIRE DEPARTMENT. "Local fire department" means the fire department that would normally respond to a fire at a given workplace.

Subd. 12. MATERIAL SAFETY DATA SHEET. "Material safety data sheet" means a completed form recognized by the occupational safety and health administration, equivalent manufacturer's literature, or another form containing substantially the same information pertaining to a specific hazardous substance or a mixture containing one or more hazardous substances.

Subd. 13. NONPUBLIC DATA. "Nonpublic data" has the meaning given it in section 13.02, subdivision 9.

Subd. 14. SIGNIFICANT CHANGE. "Significant change" means a change in the reportable quantity of a hazardous substance that places the substance in a different quantity range as specified on the hazardous substance notification report form.

Subd. 15. SMALL BUSINESS. "Small business" means a business entity organized for profit, including any individual, partnership, corporation, joint venture, association, or cooperative that has 20 or fewer full-time employees, or equivalent full-time employees during the preceding fiscal year or not more than \$1,000,000 in annual gross revenue in the preceding fiscal year, and that is not an affiliate or subsidiary of a business having more than 20 full-time or equivalent full-time employees and more than \$1,000,000 in annual gross revenues. For the purposes of this subdivision, "equivalent full-time employees" means part-time employees' work time combined to total 2,000 hours or the equivalent of one full-time employee.

Subd. 16. WORK AREA. "Work area" means a defined space in a workplace where hazardous chemicals are stored, produced, or used and where employees are present.

Subd. 17. WORKPLACE. "Workplace" means an establishment at one geographical location containing one or more work areas.

Sec. 12. [299F.093] POWERS AND DUTIES OF COMMISSIONER.

Subdivision 1. DUTIES. (a) The commissioner shall:

(1) adopt rules no later than July 1, 1987, with the advice of the hazardous substance notification advisory committee, establishing the form and content of the hazardous substance notification report form, as required by section 13, and describing one or more hazard categories with specified ranges of quantities in each hazard category, representing increments of substantially increased risk;

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(2) print and provide to individual fire departments the requested number of hazardous substance notification reports, which must be made available to a fire department no more than 90 days following its request, for the fire department to mail or otherwise make available to employers in the jurisdiction;

(3) report to the legislature, as needed, on the effectiveness of sections 10 to 18 and recommend amendments to sections 10 to 18 that are considered necessary;

(4) appoint a hazardous substance notification advisory committee as required in section 16;

(5) adopt rules to implement sections 10 to 18, compatible with the Minnesota Uniform Fire Code so as to not limit the authority of local fire officials under that code; and

(6) in consultation with the hazardous substance notification advisory committee, adopt rules that are based on the most recent standard 704, adopted by the National Fire Protection Association, and that allow a fire department to require employers within its jurisdiction to post signs conforming to standard 704, and indicating the presence of hazardous substances. If the signs are required, a fire department shall supply the signs or provide information to assist an employer to obtain them.

(b) The commissioner shall adopt criteria and guidelines, with the concurrence of the hazardous substance notification advisory committee, for the disbursement of funds pursuant to section 20, subdivision 1. These criteria and guidelines are exempt from the Minnesota administrative procedure act.

Subd. 2. INVESTIGATION POWERS. The commissioner shall, at the request of a local fire department, investigate suspected violations of sections 10 to 18.

Sec. 13. [299F.094] REPORT REQUIRED; CONTENTS.

Subdivision 1. EMPLOYER'S DUTY. Except as provided in section 15, subdivision 2, an employer who receives a hazardous substance notification report shall submit to the local fire department a completed hazardous substance notification report form containing the information and in the manner required by this section and the rules of the commissioner, within two months after receiving a hazardous substance notification report. As an alternative, an employer may, at the discretion of the local fire department, arrange with the local fire department for a date certain upon which that department may conduct an inspection of that employer's workplace in order for the employer to provide the information, or essentially the same information, as contained in the report form to the local fire department.

Subd. 2. CONTENTS OF FORM. The hazardous substance notification report must be completed on a form developed by the commissioner of public

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safety and contain the following information: (1) the range of maximum combined quantities of all hazardous substances contained in each designated hazard category that may reasonably be expected to be present in the workplace during normal operations; (2) the street address and any other special identifier of the workplace; and (3) the employer's name and street address with the telephone numbers of responsible persons in charge of the workplace who can be reached at all times.

Subd. 3. UPDATED INFORMATION. If, after review of the hazardous substance notification report of an employer, a local fire department requires additional information, then the employer:

(1) shall provide, at the request of that fire department, a material safety data sheet, or any requested portion of it, for any hazardous substance contained in any designated hazard category covered by the hazardous substance notification report; and

(2) shall respond as soon as possible, but in no case later than 30 days, to a request by a local fire department for clarification of any information previously submitted or to a request for additional information under sections 10 to 18.

Subd. 4. PROMPT NOTIFICATION OF CHANGES. An employer shall promptly notify the local fire department of significant changes in the information provided under this section, but not later than 30 days after each significant change.

Subd. 5. INSPECTIONS; EMERGENCY PLANS. At the request of the local fire department, an employer shall permit the local fire department inspection and cooperate in the preparation of fire and emergency plans.

Sec. 14. [299F.095] POWERS AND DUTIES OF FIRE DEPARTMENTS.

To the extent feasible, given the amount of funds and training available, the local fire department shall:

(1) mail or otherwise distribute hazardous substance notification report forms to employers within the jurisdiction of the fire department except for those employers for whom an inspection has been arranged or employers from whom a hazardous substance notification is considered not necessary by the fire department;

(2) retain and evaluate each hazardous substance notification report and notification of significant change submitted by each employer until the employer's workplace ceases to exist or the fire department determines retention of the hazardous substance notification report is no longer necessary;

(3) develop for fire department use appropriate fire and emergency procedures for the hazardous substance risks of each workplace based on the information received;

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(4) investigate suspected violations of sections 10 to 18, and issue appropriate orders for compliance; and

(5) provide available material safety data sheets and hazardous substance notification reports at the request of other emergency response personnel.

Data collected under sections 10 to 18 is nonpublic data within the meaning of section 13.02, subdivision 9.

Sec. 15. [299F.096] DUTY TO SAFEGUARD PRIVATE INFORMATION.

Subdivision 1. NONPUBLIC DATA. Before a fire department and emergency response personnel may have access to information received under section 13, the department shall establish security procedures to prevent unauthorized use or disclosure of nonpublic data. Nonpublic data must be made available in an emergency to emergency response personnel. No liability results under sections 10 to 18 with respect to disclosure of nonpublic data if emergency response personnel, in response to an emergency, reasonably determine that the use or disclosure of the data is necessary to expedite medical services or to protect persons from imminent danger. As soon as practicable after disclosure of nonpublic data is made by emergency response personnel, the circumstances necessitating the disclosure and the actual or estimated extent of the disclosure must be described in writing by the personnel and provided to the employer.

Subd. 2. CLASSIFIED INFORMATION. When the notification required in section 13 involves classified information, the employer shall, without revealing the classified information, attempt to provide the local fire department with that information necessary to protect the department, emergency response personnel, and the public in an emergency. The employer is also responsible for requesting changes in the classification of classified information or declassification of that material when it is considered necessary by a local fire department in advance of an emergency to protect emergency response personnel or the public. An employer is not required to reveal classified information, except in an emergency, without prior governmental approval, and in an emergency, an employer shall disclose to emergency response personnel appropriate elements of classified information that are reasonably necessary to protect human life. An employer may choose to make classified information available to the local fire department or emergency response personnel if necessary for emergency preplanning purposes. In those cases, classified information (1) may be made available to a local fire department or emergency response personnel only after it has been demonstrated that the personnel intended to have access to the classified information meet access requirements applicable to the facilities and to personnel having access to classified information, and (2) must be protected from disclosure by the local fire department and emergency response personnel in accordance with applicable rules and statutes.

Sec. 16. [299F.097] HAZARDOUS SUBSTANCE NOTIFICATION ADVISORY COMMITTEE.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

The hazardous substance notification advisory committee is created. The committee shall consist of 11 members to be appointed by the commissioner of public safety to advise on the development of rules to implement and enforce sections 10 to 18 and to assist in the development of amendments to the hazardous substance notification report. The advisory committee shall consist of representation from fire chiefs; professional firefighters; volunteer firefighters; fire marshals; law enforcement personnel; emergency medical personnel; an independent health professional with training in toxicology; and four representatives from business and industry, at least one of whom shall represent small business. The committee must be appointed, serve, and be compensated in the manner provided in section 15.059, and shall serve at the pleasure of the commissioner.

Sec. 17. [299F.098] PENALTIES.

(a) An employer who violates a provision of sections 10 to 18 or a rule or order adopted or made under the authority of those sections, that is determined by rule not to be a violation of a serious nature, may be assessed a fine not to exceed \$1,000.

(b) An employer who violates a provision of sections 10 to 18 or a rule or order adopted or made under the authority of those sections, that is determined by rule to be of a serious nature, must be assessed a fine not to exceed \$1,000 for each violation.

(c) An employer who is convicted of knowingly making a false statement, representation, or certification in an application, record, report, plan, or other document filed or required to be maintained under sections 10 to 18 is guilty of a gross misdemeanor.

(d) An employer who is convicted of willfully or repeatedly violating the requirements of sections 10 to 18 or a rule or order adopted or made under those sections is guilty of a gross misdemeanor.

(e) The penalties provided by this section may be imposed in a criminal action in the name of the state brought in the district court of the county in which the violation is alleged to have occurred or the district court where the commissioner has an office. Fines imposed under sections 10 to 18 must be paid to the commissioner of public safety and deposited in the general fund.

(f) No employer may be convicted for violating sections 10 to 18 or a rule or order made or issued under those sections unless the employer was notified of the violation in writing and given a reasonable time to comply.

Sec. 18. [299F.099] LOCAL ORDINANCES.

Sections 10 to 18 preempt and supersede any local ordinance or rule concerning the subject matter of those sections.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

Sec. 19. [136C.70] HAZARDOUS SUBSTANCES TRAINING COURSES.

The state board of vocational technical education shall provide courses in hazardous substances. The commissioner of public safety, with the concurrence of the director of the state board of vocational education and with the advice of the hazardous substance notification advisory committee, shall certify the courses eligible for reimbursement. Among the courses eligible for reimbursement are in-service training and refresher courses. The state board shall develop policies for tuition subsidies in hazardous substance courses. The subsidies shall only be applied to fire service personnel commencing and successfully completing training regarding the hazardous substances requirements.

Sec. 20. ALLOCATION.

Subdivision 1. \$15,000 shall be transferred from the state board of vocational technical education for the fiscal year ending June 30, 1987, to the commissioner of public safety to otherwise administer the provisions of sections 10 to 18.

Subd. 2. Any unencumbered balances remaining in the first fiscal year of any of these appropriations do not cancel but are available for the second year.

Subd. 3. In this section, the definitions in section 11 apply.

Sec. 21. STATE UNIVERSITY CONSTRUCTION.

Notwithstanding Minnesota Statutes, chapter 16B, for the 1986-1987 fiscal years, the Mankato State University Foundation Incorporated may construct a building not to exceed 4,200 square feet at a site on the Mankato State University campus that has been approved by the state board. The building shall be donated or leased to Mankato State University, subject to the approval of the state board. The board shall have approval authority for the design and lease. Title to the building shall pass to the state immediately upon donation or when all the terms of the lease have been met. Prior to any design, construction, or lease the state university board shall report its plans to the chairs of the senate finance and house appropriations committees.

Sec. 22. AUDIT COMMISSION STUDY.

The legislative audit commission is requested, according to Minnesota Statutes, section 3.97, subdivision 7, to evaluate the activities and programs of the department of education. The study should include recommendations regarding the elimination, reduction, or expansion of the department activities and programs and their required complements. The study should also examine department work assignments and make recommendations to improve the match of job requirements and employee skills pursuant to labor contracts and state law. The legislative audit commission is advised to consult with the commissioner of employee relations. The commission should report its results by January 15.

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1987 to the chairs of the appropriations and finance committees of the legislature.

Sec. 23. **REPEALER.**

Minnesota Statutes 1984, sections 121.495 and 136.063 are repealed.

Sec. 24. **EFFECTIVE DATE.**

This article is effective the day following final enactment.

ARTICLE 11

DEPARTMENT OF NATURAL RESOURCES

Section 1. DEPARTMENT OF NATURAL RESOURCES REORGANIZATION.

Subdivision 1. PURPOSES. It is the intent of the legislature to further decentralize the department of natural resources.

Subd. 2. IMPLEMENTATION. One-half but not less than 20 full-time legislatively approved complement positions vacant as of March 1, 1986, in the St. Paul central office shall be transferred to the field by May 1, 1986.

Subd. 3. APPROPRIATIONS; STUDY. Up to \$200,000 is appropriated from the Minnesota resources fund to the legislative commission on Minnesota resources to contract with at least one consultant to conduct a study of the management and organization of the department of natural resources. This appropriation is available until June 30, 1987. The study must include an evaluation of, and contain recommendations for change where appropriate in, the following subjects relating to the department:

(1) establishing a ratio of regional staff to central office staff greater than the ratio established in the 1986-1987 biennial budget (a) for employees included in the department's legislatively approved complement; and (b) for employees not included in the department's complement;

(2) the responsiveness of the department to public and resource needs;

(3) the distribution of decision-making authority for planning, policymaking, budgeting, including any saving or potential increased cost, and program implementation within the department;

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(4) the personnel structure and career opportunities within the department;

(5) assistance to local units of government in the development, management, and funding of resource management programs;

(6) possible savings in expenditures for legal services and unemployment compensation that could be achieved through changes in management and organization of the department;

(7) coordination and cooperation within the department; and

(8) the relationship of new programs to present personnel structure and management objectives.

The legislative commission on Minnesota resources must submit a report on the study to the legislature by January 15, 1987.

Sec. 2. **EFFECTIVE DATE.**

Section 1 is effective the day after final enactment.

Approved April 9, 1986

CHAPTER 2—H.F.No. 2

An act relating to agriculture; authorizing the issuance of general obligation bonds to finance certain payments to be made by the state on family farm loan guarantees; providing an additional payment to certain sellers; adjusting certain provisions of the 1986 farm bill relating to mediation, farm business management training, disposal of farm land by corporations and agencies, deficiencies, and interest; appropriating money; amending Minnesota Statutes 1984, sections 41.51; 41.56, subdivision 4b; and 41.57, by adding a subdivision; Minnesota Statutes 1985 Supplement, section 41.61; Laws 1986, chapter 398, article 1, sections 7, subdivisions 2, 8, and by adding subdivisions; 9, subdivision 2, and by adding a subdivision; 11, subdivision 2; 12; 13; 14; article 8, section 1; article 19, section 5, subdivision 1; article 20, section 1; article 23, section 1, subdivision 4; and article 29, section 1, subdivision 7; and proposing coding for new law in Minnesota Statutes, chapters 41 and 583; repealing Laws 1986, chapter 398, article 1, section 7, subdivision 3; article 8; and article 29, section 1, subdivision 6.

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

Changes or additions are indicated by underline, deletions by ~~strikeout~~.