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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-SEVENTH SESSION

H. F. No. 2691

03/05/2012 Authored by Davids, Runbeck and Loon
The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to taxation; making policy, technical, administrative, and other changes
1.3 to estate, property, sales and use, special, and various taxes and tax-related
1.4 provisions; amending Minnesota Statutes 2010, sections 65B.84, subdivision
1.5 1; 270.077; 270C.38, subdivision 1; 270C.69, subdivision 1; 272.0211,
1.6 subdivision 2; 272.03, subdivision 9; 273.372, subdivision 4; 287.20, subdivision
1.7 2; 297A.665; 297F.01, subdivision 23; 297G.04, subdivision 2; 297I.30, by
1.8 adding a subdivision; Minnesota Statutes 2011 Supplement, sections 273.114,
1.9 subdivision 6; 273.13, subdivisions 23, 25; 291.03, subdivisions 8, 9, 10, 11;
1.10 297I.05, subdivisions 7, 12; 297I.30, subdivisions 1, 2; proposing coding for new
1.11 law in Minnesota Statutes, chapter 297I; repealing Minnesota Statutes 2010,
1.12 section 168A.40, subdivisions 3, 4.

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

1.14 ARTICLE 1

1.15 ESTATE TAXES

1.16 Section 1. Minnesota Statutes 2011 Supplement, section 291.03, subdivision 8, is
1.17 amended to read:

1.18 Subd. 8. **Definitions.** (a) For purposes of this section, the following terms have the
1.19 meanings given in this subdivision.

1.20 (b) "Family member" means a family member as defined in section 2032A(e)(2)
1.21 of the Internal Revenue Code or a trust whose beneficiaries are all family members as
1.22 defined in section 2032A(e)(2) of the Internal Revenue Code.

1.23 (c) "Qualified heir" means a family member who acquired qualified property
1.24 from the decedent and satisfies the requirement under subdivision 9, clause ~~(6)~~ (8), or
1.25 subdivision 10, clause (4), for the property.

1.26 (d) "Qualified property" means qualified small businesss property under subdivision
1.27 9 and qualified farm property under subdivision 10.

2.1 **EFFECTIVE DATE.** This section is effective for estates of decedents dying after
 2.2 June 30, 2011.

2.3 Sec. 2. Minnesota Statutes 2011 Supplement, section 291.03, subdivision 9, is
 2.4 amended to read:

2.5 Subd. 9. **Qualified small business property.** Property satisfying all of the following
 2.6 requirements is qualified small business property:

2.7 (1) The value of the property was included in the federal adjusted taxable estate.

2.8 (2) The property consists of the assets of a trade or business or shares of stock or
 2.9 other ownership interests in a corporation or other entity engaged in a trade or business.
 2.10 ~~The decedent or the decedent's spouse must have materially participated in the trade or~~
 2.11 ~~business within the meaning of section 469 of the Internal Revenue Code during the~~
 2.12 ~~taxable year that ended before the date of the decedent's death.~~ Shares of stock in a
 2.13 corporation or an ownership interest in another type of entity do not qualify under this
 2.14 subdivision if the shares or ownership interests are traded on a public stock exchange at
 2.15 any time during the three-year period ending on the decedent's date of death.

2.16 (3) During the decedent's taxable year that ended before the decedent's death, the
 2.17 trade or business must not have been a passive activity within the meaning of section
 2.18 469(c) of the Internal Revenue Code and the decedent or the decedent's spouse must have
 2.19 materially participated in the trade or business within the meaning of section 469(h) of the
 2.20 Internal Revenue Code, excluding section 469(h)(3) of the Internal Revenue Code and
 2.21 any other provision provided by Treasury Department regulation that substitutes material
 2.22 participation in prior taxable years for material participation in the taxable year that ended
 2.23 before the decedent's death.

2.24 ~~(3)~~ (4) The gross annual sales of the trade or business were \$10,000,000 or less for
 2.25 the last taxable year that ended before the date of the death of the decedent.

2.26 ~~(4)~~ (5) The property does not consist of cash ~~or~~ cash equivalents, publicly traded
 2.27 securities, or assets not used in the operation of the trade or business. For property
 2.28 consisting of shares of stock or other ownership interests in an entity, the ~~amount~~ value
 2.29 of cash or cash equivalents, publicly traded securities, or assets not used in the operation of
 2.30 the trade or business held by the corporation or other entity must be deducted from the
 2.31 value of the property qualifying under this subdivision in proportion to the decedent's
 2.32 share of ownership of the entity on the date of death.

2.33 (6) The property does not consist of agricultural land as defined by section 500.24,
 2.34 subdivision 2, paragraph (g). For property consisting of shares of stock or other ownership
 2.35 interests in an entity, the value of agricultural land held by the corporation or other entity

3.1 must be deducted from the value of the property qualifying under this subdivision in
 3.2 proportion to the decedent's share of ownership of the entity on the date of death.

3.3 ~~(5)~~ (7) The decedent continuously owned the property for the three-year period
 3.4 ending on the date of death of the decedent. In the case of a sole proprietor, if the property
 3.5 replaced similar property within the three-year period, the replacement property will be
 3.6 treated as having been owned for the three-year period ending on the date of death of
 3.7 the decedent.

3.8 ~~(6) A family member continuously uses the property in the operation of the trade or~~
 3.9 ~~business for three years following the date of death of the decedent.~~

3.10 (8) For three years following the date of death of the decedent, the trade or business
 3.11 is not a passive activity within the meaning of section 469(c) of the Internal Revenue
 3.12 Code and a family member materially participates in the operation of the trade or business
 3.13 within the meaning of section 469(h) of the Internal Revenue Code, excluding section
 3.14 469(h)(3) of the Internal Revenue Code and any other provision provided by Treasury
 3.15 Department regulation that substitutes material participation in prior taxable years for
 3.16 material participation in the three years following the date of death of the decedent.

3.17 ~~(7)~~ (9) The estate and the qualified heir elect to treat the property as qualified small
 3.18 business property and agree, in the form prescribed by the commissioner, to pay the
 3.19 recapture tax under subdivision 11, if applicable.

3.20 **EFFECTIVE DATE.** This section is effective for estates of decedents dying after
 3.21 June 30, 2011.

3.22 Sec. 3. Minnesota Statutes 2011 Supplement, section 291.03, subdivision 10, is
 3.23 amended to read:

3.24 Subd. 10. **Qualified farm property.** Property satisfying all of the following
 3.25 requirements is qualified farm property:

3.26 (1) The value of the property was included in the federal adjusted taxable estate.

3.27 (2) The property consists of agricultural land as defined by section 500.24,
 3.28 subdivision 2, paragraph (g), and owned by a farm meeting the requirements of person
 3.29 or entity that is not excluded from owning agricultural land by section 500.24, and was
 3.30 classified for property tax purposes as the homestead of the decedent or the decedent's
 3.31 spouse or both under section 273.124, and as class 2a property under section 273.13,
 3.32 subdivision 23.

3.33 (3) The decedent continuously owned the property for the three-year period ending
 3.34 on the date of death of the decedent and the property was classified for property tax

4.1 purposes as the homestead of the decedent or the decedent's spouse or both under section
 4.2 273.124, and as class 2a property under section 273.13, subdivision 23.

4.3 ~~(4) A family member continuously uses the property in the operation of the trade or~~
 4.4 ~~business.~~ The property is classified for property tax purposes as class 2a property under
 4.5 section 273.13, subdivision 23, for three years following the date of death of the decedent.

4.6 (5) The estate and the qualified heir elect to treat the property as qualified farm
 4.7 property and agree, in a form prescribed by the commissioner, to pay the recapture tax
 4.8 under subdivision 11, if applicable.

4.9 **EFFECTIVE DATE.** This section is effective for estates of decedents dying after
 4.10 June 30, 2011.

4.11 Sec. 4. Minnesota Statutes 2011 Supplement, section 291.03, subdivision 11, is
 4.12 amended to read:

4.13 Subd. 11. **Recapture tax.** (a) If, within three years after the decedent's death and
 4.14 before the death of the qualified heir, the qualified heir disposes of any interest in the
 4.15 qualified property, other than by a disposition to a family member, or a family member
 4.16 ceases to ~~use the qualified property which was acquired or passed from the decedent~~
 4.17 satisfy the requirement under subdivision 9, clause (8); or 10, clause (4), an additional
 4.18 estate tax is imposed on the property. In the case of a sole proprietor, if the qualified heir
 4.19 replaces qualified small business property excluded under subdivision 9 with similar
 4.20 property, then the qualified heir will not be treated as having disposed of an interest in the
 4.21 qualified property.

4.22 (b) The amount of the additional tax equals the amount of the exclusion claimed by
 4.23 the estate under subdivision 8, paragraph (d), multiplied by 16 percent.

4.24 (c) The additional tax under this subdivision is due on the day which is six months
 4.25 after the date of the disposition or cessation in paragraph (a).

4.26 **EFFECTIVE DATE.** This section is effective for estates of decedents dying after
 4.27 June 30, 2011.

4.28 ARTICLE 2

4.29 PROPERTY TAXES

4.30 Section 1. Minnesota Statutes 2010, section 270.077, is amended to read:

4.31 **270.077 TAXES CREDITED TO STATE AIRPORTS FUND.**

5.1 All taxes levied under sections 270.071 to 270.079 must be collected by the
 5.2 commissioner and credited to the state airports fund created in section 360.017.

5.3 **EFFECTIVE DATE.** This section is effective for reports filed on July 1, 2012,
 5.4 and thereafter.

5.5 Sec. 2. Minnesota Statutes 2010, section 272.0211, subdivision 2, is amended to read:

5.6 Subd. 2. **Sliding scale exclusion.** Based upon the efficiency determination provided
 5.7 by the commissioner of commerce as described in subdivision 1, the commissioner of
 5.8 revenue shall subtract eight percent of the taxable market value of the qualifying property
 5.9 for each percentage point that the efficiency of the specific facility, as determined by the
 5.10 commissioner of commerce, is above 40 percent. For determinations made before July
 5.11 1, the reduction in taxable market value shall be reflected in the taxable market value
 5.12 of the facility beginning with the current assessment year ~~immediately following the~~
 5.13 determination. For determinations made after July 1, the reduction in taxable market value
 5.14 shall be reflected in the taxable market value of the facility beginning with the assessment
 5.15 year immediately following the determination. For a facility that is assessed by the county
 5.16 in which the facility is located, the commissioner of revenue shall certify to the assessor of
 5.17 that county the percentage of the taxable market value of the facility to be excluded.

5.18 **EFFECTIVE DATE.** This section is effective for assessment year 2013.

5.19 Sec. 3. Minnesota Statutes 2010, section 272.03, subdivision 9, is amended to read:

5.20 Subd. 9. **Person.** "Person" ~~includes~~ means an individual, association, estate, trust,
 5.21 partnership, firm, company, or corporation.

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

5.23 Sec. 4. Minnesota Statutes 2011 Supplement, section 273.114, subdivision 6, is
 5.24 amended to read:

5.25 Subd. 6. **Additional taxes.** (a) When real property which is being, or has been
 5.26 valued and assessed under this section is sold, transferred, or no longer qualifies under
 5.27 subdivision 2, the portion sold, transferred, or no longer qualifying shall be subject to
 5.28 additional taxes in the amount equal to the difference between the taxes determined in
 5.29 accordance with subdivision 3 and the amount determined under subdivision 4, provided
 5.30 that the amount determined under subdivision 4 shall not be greater than it would have
 5.31 been had the actual bona fide sale price of the real property at an arm's-length transaction
 5.32 been used in lieu of the market value determined under subdivision 4. The additional taxes

6.1 shall be extended against the property on the tax list for taxes payable in the current year,
 6.2 provided that no interest or penalties shall be levied on the additional taxes if timely paid
 6.3 and provided that the additional taxes shall only be levied with respect to the current year
 6.4 plus two prior years that the property has been valued and assessed under this section.

6.5 (b) In the case of a sale or transfer, the additional taxes under paragraph (a) shall not
 6.6 be extended against the property if the new owner submits a successful application by the
 6.7 later of May 1 of the current year or 30 days after the sale or transfer.

6.8 (c) For the purposes of this section, the following events do not constitute a sale or
 6.9 transfer for property that qualified under subdivision 2 prior to the event:

6.10 (1) death of a property owner when the surviving owners retain ownership of the
 6.11 property;

6.12 (2) divorce of a married couple when one of the spouses retains ownership of the
 6.13 property;

6.14 (3) marriage of a single property owner when that owner retains ownership of the
 6.15 property in whole or in part;

6.16 (4) the organization or reorganization of a farm ownership entity that is not prohibited
 6.17 from owning agricultural land in this state under section 500.24, if all owners maintain the
 6.18 same beneficial interest both before and after the organization or reorganization; and

6.19 (5) transfer of the property to a trust or trustee, provided that the individual owners
 6.20 of the property are the grantors of the trust and they maintain the same beneficial interest
 6.21 both before and after placement of the property in trust.

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

6.23 Sec. 5. Minnesota Statutes 2011 Supplement, section 273.13, subdivision 23, is
 6.24 amended to read:

6.25 Subd. 23. **Class 2.** (a) An agricultural homestead consists of class 2a agricultural
 6.26 land that is homesteaded, along with any class 2b rural vacant land that is contiguous to
 6.27 the class 2a land under the same ownership. The market value of the house and garage
 6.28 and immediately surrounding one acre of land has the same class rates as class 1a or 1b
 6.29 property under subdivision 22. The value of the remaining land including improvements
 6.30 up to the first tier valuation limit of agricultural homestead property has a net class rate
 6.31 of 0.5 percent of market value. The remaining property over the first tier has a class rate
 6.32 of one percent of market value. For purposes of this subdivision, the "first tier valuation
 6.33 limit of agricultural homestead property" and "first tier" means the limit certified under
 6.34 section 273.11, subdivision 23.

7.1 (b) Class 2a agricultural land consists of parcels of property, or portions thereof, that
7.2 are agricultural land and buildings. Class 2a property has a net class rate of one percent of
7.3 market value, unless it is part of an agricultural homestead under paragraph (a). Class
7.4 2a property must also include any property that would otherwise be classified as 2b,
7.5 but is interspersed with class 2a property, including but not limited to sloughs, wooded
7.6 wind shelters, acreage abutting ditches, ravines, rock piles, land subject to a setback
7.7 requirement, and other similar land that is impractical for the assessor to value separately
7.8 from the rest of the property or that is unlikely to be able to be sold separately from
7.9 the rest of the property.

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

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

7.22 (d) Class 2c managed forest land consists of no less than 20 and no more than 1,920
7.23 acres statewide per taxpayer that is being managed under a forest management plan that
7.24 meets the requirements of chapter 290C, but is not enrolled in the sustainable forest
7.25 resource management incentive program. It has a class rate of .65 percent, provided that
7.26 the owner of the property must apply to the assessor in order for the property to initially
7.27 qualify for the reduced rate and provide the information required by the assessor to verify
7.28 that the property qualifies for the reduced rate. If the assessor receives the application
7.29 and information before May 1 in an assessment year, the property qualifies beginning
7.30 with that assessment year. If the assessor receives the application and information after
7.31 April 30 in an assessment year, the property may not qualify until the next assessment
7.32 year. The commissioner of natural resources must concur that the land is qualified. The
7.33 commissioner of natural resources shall annually provide county assessors verification
7.34 information on a timely basis. The presence of a minor, ancillary nonresidential structure
7.35 as defined by the commissioner of revenue does not disqualify the property from
7.36 classification under this paragraph.

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

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

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

8.7 "Agricultural purposes" as used in this section means the raising, cultivation, drying,
8.8 or storage of agricultural products for sale, or the storage of machinery or equipment
8.9 used in support of agricultural production by the same farm entity. For a property to be
8.10 classified as agricultural based only on the drying or storage of agricultural products,
8.11 the products being dried or stored must have been produced by the same farm entity as
8.12 the entity operating the drying or storage facility. "Agricultural purposes" also includes
8.13 enrollment in the Reinvest in Minnesota program under sections 103F.501 to 103F.535 or
8.14 the federal Conservation Reserve Program as contained in Public Law 99-198 or a similar
8.15 state or federal conservation program if the property was classified as agricultural (i)
8.16 under this subdivision ~~for the assessment year 2002~~ for taxes payable in 2003 because of
8.17 its enrollment in a qualifying program and the land remains enrolled or (ii) in the year
8.18 prior to its enrollment. Agricultural classification shall not be based upon the market value
8.19 of any residential structures on the parcel or contiguous parcels under the same ownership.

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

8.23 (f) ~~Real estate of~~ Agricultural land under this section also includes:

8.24 (1) contiguous acreage that is less than ten acres, which is in size and exclusively or
8.25 intensively used in the preceding year for raising or cultivating agricultural products, shall
8.26 be considered as agricultural land. To qualify under this paragraph, property that includes
8.27 a residential structure must be used intensively for one of the following purposes; or

8.28 (2) contiguous acreage that contains a residence and is less than 11 acres in size, if
8.29 the contiguous acreage was used in the preceding year for one or more of the following
8.30 three uses:

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

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

9.1 ~~(iii) for livestock or poultry confinement, provided that land that is used only for~~
 9.2 ~~pasturing and grazing does not qualify; or~~

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

9.7 "Contiguous acreage" for this paragraph means all of a tax parcel as defined in section
 9.8 272.193, or, all of a set of contiguous tax parcels under section 272.193 that are owned
 9.9 by the same person.

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

9.12 Classification under this subdivision is not determinative for qualifying under
 9.13 section 273.111.

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

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

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

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

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

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

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

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

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

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

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

10.7 (1) wholesale and retail sales;

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

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

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

10.12 the assessor shall classify the part of the parcel used for agricultural purposes as class
 10.13 1b, 2a, or 2b, whichever is appropriate, and the remainder in the class appropriate to its
 10.14 use. The grading, sorting, and packaging of raw agricultural products for first sale is
 10.15 considered an agricultural purpose. A greenhouse or other building where horticultural
 10.16 or nursery products are grown that is also used for the conduct of retail sales must be
 10.17 classified as agricultural if it is primarily used for the growing of horticultural or nursery
 10.18 products from seed, cuttings, or roots and occasionally as a showroom for the retail sale of
 10.19 those products. Use of a greenhouse or building only for the display of already grown
 10.20 horticultural or nursery products does not qualify as an agricultural purpose.

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

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

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

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

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

11.3 The land contained in a landing area under this paragraph must be described and certified
11.4 by the commissioner of transportation. The certification is effective until it is modified,
11.5 or until the airport or landing area no longer meets the requirements of this paragraph.

11.6 For purposes of this paragraph, "public access area" means property used as an aircraft
11.7 parking ramp, apron, or storage hangar, or an arrival and departure building in connection
11.8 with the airport.

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

11.16 (1) a legal description of the property;

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

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

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

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

11.29 (n) When any portion of the property under this subdivision or subdivision 22 begins
11.30 to be actively mined, the owner must file a supplemental affidavit within 60 days from
11.31 the day any aggregate is removed stating the number of acres of the property that is
11.32 actively being mined. The acres actively being mined must be (1) valued and classified
11.33 under subdivision 24 in the next subsequent assessment year, and (2) removed from the
11.34 aggregate resource preservation property tax program under section 273.1115, if the
11.35 land was enrolled in that program. Copies of the original affidavit and all supplemental
11.36 affidavits must be filed with the county assessor, the local zoning administrator, and the

12.1 Department of Natural Resources, Division of Land and Minerals. A supplemental
 12.2 affidavit must be filed each time a subsequent portion of the property is actively mined,
 12.3 provided that the minimum acreage change is five acres, even if the actual mining activity
 12.4 constitutes less than five acres.

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

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

12.9 Sec. 6. Minnesota Statutes 2011 Supplement, section 273.13, subdivision 25, is
 12.10 amended to read:

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

12.18 (b) Class 4b includes:

12.19 (1) residential real estate containing less than four units that does not qualify as class
 12.20 4bb, other than seasonal residential recreational property;

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

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

12.24 (4) unimproved property that is classified residential as determined under subdivision
 12.25 33.

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

12.27 (c) Class 4bb includes:

12.28 ~~(1)~~ nonhomestead residential real estate containing one unit, other than seasonal
 12.29 residential recreational property; and

12.30 ~~(2)~~ a single family dwelling, garage, and surrounding one acre of property on a
 12.31 nonhomestead farm classified under subdivision 23, paragraph (b).

12.32 Class 4bb property has the same class rates as class 1a property under subdivision 22.

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

13.1 (d) Class 4c property includes:

13.2 (1) except as provided in subdivision 22, paragraph (c), real and personal property
13.3 devoted to commercial temporary and seasonal residential occupancy for recreation
13.4 purposes, for not more than 250 days in the year preceding the year of assessment. For
13.5 purposes of this clause, property is devoted to a commercial purpose on a specific day
13.6 if any portion of the property is used for residential occupancy, and a fee is charged for
13.7 residential occupancy. Class 4c property under this clause must contain three or more
13.8 rental units. A "rental unit" is defined as a cabin, condominium, townhouse, sleeping room,
13.9 or individual camping site equipped with water and electrical hookups for recreational
13.10 vehicles. A camping pad offered for rent by a property that otherwise qualifies for class
13.11 4c under this clause is also class 4c under this clause regardless of the term of the rental
13.12 agreement, as long as the use of the camping pad does not exceed 250 days. In order for a
13.13 property to be classified under this clause, either (i) the business located on the property
13.14 must provide recreational activities, at least 40 percent of the annual gross lodging receipts
13.15 related to the property must be from business conducted during 90 consecutive days,
13.16 and either (A) at least 60 percent of all paid bookings by lodging guests during the year
13.17 must be for periods of at least two consecutive nights; or (B) at least 20 percent of the
13.18 annual gross receipts must be from charges for providing recreational activities, or (ii) the
13.19 business must contain 20 or fewer rental units, and must be located in a township or a city
13.20 with a population of 2,500 or less located outside the metropolitan area, as defined under
13.21 section 473.121, subdivision 2, that contains a portion of a state trail administered by the
13.22 Department of Natural Resources. For purposes of item (i)(A), a paid booking of five or
13.23 more nights shall be counted as two bookings. Class 4c property also includes commercial
13.24 use real property used exclusively for recreational purposes in conjunction with other class
13.25 4c property classified under this clause and devoted to temporary and seasonal residential
13.26 occupancy for recreational purposes, up to a total of two acres, provided the property is
13.27 not devoted to commercial recreational use for more than 250 days in the year preceding
13.28 the year of assessment and is located within two miles of the class 4c property with which
13.29 it is used. In order for a property to qualify for classification under this clause, the owner
13.30 must submit a declaration to the assessor designating the cabins or units occupied for 250
13.31 days or less in the year preceding the year of assessment by January 15 of the assessment
13.32 year. Those cabins or units and a proportionate share of the land on which they are located
13.33 must be designated class 4c under this clause as otherwise provided. The remainder of the
13.34 cabins or units and a proportionate share of the land on which they are located will be
13.35 designated as class 3a. The owner of property desiring designation as class 4c property
13.36 under this clause must provide guest registers or other records demonstrating that the units

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

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

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

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

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

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

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

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

14.26 For purposes of this clause:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

17.8 Class 4c property has a class rate of 1.5 percent of market value, except that (i) each
17.9 parcel of noncommercial seasonal residential recreational property under clause (12)
17.10 has the same class rates as class 4bb property, (ii) manufactured home parks assessed
17.11 under clause (5), item (i), have the same class rate as class 4b property, and the market
17.12 value of manufactured home parks assessed under clause (5), item (ii), has the same class
17.13 rate as class 4d property if more than 50 percent of the lots in the park are occupied by
17.14 shareholders in the cooperative corporation or association and a class rate of one percent if
17.15 50 percent or less of the lots are so occupied, (iii) commercial-use seasonal residential
17.16 recreational property and marina recreational land as described in clause (11), has a
17.17 class rate of one percent for the first \$500,000 of market value, and 1.25 percent for the
17.18 remaining market value, (iv) the market value of property described in clause (4) has a
17.19 class rate of one percent, (v) the market value of property described in clauses (2), (6), and
17.20 (10) has a class rate of 1.25 percent, and (vi) that portion of the market value of property
17.21 in clause (9) qualifying for class 4c property has a class rate of 1.25 percent.

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

17.31 Class 4d property has a class rate of 0.75 percent.

17.32 **EFFECTIVE DATE.** This section is effective for taxes payable in 2013 and
17.33 thereafter.

17.34 Sec. 7. Minnesota Statutes 2010, section 273.372, subdivision 4, is amended to read:

18.1 Subd. 4. **Administrative appeals.** (a) Companies that submit the reports under
 18.2 section 270.82 or 273.371 by the date specified in that section, or by the date specified by
 18.3 the commissioner in an extension, may appeal administratively to the commissioner prior
 18.4 to bringing an action in court ~~by submitting.~~

18.5 (b) Companies that must submit reports under section 270.82 must submit a written
 18.6 request with to the commissioner for a conference within ten days after the date of the
 18.7 commissioner's valuation certification or notice to the company, or by ~~May~~ June 15,
 18.8 whichever is earlier.

18.9 (c) Companies that submit reports under section 273.371 must submit a written
 18.10 request to the commissioner for a conference within ten days after the date of the
 18.11 commissioner's valuation certification or notice to the company, or by July 1, whichever
 18.12 is earlier.

18.13 (d) The commissioner shall conduct the conference upon the commissioner's entire
 18.14 files and records and such further information as may be offered. The conference must
 18.15 be held no later than 20 days after the date of the commissioner's valuation certification
 18.16 or notice to the company, or by the date specified by the commissioner in an extension.
 18.17 Within 60 days after the conference the commissioner shall make a final determination of
 18.18 the matter and shall notify the company promptly of the determination. The conference
 18.19 is not a contested case hearing.

18.20 ~~(b)~~ (e) In addition to the opportunity for a conference under paragraph (a), the
 18.21 commissioner shall also provide the railroad and utility companies the opportunity to
 18.22 discuss any questions or concerns relating to the values established by the commissioner
 18.23 through certification or notice in a less formal manner. This does not change or modify
 18.24 the deadline for requesting a conference under paragraph (a), the deadline in section
 18.25 271.06 for appealing an order of the commissioner, or the deadline in section 278.01 for
 18.26 appealing property taxes in court.

18.27 **EFFECTIVE DATE.** This section is effective beginning with assessment year 2013.

18.28 **ARTICLE 3**

18.29 **SALES AND USE TAXES**

18.30 Section 1. Minnesota Statutes 2010, section 297A.665, is amended to read:

18.31 **297A.665 PRESUMPTION OF TAX; BURDEN OF PROOF.**

18.32 (a) For the purpose of the proper administration of this chapter and to prevent
 18.33 evasion of the tax, until the contrary is established, it is presumed that:

18.34 (1) all gross receipts are subject to the tax; and

19.1 (2) all retail sales for delivery in Minnesota are for storage, use, or other consumption
 19.2 in Minnesota.

19.3 (b) The burden of proving that a sale is not a taxable retail sale is on the seller.

19.4 However, a seller is relieved of liability if:

19.5 (1) the seller obtains a fully completed exemption certificate or all the relevant
 19.6 information required by section 297A.72, subdivision 2, at the time of the sale or within
 19.7 90 days after the date of the sale; or

19.8 (2) if the seller has not obtained a fully completed exemption certificate or all the
 19.9 relevant information required by section 297A.72, subdivision 2, within the time provided
 19.10 in clause (1), within 120 days after a request for substantiation by the commissioner,
 19.11 the seller either:

19.12 (i) obtains ~~in good faith~~ from the purchaser a fully completed exemption certificate
 19.13 or all the relevant information required by section 297A.72, subdivision 2, ~~from the~~
 19.14 purchaser taken in good faith which means that the exemption certificate claims an
 19.15 exemption that (A) was statutorily available on the date of the transaction, (B) could be
 19.16 applicable to the item for which the exemption is claimed, and (C) is reasonable for the
 19.17 purchaser's type of business; or

19.18 (ii) proves by other means that the transaction was not subject to tax.

19.19 (c) Notwithstanding paragraph (b), relief from liability does not apply to a seller who:

19.20 (1) fraudulently fails to collect the tax; or

19.21 (2) solicits purchasers to participate in the unlawful claim of an exemption.

19.22 (d) Notwithstanding paragraph (b), relief from liability does not apply to a seller
 19.23 who has obtained information under paragraph (b), clause (2), if through the audit process
 19.24 the commissioner finds the following:

19.25 (1) that at the time the information was provided the seller had knowledge or had
 19.26 reason to know that the information relating to the exemption was materially false; or

19.27 (2) that the seller knowingly participated in activity intended to purposefully evade
 19.28 the sales tax due on the transaction.

19.29 ~~(d)~~ (e) A certified service provider, as defined in section 297A.995, subdivision 2, is
 19.30 relieved of liability under this section to the extent a seller who is its client is relieved of
 19.31 liability.

19.32 ~~(e)~~ (f) A purchaser of tangible personal property or any items listed in section
 19.33 297A.63 that are shipped or brought to Minnesota by the purchaser has the burden
 19.34 of proving that the property was not purchased from a retailer for storage, use, or
 19.35 consumption in Minnesota.

20.1 ~~(f)~~ (g) If a seller claims that certain sales are exempt and does not provide the
 20.2 certificate, information, or proof required by paragraph (b), clause (2), within 120 days
 20.3 after the date of the commissioner's request for substantiation, then the exemptions
 20.4 claimed by the seller that required substantiation are disallowed.

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

20.6 ARTICLE 4

20.7 SPECIAL TAXES

20.8 Section 1. Minnesota Statutes 2010, section 65B.84, subdivision 1, is amended to read:

20.9 Subdivision 1. **Program described; commissioner's duties; appropriation.** (a)

20.10 The commissioner of commerce shall:

20.11 (1) develop and sponsor the implementation of statewide plans, programs, and
 20.12 strategies to combat automobile theft, improve the administration of the automobile theft
 20.13 laws, and provide a forum for identification of critical problems for those persons dealing
 20.14 with automobile theft;

20.15 (2) coordinate the development, adoption, and implementation of plans, programs,
 20.16 and strategies relating to interagency and intergovernmental cooperation with respect
 20.17 to automobile theft enforcement;

20.18 (3) annually audit the plans and programs that have been funded in whole or in part
 20.19 to evaluate the effectiveness of the plans and programs and withdraw funding should the
 20.20 commissioner determine that a plan or program is ineffective or is no longer in need
 20.21 of further financial support from the fund;

20.22 (4) develop a plan of operation including:

20.23 (i) an assessment of the scope of the problem of automobile theft, including areas
 20.24 of the state where the problem is greatest;

20.25 (ii) an analysis of various methods of combating the problem of automobile theft;

20.26 (iii) a plan for providing financial support to combat automobile theft;

20.27 (iv) a plan for eliminating car hijacking; and

20.28 (v) an estimate of the funds required to implement the plan; and

20.29 (5) distribute money, in consultation with the commissioner of public safety,
 20.30 pursuant to subdivision 3 from the automobile theft prevention special revenue account
 20.31 for automobile theft prevention activities, including:

20.32 (i) paying the administrative costs of the program;

20.33 (ii) providing financial support to the State Patrol and local law enforcement
 20.34 agencies for automobile theft enforcement teams;

21.1 (iii) providing financial support to state or local law enforcement agencies for
 21.2 programs designed to reduce the incidence of automobile theft and for improved
 21.3 equipment and techniques for responding to automobile thefts;

21.4 (iv) providing financial support to local prosecutors for programs designed to reduce
 21.5 the incidence of automobile theft;

21.6 (v) providing financial support to judicial agencies for programs designed to reduce
 21.7 the incidence of automobile theft;

21.8 (vi) providing financial support for neighborhood or community organizations or
 21.9 business organizations for programs designed to reduce the incidence of automobile
 21.10 theft and to educate people about the common methods of automobile theft, the models
 21.11 of automobiles most likely to be stolen, and the times and places automobile theft is
 21.12 most likely to occur; and

21.13 (vii) providing financial support for automobile theft educational and training
 21.14 programs for state and local law enforcement officials, driver and vehicle services exam
 21.15 and inspections staff, and members of the judiciary.

21.16 (b) The commissioner may not spend in any fiscal year more than ten percent of the
 21.17 money in the fund for the program's administrative and operating costs. The commissioner
 21.18 is annually appropriated and must distribute the amount of the proceeds credited to
 21.19 the automobile theft prevention special revenue account each year, less the transfer
 21.20 of \$1,300,000 each year to the general fund described in section ~~168A.40, subdivision~~
 21.21 ~~4~~ 297I.11, subdivision 2.

21.22 **EFFECTIVE DATE.** This section is effective for premiums collected after June
 21.23 30, 2012.

21.24 Sec. 2. Minnesota Statutes 2010, section 287.20, subdivision 2, is amended to read:

21.25 Subd. 2. **Consideration.** (a) "Consideration" means generally the total monetary
 21.26 value that is given in return for a conveyance of real property in this state and includes
 21.27 all lump-sum payments, all prior or future installment payments that are required under
 21.28 the agreement between the parties, and the fair market value of any property taken, or
 21.29 to be taken, in exchange.

21.30 (b) Consideration does not include the reasonable and lawful amounts of interest
 21.31 paid for the privilege of paying the purchase price in installments and the fair market value
 21.32 of any items of intangible personal property that are conveyed by the taxable instrument.

21.33 (c) Consideration does not include the amount paid for the personal property located
 21.34 on the real property being conveyed and transferred as a part of the total consideration,
 21.35 except that the amount paid for the personal property located on the real property being

22.1 conveyed must be included if the real property being conveyed is a one-, two-, or
 22.2 three-unit residential structure.

22.3 (d) When a conveyance of real property is made pursuant to a contract for deed, the
 22.4 consideration is the price for the real property reflected in the contract; except that, subject
 22.5 to the limitations under section 287.221, if the contract for deed, or other agreement
 22.6 entered into as a condition to the seller executing the contract, requires the property to be
 22.7 improved during the term of the contract and the price of the real property as reflected
 22.8 in the contract does not include the consideration for the required improvements, then
 22.9 the consideration is the price for the real property as reflected in the contract and the
 22.10 consideration for the required improvements added during the term of the contract.

22.11 (e) "Total consideration" has the same meaning as consideration.

22.12 (f) "Consideration, exclusive of the value of any lien or encumbrance remaining at
 22.13 the time of sale" or "net consideration" means the amount of consideration as reduced by
 22.14 the amount outstanding under any lien that attached to the real property prior to the time
 22.15 of sale and that is not released or satisfied as a result of the sale.

22.16 (g) Except in the case of a gift, ~~when the amount of the consideration for a~~
 22.17 ~~conveyance includes something other than money or promises to pay money,~~ the
 22.18 consideration for ~~that~~ a conveyance is rebuttably presumed to equal the fair most recent
 22.19 equalized estimated market value of contained in the county's property tax assessment
 22.20 records for the real property being conveyed.

22.21 **EFFECTIVE DATE.** This section is effective for deeds that are both executed
 22.22 and recorded after June 30, 2012.

22.23 Sec. 3. Minnesota Statutes 2010, section 297F.01, subdivision 23, is amended to read:

22.24 Subd. 23. **Wholesale sales price.** "Wholesale sales price" means the price ~~stated on~~
 22.25 ~~the price list in effect at the time of sale for which a manufacturer or person sells a tobacco~~
 22.26 ~~product to a distributor, exclusive of any discount, promotional offer, or other reduction.~~
 22.27 ~~For purposes of this subdivision, "price list" means the manufacturer's price at which~~
 22.28 ~~tobacco products are made available for sale to all distributors on an ongoing basis at which~~
 22.29 a distributor purchases a tobacco product without any reduction for federal excise taxes,
 22.30 freight charges, discounts, packaging, or other reductions. Wholesale sales price includes
 22.31 the applicable federal excise tax regardless of whether it is included in the purchase price.

22.32 **EFFECTIVE DATE.** This section is effective for purchases made after December
 22.33 31, 2012.

23.1 Sec. 4. Minnesota Statutes 2010, section 297G.04, subdivision 2, is amended to read:

23.2 Subd. 2. **Tax credit.** A qualified brewer producing fermented malt beverages
 23.3 is entitled to a tax credit of \$4.60 per barrel on 25,000 barrels sold in any fiscal year
 23.4 beginning July 1, regardless of the alcohol content of the product. Qualified brewers may
 23.5 take the credit on the 18th day of each month, but the total credit allowed may not exceed
 23.6 in any fiscal year the lesser of:

23.7 (1) the liability for tax; or

23.8 (2) \$115,000.

23.9 For purposes of this subdivision, a "qualified brewer" means a brewer, whether
 23.10 or not located in this state, manufacturing less than 100,000 barrels of fermented malt
 23.11 beverages in the calendar year immediately preceding the ~~calendar~~ fiscal year for which
 23.12 the credit under this subdivision is claimed. In determining the number of barrels, all
 23.13 brands or labels of a brewer must be combined. All facilities for the manufacture of
 23.14 fermented malt beverages owned or controlled by the same person, corporation, or other
 23.15 entity must be treated as a single brewer. A brewer is owned or controlled when more than
 23.16 50 percent of the voting stock of each member of the group is directly or indirectly owned
 23.17 by a common owner or by common owners, whether they are corporate or noncorporate.

23.18 **EFFECTIVE DATE.** This section is effective for claims filed after December
 23.19 31, 2012.

23.20 Sec. 5. Minnesota Statutes 2011 Supplement, section 297I.05, subdivision 7, is
 23.21 amended to read:

23.22 Subd. 7. **Nonadmitted insurance premium tax.** (a) A tax is imposed on surplus
 23.23 lines brokers. The rate of tax is equal to three percent of the gross premiums less return
 23.24 premiums paid by an insured whose home state is Minnesota.

23.25 (b) A tax is imposed on ~~persons, firms, or corporations~~ a person, firm, corporation,
 23.26 or purchasing group as defined in section 60E.02, or any member of a purchasing group,
 23.27 that procure insurance directly from a nonadmitted insurer. The rate of tax is equal to two
 23.28 percent of the gross premiums less return premiums paid by an insured whose home
 23.29 state is Minnesota.

23.30 (c) No state other than the home state of an insured may require any premium tax
 23.31 payment for nonadmitted insurance. When Minnesota is the home state of the insured,
 23.32 as provided under section 297I.01, 100 percent of the gross premiums are taxable in
 23.33 Minnesota with no allocation of the tax to other states.

24.1 **EFFECTIVE DATE.** This section is effective for premiums received after
 24.2 December 31, 2012.

24.3 Sec. 6. Minnesota Statutes 2011 Supplement, section 297I.05, subdivision 12, is
 24.4 amended to read:

24.5 Subd. 12. **Other entities.** (a) A tax is imposed equal to two percent of:

24.6 (1) gross premiums less return premiums written for risks resident or located in
 24.7 Minnesota by a risk retention group;

24.8 (2) gross premiums less return premiums received by an attorney in fact acting
 24.9 in accordance with chapter 71A;

24.10 (3) gross premiums less return premiums received pursuant to assigned risk policies
 24.11 and contracts of coverage under chapter 79; and

24.12 (4) the direct funded premium received by the reinsurance association under section
 24.13 79.34 from self-insurers approved under section 176.181 and political subdivisions that
 24.14 self-insure; and

24.15 ~~(5) gross premiums less return premiums paid to an insurer other than a licensed~~
 24.16 ~~insurance company or a surplus lines broker for coverage of risks resident or located in~~
 24.17 ~~Minnesota by a purchasing group or any members of the purchasing group to a broker or~~
 24.18 ~~agent for the purchasing group.~~

24.19 (b) A tax is imposed on a joint self-insurance plan operating under chapter 60F. The
 24.20 rate of tax is equal to two percent of the total amount of claims paid during the fund year,
 24.21 with no deduction for claims wholly or partially reimbursed through stop-loss insurance.

24.22 (c) A tax is imposed on a joint self-insurance plan operating under chapter 62H.
 24.23 The rate of tax is equal to two percent of the total amount of claims paid during the
 24.24 fund's fiscal year, with no deduction for claims wholly or partially reimbursed through
 24.25 stop-loss insurance.

24.26 (d) A tax is imposed equal to the tax imposed under section 297I.05, subdivision 5,
 24.27 on the gross premiums less return premiums on all coverages received by an accountable
 24.28 provider network or agents of an accountable provider network in Minnesota, in cash or
 24.29 otherwise, during the year.

24.30 **EFFECTIVE DATE.** This section is effective for premiums received after
 24.31 December 31, 2012.

24.32 Sec. 7. **[297I.11] AUTOMOBILE THEFT PREVENTION SURCHARGE.**

24.33 Subdivision 1. **Surcharge.** Each insurer engaged in the writing of policies of
 24.34 automobile insurance shall collect a surcharge, at the rate of 50 cents per vehicle

25.1 for every six months of coverage, on each policy of automobile insurance providing
 25.2 comprehensive insurance coverage issued or renewed in this state. The surcharge may not
 25.3 be considered premium for any purpose, including the computation of premium tax or
 25.4 agents' commissions. The amount of the surcharge must be separately stated on either a
 25.5 billing or policy declaration sent to an insured. Insurers shall remit the revenue derived
 25.6 from this surcharge to the commissioner of revenue for purposes of the automobile theft
 25.7 prevention program described in section 65B.84. For purposes of this subdivision, "policy
 25.8 of automobile insurance" has the meaning given it in section 65B.14, covering only the
 25.9 following types of vehicles as defined in section 168.002:

25.10 (1) a passenger automobile;

25.11 (2) a pickup truck;

25.12 (3) a van but not commuter vans as defined in section 168.126; or

25.13 (4) a motorcycle,

25.14 except that no vehicle with a gross vehicle weight in excess of 10,000 pounds is included
 25.15 within this definition.

25.16 Subd. 2. **Automobile theft prevention account.** A special revenue account in
 25.17 the state treasury shall be credited with the proceeds of the surcharge imposed under
 25.18 subdivision 1. Of the revenue in the account, \$1,300,000 each year must be transferred to
 25.19 the general fund. Revenues in excess of \$1,300,000 each year may be used only for the
 25.20 automobile theft prevention program described in section 65B.84.

25.21 Subd. 3. **Collection and administration.** The commissioner shall collect and
 25.22 administer the surcharge imposed by this section in the same manner as the taxes imposed
 25.23 by this chapter. The commissioner is appropriated annually, from the automobile theft
 25.24 prevention special revenue account, an amount to reimburse the Department of Revenue
 25.25 for the costs incurred in administering and collecting the surcharge imposed under
 25.26 subdivision 1.

25.27 **EFFECTIVE DATE.** This section is effective for premiums collected after June
 25.28 30, 2012.

25.29 Sec. 8. Minnesota Statutes 2011 Supplement, section 297I.30, subdivision 1, is
 25.30 amended to read:

25.31 Subdivision 1. **General rule.** On or before March 1, every taxpayer subject to
 25.32 taxation under section 297I.05, subdivisions 1 to 5₂; 7, paragraph (b)₂; 12, paragraphs (a),
 25.33 ~~clauses (1) to (4), (b), (c), and (d)~~₂; and 14, shall file an annual return for the preceding
 25.34 calendar year in the form prescribed by the commissioner.

26.1 **EFFECTIVE DATE.** This section is effective for premiums received after
 26.2 December 31, 2012.

26.3 Sec. 9. Minnesota Statutes 2011 Supplement, section 297I.30, subdivision 2, is
 26.4 amended to read:

26.5 Subd. 2. **Surplus lines brokers and purchasing groups.** On or before February
 26.6 15 and August 15 of each year, every surplus lines broker subject to taxation under
 26.7 section 297I.05, subdivision 7, paragraph (a), ~~and every purchasing group or member of~~
 26.8 ~~a purchasing group subject to tax under section 297I.05, subdivision 12, paragraph (a),~~
 26.9 ~~clause (5);~~ shall file a return with the commissioner for the preceding six-month period
 26.10 ending December 31, or June 30, in the form prescribed by the commissioner.

26.11 **EFFECTIVE DATE.** This section is effective for premiums received after
 26.12 December 31, 2012.

26.13 Sec. 10. Minnesota Statutes 2010, section 297I.30, is amended by adding a subdivision
 26.14 to read:

26.15 Subd. 10. **Automobile theft prevention surcharge.** On or before May 1, August
 26.16 1, November 1, and February 1 of each year, every insurer required to pay the surcharge
 26.17 under section 297I.11 shall file a return with the commissioner for the preceding
 26.18 three-month period ending March 31, June 30, September 30, and December 31, in the
 26.19 form prescribed by the commissioner.

26.20 **EFFECTIVE DATE.** This section is effective for premiums collected after June
 26.21 30, 2012.

26.22 Sec. 11. **REPEALER.**

26.23 Minnesota Statutes 2010, section 168A.40, subdivisions 3 and 4, are repealed.

26.24 **EFFECTIVE DATE.** This section is effective for premiums collected after June
 26.25 30, 2012.

26.26 **ARTICLE 5**

26.27 **MISCELLANEOUS**

26.28 Section 1. Minnesota Statutes 2010, section 270C.38, subdivision 1, is amended to read:

26.29 Subdivision 1. **Sufficient notice.** (a) If no method of notification of a written
 26.30 determination or action of the commissioner is otherwise specifically provided for by

27.1 law, notice of the determination or action sent postage prepaid by United States mail to
 27.2 the taxpayer or other person affected by the determination or action at the taxpayer's
 27.3 or person's last known address, is sufficient. If the taxpayer or person being notified is
 27.4 deceased or is under a legal disability, or, in the case of a corporation being notified that
 27.5 has terminated its existence, notice to the last known address of the taxpayer, person, or
 27.6 corporation is sufficient, unless the department has been provided with a new address by a
 27.7 party authorized to receive notices from the commissioner.

27.8 (b) If a taxpayer or other person agrees to accept notification by electronic means,
 27.9 notice of a determination or action of the commissioner sent by electronic mail to the
 27.10 taxpayer's or person's last known electronic mailing address as provided for in section
 27.11 325L.08 is sufficient.

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

27.13 Sec. 2. Minnesota Statutes 2010, section 270C.69, subdivision 1, is amended to read:

27.14 Subdivision 1. **Notice and procedures.** (a) The commissioner may, within five years
 27.15 after the date of assessment of the tax, or if a lien has been filed under section 270C.63,
 27.16 within the statutory period for enforcement of the lien, give notice to any employer
 27.17 deriving income which has a taxable situs in this state regardless of whether the income is
 27.18 exempt from taxation, that an employee of that employer is delinquent in a certain amount
 27.19 with respect to any taxes, including penalties, interest, and costs. The commissioner can
 27.20 proceed under this section only if the tax is uncontested or if the time for appeal of the tax
 27.21 has expired. The commissioner shall not proceed under this section until the expiration of
 27.22 30 days after mailing to the taxpayer, at the taxpayer's last known address, a written notice
 27.23 of (1) the amount of taxes, interest, and penalties due from the taxpayer and demand for
 27.24 their payment, and (2) the commissioner's intention to require additional withholding by
 27.25 the taxpayer's employer pursuant to this section. The effect of the notice shall expire one
 27.26 year after it has been mailed to the taxpayer provided that the notice may be renewed by
 27.27 mailing a new notice which is in accordance with this section. The renewed notice shall
 27.28 have the effect of reinstating the priority of the original claim. The notice to the taxpayer
 27.29 shall be in substantially the same form as that provided in section 571.72. The notice
 27.30 shall further inform the taxpayer of the wage exemptions contained in section 550.37,
 27.31 subdivision 14. If no statement of exemption is received by the commissioner within 30
 27.32 days from the mailing of the notice, the commissioner may proceed under this section.
 27.33 The notice to the taxpayer's employer may be served by mail or by delivery by an agent of
 27.34 the department and shall be in substantially the same form as provided in section 571.75.
 27.35 Upon receipt of notice, the employer shall withhold from compensation due or to become

28.1 due to the employee, the total amount shown by the notice, subject to the provisions of
28.2 section 571.922. The employer shall continue to withhold each pay period until the notice
28.3 is released by the commissioner under section 270C.7109. Upon receipt of notice by the
28.4 employer, the claim of the state of Minnesota shall have priority over any subsequent
28.5 garnishments or wage assignments. The commissioner may arrange between the employer
28.6 and the employee for withholding a portion of the total amount due the employee each pay
28.7 period, until the total amount shown by the notice plus accrued interest has been withheld.

28.8 (b) The "compensation due" any employee is defined in accordance with the
28.9 provisions of section 571.921. The maximum withholding allowed under this section for
28.10 any one pay period shall be decreased by any amounts payable pursuant to a garnishment
28.11 action with respect to which the employer was served prior to being served with the notice
28.12 of delinquency and any amounts covered by any irrevocable and previously effective
28.13 assignment of wages; the employer shall give notice to the commissioner of the amounts
28.14 and the facts relating to such assignments within ten days after the service of the notice of
28.15 delinquency on the form provided by the commissioner as noted in this section.

28.16 (c) Within ten days after the expiration of such pay period, the employer shall remit
28.17 to the commissioner, on a form and in the manner prescribed by the commissioner,
28.18 the amount withheld during each pay period under this section. If the commissioner
28.19 has prescribed that withholding returns be filed electronically under section 289A.09,
28.20 subdivision 1, the employer must file all wage levy disclosure forms and remit all wage
28.21 levy payments by electronic means.

28.22 **EFFECTIVE DATE.** This section is effective for wage levy disclosures or wage
28.23 levy payments filed or made after December 31, 2012.

APPENDIX
Article locations in 12-3791

ARTICLE 1	ESTATE TAXES	Page.Ln 1.14
ARTICLE 2	PROPERTY TAXES	Page.Ln 4.28
ARTICLE 3	SALES AND USE TAXES	Page.Ln 18.28
ARTICLE 4	SPECIAL TAXES	Page.Ln 20.6
ARTICLE 5	MISCELLANEOUS	Page.Ln 26.26