

## 1.1 A bill for an act

1.2 relating to taxation; making technical, minor, and clarifying changes in enterprise  
1.3 zone and economic development powers; eliminating obsolete provisions;  
1.4 amending Minnesota Statutes 2010, sections 16C.16, subdivision 7; 41A.036,  
1.5 subdivision 2; 117.025, subdivision 10; 270B.14, subdivision 3; 272.02,  
1.6 subdivision 77; 273.13, subdivision 24; 273.1398, subdivision 4; 276A.01,  
1.7 subdivision 3; 290.01, subdivision 29; 290.067, subdivision 1; 290.0921,  
1.8 subdivision 3; 469.015, subdivision 4; 469.033, subdivision 7; 469.166,  
1.9 subdivisions 3, 5, 6; 469.167, subdivision 2; 469.171, subdivisions 1, 4, 6a, 7, 9,  
1.10 11; 469.172; 469.173, subdivisions 5, 6; 469.174, subdivisions 20, 25; 469.176,  
1.11 subdivision 7; 469.1763, subdivision 6; 469.1764, subdivision 1; 469.177,  
1.12 subdivision 1; 469.1793; 469.1813, subdivision 6b; 473F.02, subdivision 3;  
1.13 Minnesota Statutes 2011 Supplement, sections 290.01, subdivision 19b; 290.06,  
1.14 subdivision 2c; 290.0671, subdivision 1; 290.091, subdivision 2; 290.0922,  
1.15 subdivisions 2, 3; 297A.75, subdivision 1; repealing Minnesota Statutes  
1.16 2010, sections 272.02, subdivision 83; 290.06, subdivisions 24, 32; 297A.68,  
1.17 subdivision 41; 469.042, subdivisions 2, 3, 4; 469.043; 469.059, subdivision 13;  
1.18 469.129; 469.134; 469.162, subdivision 2; 469.1651; 469.166, subdivisions 7, 8,  
1.19 9, 10, 11, 12; 469.167, subdivisions 1, 3; 469.168; 469.169, subdivisions 1, 2,  
1.20 3, 4, 5, 6, 7, 8, 9, 10, 11, 13; 469.170, subdivisions 1, 2, 3, 4, 5, 5a, 5b, 5c, 5d,  
1.21 5e, 6, 7, 8; 469.171, subdivisions 2, 5, 6b; 469.173, subdivisions 1, 3; 469.1765;  
1.22 469.1791; 469.1799, subdivision 2; 469.301, subdivisions 1, 2, 3, 4, 5; 469.302;  
1.23 469.303; 469.304; 469.321; 469.3215; 469.322; 469.323; 469.324; 469.325;  
1.24 469.326; 469.327; 469.328; 469.329; 473.680.

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

1.26 Section 1. Minnesota Statutes 2010, section 16C.16, subdivision 7, is amended to read:

1.27 Subd. 7. **Economically disadvantaged areas.** (a) Except as otherwise provided in  
1.28 paragraph (b), the commissioner may award up to a six percent preference in the amount  
1.29 bid on state procurement to small businesses located in an economically disadvantaged  
1.30 area.

1.31 (b) The commissioner may award up to a four percent preference in the amount bid  
1.32 on state construction to small businesses located in an economically disadvantaged area.

2.1 (c) A business is located in an economically disadvantaged area if:

2.2 (1) the owner resides in or the business is located in a county in which the median  
2.3 income for married couples is less than 70 percent of the state median income for married  
2.4 couples;

2.5 (2) the owner resides in or the business is located in an area designated a labor  
2.6 surplus area by the United States Department of Labor; or

2.7 (3) the business is a certified rehabilitation facility or extended employment provider  
2.8 as described in chapter 268A.

2.9 (d) The commissioner may designate one or more areas designated as targeted  
2.10 neighborhoods under section 469.202 or as border city enterprise zones under section  
2.11 ~~469.167~~ 469.166 as economically disadvantaged areas for purposes of this subdivision  
2.12 if the commissioner determines that this designation would further the purposes of this  
2.13 section. If the owner of a small business resides or is employed in a designated area, the  
2.14 small business is eligible for any preference provided under this subdivision.

2.15 (e) The Department of Revenue shall gather data necessary to make the  
2.16 determinations required by paragraph (c), clause (1), and shall annually certify counties  
2.17 that qualify under paragraph (c), clause (1). An area designated a labor surplus area  
2.18 retains that status for 120 days after certified small businesses in the area are notified of  
2.19 the termination of the designation by the United States Department of Labor.

2.20 Sec. 2. Minnesota Statutes 2010, section 41A.036, subdivision 2, is amended to read:

2.21 Subd. 2. **Small business development loans; preferences.** The following eligible  
2.22 small businesses have preference among all business applicants for small business  
2.23 development loans:

2.24 (1) businesses located in rural areas of the state that are experiencing the most  
2.25 severe unemployment rates in the state;

2.26 (2) businesses that are likely to expand and provide additional permanent  
2.27 employment in rural areas of the state, or enhance the quality of existing jobs in those  
2.28 areas;

2.29 (3) businesses located in border communities that experience a competitive  
2.30 disadvantage due to location;

2.31 (4) businesses that have been unable to obtain traditional financial assistance due to  
2.32 a disadvantageous location, minority ownership, or other factors rather than due to the  
2.33 business having been considered a poor financial risk;

3.1 (5) businesses that utilize state resources and reduce state dependence on outside  
3.2 resources, and that produce products or services consistent with the long-term social and  
3.3 economic needs of the state; and

3.4 (6) businesses located in ~~designated~~ border city enterprise zones, as described in  
3.5 section ~~469.168~~ 469.166.

3.6 Sec. 3. Minnesota Statutes 2010, section 117.025, subdivision 10, is amended to read:

3.7 Subd. 10. **Public service corporation.** "Public service corporation" means a  
3.8 utility, as defined by section 216E.01, subdivision 10; gas, electric, telephone, or cable  
3.9 communications company; cooperative association; natural gas pipeline company;  
3.10 crude oil or petroleum products pipeline company; municipal utility; municipality when  
3.11 operating its municipally owned utilities; joint venture created pursuant to section 452.25  
3.12 or 452.26; or municipal power or gas agency. Public service corporation also means a  
3.13 municipality or public corporation when operating an airport under chapter 360 or 473, a  
3.14 common carrier, a watershed district, or a drainage authority. ~~Public service corporation~~  
3.15 ~~also means an entity operating a regional distribution center within an international~~  
3.16 ~~economic development zone designated under section 469.322.~~

3.17 Sec. 4. Minnesota Statutes 2010, section 270B.14, subdivision 3, is amended to read:

3.18 Subd. 3. **Administration of enterprise, job opportunity, and biotechnology**  
3.19 **and health sciences industry zone programs.** The commissioner may disclose return  
3.20 information relating to the taxes imposed by chapters 290 and 297A to the Department of  
3.21 Employment and Economic Development or a municipality ~~receiving an~~ with a border  
3.22 city enterprise zone ~~designation as defined~~ under section ~~469.169~~ 469.166, but only as  
3.23 necessary to administer the funding limitations under section 469.169, ~~subdivision 7~~, or  
3.24 to the Department of Employment and Economic Development and appropriate officials  
3.25 from the local government units in which a qualified business is located but only as  
3.26 necessary to enforce the job opportunity building zone benefits under section 469.315, or  
3.27 biotechnology and health sciences industry zone benefits under section 469.336.

3.28 Sec. 5. Minnesota Statutes 2010, section 272.02, subdivision 77, is amended to read:

3.29 Subd. 77. **Property of housing and redevelopment authorities.** Property of  
3.30 projects of housing and redevelopment authorities are exempt to the extent permitted by  
3.31 ~~sections~~ section 469.042, subdivision 1, ~~and 469.043, subdivisions 2 and 5.~~

3.32 Sec. 6. Minnesota Statutes 2010, section 273.13, subdivision 24, is amended to read:

4.1 Subd. 24. **Class 3.** ~~(a)~~ Commercial and industrial property and utility real and  
4.2 personal property is class 3a.

4.3 (1) Except as otherwise provided, each parcel of commercial, industrial, or utility  
4.4 real property has a class rate of 1.5 percent of the first tier of market value, and 2.0 percent  
4.5 of the remaining market value. In the case of contiguous parcels of property owned by the  
4.6 same person or entity, only the value equal to the first-tier value of the contiguous parcels  
4.7 qualifies for the reduced class rate, except that contiguous parcels owned by the same  
4.8 person or entity shall be eligible for the first-tier value class rate on each separate business  
4.9 operated by the owner of the property, provided the business is housed in a separate  
4.10 structure. For the purposes of this subdivision, the first tier means the first \$150,000 of  
4.11 market value. Real property owned in fee by a utility for transmission line right-of-way  
4.12 shall be classified at the class rate for the higher tier.

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

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

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

4.31 ~~(b) Employment property defined in section 469.166, during the period provided~~  
4.32 ~~in section 469.170, shall constitute class 3b. The class rates for class 3b property are~~  
4.33 ~~determined under paragraph (a).~~

4.34 Sec. 7. Minnesota Statutes 2010, section 273.1398, subdivision 4, is amended to read:

5.1 Subd. 4. **Disparity reduction credit.** (a) Beginning with taxes payable in 1989,  
5.2 class 4a, ~~and class 3a, and class 3b~~ property qualifies for a disparity reduction credit if: (1)  
5.3 the property is located in a border city that has an enterprise zone ~~designated pursuant to~~  
5.4 ~~section 469.168, subdivision 4,~~ as defined in section 469.166; (2) the property is located  
5.5 in a city with a population greater than 2,500 and less than 35,000 according to the  
5.6 1980 decennial census; (3) the city is adjacent to a city in another state or immediately  
5.7 adjacent to a city adjacent to a city in another state; and (4) the adjacent city in the  
5.8 other state has a population of greater than 5,000 and less than 75,000 according to the  
5.9 1980 decennial census.

5.10 (b) The credit is an amount sufficient to reduce (i) the taxes levied on class 4a  
5.11 property to 2.3 percent of the property's market value and (ii) the tax on class 3a ~~and class~~  
5.12 ~~3b~~ property to 2.3 percent of market value.

5.13 (c) The county auditor shall annually certify the costs of the credits to the  
5.14 Department of Revenue. The department shall reimburse local governments for the  
5.15 property taxes forgone as the result of the credits in proportion to their total levies.

5.16 Sec. 8. Minnesota Statutes 2010, section 276A.01, subdivision 3, is amended to read:

5.17 Subd. 3. **Commercial-industrial property.** "Commercial-industrial property"  
5.18 means the following categories of property, as defined in section 273.13, excluding that  
5.19 portion of the property (i) that may, by law, constitute the tax base for a tax increment  
5.20 pledged pursuant to ~~section 469.042 or 469.162 or~~ sections 469.174 to 469.178,  
5.21 certification of which was requested prior to May 1, 1996, to the extent and while the tax  
5.22 increment is so pledged; or (ii) that is exempt from taxation under section 272.02:

5.23 (1) that portion of class 5 property consisting of unmined iron ore and low-grade  
5.24 iron-bearing formations as defined in section 273.14, tools, implements, and machinery,  
5.25 except the portion of high voltage transmission lines, the value of which is deducted from  
5.26 net tax capacity under section 273.425; and

5.27 (2) that portion of class 3 and class 5 property which is either used or zoned for  
5.28 use for any commercial or industrial purpose, including property that becomes taxable  
5.29 under section 298.25, except for such property which is, or, in the case of property under  
5.30 construction, will when completed be used exclusively for residential occupancy and  
5.31 the provision of services to residential occupants thereof. Property must be considered  
5.32 as used exclusively for residential occupancy only if each of not less than 80 percent  
5.33 of its occupied residential units is, or, in the case of property under construction, will  
5.34 when completed be occupied under an oral or written agreement for occupancy over a  
5.35 continuous period of not less than 30 days.

6.1 If the classification of property prescribed by section 273.13 is modified by  
6.2 legislative amendment, the references in this subdivision are to the successor class or  
6.3 classes of property, or portions thereof, that include the kinds of property designated  
6.4 in this subdivision.

6.5 Sec. 9. Minnesota Statutes 2011 Supplement, section 290.01, subdivision 19b, is  
6.6 amended to read:

6.7 Subd. 19b. **Subtractions from federal taxable income.** For individuals, estates,  
6.8 and trusts, there shall be subtracted from federal taxable income:

6.9 (1) net interest income on obligations of any authority, commission, or  
6.10 instrumentality of the United States to the extent includable in taxable income for federal  
6.11 income tax purposes but exempt from state income tax under the laws of the United States;

6.12 (2) if included in federal taxable income, the amount of any overpayment of income  
6.13 tax to Minnesota or to any other state, for any previous taxable year, whether the amount  
6.14 is received as a refund or as a credit to another taxable year's income tax liability;

6.15 (3) the amount paid to others, less the amount used to claim the credit allowed under  
6.16 section 290.0674, not to exceed \$1,625 for each qualifying child in grades kindergarten  
6.17 to 6 and \$2,500 for each qualifying child in grades 7 to 12, for tuition, textbooks, and  
6.18 transportation of each qualifying child in attending an elementary or secondary school  
6.19 situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a  
6.20 resident of this state may legally fulfill the state's compulsory attendance laws, which  
6.21 is not operated for profit, and which adheres to the provisions of the Civil Rights Act  
6.22 of 1964 and chapter 363A. For the purposes of this clause, "tuition" includes fees or  
6.23 tuition as defined in section 290.0674, subdivision 1, clause (1). As used in this clause,  
6.24 "textbooks" includes books and other instructional materials and equipment purchased  
6.25 or leased for use in elementary and secondary schools in teaching only those subjects  
6.26 legally and commonly taught in public elementary and secondary schools in this state.  
6.27 Equipment expenses qualifying for deduction includes expenses as defined and limited in  
6.28 section 290.0674, subdivision 1, clause (3). "Textbooks" does not include instructional  
6.29 books and materials used in the teaching of religious tenets, doctrines, or worship, the  
6.30 purpose of which is to instill such tenets, doctrines, or worship, nor does it include books  
6.31 or materials for, or transportation to, extracurricular activities including sporting events,  
6.32 musical or dramatic events, speech activities, driver's education, or similar programs. No  
6.33 deduction is permitted for any expense the taxpayer incurred in using the taxpayer's or  
6.34 the qualifying child's vehicle to provide such transportation for a qualifying child. For

7.1 purposes of the subtraction provided by this clause, "qualifying child" has the meaning  
7.2 given in section 32(c)(3) of the Internal Revenue Code;

7.3 (4) income as provided under section 290.0802;

7.4 (5) to the extent included in federal adjusted gross income, income realized on  
7.5 disposition of property exempt from tax under section 290.491;

7.6 (6) to the extent not deducted or not deductible pursuant to section 408(d)(8)(E)  
7.7 of the Internal Revenue Code in determining federal taxable income by an individual  
7.8 who does not itemize deductions for federal income tax purposes for the taxable year, an  
7.9 amount equal to 50 percent of the excess of charitable contributions over \$500 allowable  
7.10 as a deduction for the taxable year under section 170(a) of the Internal Revenue Code,  
7.11 under the provisions of Public Law 109-1 and Public Law 111-126;

7.12 (7) for individuals who are allowed a federal foreign tax credit for taxes that do not  
7.13 qualify for a credit under section 290.06, subdivision 22, an amount equal to the carryover  
7.14 of subnational foreign taxes for the taxable year, but not to exceed the total subnational  
7.15 foreign taxes reported in claiming the foreign tax credit. For purposes of this clause,  
7.16 "federal foreign tax credit" means the credit allowed under section 27 of the Internal  
7.17 Revenue Code, and "carryover of subnational foreign taxes" equals the carryover allowed  
7.18 under section 904(c) of the Internal Revenue Code minus national level foreign taxes to  
7.19 the extent they exceed the federal foreign tax credit;

7.20 (8) in each of the five tax years immediately following the tax year in which an  
7.21 addition is required under subdivision 19a, clause (7), or 19c, clause (15), in the case  
7.22 of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth  
7.23 of the delayed depreciation. For purposes of this clause, "delayed depreciation" means  
7.24 the amount of the addition made by the taxpayer under subdivision 19a, clause (7), or  
7.25 subdivision 19c, clause (15), in the case of a shareholder of an S corporation, minus the  
7.26 positive value of any net operating loss under section 172 of the Internal Revenue Code  
7.27 generated for the tax year of the addition. The resulting delayed depreciation cannot be  
7.28 less than zero;

7.29 (9) job opportunity building zone income as provided under section 469.316;

7.30 (10) to the extent included in federal taxable income, the amount of compensation  
7.31 paid to members of the Minnesota National Guard or other reserve components of the  
7.32 United States military for active service, excluding compensation for services performed  
7.33 under the Active Guard Reserve (AGR) program. For purposes of this clause, "active  
7.34 service" means (i) state active service as defined in section 190.05, subdivision 5a, clause  
7.35 (1); or (ii) federally funded state active service as defined in section 190.05, subdivision

8.1 5b, but "active service" excludes service performed in accordance with section 190.08,  
8.2 subdivision 3;

8.3 (11) to the extent included in federal taxable income, the amount of compensation  
8.4 paid to Minnesota residents who are members of the armed forces of the United States  
8.5 or United Nations for active duty performed under United States Code, title 10; or the  
8.6 authority of the United Nations;

8.7 (12) an amount, not to exceed \$10,000, equal to qualified expenses related to a  
8.8 qualified donor's donation, while living, of one or more of the qualified donor's organs  
8.9 to another person for human organ transplantation. For purposes of this clause, "organ"  
8.10 means all or part of an individual's liver, pancreas, kidney, intestine, lung, or bone marrow;  
8.11 "human organ transplantation" means the medical procedure by which transfer of a human  
8.12 organ is made from the body of one person to the body of another person; "qualified  
8.13 expenses" means unreimbursed expenses for both the individual and the qualified donor  
8.14 for (i) travel, (ii) lodging, and (iii) lost wages net of sick pay, except that such expenses  
8.15 may be subtracted under this clause only once; and "qualified donor" means the individual  
8.16 or the individual's dependent, as defined in section 152 of the Internal Revenue Code. An  
8.17 individual may claim the subtraction in this clause for each instance of organ donation for  
8.18 transplantation during the taxable year in which the qualified expenses occur;

8.19 (13) in each of the five tax years immediately following the tax year in which an  
8.20 addition is required under subdivision 19a, clause (8), or 19c, clause (16), in the case of a  
8.21 shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the  
8.22 addition made by the taxpayer under subdivision 19a, clause (8), or 19c, clause (16), in the  
8.23 case of a shareholder of a corporation that is an S corporation, minus the positive value of  
8.24 any net operating loss under section 172 of the Internal Revenue Code generated for the  
8.25 tax year of the addition. If the net operating loss exceeds the addition for the tax year, a  
8.26 subtraction is not allowed under this clause;

8.27 (14) to the extent included in the federal taxable income of a nonresident of  
8.28 Minnesota, compensation paid to a service member as defined in United States Code, title  
8.29 10, section 101(a)(5), for military service as defined in the Servicemembers Civil Relief  
8.30 Act, Public Law 108-189, section 101(2);

8.31 ~~(15) international economic development zone income as provided under section~~  
8.32 ~~469.325;~~

8.33 ~~(16)~~ to the extent included in federal taxable income, the amount of national service  
8.34 educational awards received from the National Service Trust under United States Code,  
8.35 title 42, sections 12601 to 12604, for service in an approved Americorps National Service  
8.36 program;

9.1 ~~(17)~~ (16) to the extent included in federal taxable income, discharge of indebtedness  
9.2 income resulting from reacquisition of business indebtedness included in federal taxable  
9.3 income under section 108(i) of the Internal Revenue Code. This subtraction applies only  
9.4 to the extent that the income was included in net income in a prior year as a result of the  
9.5 addition under section 290.01, subdivision 19a, clause (16); and

9.6 ~~(18)~~ (17) the amount of the net operating loss allowed under section 290.095,  
9.7 subdivision 11, paragraph (c).

9.8 Sec. 10. Minnesota Statutes 2010, section 290.01, subdivision 29, is amended to read:

9.9 Subd. 29. **Taxable income.** The term "taxable income" means:

9.10 (1) for individuals, estates, and trusts, the same as taxable net income;

9.11 (2) for corporations, the taxable net income less

9.12 (i) the net operating loss deduction under section 290.095;

9.13 (ii) the dividends received deduction under section 290.21, subdivision 4;

9.14 (iii) the exemption for operating in a job opportunity building zone under section  
9.15 469.317; and

9.16 (iv) the exemption for operating in a biotechnology and health sciences industry  
9.17 zone under section 469.337; ~~and~~

9.18 ~~(v) the exemption for operating in an international economic development zone~~  
9.19 ~~under section 469.326.~~

9.20 Sec. 11. Minnesota Statutes 2011 Supplement, section 290.06, subdivision 2c, is  
9.21 amended to read:

9.22 Subd. 2c. **Schedules of rates for individuals, estates, and trusts.** (a) The income  
9.23 taxes imposed by this chapter upon married individuals filing joint returns and surviving  
9.24 spouses as defined in section 2(a) of the Internal Revenue Code must be computed by  
9.25 applying to their taxable net income the following schedule of rates:

9.26 (1) On the first \$25,680, 5.35 percent;

9.27 (2) On all over \$25,680, but not over \$102,030, 7.05 percent;

9.28 (3) On all over \$102,030, 7.85 percent.

9.29 Married individuals filing separate returns, estates, and trusts must compute their  
9.30 income tax by applying the above rates to their taxable income, except that the income  
9.31 brackets will be one-half of the above amounts.

9.32 (b) The income taxes imposed by this chapter upon unmarried individuals must be  
9.33 computed by applying to taxable net income the following schedule of rates:

9.34 (1) On the first \$17,570, 5.35 percent;

10.1 (2) On all over \$17,570, but not over \$57,710, 7.05 percent;

10.2 (3) On all over \$57,710, 7.85 percent.

10.3 (c) The income taxes imposed by this chapter upon unmarried individuals qualifying  
10.4 as a head of household as defined in section 2(b) of the Internal Revenue Code must be  
10.5 computed by applying to taxable net income the following schedule of rates:

10.6 (1) On the first \$21,630, 5.35 percent;

10.7 (2) On all over \$21,630, but not over \$86,910, 7.05 percent;

10.8 (3) On all over \$86,910, 7.85 percent.

10.9 (d) In lieu of a tax computed according to the rates set forth in this subdivision, the  
10.10 tax of any individual taxpayer whose taxable net income for the taxable year is less than  
10.11 an amount determined by the commissioner must be computed in accordance with tables  
10.12 prepared and issued by the commissioner of revenue based on income brackets of not  
10.13 more than \$100. The amount of tax for each bracket shall be computed at the rates set  
10.14 forth in this subdivision, provided that the commissioner may disregard a fractional part of  
10.15 a dollar unless it amounts to 50 cents or more, in which case it may be increased to \$1.

10.16 (e) An individual who is not a Minnesota resident for the entire year must compute  
10.17 the individual's Minnesota income tax as provided in this subdivision. After the  
10.18 application of the nonrefundable credits provided in this chapter, the tax liability must  
10.19 then be multiplied by a fraction in which:

10.20 (1) the numerator is the individual's Minnesota source federal adjusted gross income  
10.21 as defined in section 62 of the Internal Revenue Code and increased by the additions  
10.22 required under section 290.01, subdivision 19a, clauses (1), (5), (6), (7), (8), (9), (12),  
10.23 (13), and (16) to (18), and reduced by the Minnesota assignable portion of the subtraction  
10.24 for United States government interest under section 290.01, subdivision 19b, clause (1),  
10.25 and the subtractions under section 290.01, subdivision 19b, clauses (8), (9), (13), (14),  
10.26 ~~(15), (17), (16)~~, and ~~(18)~~ (17), after applying the allocation and assignability provisions of  
10.27 section 290.081, clause (a), or 290.17; and

10.28 (2) the denominator is the individual's federal adjusted gross income as defined in  
10.29 section 62 of the Internal Revenue Code of 1986, increased by the amounts specified in  
10.30 section 290.01, subdivision 19a, clauses (1), (5), (6), (7), (8), (9), (12), (13), and (16) to  
10.31 (18), and reduced by the amounts specified in section 290.01, subdivision 19b, clauses (1),  
10.32 (8), (9), (13), (14), ~~(15), (17)~~ (16), and ~~(18)~~ (17).

10.33 Sec. 12. Minnesota Statutes 2010, section 290.067, subdivision 1, is amended to read:

10.34 Subdivision 1. **Amount of credit.** (a) A taxpayer may take as a credit against the  
10.35 tax due from the taxpayer and a spouse, if any, under this chapter an amount equal to the

11.1 dependent care credit for which the taxpayer is eligible pursuant to the provisions of  
11.2 section 21 of the Internal Revenue Code subject to the limitations provided in subdivision  
11.3 2 except that in determining whether the child qualified as a dependent, income received  
11.4 as a Minnesota family investment program grant or allowance to or on behalf of the child  
11.5 must not be taken into account in determining whether the child received more than half  
11.6 of the child's support from the taxpayer, and the provisions of section 32(b)(1)(D) of  
11.7 the Internal Revenue Code do not apply.

11.8 (b) If a child who has not attained the age of six years at the close of the taxable year  
11.9 is cared for at a licensed family day care home operated by the child's parent, the taxpayer  
11.10 is deemed to have paid employment-related expenses. If the child is 16 months old or  
11.11 younger at the close of the taxable year, the amount of expenses deemed to have been paid  
11.12 equals the maximum limit for one qualified individual under section 21(c) and (d) of the  
11.13 Internal Revenue Code. If the child is older than 16 months of age but has not attained the  
11.14 age of six years at the close of the taxable year, the amount of expenses deemed to have  
11.15 been paid equals the amount the licensee would charge for the care of a child of the same  
11.16 age for the same number of hours of care.

11.17 (c) If a married couple:

11.18 (1) has a child who has not attained the age of one year at the close of the taxable  
11.19 year;

11.20 (2) files a joint tax return for the taxable year; and

11.21 (3) does not participate in a dependent care assistance program as defined in section  
11.22 129 of the Internal Revenue Code, in lieu of the actual employment related expenses paid  
11.23 for that child under paragraph (a) or the deemed amount under paragraph (b), the lesser of  
11.24 (i) the combined earned income of the couple or (ii) the amount of the maximum limit for  
11.25 one qualified individual under section 21(c) and (d) of the Internal Revenue Code will  
11.26 be deemed to be the employment related expense paid for that child. The earned income  
11.27 limitation of section 21(d) of the Internal Revenue Code shall not apply to this deemed  
11.28 amount. These deemed amounts apply regardless of whether any employment-related  
11.29 expenses have been paid.

11.30 (d) If the taxpayer is not required and does not file a federal individual income tax  
11.31 return for the tax year, no credit is allowed for any amount paid to any person unless:

11.32 (1) the name, address, and taxpayer identification number of the person are included  
11.33 on the return claiming the credit; or

11.34 (2) if the person is an organization described in section 501(c)(3) of the Internal  
11.35 Revenue Code and exempt from tax under section 501(a) of the Internal Revenue Code,  
11.36 the name and address of the person are included on the return claiming the credit.

12.1 In the case of a failure to provide the information required under the preceding sentence,  
12.2 the preceding sentence does not apply if it is shown that the taxpayer exercised due  
12.3 diligence in attempting to provide the information required.

12.4 In the case of a nonresident, part-year resident, or a person who has earned income  
12.5 not subject to tax under this chapter including earned income excluded pursuant to section  
12.6 290.01, subdivision 19b, clause (9) ~~or (15)~~, the credit determined under section 21 of the  
12.7 Internal Revenue Code must be allocated based on the ratio by which the earned income  
12.8 of the claimant and the claimant's spouse from Minnesota sources bears to the total earned  
12.9 income of the claimant and the claimant's spouse.

12.10 For residents of Minnesota, the subtractions for military pay under section 290.01,  
12.11 subdivision 19b, clauses (10) and (11), are not considered "earned income not subject to  
12.12 tax under this chapter."

12.13 For residents of Minnesota, the exclusion of combat pay under section 112 of the  
12.14 Internal Revenue Code is not considered "earned income not subject to tax under this  
12.15 chapter."

12.16 Sec. 13. Minnesota Statutes 2011 Supplement, section 290.0671, subdivision 1,  
12.17 is amended to read:

12.18 Subdivision 1. **Credit allowed.** (a) An individual is allowed a credit against the tax  
12.19 imposed by this chapter equal to a percentage of earned income. To receive a credit, a  
12.20 taxpayer must be eligible for a credit under section 32 of the Internal Revenue Code.

12.21 (b) For individuals with no qualifying children, the credit equals 1.9125 percent of  
12.22 the first \$4,620 of earned income. The credit is reduced by 1.9125 percent of earned  
12.23 income or adjusted gross income, whichever is greater, in excess of \$5,770, but in no  
12.24 case is the credit less than zero.

12.25 (c) For individuals with one qualifying child, the credit equals 8.5 percent of the first  
12.26 \$6,920 of earned income and 8.5 percent of earned income over \$12,080 but less than  
12.27 \$13,450. The credit is reduced by 5.73 percent of earned income or adjusted gross income,  
12.28 whichever is greater, in excess of \$15,080, but in no case is the credit less than zero.

12.29 (d) For individuals with two or more qualifying children, the credit equals ten  
12.30 percent of the first \$9,720 of earned income and 20 percent of earned income over  
12.31 \$14,860 but less than \$16,800. The credit is reduced by 10.3 percent of earned income  
12.32 or adjusted gross income, whichever is greater, in excess of \$17,890, but in no case is  
12.33 the credit less than zero.

12.34 (e) For a nonresident or part-year resident, the credit must be allocated based on the  
12.35 percentage calculated under section 290.06, subdivision 2c, paragraph (e).

13.1 (f) For a person who was a resident for the entire tax year and has earned income  
13.2 not subject to tax under this chapter, including income excluded under section 290.01,  
13.3 subdivision 19b, clause (9) ~~or (15)~~, the credit must be allocated based on the ratio of  
13.4 federal adjusted gross income reduced by the earned income not subject to tax under  
13.5 this chapter over federal adjusted gross income. For purposes of this paragraph, the  
13.6 subtractions for military pay under section 290.01, subdivision 19b, clauses (10) and (11),  
13.7 are not considered "earned income not subject to tax under this chapter."

13.8 For the purposes of this paragraph, the exclusion of combat pay under section 112  
13.9 of the Internal Revenue Code is not considered "earned income not subject to tax under  
13.10 this chapter."

13.11 (g) For tax years beginning after December 31, 2007, and before December 31,  
13.12 2010, the \$5,770 in paragraph (b), the \$15,080 in paragraph (c), and the \$17,890 in  
13.13 paragraph (d), after being adjusted for inflation under subdivision 7, are each increased by  
13.14 \$3,000 for married taxpayers filing joint returns. For tax years beginning after December  
13.15 31, 2008, the commissioner shall annually adjust the \$3,000 by the percentage determined  
13.16 pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in  
13.17 section 1(f)(3)(B), the word "2007" shall be substituted for the word "1992." For 2009,  
13.18 the commissioner shall then determine the percent change from the 12 months ending on  
13.19 August 31, 2007, to the 12 months ending on August 31, 2008, and in each subsequent  
13.20 year, from the 12 months ending on August 31, 2007, to the 12 months ending on August  
13.21 31 of the year preceding the taxable year. The earned income thresholds as adjusted  
13.22 for inflation must be rounded to the nearest \$10. If the amount ends in \$5, the amount  
13.23 is rounded up to the nearest \$10. The determination of the commissioner under this  
13.24 subdivision is not a rule under the Administrative Procedure Act.

13.25 (h) For tax years beginning after December 31, 2010, and before January 1, 2012,  
13.26 the \$5,770 in paragraph (b), the \$15,080 in paragraph (c), and the \$17,890 in paragraph  
13.27 (d), after being adjusted for inflation under subdivision 7, are each increased by \$5,000  
13.28 for married taxpayers filing joint returns. For tax years beginning after December 31,  
13.29 2010, and before January 1, 2012, the commissioner shall annually adjust the \$5,000  
13.30 by the percentage determined pursuant to the provisions of section 1(f) of the Internal  
13.31 Revenue Code, except that in section 1(f)(3)(B), the word "2008" shall be substituted for  
13.32 the word "1992." For 2011, the commissioner shall then determine the percent change  
13.33 from the 12 months ending on August 31, 2008, to the 12 months ending on August  
13.34 31, 2010. The earned income thresholds as adjusted for inflation must be rounded to  
13.35 the nearest \$10. If the amount ends in \$5, the amount is rounded up to the nearest \$10.

14.1 The determination of the commissioner under this subdivision is not a rule under the  
14.2 Administrative Procedure Act.

14.3 (i) The commissioner shall construct tables showing the amount of the credit at  
14.4 various income levels and make them available to taxpayers. The tables shall follow  
14.5 the schedule contained in this subdivision, except that the commissioner may graduate  
14.6 the transition between income brackets.

14.7 Sec. 14. Minnesota Statutes 2011 Supplement, section 290.091, subdivision 2, is  
14.8 amended to read:

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

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

14.13 (1) the taxpayer's federal alternative minimum taxable income as defined in section  
14.14 55(b)(2) of the Internal Revenue Code;

14.15 (2) the taxpayer's itemized deductions allowed in computing federal alternative  
14.16 minimum taxable income, but excluding:

14.17 (i) the charitable contribution deduction under section 170 of the Internal Revenue  
14.18 Code;

14.19 (ii) the medical expense deduction;

14.20 (iii) the casualty, theft, and disaster loss deduction; and

14.21 (iv) the impairment-related work expenses of a disabled person;

14.22 (3) for depletion allowances computed under section 613A(c) of the Internal  
14.23 Revenue Code, with respect to each property (as defined in section 614 of the Internal  
14.24 Revenue Code), to the extent not included in federal alternative minimum taxable income,  
14.25 the excess of the deduction for depletion allowable under section 611 of the Internal  
14.26 Revenue Code for the taxable year over the adjusted basis of the property at the end of the  
14.27 taxable year (determined without regard to the depletion deduction for the taxable year);

14.28 (4) to the extent not included in federal alternative minimum taxable income, the  
14.29 amount of the tax preference for intangible drilling cost under section 57(a)(2) of the  
14.30 Internal Revenue Code determined without regard to subparagraph (E);

14.31 (5) to the extent not included in federal alternative minimum taxable income, the  
14.32 amount of interest income as provided by section 290.01, subdivision 19a, clause (1); and

14.33 (6) the amount of addition required by section 290.01, subdivision 19a, clauses (7)  
14.34 to (9), (12), (13), and (16) to (18);

14.35 less the sum of the amounts determined under the following:

- 15.1 (1) interest income as defined in section 290.01, subdivision 19b, clause (1);
- 15.2 (2) an overpayment of state income tax as provided by section 290.01, subdivision
- 15.3 19b, clause (2), to the extent included in federal alternative minimum taxable income;
- 15.4 (3) the amount of investment interest paid or accrued within the taxable year on
- 15.5 indebtedness to the extent that the amount does not exceed net investment income, as
- 15.6 defined in section 163(d)(4) of the Internal Revenue Code. Interest does not include
- 15.7 amounts deducted in computing federal adjusted gross income;
- 15.8 (4) amounts subtracted from federal taxable income as provided by section 290.01,
- 15.9 subdivision 19b, clauses (6), (8) to ~~(15)~~ (14), and ~~(17)~~ (16); and
- 15.10 (5) the amount of the net operating loss allowed under section 290.095, subdivision
- 15.11 11, paragraph (c).

15.12 In the case of an estate or trust, alternative minimum taxable income must be

15.13 computed as provided in section 59(c) of the Internal Revenue Code.

15.14 (b) "Investment interest" means investment interest as defined in section 163(d)(3)

15.15 of the Internal Revenue Code.

15.16 (c) "Net minimum tax" means the minimum tax imposed by this section.

15.17 (d) "Regular tax" means the tax that would be imposed under this chapter (without

15.18 regard to this section and section 290.032), reduced by the sum of the nonrefundable

15.19 credits allowed under this chapter.

15.20 (e) "Tentative minimum tax" equals 6.4 percent of alternative minimum taxable

15.21 income after subtracting the exemption amount determined under subdivision 3.

15.22 Sec. 15. Minnesota Statutes 2010, section 290.0921, subdivision 3, is amended to read:

15.23 Subd. 3. **Alternative minimum taxable income.** "Alternative minimum taxable

15.24 income" is Minnesota net income as defined in section 290.01, subdivision 19, and

15.25 includes the adjustments and tax preference items in sections 56, 57, 58, and 59(d), (e),

15.26 (f), and (h) of the Internal Revenue Code. If a corporation files a separate company

15.27 Minnesota tax return, the minimum tax must be computed on a separate company basis.

15.28 If a corporation is part of a tax group filing a unitary return, the minimum tax must be

15.29 computed on a unitary basis. The following adjustments must be made.

15.30 (1) For purposes of the depreciation adjustments under section 56(a)(1) and

15.31 56(g)(4)(A) of the Internal Revenue Code, the basis for depreciable property placed in

15.32 service in a taxable year beginning before January 1, 1990, is the adjusted basis for federal

15.33 income tax purposes, including any modification made in a taxable year under section

15.34 290.01, subdivision 19e, or Minnesota Statutes 1986, section 290.09, subdivision 7,

15.35 paragraph (c).

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

16.5 (2) The portion of the depreciation deduction allowed for federal income tax  
16.6 purposes under section 168(k) of the Internal Revenue Code that is required as an  
16.7 addition under section 290.01, subdivision 19c, clause (15), is disallowed in determining  
16.8 alternative minimum taxable income.

16.9 (3) The subtraction for depreciation allowed under section 290.01, subdivision 19d,  
16.10 clause (17), is allowed as a depreciation deduction in determining alternative minimum  
16.11 taxable income.

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

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

16.16 (6) The special rule for dividends from section 936 companies under section  
16.17 56(g)(4)(C)(iii) does not apply.

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

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

16.23 (9) The tax preference for tax exempt interest under section 57(a)(5) of the Internal  
16.24 Revenue Code does not apply.

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

16.27 (11) For purposes of calculating the tax preference for accelerated depreciation or  
16.28 amortization on certain property placed in service before January 1, 1987, under section  
16.29 57(a)(7) of the Internal Revenue Code, the deduction allowable for the taxable year is the  
16.30 deduction allowed under section 290.01, subdivision 19e.

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

16.34 (12) For purposes of calculating the adjustment for adjusted current earnings in  
16.35 section 56(g) of the Internal Revenue Code, the term "alternative minimum taxable  
16.36 income" as it is used in section 56(g) of the Internal Revenue Code, means alternative

17.1 minimum taxable income as defined in this subdivision, determined without regard to the  
17.2 adjustment for adjusted current earnings in section 56(g) of the Internal Revenue Code.

17.3 (13) For purposes of determining the amount of adjusted current earnings under  
17.4 section 56(g)(3) of the Internal Revenue Code, no adjustment shall be made under section  
17.5 56(g)(4) of the Internal Revenue Code with respect to (i) the amount of foreign dividend  
17.6 gross-up subtracted as provided in section 290.01, subdivision 19d, clause (1), (ii) the  
17.7 amount of refunds of income, excise, or franchise taxes subtracted as provided in section  
17.8 290.01, subdivision 19d, clause (9), or (iii) the amount of royalties, fees or other like  
17.9 income subtracted as provided in section 290.01, subdivision 19d, clause (10).

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

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

17.14 ~~(16) Alternative minimum taxable income excludes the income from operating in an~~  
17.15 ~~international economic development zone as provided under section 469.326.~~

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

17.18 Sec. 16. Minnesota Statutes 2011 Supplement, section 290.0922, subdivision 2,  
17.19 is amended to read:

17.20 Subd. 2. **Exemptions.** The following entities are exempt from the tax imposed  
17.21 by this section:

17.22 (1) corporations exempt from tax under section 290.05;

17.23 (2) real estate investment trusts;

17.24 (3) regulated investment companies or a fund thereof; and

17.25 (4) entities having a valid election in effect under section 860D(b) of the Internal  
17.26 Revenue Code;

17.27 (5) town and farmers' mutual insurance companies;

17.28 (6) cooperatives organized under chapter 308A or 308B that provide housing  
17.29 exclusively to persons age 55 and over and are classified as homesteads under section  
17.30 273.124, subdivision 3; and

17.31 (7) a qualified business as defined under section 469.310, subdivision 11, if for the  
17.32 taxable year all of its property is located in a job opportunity building zone designated  
17.33 under section 469.314 and all of its payroll is a job opportunity building zone payroll  
17.34 under section 469.310; and.

18.1 ~~(8) an entity, if for the taxable year all of its property is located in an international~~  
18.2 ~~economic development zone designated under section 469.322, and all of its payroll is~~  
18.3 ~~international economic development zone payroll under section 469.321. The exemption~~  
18.4 ~~under this clause applies to taxable years beginning during the duration of the international~~  
18.5 ~~economic development zone.~~

18.6 Entities not specifically exempted by this subdivision are subject to tax under this  
18.7 section, notwithstanding section 290.05.

18.8 Sec. 17. Minnesota Statutes 2011 Supplement, section 290.0922, subdivision 3,  
18.9 is amended to read:

18.10 Subd. 3. **Definitions.** (a) "Minnesota sales or receipts" means the total sales  
18.11 apportioned to Minnesota pursuant to section 290.191, subdivision 5, the total receipts  
18.12 attributed to Minnesota pursuant to section 290.191, subdivisions 6 to 8, and/or the  
18.13 total sales or receipts apportioned or attributed to Minnesota pursuant to any other  
18.14 apportionment formula applicable to the taxpayer.

18.15 (b) "Minnesota property" means total Minnesota tangible property as provided in  
18.16 section 290.191, subdivisions 9 to 11, any other tangible property located in Minnesota,  
18.17 but does not include: (1) the property of a qualified business as defined under section  
18.18 469.310, subdivision 11, that is located in a job opportunity building zone designated under  
18.19 section 469.314; and (2) property of a qualified business located in a biotechnology and  
18.20 health sciences industry zone designated under section 469.334; ~~or (3) for taxable years~~  
18.21 ~~beginning during the duration of the zone, property of a qualified business located in the~~  
18.22 ~~international economic development zone designated under section 469.322. Intangible~~  
18.23 ~~property shall not be included in Minnesota property for purposes of this section.~~  
18.24 Taxpayers who do not utilize tangible property to apportion income shall nevertheless  
18.25 include Minnesota property for purposes of this section. On a return for a short taxable  
18.26 year, the amount of Minnesota property owned, as determined under section 290.191,  
18.27 shall be included in Minnesota property based on a fraction in which the numerator is the  
18.28 number of days in the short taxable year and the denominator is 365.

18.29 (c) "Minnesota payrolls" means total Minnesota payrolls as provided in section  
18.30 290.191, subdivision 12, but does not include: (1) the job opportunity building zone  
18.31 payroll under section 469.310, subdivision 8, of a qualified business as defined under  
18.32 section 469.310, subdivision 11, and (2) biotechnology and health sciences industry zone  
18.33 payrolls under section 469.330, subdivision 8; ~~or (3) for taxable years beginning during~~  
18.34 ~~the duration of the zone, international economic development zone payrolls under section~~

19.1 ~~469.321, subdivision 9.~~ Taxpayers who do not utilize payrolls to apportion income shall  
19.2 nevertheless include Minnesota payrolls for purposes of this section.

19.3 Sec. 18. Minnesota Statutes 2011 Supplement, section 297A.75, subdivision 1, is  
19.4 amended to read:

19.5 Subdivision 1. **Tax collected.** The tax on the gross receipts from the sale of the  
19.6 following exempt items must be imposed and collected as if the sale were taxable and the  
19.7 rate under section 297A.62, subdivision 1, applied. The exempt items include:

19.8 (1) capital equipment exempt under section 297A.68, subdivision 5;

19.9 (2) building materials for an agricultural processing facility exempt under section  
19.10 297A.71, subdivision 13;

19.11 (3) building materials for mineral production facilities exempt under section  
19.12 297A.71, subdivision 14;

19.13 (4) building materials for correctional facilities under section 297A.71, subdivision  
19.14 3;

19.15 (5) building materials used in a residence for disabled veterans exempt under section  
19.16 297A.71, subdivision 11;

19.17 (6) elevators and building materials exempt under section 297A.71, subdivision 12;

19.18 (7) building materials for the Long Lake Conservation Center exempt under section  
19.19 297A.71, subdivision 17;

19.20 (8) materials and supplies for qualified low-income housing under section 297A.71,  
19.21 subdivision 23;

19.22 (9) materials, supplies, and equipment for municipal electric utility facilities under  
19.23 section 297A.71, subdivision 35;

19.24 (10) equipment and materials used for the generation, transmission, and distribution  
19.25 of electrical energy and an aerial camera package exempt under section 297A.68,  
19.26 subdivision 37;

19.27 ~~(11) tangible personal property and taxable services and construction materials,  
19.28 supplies, and equipment exempt under section 297A.68, subdivision 41;~~

19.29 ~~(12)~~ commuter rail vehicle and repair parts under section 297A.70, subdivision  
19.30 3, clause (11);

19.31 ~~(13)~~ (12) materials, supplies, and equipment for construction or improvement of  
19.32 projects and facilities under section 297A.71, subdivision 40;

19.33 ~~(14)~~ (13) materials, supplies, and equipment for construction or improvement of a  
19.34 meat processing facility exempt under section 297A.71, subdivision 41;

20.1 ~~(15)~~ (14) materials, supplies, and equipment for construction, improvement, or  
20.2 expansion of an aerospace defense manufacturing facility exempt under section 297A.71,  
20.3 subdivision 42; and

20.4 ~~(16)~~ (15) enterprise information technology equipment and computer software for  
20.5 use in a qualified data center exempt under section 297A.68, subdivision 42.

20.6 Sec. 19. Minnesota Statutes 2010, section 469.015, subdivision 4, is amended to read:

20.7 Subd. 4. **Exceptions.** (a) An authority need not require competitive bidding in the  
20.8 following circumstances:

20.9 (1) in the case of a contract for the acquisition of a low-rent housing project:

20.10 (i) for which financial assistance is provided by the federal government;

20.11 (ii) which does not require any direct loan or grant of money from the municipality  
20.12 as a condition of the federal financial assistance; and

20.13 (iii) for which the contract provides for the construction of the project upon land that  
20.14 is either owned by the authority for redevelopment purposes or not owned by the authority  
20.15 at the time of the contract but the contract provides for the conveyance or lease to the  
20.16 authority of the project or improvements upon completion of construction;

20.17 (2) with respect to a structured parking facility:

20.18 (i) constructed in conjunction with, and directly above or below, a development; and

20.19 (ii) financed with the proceeds of tax increment or parking ramp general obligation  
20.20 or revenue bonds; and

20.21 ~~(3) until August 1, 2009, with respect to a facility built for the purpose of facilitating~~  
20.22 ~~the operation of public transit or encouraging its use:~~

20.23 ~~(i) constructed in conjunction with, and directly above or below, a development; and~~

20.24 ~~(ii) financed with the proceeds of parking ramp general obligation or revenue bonds~~

20.25 ~~or with at least 60 percent of the construction cost being financed with funding provided~~

20.26 ~~by the federal government; and~~

20.27 ~~(4)~~ in the case of any building in which at least 75 percent of the usable square  
20.28 footage constitutes a housing development project if:

20.29 (i) the project is financed with the proceeds of bonds issued under section 469.034 or  
20.30 from nongovernmental sources;

20.31 (ii) the project is either located on land that is owned or is being acquired by the  
20.32 authority only for development purposes, or is not owned by the authority at the time the  
20.33 contract is entered into but the contract provides for conveyance or lease to the authority  
20.34 of the project or improvements upon completion of construction; and

21.1 (iii) the authority finds and determines that elimination of the public bidding  
21.2 requirements is necessary in order for the housing development project to be economical  
21.3 and feasible.

21.4 (b) An authority need not require a performance bond for the following projects:

21.5 (1) a contract described in paragraph (a), clause (1);

21.6 (2) a construction change order for a housing project in which 30 percent of the  
21.7 construction has been completed;

21.8 (3) a construction contract for a single-family housing project in which the authority  
21.9 acts as the general construction contractor; or

21.10 (4) a services or materials contract for a housing project.

21.11 For purposes of this paragraph, "services or materials contract" does not include  
21.12 construction contracts.

21.13 Sec. 20. Minnesota Statutes 2010, section 469.033, subdivision 7, is amended to read:

21.14 Subd. 7. **Inactive authorities; transfer of funds; dissolution.** The authority may  
21.15 transfer to the city in and for which it was created all property, assets, cash or other  
21.16 funds held or used by the authority ~~which were derived from the special benefit tax~~  
21.17 ~~for redevelopment levied pursuant to subdivision 6 prior to March 6, 1953, whenever~~  
21.18 ~~collected.~~ Upon any such transfer, an authority shall not thereafter levy the tax or exercise  
21.19 the redevelopment powers of sections 469.001 to 469.047. All cash or other funds  
21.20 transferred to the city shall be used exclusively for permanent improvements in the city  
21.21 or the retirement of debts or bonds incurred for permanent improvements in the city.  
21.22 An authority which transfers its property, assets, cash, or other funds ~~derived from the~~  
21.23 ~~special benefit tax for redevelopment and which has not entered into a contract with~~  
21.24 ~~the federal government with respect to any low-rent public housing project prior to~~  
21.25 ~~March 6, 1953,~~ shall be dissolved as ~~herein~~ provided in this subdivision. After a public  
21.26 hearing after ten days' published notice thereof in a newspaper of general circulation in  
21.27 the city, the governing body of a city in and for which an authority has been created  
21.28 may dissolve the authority if the authority has not entered into any contract with the  
21.29 federal government or any agency or instrumentality thereof for a loan or a grant with  
21.30 respect to any urban redevelopment or low-rent public housing project that remains in  
21.31 effect. The resolution or ordinance dissolving the authority shall be published in the  
21.32 same manner in which ordinances are published in the city and the authority shall be  
21.33 dissolved when the resolution or ordinance becomes finally effective. The clerk of the  
21.34 governing body of the municipality shall furnish to the commissioner of employment and  
21.35 economic development a certified copy of the resolution or ordinance of the governing

22.1 body dissolving the authority. All property, records, assets, cash, or other funds held or  
22.2 used by an authority shall be transferred to and become the property of the municipality  
22.3 and cash or other funds shall be used as herein provided. Upon dissolution of an authority,  
22.4 all rights of an authority against any person, firm, or corporation shall accrue to and  
22.5 be enforced by the municipality.

22.6 Sec. 21. Minnesota Statutes 2010, section 469.166, subdivision 3, is amended to read:

22.7 Subd. 3. **Border city enterprise zone.** "Border city enterprise zone" means an area  
22.8 in the state designated as ~~such an enterprise zone~~ by the commissioner in the cities of  
22.9 Breckenridge, Dilworth, East Grand Forks, Moorhead, or Ortonville.

22.10 Sec. 22. Minnesota Statutes 2010, section 469.166, subdivision 5, is amended to read:

22.11 Subd. 5. **Municipality.** "Municipality" means a city, ~~or a county for an area located~~  
22.12 ~~outside the boundaries of a city. If an area lies in two or more cities or in both incorporated~~  
22.13 ~~and unincorporated areas, "municipality" shall include an entity formed pursuant to~~  
22.14 ~~section 471.59 by the governing bodies of the cities with jurisdiction over the incorporated~~  
22.15 ~~area and the counties with jurisdiction over the unincorporated area.~~

22.16 Sec. 23. Minnesota Statutes 2010, section 469.166, subdivision 6, is amended to read:

22.17 Subd. 6. **Governing body.** "Governing body" means ~~the county board in the case~~  
22.18 ~~of a county,~~ the city council or other body designated by its ~~the~~ charter ~~in the case of a~~  
22.19 ~~of the city, or the tribal or federal agency recognized as the governing body of an Indian~~  
22.20 ~~reservation by the United States Secretary of the Interior.~~

22.21 Sec. 24. Minnesota Statutes 2010, section 469.167, subdivision 2, is amended to read:

22.22 Subd. 2. **Duration.** The designation of ~~an area as an a border city~~ enterprise zone  
22.23 ~~shall be effective for seven years after the date of designation, except that enterprise zones~~  
22.24 ~~in border cities eligible to receive allocations for tax reductions under section 469.169,~~  
22.25 ~~subdivisions 7 and 8, and under section 469.171, subdivision 6a or 6b, shall be~~ is effective  
22.26 until terminated by resolution adopted by the city in which the border city enterprise  
22.27 zone is located.

22.28 Sec. 25. Minnesota Statutes 2010, section 469.171, subdivision 1, is amended to read:

22.29 Subdivision 1. **Authorized types.** (a) The following types of tax reductions may  
22.30 be approved by the commissioner for businesses located in ~~an a border city~~ enterprise  
22.31 zone, after the governing body of the border city has designated an area or areas, each

23.1 consisting of at least 100 acres, of the city not in excess of a total of 400 acres in which the  
23.2 tax reductions may be provided:

23.3 (1) an exemption from the general sales tax imposed by chapter 297A for purchases  
23.4 of construction materials or equipment for use in the zone if the purchase was made  
23.5 after the date of application for the zone;

23.6 (2) a credit against the income tax of an employer for additional workers employed  
23.7 in the zone, other than workers employed in construction, up to a maximum of \$3,000  
23.8 per employee per year;

23.9 (3) an income tax credit for a percentage of the cost of debt financing to construct  
23.10 new or expanded facilities in the zone; and

23.11 (4) a state paid property tax credit for a portion of the property taxes paid by a new  
23.12 commercial or industrial facility or the additional property taxes paid by an expansion of  
23.13 an existing commercial or industrial facility in the zone.

23.14 (b) An application for a tax reduction under this subdivision may not be approved  
23.15 unless the governing body finds that the construction or improvement of the facility is  
23.16 not likely to have the effect of transferring existing employment from a location outside  
23.17 of the municipality but within the state.

23.18 Sec. 26. Minnesota Statutes 2010, section 469.171, subdivision 4, is amended to read:

23.19 Subd. 4. **Restriction.** The tax reductions provided by this section shall not  
23.20 apply to (1) a facility the primary purpose of which is one of the following: retail food  
23.21 and beverage services, automobile sales or service, or the provision of recreation or  
23.22 entertainment, or a private or commercial golf course, country club, massage parlor, tennis  
23.23 club, skating facility including roller skating, skateboard, and ice skating, racquet sports  
23.24 facility, including any handball or racquetball court, hot tub facility, suntan facility, or  
23.25 racetrack; (2) property of a public utility; (3) property used in the operation of a financial  
23.26 institution; (4) property owned by a fraternal or veterans' organization; or (5) property of a  
23.27 business operating under a franchise agreement that requires the business to be located in  
23.28 the state; ~~except that, in an enterprise zone designated under section 469.168, subdivision~~  
23.29 ~~4, paragraph (c), that is not in a city of the first class, tax reductions may be provided to~~  
23.30 a retail food or beverage facility or an automobile sales or service facility, or a business  
23.31 operating under a franchise agreement that requires the business to be located in this state  
23.32 except for such a franchised retail food or beverage facility.

23.33 Sec. 27. Minnesota Statutes 2010, section 469.171, subdivision 6a, is amended to read:

24.1 Subd. 6a. **Additional border city allocations.** ~~In addition to tax reductions~~  
24.2 ~~authorized in section 469.169, subdivisions 7 and 8,~~ The commissioner may allocate  
24.3 \$2,000,000 for tax reductions pursuant to subdivision 9 to border city enterprise zones  
24.4 ~~designated under section 469.168, subdivision 4, paragraph (c), except for zones located~~  
24.5 ~~in cities of the first class.~~ This money shall be allocated among the zones on a per  
24.6 capita basis. ~~Limits on the maximum allocation to a zone imposed by section 469.169,~~  
24.7 ~~subdivision 7, do not apply to allocations made under this subdivision.~~ Tax reductions  
24.8 authorized by this subdivision may not be allocated to any property which is:

24.9 (1) a facility the primary purpose of which is one of the following: the provision  
24.10 of recreation or entertainment, or a private or commercial golf course, country club,  
24.11 massage parlor, tennis club, skating facility including roller skating, skateboard, and  
24.12 ice skating, racquet sports facility, including any handball or racquetball court, hot tub  
24.13 facility, suntan facility, or racetrack;

24.14 (2) property of a public utility;

24.15 (3) property used in the operation of a financial institution;

24.16 (4) property owned by a fraternal or veterans' organization;

24.17 (5) property of a retail food or beverage service business operating under a franchise  
24.18 agreement that requires the business to be located in the state.

24.19 Sec. 28. Minnesota Statutes 2010, section 469.171, subdivision 7, is amended to read:

24.20 Subd. 7. **Duration.** ~~Each tax reduction provided to a business pursuant to this~~  
24.21 ~~subdivision shall terminate not longer than five years after the effective date of the tax~~  
24.22 ~~reduction for the business unless the business is located in a border city enterprise zone~~  
24.23 ~~designated under section 469.168, subdivision 4, paragraph (c), that is not a city of the~~  
24.24 ~~first class.~~ Each tax reduction provided to a business that is located in a border city  
24.25 enterprise zone ~~designated under section 469.168, subdivision 4, paragraph (c), that is not~~  
24.26 ~~located in a city of the first class,~~ may be provided until the allocations provided under  
24.27 subdivision 6a, and under section 469.169, ~~subdivisions 7 and 8,~~ have been expended.  
24.28 Subject to the limitation in this subdivision, the tax reductions may be provided after  
24.29 expiration of the zone's designation.

24.30 Sec. 29. Minnesota Statutes 2010, section 469.171, subdivision 9, is amended to read:

24.31 Subd. 9. **Recapture.** Any business that (1) receives tax reductions authorized by  
24.32 subdivisions 1 to 8, ~~classification as employment property pursuant to section 469.170, or~~  
24.33 ~~an alternative local contribution under section 469.169, subdivision 5;~~ and (2) ceases to  
24.34 operate its facility located within the border city enterprise zone shall repay the amount of

25.1 the tax reduction or local contribution received during the two years immediately before  
25.2 it ceased to operate in the zone.

25.3 The repayment must be paid to the state to the extent it represents a tax reduction  
25.4 under subdivisions 1 to 8 and to the municipality to the extent it represents a property tax  
25.5 reduction or other local contribution. Any amount repaid to the state must be credited  
25.6 to the amount certified as available for tax reductions in the zone pursuant to ~~section~~  
25.7 ~~469.169, subdivision 7~~ the city's allocation. Any amount repaid to the municipality must  
25.8 be used by the municipality for economic development purposes. The commissioner of  
25.9 revenue may seek repayment of tax credits from a business ceasing to operate within an  
25.10 enterprise zone by utilizing any remedies available for the collection of tax.

25.11 Sec. 30. Minnesota Statutes 2010, section 469.171, subdivision 11, is amended to read:

25.12 Subd. 11. **Limitations; last eight months of duration.** This subdivision applies  
25.13 only to state tax reductions first authorized by the municipality to be provided to a business  
25.14 within eight months of the expiration of the border city enterprise zone's designation.

25.15 Before agreeing with a business to provide tax reductions, the municipality must  
25.16 submit the proposed tax reductions to the commissioner for approval. The commissioner  
25.17 shall review and analyze the proposal in light of, at least: (1) the proposed investment that  
25.18 the business will make in the zone, (2) the number and quality of new jobs that will be  
25.19 created in the zone, (3) the overall positive impact on economic activity in the zone, and  
25.20 (4) the extent to which the impacts in clauses (1) to (3) are dependent upon providing the  
25.21 state tax reductions to the business. The commissioner shall disapprove the proposal if the  
25.22 commissioner determines the public benefits of increased investment and employment  
25.23 resulting from the tax reductions is disproportionately small relative to the cost of the  
25.24 state tax reductions. If the commissioner disapproves of the proposal, the tax reductions  
25.25 are not allowed to the business.

25.26 If the municipality submits the proposal to the commissioner before expiration  
25.27 of the zone designation, the authority to grant the tax reductions continues until the  
25.28 commissioner acts on the proposal.

25.29 Sec. 31. Minnesota Statutes 2010, section 469.172, is amended to read:

25.30 **469.172 DEVELOPMENT AND REDEVELOPMENT POWERS.**

25.31 Notwithstanding any contrary provision of law or charter, any city ~~of the first or~~  
25.32 ~~second class~~ that contains an a border city enterprise zone ~~or that has been designated as~~  
25.33 ~~an enterprise zone~~ may, in addition to its other powers, exercise the powers granted to  
25.34 a governmental subdivision by sections 469.001 to 469.047, 469.048 to 469.068, and

26.1 469.109 to 469.113. Section 469.059, subdivision 15, ~~shall apply~~ applies to the city in  
26.2 the exercise of the powers granted pursuant to this section. It may exercise the powers  
26.3 assigned to redevelopment agencies pursuant to sections 469.152 to 469.165, without  
26.4 limitation to further the purposes of sections 469.001 to 469.047, 469.048 to 469.068, and  
26.5 469.109 to 469.134. It may exercise the powers set forth in sections 469.001 to 469.047,  
26.6 469.048 to 469.068, and 469.109 to 469.164 without limitation to further the purposes  
26.7 and policies set forth in sections 469.152 to 469.165. It may exercise the powers granted  
26.8 by this subdivision and any other development or redevelopment powers authorized by  
26.9 other laws, including sections 469.124 to 469.134 and 469.152 to 469.165, independently  
26.10 or in conjunction with each other as though all the powers had been granted to a single  
26.11 entity. Any project undertaken to accomplish the purposes of sections 469.001 to 469.047  
26.12 that qualifies as single-family housing under section 462C.02, subdivision 4, ~~shall be~~ is  
26.13 subject to the provisions of chapter 462C.

26.14       Upon expiration of the designation of the enterprise zone, the powers granted by  
26.15 this subdivision may be exercised only with respect to any project, program, or activity  
26.16 commenced or established prior to that date. The powers granted by this subdivision may  
26.17 only be exercised within the zone.

26.18       Sec. 32. Minnesota Statutes 2010, section 469.173, subdivision 5, is amended to read:

26.19       Subd. 5. **Information sharing.** Pursuant to section 270B.14, subdivision 3,  
26.20 the commissioner of revenue may share information with the commissioner or with a  
26.21 municipality receiving an enterprise zone designation, insofar as necessary to administer  
26.22 the funding limitations provided by section 469.169, ~~subdivision 7.~~

26.23       Sec. 33. Minnesota Statutes 2010, section 469.173, subdivision 6, is amended to read:

26.24       Subd. 6. **Zone boundary realignment.** The commissioner may approve specific  
26.25 applications by a municipality to amend the boundaries of a border city enterprise zone  
26.26 ~~or of an area or areas designated pursuant to section 469.171, subdivision 5,~~ at any time.  
26.27 Boundaries of a zone may not be amended to create noncontiguous subdivisions. If the  
26.28 commissioner approves the amended boundaries, the change is effective on the date of  
26.29 approval. ~~Notwithstanding the area limitation under section 469.168, subdivision 3, the~~  
26.30 ~~commissioner may approve a specific application to amend the boundaries of an enterprise~~  
26.31 ~~zone which is located within five municipalities and was designated in 1984, to increase~~  
26.32 ~~its area to not more than 800 acres, and may approve an additional specific application to~~  
26.33 ~~amend the boundaries of that enterprise zone to include a sixth municipality or to further~~

27.1 ~~increase its area to include all or part of the territory of a town that surrounds one of~~  
 27.2 ~~the five municipalities, or both.~~

27.3 ~~Notwithstanding the area limitation under section 469.168, subdivision 3, the~~  
 27.4 ~~commissioner may approve a specific application to amend the boundaries of an enterprise~~  
 27.5 ~~zone that is located within four municipalities to include a fifth municipality. The addition~~  
 27.6 ~~of the fifth municipality may only be approved after the existing municipalities, by~~  
 27.7 ~~adoption of a resolution by each municipality's governing board, agree to the addition~~  
 27.8 ~~of the fifth municipality.~~

27.9 Sec. 34. Minnesota Statutes 2010, section 469.174, subdivision 20, is amended to read:

27.10 Subd. 20. **Internal Revenue Code.** "Internal Revenue Code" means the Internal  
 27.11 Revenue Code of 1986, as amended ~~through December 31, 1993.~~

27.12 Sec. 35. Minnesota Statutes 2010, section 469.174, subdivision 25, is amended to read:

27.13 Subd. 25. **Increment.** "Increment," "tax increment," "tax increment revenues,"  
 27.14 "revenues derived from tax increment," and other similar terms for a district include:

27.15 (1) taxes paid by the captured net tax capacity, but excluding any excess taxes, as  
 27.16 computed under section 469.177;

27.17 (2) the proceeds from the sale or lease of property, tangible or intangible, to the  
 27.18 extent the property was purchased by the authority with tax increments;

27.19 (3) principal and interest received on loans or other advances made by the authority  
 27.20 with tax increments;

27.21 (4) interest or other investment earnings on or from tax increments; and

27.22 (5) repayments or return of tax increments made to the authority under agreements  
 27.23 for districts for which the request for certification was made after August 1, 1993; ~~and~~

27.24 ~~(6) the market value homestead credit paid to the authority under section 273.1384.~~

27.25 Sec. 36. Minnesota Statutes 2010, section 469.176, subdivision 7, is amended to read:

27.26 Subd. 7. **Parcels not includable in districts.** (a) The authority may request  
 27.27 inclusion in a tax increment financing district and the county auditor may certify the  
 27.28 original tax capacity of a parcel or a part of a parcel that qualified under the provisions of  
 27.29 section 273.111 ~~or~~, 273.112, 273.114, or chapter 473H for taxes payable in any of the five  
 27.30 calendar years before the filing of the request for certification only for:

27.31 (1) a district in which 85 percent or more of the planned buildings and facilities  
 27.32 (determined on the basis of square footage) are a qualified manufacturing facility or a  
 27.33 qualified distribution facility or a combination of both; or

28.1 (2) a housing district.

28.2 (b)(1) A distribution facility means buildings and other improvements to real  
28.3 property that are used to conduct activities in at least each of the following categories:

28.4 (i) to store or warehouse tangible personal property;

28.5 (ii) to take orders for shipment, mailing, or delivery;

28.6 (iii) to prepare personal property for shipment, mailing, or delivery; and

28.7 (iv) to ship, mail, or deliver property.

28.8 (2) A manufacturing facility includes space used for manufacturing or producing  
28.9 tangible personal property, including processing resulting in the change in condition of the  
28.10 property, and space necessary for and related to the manufacturing activities.

28.11 (3) To be a qualified facility, the owner or operator of a manufacturing or distribution  
28.12 facility must agree to pay and pay 90 percent or more of the employees of the facility at  
28.13 a rate equal to or greater than 160 percent of the federal minimum wage for individuals  
28.14 over the age of 20.

28.15 Sec. 37. Minnesota Statutes 2010, section 469.1763, subdivision 6, is amended to read:

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

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

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

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

28.31 (iii) total increments from properties located in other districts in the municipality  
28.32 including amounts collected in prior years that are available to be used to meet the district's  
28.33 obligations under this section, excluding this subdivision, or other provisions of law ~~(but~~  
28.34 ~~excluding a special tax under section 469.1791 and the grant program under Laws 1997,~~  
28.35 ~~chapter 231, article 1, section 19, or Laws 2001, First Special Session chapter 5); or~~

29.1 (2) the reduction in increments collected from properties located in the district for  
29.2 the calendar year as a result of the changes in class rates in Laws 1997, chapter 231, article  
29.3 1; Laws 1998, chapter 389, article 2; and Laws 1999, chapter 243, and Laws 2001, First  
29.4 Special Session chapter 5, or the elimination of the general education tax levy under  
29.5 Laws 2001, First Special Session chapter 5.

29.6 The authority may compute the deficit amount under clause (1) only (without regard  
29.7 to the limit under clause (2)) if the authority makes an irrevocable commitment, by  
29.8 resolution, to use increments from the district to which increments are to be transferred and  
29.9 any transferred increments are only used to pay preexisting obligations and administrative  
29.10 expenses for the district that are required to be paid under section 469.176, subdivision  
29.11 4h, paragraph (a).

29.12 (c) A preexisting obligation means:

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

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

29.21 (d) The municipality may require a development authority, other than a seaway port  
29.22 authority, to transfer available increments including amounts collected in prior years that  
29.23 are currently available for any of its tax increment financing districts in the municipality to  
29.24 make up an insufficiency in another district in the municipality, regardless of whether the  
29.25 district was established by the development authority or another development authority.

29.26 This authority applies notwithstanding any law to the contrary, but applies only to a  
29.27 development authority that:

29.28 (1) was established by the municipality; or

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

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

30.3 (1) is an exception to the restrictions under section 469.176, subdivisions 4b, 4c,  
30.4 4d, 4e, 4i, and 4j; the expenditure limits under section 469.176, subdivision 1c; and the  
30.5 other provisions of this section; and the percentage restrictions under subdivision 2 must  
30.6 be calculated after deducting increments spent under this subdivision from the total  
30.7 increments for the district; and

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

30.11 (f) If a preexisting obligation requires the development authority to pay an amount  
30.12 that is limited to the increment from the district or a specific development within the  
30.13 district and if the obligation requires paying a higher amount to the extent that increments  
30.14 are available, the municipality may determine that the amount due under the preexisting  
30.15 obligation equals the higher amount and may authorize the transfer of increments  
30.16 under this subdivision to pay up to the higher amount. The existence of a guarantee of  
30.17 obligations by the individual or entity that would receive the payment under this paragraph  
30.18 is disregarded in the determination of eligibility to pool under this subdivision. The  
30.19 authority to transfer increments under this paragraph may only be used to the extent  
30.20 that the payment of all other preexisting obligations in the municipality due during the  
30.21 calendar year have been satisfied.

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

30.28 Sec. 38. Minnesota Statutes 2010, section 469.1764, subdivision 1, is amended to read:

30.29 Subdivision 1. **Scope; application.** (a) This section applies to a tax increment  
30.30 financing district or area added to a district, if the request for certification of the district or  
30.31 the area added to the district was made after July 31, 1979, and before July 1, 1982.

30.32 (b) This section, section 469.1763, subdivision 6, and any special law applying to  
30.33 the district are the exclusive authority to spend tax increments on activities located outside  
30.34 of the geographic area of a tax increment financing district that is subject to this section.

31.1 (c) This section does not apply to increments from a district that is subject to the  
31.2 provisions of this section, if:

31.3 (1) the district was decertified before the enactment of this section and all increments  
31.4 spent on activities located outside of the geographic area of the district were repaid and  
31.5 distributed as excess increments under section 469.176, subdivision 2; or

31.6 (2) the use of increments on activities located outside of the geographic area of  
31.7 the district consists solely of payment of debt service on bonds under section 469.129,  
31.8 subdivision 2, before its repeal, and any bonds issued to refund bonds issued under that  
31.9 subdivision.

31.10 Sec. 39. Minnesota Statutes 2010, section 469.177, subdivision 1, is amended to read:

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

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

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

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

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

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

33.1 of the request for certification of the authority and any modification thereof pursuant to  
 33.2 section 469.175, subdivision 4.

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

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

33.16 Sec. 40. Minnesota Statutes 2010, section 469.1793, is amended to read:

33.17 **469.1793 DEVELOPER OBLIGATIONS CONTINUED.**

33.18 If a developer or other private entity agreed to make payments to the authority or  
 33.19 municipality to reimburse the municipality for the state aid offset under Minnesota Statutes  
 33.20 2000, section 273.1399, the obligation continues in effect, notwithstanding the repeal of  
 33.21 section 273.1399. ~~Payments received by the development authority are increments for~~  
 33.22 ~~purposes of the state grant program under section 469.1799.~~

33.23 Sec. 41. Minnesota Statutes 2010, section 469.1813, subdivision 6b, is amended to  
 33.24 read:

33.25 Subd. 6b. **Extended duration limit.** ~~(a)~~ Notwithstanding the provisions of  
 33.26 subdivision 6, a political subdivision may grant an abatement for a period of up to 20  
 33.27 years, if the abatement is for ~~a qualified business.~~

33.28 ~~(b) To be a qualified business for purposes of this subdivision, at least 50 percent of~~  
 33.29 ~~the payroll of the operations of the business that qualify for the abatement must be for~~  
 33.30 ~~employees engaged in one of the following lines of business or any combination of them:~~

33.31 ~~(1) manufacturing;~~

33.32 ~~(2) agricultural processing;~~

33.33 ~~(3) mining;~~

33.34 ~~(4) research and development;~~

34.1 ~~(5) warehousing; or~~

34.2 ~~(6) qualified high technology.~~

34.3 ~~Alternatively, a qualified business also includes a taxpayer whose real and personal~~  
34.4 ~~property is subject to valuation under Minnesota Rules, chapter 8100.~~

34.5 ~~(c)(1) "Manufacturing" means the material staging and production of tangible~~  
34.6 ~~personal property by procedures commonly regarded as manufacturing, processing,~~  
34.7 ~~fabrication, or assembling which changes some existing material into new shapes, new~~  
34.8 ~~qualities, or new combinations.~~

34.9 ~~(2) "Mining" has the meaning given in section 613(c) of the Internal Revenue Code~~  
34.10 ~~of 1986.~~

34.11 ~~(3) "Agricultural processing" means transforming, packaging, sorting, or grading~~  
34.12 ~~livestock or livestock products, agricultural commodities, or plants or plant products into~~  
34.13 ~~goods that are used for intermediate or final consumption including goods for nonfood use.~~

34.14 ~~(4) "Research and development" means qualified research as defined in section~~  
34.15 ~~41(d) of the Internal Revenue Code of 1986.~~

34.16 ~~(5) "Qualified high technology" means one or more of the following activities:~~

34.17 ~~(i) advanced computing, which is any technology used in the design and development~~  
34.18 ~~of any of the following:~~

34.19 ~~(A) computer hardware and software;~~

34.20 ~~(B) data communications; and~~

34.21 ~~(C) information technologies;~~

34.22 ~~(ii) advanced materials, which are materials with engineered properties created~~  
34.23 ~~through the development of specialized process and synthesis technology;~~

34.24 ~~(iii) biotechnology, which is any technology that uses living organisms, cells,~~  
34.25 ~~macromolecules, microorganisms, or substances from living organisms to make or modify~~  
34.26 ~~a product, improve plants or animals, or develop microorganisms for useful purposes;~~

34.27 ~~(iv) electronic device technology, which is any technology that involves~~  
34.28 ~~microelectronics, semiconductors, electronic equipment, and instrumentation, radio~~  
34.29 ~~frequency, microwave, and millimeter electronics, and optical and optic-electrical devices,~~  
34.30 ~~or data and digital communications and imaging devices;~~

34.31 ~~(v) engineering or laboratory testing related to the development of a product;~~

34.32 ~~(vi) technology that assists in the assessment or prevention of threats or damage to~~  
34.33 ~~human health or the environment, including, but not limited to, environmental cleanup~~  
34.34 ~~technology, pollution prevention technology, or development of alternative energy sources;~~

35.1 ~~(vii) medical device technology, which is any technology that involves medical~~  
35.2 ~~equipment or products other than a pharmaceutical product that has therapeutic or~~  
35.3 ~~diagnostic value and is regulated; or~~

35.4 ~~(viii) advanced vehicles technology which is any technology that involves electric~~  
35.5 ~~vehicles, hybrid vehicles, or alternative fuel vehicles, or components used in the~~  
35.6 ~~construction of electric vehicles, hybrid vehicles, or alternative fuel vehicles. An electric~~  
35.7 ~~vehicle is a road vehicle that draws propulsion energy only from an onboard source of~~  
35.8 ~~electrical energy. A hybrid vehicle is a road vehicle that can draw propulsion energy from~~  
35.9 ~~both a consumable fuel and a rechargeable energy storage system.~~

35.10 ~~(d) The authority to grant new abatements under this subdivision expires on July 1,~~  
35.11 ~~2004, except that the authority to grant new abatements for real and personal property~~  
35.12 ~~subject to valuation under Minnesota Rules, chapter 8100, does not expire.~~

35.13 Sec. 42. Minnesota Statutes 2010, section 473F.02, subdivision 3, is amended to read:

35.14 Subd. 3. **Commercial-industrial property.** "Commercial-industrial property"  
35.15 means the following categories of property, as defined in section 273.13, excluding that  
35.16 portion of such property ~~(1) which may, by law, constitute the tax base for a tax increment~~  
35.17 ~~pledged under section 469.042 or 469.162, certification of which was requested prior to~~  
35.18 ~~August 1, 1979, to the extent and while such tax increment is so pledged; or (2) which is~~  
35.19 exempt from taxation under section 272.02:

35.20 (a) That portion of class 3 property defined in Minnesota Statutes 1971, section  
35.21 273.13, consisting of stocks of merchandise and furniture and fixtures used therewith;  
35.22 manufacturers' materials and manufactured articles; and tools, implements and machinery,  
35.23 whether fixtures or otherwise.

35.24 (b) That portion of class 4 property defined in Minnesota Statutes 1971, section  
35.25 273.13, which is either used or zoned for use for any commercial or industrial purpose,  
35.26 except for such property which is, or, in the case of property under construction, will when  
35.27 completed be used exclusively for residential occupancy and the provision of services  
35.28 to residential occupants thereof. Property shall be considered as used exclusively for  
35.29 residential occupancy only if each of not less than 80 percent of its occupied residential  
35.30 units is, or, in the case of property under construction, will when completed be occupied  
35.31 under an oral or written agreement for occupancy over a continuous period of not less  
35.32 than 30 days.

35.33 If the classification of property prescribed by section 273.13 is modified by  
35.34 legislative amendment, the references in this subdivision shall be to such successor class

36.1 or classes of property, or portions thereof, as embrace the kinds of property designated  
36.2 in this subdivision.

36.3 Sec. 43. **REPEALER.**

36.4 Minnesota Statutes 2010, sections 272.02, subdivision 83; 290.06, subdivisions  
36.5 24 and 32; 297A.68, subdivision 41; 469.042, subdivisions 2, 3, and 4; 469.043;  
36.6 469.059, subdivision 13; 469.129; 469.134; 469.162, subdivision 2; 469.1651; 469.166,  
36.7 subdivisions 7, 8, 9, 10, 11, and 12; 469.167, subdivisions 1 and 3; 469.168; 469.169,  
36.8 subdivisions 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, and 13; 469.170, subdivisions 1, 2, 3, 4, 5, 5a,  
36.9 5b, 5c, 5d, 5e, 6, 7, and 8; 469.171, subdivisions 2, 5, and 6b; 469.173, subdivisions 1  
36.10 and 3; 469.1765; 469.1791; 469.1799, subdivision 2; 469.301, subdivisions 1, 2, 3, 4, and  
36.11 5; 469.302; 469.303; 469.304; 469.321; 469.3215; 469.322; 469.323; 469.324; 469.325;  
36.12 469.326; 469.327; 469.328; 469.329; and 473.680, are repealed.

36.13 Sec. 44. **EFFECTIVE DATE.**

36.14 This act is effective August 1, 2012, and the tax increment financing provisions  
36.15 apply to all districts, regardless of when the request for certification was made, provided  
36.16 that the adjustments to original tax capacity required under section 39 apply only to  
36.17 exclusions that reduced taxable market value beginning with taxes payable in 2012 or  
36.18 thereafter, regardless of when the law authorizing the exclusion became effective.