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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-EIGHTH SESSION

H. F. No. 677

02/18/2013 Authored by Lenczewski

The bill was read for the first time and referred to the Committee on Rules and Legislative Administration

02/20/2013 Adoption of Report: Pass and re-referred to the Committee on Taxes

04/18/2013 Adoption of Report: Pass as Amended and re-referred to the Committee on Ways and Means

1.1 A bill for an act
1.2 relating to financing of state and local government; making changes to individual
1.3 income, corporate franchise, property, sales and use, estate, mineral, liquor,
1.4 tobacco, aggregate materials, local, and other taxes and tax-related provisions;
1.5 restoring the school district current year aid payment shift percentage to 90;
1.6 conforming to federal section 179 expensing allowances; imposing an income
1.7 surcharge; allowing an up-front exemption for capital equipment; modifying
1.8 the definition of income for the property tax refund; decreasing the threshold
1.9 percentage for the homestead credit refund for homeowners and the property
1.10 tax refund for renters; increasing the maximum refunds for renters; changing
1.11 property tax aids and credits; imposing an insurance surcharge; modifying
1.12 pension aids; providing pension funding; changing provisions of the Sustainable
1.13 Forest Incentive Act; modifying definitions for property taxes; providing
1.14 exemptions; creating joint entertainment facilities coordination; imposing a
1.15 sports memorabilia gross receipts tax; changing tax rates on tobacco and liquor;
1.16 providing reimbursement for certain property tax abatement; modifying the small
1.17 business investment tax credit; expanding the definition of domestic corporation
1.18 to include foreign corporations incorporated in or doing business in tax havens;
1.19 making changes to additions and subtractions from federal taxable income;
1.20 changing rates for individuals, estates, and trusts; providing for charitable
1.21 contributions and veterans jobs tax credits; modifying estate tax exclusions for
1.22 qualifying small business and farm property; imposing a gift tax; expanding
1.23 the sales tax to include suite and box seat rentals; modifying the definition
1.24 of sales and purchase; changing the tax rate and modifying provisions for the
1.25 rental motor vehicle tax; modifying nexus provisions; providing for multiple
1.26 points of use certificates; modifying exemptions; authorizing local sales taxes;
1.27 authorizing economic development powers; providing authority, organization,
1.28 powers, and duties for development of a Destination Medical Center; authorizing
1.29 state infrastructure aid; imposing a tax on extraction and processing of fracturing
1.30 sand; providing a taconite production tax grant for water supply improvements;
1.31 authorizing taconite production tax bonds for grants to school districts; modifying
1.32 and providing provisions for public finance; modifying the definition of market
1.33 value for tax, debt, and other purposes; making conforming, policy, and technical
1.34 changes to tax provisions; requiring studies and reports; appropriating money;
1.35 amending Minnesota Statutes 2012, sections 16A.152, subdivision 2; 16A.46;
1.36 38.18; 40A.15, subdivision 2; 69.011, subdivision 1; 69.021, subdivisions 7, 8, by
1.37 adding a subdivision; 88.51, subdivision 3; 103B.102, subdivision 3; 103B.245,
1.38 subdivision 3; 103B.251, subdivision 8; 103B.335; 103B.3369, subdivision 5;
1.39 103B.635, subdivision 2; 103B.691, subdivision 2; 103C.501, subdivision 4;

2.1 103D.905, subdivisions 2, 3, 8; 103F.405, subdivision 1; 116J.8737, subdivisions
 2.2 1, 2, 8; 117.025, subdivision 7; 118A.04, subdivision 3; 118A.05, subdivision
 2.3 5; 123A.455, subdivision 1; 123B.75, subdivision 5; 126C.48, subdivision 8;
 2.4 127A.45, subdivision 2; 127A.48, subdivision 1; 138.053; 144F.01, subdivision
 2.5 4; 162.07, subdivisions 3, 4; 163.04, subdivision 3; 163.051; 163.06, subdivision
 2.6 6; 165.10, subdivision 1; 168.012, subdivision 9, by adding a subdivision;
 2.7 216C.436, subdivision 7; 237.52, subdivision 3, by adding a subdivision;
 2.8 270.077; 270.41, subdivision 5; 270B.01, subdivision 8; 270B.12, subdivision
 2.9 4; 270C.34, subdivision 1; 270C.38, subdivision 1; 270C.42, subdivision 2;
 2.10 270C.56, subdivision 1; 271.06, by adding a subdivision; 272.01, subdivision 2;
 2.11 272.02, subdivisions 39, 97, by adding subdivisions; 272.03, subdivision 9, by
 2.12 adding subdivisions; 273.032; 273.11, subdivision 1, by adding a subdivision;
 2.13 273.114, subdivision 6; 273.124, subdivisions 3a, 13; 273.13, subdivisions
 2.14 21b, 23, 25; 273.1398, subdivisions 3, 4; 273.19, subdivision 1; 273.372,
 2.15 subdivision 4; 273.39; 275.011, subdivision 1; 275.077, subdivision 2; 275.71,
 2.16 subdivision 4; 276.04, subdivision 2; 276A.01, subdivisions 10, 12, 13, 15;
 2.17 276A.06, subdivision 10; 279.01, subdivision 1, by adding a subdivision; 279.02;
 2.18 279.06, subdivision 1; 287.05, by adding a subdivision; 287.08; 287.20, by
 2.19 adding a subdivision; 287.23, subdivision 1; 287.385, subdivision 7; 289A.02,
 2.20 subdivision 7; 289A.08, subdivisions 1, 3, 7; 289A.10, subdivision 1, by adding
 2.21 a subdivision; 289A.12, subdivision 14, by adding a subdivision; 289A.18, by
 2.22 adding a subdivision; 289A.20, subdivisions 3, 4, by adding a subdivision;
 2.23 289A.26, subdivisions 3, 4, 7, 9; 289A.55, subdivision 9; 289A.60, subdivision
 2.24 4; 290.01, subdivisions 5, 19, as amended, 19a, 19b, 19c, 19d, 31, as amended,
 2.25 by adding subdivisions; 290.06, subdivisions 2c, 2d, by adding subdivisions;
 2.26 290.067, subdivisions 1, 2a; 290.0671, subdivision 1; 290.0675, subdivision 1;
 2.27 290.0677, subdivision 2; 290.068, subdivisions 3, 6a; 290.0681, subdivisions 1,
 2.28 3, 4, 5; 290.091, subdivision 2; 290.0921, subdivision 3; 290.0922, subdivision
 2.29 1; 290.17, subdivision 4; 290.21, subdivision 4; 290.9705, subdivision 1;
 2.30 290A.03, subdivisions 3, 15, as amended; 290A.04, subdivisions 2, 2a, 4;
 2.31 290B.04, subdivision 2; 290C.02, subdivision 6; 290C.05; 290C.07; 291.005,
 2.32 subdivision 1; 291.03, subdivisions 1, 8, 9, 10, 11, by adding a subdivision;
 2.33 296A.01, subdivision 19, by adding a subdivision; 296A.22, subdivisions 1, 3;
 2.34 297A.61, subdivisions 3, 4, by adding a subdivision; 297A.64, subdivisions
 2.35 1, 2; 297A.66, by adding a subdivision; 297A.665; 297A.668, by adding
 2.36 a subdivision; 297A.67, subdivision 7; 297A.68, subdivision 5; 297A.70,
 2.37 subdivisions 4, 8, by adding subdivisions; 297A.71, by adding subdivisions;
 2.38 297A.75, subdivisions 1, 2, 3; 297A.815, subdivision 3; 297A.993, subdivisions
 2.39 1, 2; 297B.11; 297E.021, subdivision 2; 297E.14, subdivision 7; 297F.01,
 2.40 subdivisions 3, 19, 23, by adding a subdivision; 297F.05, subdivisions 1, 3, 4, by
 2.41 adding a subdivision; 297F.09, subdivision 9; 297F.18, subdivision 7; 297F.24,
 2.42 subdivision 1; 297F.25, subdivision 1; 297G.03, subdivision 1, by adding a
 2.43 subdivision; 297G.04; 297G.09, subdivision 8; 297G.17, subdivision 7; 297I.05,
 2.44 subdivisions 7, 11, 12; 297I.30, subdivisions 1, 2; 297I.80, subdivision 1; 298.01,
 2.45 subdivisions 3, 3b, 4; 298.018; 298.227, as amended; 298.24, subdivision 1;
 2.46 298.28, subdivisions 4, 6, 10; 298.75, subdivision 2; 325D.32, subdivision 2;
 2.47 353G.08, subdivision 2; 365.025, subdivision 4; 366.095, subdivision 1; 366.27;
 2.48 368.01, subdivision 23; 368.47; 370.01; 373.01, subdivisions 1, 3; 373.40,
 2.49 subdivisions 1, 2, 4; 375.167, subdivision 1; 375.18, subdivision 3; 375.555;
 2.50 383B.152; 383B.245; 383B.73, subdivision 1; 383D.41, by adding a subdivision;
 2.51 383E.20; 383E.23; 385.31; 394.36, subdivision 1; 398A.04, subdivision 8;
 2.52 401.05, subdivision 3; 403.02, subdivision 21, by adding subdivisions; 403.06,
 2.53 subdivision 1a; 403.11, subdivision 1, by adding a subdivision; 410.32; 412.221,
 2.54 subdivision 2; 412.301; 428A.02, subdivision 1; 430.102, subdivision 2; 447.10;
 2.55 450.19; 450.25; 458A.10; 458A.31, subdivision 1; 465.04; 469.033, subdivision
 2.56 6; 469.034, subdivision 2; 469.053, subdivisions 4, 4a, 6; 469.071, subdivision 5;
 2.57 469.107, subdivision 1; 469.169, by adding a subdivision; 469.176, subdivisions
 2.58 4c, 4g, 6; 469.177, by adding a subdivision; 469.180, subdivision 2; 469.187;

3.1 469.190, subdivision 7, by adding a subdivision; 469.206; 469.319, subdivision
 3.2 4; 469.340, subdivision 4; 471.24; 471.571, subdivisions 1, 2; 471.73; 473.325,
 3.3 subdivision 2; 473.39, by adding a subdivision; 473.629; 473.661, subdivision 3;
 3.4 473.667, subdivision 9; 473.671; 473.711, subdivision 2a; 473F.02, subdivisions
 3.5 12, 14, 15, 23; 473F.08, subdivision 10, by adding a subdivision; 474A.04,
 3.6 subdivision 1a; 474A.062; 474A.091, subdivision 3a; 475.521, subdivisions 1, 2,
 3.7 4; 475.53, subdivisions 1, 3, 4; 475.58, subdivisions 2, 3b; 475.73, subdivision 1;
 3.8 477A.011, subdivisions 20, 30, 32, 34, 42, by adding subdivisions; 477A.0124,
 3.9 subdivision 2; 477A.013, subdivisions 8, 9, by adding a subdivision; 477A.03,
 3.10 subdivisions 2a, 2b, by adding a subdivision; 641.23; 641.24; 645.44, by adding
 3.11 a subdivision; Laws 1971, chapter 773, section 1, subdivision 2, as amended;
 3.12 Laws 1988, chapter 645, section 3, as amended; Laws 1993, chapter 375, article
 3.13 9, section 46, subdivisions 2, as amended, 5, as amended; Laws 1998, chapter
 3.14 389, article 8, section 43, subdivisions 1, 3, as amended, 5, as amended; Laws
 3.15 1999, chapter 243, article 6, section 11; Laws 2002, chapter 377, article 3, section
 3.16 25, as amended; Laws 2005, First Special Session chapter 3, article 5, section
 3.17 37, subdivisions 2, 4; Laws 2008, chapter 366, article 5, sections 26; 33; 34, as
 3.18 amended; article 7, section 19, subdivision 3, as amended; Laws 2010, chapter
 3.19 216, section 55; Laws 2010, chapter 389, article 1, section 12; article 5, section 6,
 3.20 subdivisions 4, 6; Laws 2010, First Special Session chapter 1, article 13, section 4,
 3.21 subdivision 1, as amended; proposing coding for new law in Minnesota Statutes,
 3.22 chapters 116C; 287; 290; 290A; 292; 295; 297I; 403; 435; 469; proposing coding
 3.23 for new law as Minnesota Statutes, chapter 297J; repealing Minnesota Statutes
 3.24 2012, sections 16A.725; 256.9658; 272.69; 273.11, subdivisions 1a, 22; 276A.01,
 3.25 subdivision 11; 289A.60, subdivision 31; 290.01, subdivision 6b; 290.06,
 3.26 subdivision 22a; 290.0672; 290.0921, subdivision 7; 383A.80, subdivision 4;
 3.27 383B.80, subdivision 4; 428A.101; 428A.21; 473F.02, subdivision 13; 477A.011,
 3.28 subdivisions 2a, 19, 21, 29, 31, 32, 33, 36, 39, 40, 41, 42; 477A.013, subdivisions
 3.29 11, 12; 477A.0133; 477A.0134; Laws 2006, chapter 259, article 11, section 3, as
 3.30 amended; Laws 2009, chapter 88, article 4, section 23, as amended.

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

3.32 ARTICLE 1

3.33 ONE-TIME PROVISIONS

3.34 Section 1. Minnesota Statutes 2012, section 16A.152, subdivision 2, is amended to read:

3.35 Subd. 2. **Additional revenues; priority.** (a) If on the basis of a forecast of general
 3.36 fund revenues and expenditures, the commissioner of management and budget determines
 3.37 that there will be a positive unrestricted budgetary general fund balance at the close of
 3.38 the biennium, the commissioner of management and budget must allocate money to the
 3.39 following accounts and purposes in priority order:

3.40 (1) the cash flow account established in subdivision 1 until that account reaches
 3.41 \$350,000,000;

3.42 (2) the budget reserve account established in subdivision 1a until that account
 3.43 reaches \$653,000,000;

3.44 (3) the amount necessary to increase the aid payment schedule for school district
 3.45 aids and credits payments in section 127A.45 to not more than 90 percent rounded to the

4.1 nearest tenth of a percent without exceeding the amount available and with any remaining
4.2 funds deposited in the budget reserve;

4.3 (4) the amount necessary to restore all or a portion of the net aid reductions under
4.4 section 127A.441 and to reduce the property tax revenue recognition shift under section
4.5 123B.75, subdivision 5, by the same amount;

4.6 (5) to reduce the rate of the surcharge in section 290.06, subdivision 2g, for taxable
4.7 years beginning after December 31, 2013, and before January 1, 2015, to not less than
4.8 zero with the rate rounded to the nearest tenth of a percent, without exceeding the amount
4.9 available, and with any remaining funds deposited in the budget reserve; and

4.10 ~~(5)~~ (6) to the state airports fund, the amount necessary to restore the amount
4.11 transferred from the state airports fund under Laws 2008, chapter 363, article 11, section
4.12 3, subdivision 5.

4.13 (b) The amounts necessary to meet the requirements of this section are appropriated
4.14 from the general fund within two weeks after the forecast is released or, in the case of
4.15 transfers under paragraph (a), clauses (3) and (4), as necessary to meet the appropriations
4.16 schedules otherwise established in statute.

4.17 (c) The commissioner of management and budget shall certify the total dollar
4.18 amount of the reductions under paragraph (a), clauses (3) and (4), to the commissioner of
4.19 education. The commissioner of education shall increase the aid payment percentage and
4.20 reduce the property tax shift percentage by these amounts and apply those reductions to
4.21 the current fiscal year and thereafter.

4.22 (d) The commissioner of management and budget shall certify the total dollar
4.23 amount available under paragraph (a), clause (5), to the commissioner of revenue. The
4.24 commissioner of revenue shall determine the percentage reduction in the surcharge rate
4.25 for taxable years beginning after December 31, 2013, and before January 1, 2015, and
4.26 shall reduce the surcharge rate.

4.27 Sec. 2. Minnesota Statutes 2012, section 123B.75, subdivision 5, is amended to read:

4.28 Subd. 5. **Levy recognition.** ~~(a) For fiscal years 2009 and 2010, in June of each~~
4.29 ~~year, the school district must recognize as revenue, in the fund for which the levy was~~
4.30 ~~made, the lesser of:~~

4.31 ~~(1) the sum of May, June, and July school district tax settlement revenue received in~~
4.32 ~~that calendar year, plus general education aid according to section 126C.13, subdivision~~
4.33 ~~4, received in July and August of that calendar year; or~~

4.34 ~~(2) the sum of:~~

5.1 ~~(i) 31 percent of the referendum levy certified according to section 126C.17, in~~
 5.2 ~~calendar year 2000; and~~

5.3 ~~(ii) the entire amount of the levy certified in the prior calendar year according to~~
 5.4 ~~section 124D.86, subdivision 4, for school districts receiving revenue under sections~~
 5.5 ~~124D.86, subdivision 3, clauses (1), (2), and (3); 126C.41, subdivisions 1, 2, paragraph (a),~~
 5.6 ~~and 3, paragraphs (b), (c), and (d); 126C.43, subdivision 2; and 126C.48, subdivision 6; plus~~

5.7 ~~(iii) zero percent of the amount of the levy certified in the prior calendar year for the~~
 5.8 ~~school district's general and community service funds, plus or minus auditor's adjustments,~~
 5.9 ~~not including the levy portions that are assumed by the state, that remains after subtracting~~
 5.10 ~~the referendum levy certified according to section 126C.17 and the amount recognized~~
 5.11 ~~according to item (ii).~~

5.12 ~~(b) (a) For fiscal year 2011 and later years 2011, 2012, and 2013, in June of each~~
 5.13 ~~year, the school district must recognize as revenue, in the fund for which the levy was~~
 5.14 ~~made, the lesser of:~~

5.15 ~~(1) the sum of May, June, and July school district tax settlement revenue received in~~
 5.16 ~~that calendar year, plus general education aid according to section 126C.13, subdivision~~
 5.17 ~~4, received in July and August of that calendar year; or~~

5.18 ~~(2) the sum of:~~

5.19 ~~(i) the greater of 48.6 percent of the referendum levy certified according to section~~
 5.20 ~~126C.17 in the prior calendar year, or 31 percent of the referendum levy certified~~
 5.21 ~~according to section 126C.17 in calendar year 2000; plus~~

5.22 ~~(ii) the entire amount of the levy certified in the prior calendar year according to~~
 5.23 ~~section 124D.4531, 124D.86, subdivision 4, for school districts receiving revenue under~~
 5.24 ~~sections 124D.86, subdivision 3, clauses (1), (2), and (3); 126C.41, subdivisions 1, 2,~~
 5.25 ~~paragraph (a), and 3, paragraphs (b), (c), and (d); 126C.43, subdivision 2; and 126C.48,~~
 5.26 ~~subdivision 6; plus~~

5.27 ~~(iii) 48.6 percent of the amount of the levy certified in the prior calendar year for the~~
 5.28 ~~school district's general and community service funds, plus or minus auditor's adjustments,~~
 5.29 ~~that remains after subtracting the referendum levy certified according to section 126C.17~~
 5.30 ~~and the amount recognized according to item (ii).~~

5.31 ~~(b) For fiscal year 2014 and later years, in June of each year, the school district must~~
 5.32 ~~recognize as revenue, in the fund for which the levy was made, the lesser of:~~

5.33 ~~(1) the sum of May, June, and July school district tax settlement revenue received in~~
 5.34 ~~that calendar year, plus general education aid according to section 126C.13, subdivision~~
 5.35 ~~4, received in July and August of that calendar year; or~~

5.36 ~~(2) the sum of:~~

6.1 (i) 31 percent of the referendum levy certified according to section 126C.17 in
 6.2 calendar year 2000;

6.3 (ii) the entire amount of the levy certified in the prior calendar year according to
 6.4 section 124D.4531; 124D.86, subdivision 4, for school districts receiving revenue under
 6.5 sections 124D.86, subdivision 3, clauses (1) to (3); 126C.41, subdivisions 1, 2, paragraph
 6.6 (a), and 3, paragraphs (b), (c), and (d); 126C.43, subdivision 2; and 126C.48, subdivision
 6.7 6; and

6.8 (iii) zero percent of the amount of the levy certified in the prior calendar year for the
 6.9 school district's general and community service funds, plus or minus auditor's adjustments,
 6.10 that remains after subtracting the referendum levy certified according to section 126C.17
 6.11 and the amount recognized according to item (ii).

6.12 **EFFECTIVE DATE.** This section is effective July 1, 2013.

6.13 Sec. 3. Minnesota Statutes 2012, section 127A.45, subdivision 2, is amended to read:

6.14 Subd. 2. **Definitions.** (a) "Other district receipts" means payments by county
 6.15 treasurers pursuant to section 276.10, apportionments from the school endowment fund
 6.16 pursuant to section 127A.33, apportionments by the county auditor pursuant to section
 6.17 127A.34, subdivision 2, and payments to school districts by the commissioner of revenue
 6.18 pursuant to chapter 298.

6.19 (b) "Cumulative amount guaranteed" means the product of

6.20 (1) the cumulative disbursement percentage shown in subdivision 3; times

6.21 (2) the sum of

6.22 (i) the current year aid payment percentage of the estimated aid and credit
 6.23 entitlements paid according to subdivision 13; plus

6.24 (ii) 100 percent of the entitlements paid according to subdivisions 11 and 12; plus

6.25 (iii) the other district receipts.

6.26 (c) "Payment date" means the date on which state payments to districts are made
 6.27 by the electronic funds transfer method. If a payment date falls on a Saturday, a Sunday,
 6.28 or a weekday which is a legal holiday, the payment shall be made on the immediately
 6.29 preceding business day. The commissioner may make payments on dates other than
 6.30 those listed in subdivision 3, but only for portions of payments from any preceding
 6.31 payment dates which could not be processed by the electronic funds transfer method due
 6.32 to documented extenuating circumstances.

6.33 (d) The current year aid payment percentage equals ~~73 in fiscal year 2010 and 70 in~~
 6.34 ~~fiscal year 2011, and 60~~ 90 in fiscal years ~~2012~~ 2014 and later.

7.1 **EFFECTIVE DATE.** This section is effective July 1, 2013.

7.2 Sec. 4. Minnesota Statutes 2012, section 290.01, subdivision 19a, is amended to read:

7.3 Subd. 19a. **Additions to federal taxable income.** For individuals, estates, and
7.4 trusts, there shall be added to federal taxable income:

7.5 (1)(i) interest income on obligations of any state other than Minnesota or a political
7.6 or governmental subdivision, municipality, or governmental agency or instrumentality
7.7 of any state other than Minnesota exempt from federal income taxes under the Internal
7.8 Revenue Code or any other federal statute; and

7.9 (ii) exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue
7.10 Code, except:

7.11 (A) the portion of the exempt-interest dividends exempt from state taxation under
7.12 the laws of the United States; and

7.13 (B) the portion of the exempt-interest dividends derived from interest income
7.14 on obligations of the state of Minnesota or its political or governmental subdivisions,
7.15 municipalities, governmental agencies or instrumentalities, but only if the portion of the
7.16 exempt-interest dividends from such Minnesota sources paid to all shareholders represents
7.17 95 percent or more of the exempt-interest dividends, including any dividends exempt
7.18 under subitem (A), that are paid by the regulated investment company as defined in section
7.19 851(a) of the Internal Revenue Code, or the fund of the regulated investment company as
7.20 defined in section 851(g) of the Internal Revenue Code, making the payment; and

7.21 (iii) for the purposes of items (i) and (ii), interest on obligations of an Indian tribal
7.22 government described in section 7871(c) of the Internal Revenue Code shall be treated as
7.23 interest income on obligations of the state in which the tribe is located;

7.24 (2) the amount of income, sales and use, motor vehicle sales, or excise taxes paid or
7.25 accrued within the taxable year under this chapter and the amount of taxes based on net
7.26 income paid, sales and use, motor vehicle sales, or excise taxes paid to any other state
7.27 or to any province or territory of Canada, to the extent allowed as a deduction under
7.28 section 63(d) of the Internal Revenue Code, but the addition may not be more than the
7.29 amount by which the itemized deductions as allowed under section 63(d) of the Internal
7.30 Revenue Code exceeds the amount of the standard deduction as defined in section 63(c) of
7.31 the Internal Revenue Code, disregarding the amounts allowed under sections 63(c)(1)(C)
7.32 and 63(c)(1)(E) of the Internal Revenue Code, minus any addition that would have been
7.33 required under clause (21) if the taxpayer had claimed the standard deduction. For the
7.34 purpose of this paragraph, the disallowance of itemized deductions under section 68 of

8.1 the Internal Revenue Code of 1986, income, sales and use, motor vehicle sales, or excise
8.2 taxes are the last itemized deductions disallowed;

8.3 (3) the capital gain amount of a lump-sum distribution to which the special tax under
8.4 section 1122(h)(3)(B)(ii) of the Tax Reform Act of 1986, Public Law 99-514, applies;

8.5 (4) the amount of income taxes paid or accrued within the taxable year under this
8.6 chapter and taxes based on net income paid to any other state or any province or territory
8.7 of Canada, to the extent allowed as a deduction in determining federal adjusted gross
8.8 income. For the purpose of this paragraph, income taxes do not include the taxes imposed
8.9 by sections 290.0922, subdivision 1, paragraph (b), 290.9727, 290.9728, and 290.9729;

8.10 (5) the amount of expense, interest, or taxes disallowed pursuant to section 290.10
8.11 other than expenses or interest used in computing net interest income for the subtraction
8.12 allowed under subdivision 19b, clause (1);

8.13 (6) the amount of a partner's pro rata share of net income which does not flow
8.14 through to the partner because the partnership elected to pay the tax on the income under
8.15 section 6242(a)(2) of the Internal Revenue Code;

8.16 (7) 80 percent of the depreciation deduction allowed under section 168(k) of the
8.17 Internal Revenue Code. For purposes of this clause, if the taxpayer has an activity that
8.18 in the taxable year generates a deduction for depreciation under section 168(k) and the
8.19 activity generates a loss for the taxable year that the taxpayer is not allowed to claim for
8.20 the taxable year, "the depreciation allowed under section 168(k)" for the taxable year is
8.21 limited to excess of the depreciation claimed by the activity under section 168(k) over the
8.22 amount of the loss from the activity that is not allowed in the taxable year. In succeeding
8.23 taxable years when the losses not allowed in the taxable year are allowed, the depreciation
8.24 under section 168(k) is allowed;

8.25 (8) for taxable years beginning before January 1, 2013, 80 percent of the amount by
8.26 which the deduction allowed by section 179 of the Internal Revenue Code exceeds the
8.27 deduction allowable by section 179 of the Internal Revenue Code of 1986, as amended
8.28 through December 31, 2003;

8.29 (9) to the extent deducted in computing federal taxable income, the amount of the
8.30 deduction allowable under section 199 of the Internal Revenue Code;

8.31 (10) for taxable years beginning before January 1, 2013, the exclusion allowed under
8.32 section 139A of the Internal Revenue Code for federal subsidies for prescription drug plans;

8.33 (11) the amount of expenses disallowed under section 290.10, subdivision 2;

8.34 (12) for taxable years beginning before January 1, 2010, the amount deducted for
8.35 qualified tuition and related expenses under section 222 of the Internal Revenue Code, to
8.36 the extent deducted from gross income;

9.1 (13) for taxable years beginning before January 1, 2010, the amount deducted for
9.2 certain expenses of elementary and secondary school teachers under section 62(a)(2)(D)
9.3 of the Internal Revenue Code, to the extent deducted from gross income;

9.4 (14) the additional standard deduction for property taxes payable that is allowable
9.5 under section 63(c)(1)(C) of the Internal Revenue Code;

9.6 (15) the additional standard deduction for qualified motor vehicle sales taxes
9.7 allowable under section 63(c)(1)(E) of the Internal Revenue Code;

9.8 (16) discharge of indebtedness income resulting from reacquisition of business
9.9 indebtedness and deferred under section 108(i) of the Internal Revenue Code;

9.10 (17) the amount of unemployment compensation exempt from tax under section
9.11 85(c) of the Internal Revenue Code;

9.12 (18) changes to federal taxable income attributable to a net operating loss that the
9.13 taxpayer elected to carry back for more than two years for federal purposes but for which
9.14 the losses can be carried back for only two years under section 290.095, subdivision
9.15 11, paragraph (c);

9.16 (19) to the extent included in the computation of federal taxable income in taxable
9.17 years beginning after December 31, 2010, the amount of disallowed itemized deductions,
9.18 but the amount of disallowed itemized deductions plus the addition required under clause
9.19 (2) may not be more than the amount by which the itemized deductions as allowed under
9.20 section 63(d) of the Internal Revenue Code exceeds the amount of the standard deduction
9.21 as defined in section 63(c) of the Internal Revenue Code, disregarding the amounts
9.22 allowed under sections 63(c)(1)(C) and 63(c)(1)(E) of the Internal Revenue Code, and
9.23 reduced by any addition that would have been required under clause (21) if the taxpayer
9.24 had claimed the standard deduction:

9.25 (i) the amount of disallowed itemized deductions is equal to the lesser of:

9.26 (A) three percent of the excess of the taxpayer's federal adjusted gross income
9.27 over the applicable amount; or

9.28 (B) 80 percent of the amount of the itemized deductions otherwise allowable to the
9.29 taxpayer under the Internal Revenue Code for the taxable year;

9.30 (ii) the term "applicable amount" means \$100,000, or \$50,000 in the case of a
9.31 married individual filing a separate return. Each dollar amount shall be increased by
9.32 an amount equal to:

9.33 (A) such dollar amount, multiplied by

9.34 (B) the cost-of-living adjustment determined under section 1(f)(3) of the Internal
9.35 Revenue Code for the calendar year in which the taxable year begins, by substituting
9.36 "calendar year 1990" for "calendar year 1992" in subparagraph (B) thereof;

10.1 (iii) the term "itemized deductions" does not include:

10.2 (A) the deduction for medical expenses under section 213 of the Internal Revenue
10.3 Code;

10.4 (B) any deduction for investment interest as defined in section 163(d) of the Internal
10.5 Revenue Code; and

10.6 (C) the deduction under section 165(a) of the Internal Revenue Code for casualty or
10.7 theft losses described in paragraph (2) or (3) of section 165(c) of the Internal Revenue
10.8 Code or for losses described in section 165(d) of the Internal Revenue Code;

10.9 (20) to the extent included in federal taxable income in taxable years beginning after
10.10 December 31, 2010, the amount of disallowed personal exemptions for taxpayers with
10.11 federal adjusted gross income over the threshold amount:

10.12 (i) the disallowed personal exemption amount is equal to the dollar amount of the
10.13 personal exemptions claimed by the taxpayer in the computation of federal taxable income
10.14 multiplied by the applicable percentage;

10.15 (ii) "applicable percentage" means two percentage points for each \$2,500 (or
10.16 fraction thereof) by which the taxpayer's federal adjusted gross income for the taxable
10.17 year exceeds the threshold amount. In the case of a married individual filing a separate
10.18 return, the preceding sentence shall be applied by substituting "\$1,250" for "\$2,500." In
10.19 no event shall the applicable percentage exceed 100 percent;

10.20 (iii) the term "threshold amount" means:

10.21 (A) \$150,000 in the case of a joint return or a surviving spouse;

10.22 (B) \$125,000 in the case of a head of a household;

10.23 (C) \$100,000 in the case of an individual who is not married and who is not a
10.24 surviving spouse or head of a household; and

10.25 (D) \$75,000 in the case of a married individual filing a separate return; and

10.26 (iv) the thresholds shall be increased by an amount equal to:

10.27 (A) such dollar amount, multiplied by

10.28 (B) the cost-of-living adjustment determined under section 1(f)(3) of the Internal
10.29 Revenue Code for the calendar year in which the taxable year begins, by substituting
10.30 "calendar year 1990" for "calendar year 1992" in subparagraph (B) thereof; and

10.31 (21) to the extent deducted in the computation of federal taxable income, for taxable
10.32 years beginning after December 31, 2010, and before January 1, 2013, the difference
10.33 between the standard deduction allowed under section 63(c) of the Internal Revenue Code
10.34 and the standard deduction allowed for 2011 and 2012 under the Internal Revenue Code
10.35 as amended through December 1, 2010.

11.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
11.2 December 31, 2012.

11.3 Sec. 5. Minnesota Statutes 2012, section 290.01, subdivision 19c, is amended to read:

11.4 Subd. 19c. **Corporations; additions to federal taxable income.** For corporations,
11.5 there shall be added to federal taxable income:

11.6 (1) the amount of any deduction taken for federal income tax purposes for income,
11.7 excise, or franchise taxes based on net income or related minimum taxes, including but not
11.8 limited to the tax imposed under section 290.0922, paid by the corporation to Minnesota,
11.9 another state, a political subdivision of another state, the District of Columbia, or any
11.10 foreign country or possession of the United States;

11.11 (2) interest not subject to federal tax upon obligations of: the United States, its
11.12 possessions, its agencies, or its instrumentalities; the state of Minnesota or any other
11.13 state, any of its political or governmental subdivisions, any of its municipalities, or any
11.14 of its governmental agencies or instrumentalities; the District of Columbia; or Indian
11.15 tribal governments;

11.16 (3) exempt-interest dividends received as defined in section 852(b)(5) of the Internal
11.17 Revenue Code;

11.18 (4) the amount of any net operating loss deduction taken for federal income tax
11.19 purposes under section 172 or 832(c)(10) of the Internal Revenue Code or operations loss
11.20 deduction under section 810 of the Internal Revenue Code;

11.21 (5) the amount of any special deductions taken for federal income tax purposes
11.22 under sections 241 to 247 and 965 of the Internal Revenue Code;

11.23 (6) losses from the business of mining, as defined in section 290.05, subdivision 1,
11.24 clause (a), that are not subject to Minnesota income tax;

11.25 (7) the amount of any capital losses deducted for federal income tax purposes under
11.26 sections 1211 and 1212 of the Internal Revenue Code;

11.27 (8) the exempt foreign trade income of a foreign sales corporation under sections
11.28 921(a) and 291 of the Internal Revenue Code;

11.29 (9) the amount of percentage depletion deducted under sections 611 through 614 and
11.30 291 of the Internal Revenue Code;

11.31 (10) for certified pollution control facilities placed in service in a taxable year
11.32 beginning before December 31, 1986, and for which amortization deductions were elected
11.33 under section 169 of the Internal Revenue Code of 1954, as amended through December
11.34 31, 1985, the amount of the amortization deduction allowed in computing federal taxable
11.35 income for those facilities;

12.1 (11) the amount of any deemed dividend from a foreign operating corporation
12.2 determined pursuant to section 290.17, subdivision 4, paragraph (g). The deemed dividend
12.3 shall be reduced by the amount of the addition to income required by clauses (20), (21),
12.4 (22), and (23);

12.5 (12) the amount of a partner's pro rata share of net income which does not flow
12.6 through to the partner because the partnership elected to pay the tax on the income under
12.7 section 6242(a)(2) of the Internal Revenue Code;

12.8 (13) the amount of net income excluded under section 114 of the Internal Revenue
12.9 Code;

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

12.13 (15) 80 percent of the depreciation deduction allowed under section 168(k)(1)(A)
12.14 and (k)(4)(A) of the Internal Revenue Code. For purposes of this clause, if the taxpayer
12.15 has an activity that in the taxable year generates a deduction for depreciation under
12.16 section 168(k)(1)(A) and (k)(4)(A) and the activity generates a loss for the taxable year
12.17 that the taxpayer is not allowed to claim for the taxable year, "the depreciation allowed
12.18 under section 168(k)(1)(A) and (k)(4)(A)" for the taxable year is limited to excess of the
12.19 depreciation claimed by the activity under section 168(k)(1)(A) and (k)(4)(A) over the
12.20 amount of the loss from the activity that is not allowed in the taxable year. In succeeding
12.21 taxable years when the losses not allowed in the taxable year are allowed, the depreciation
12.22 under section 168(k)(1)(A) and (k)(4)(A) is allowed;

12.23 (16) for taxable years beginning before January 1, 2013, 80 percent of the amount by
12.24 which the deduction allowed by section 179 of the Internal Revenue Code exceeds the
12.25 deduction allowable by section 179 of the Internal Revenue Code of 1986, as amended
12.26 through December 31, 2003;

12.27 (17) to the extent deducted in computing federal taxable income, the amount of the
12.28 deduction allowable under section 199 of the Internal Revenue Code;

12.29 (18) for taxable years beginning before January 1, 2013, the exclusion allowed under
12.30 section 139A of the Internal Revenue Code for federal subsidies for prescription drug plans;

12.31 (19) the amount of expenses disallowed under section 290.10, subdivision 2;

12.32 (20) an amount equal to the interest and intangible expenses, losses, and costs paid,
12.33 accrued, or incurred by any member of the taxpayer's unitary group to or for the benefit
12.34 of a corporation that is a member of the taxpayer's unitary business group that qualifies
12.35 as a foreign operating corporation. For purposes of this clause, intangible expenses and
12.36 costs include:

13.1 (i) expenses, losses, and costs for, or related to, the direct or indirect acquisition,
13.2 use, maintenance or management, ownership, sale, exchange, or any other disposition of
13.3 intangible property;

13.4 (ii) losses incurred, directly or indirectly, from factoring transactions or discounting
13.5 transactions;

13.6 (iii) royalty, patent, technical, and copyright fees;

13.7 (iv) licensing fees; and

13.8 (v) other similar expenses and costs.

13.9 For purposes of this clause, "intangible property" includes stocks, bonds, patents, patent
13.10 applications, trade names, trademarks, service marks, copyrights, mask works, trade
13.11 secrets, and similar types of intangible assets.

13.12 This clause does not apply to any item of interest or intangible expenses or costs paid,
13.13 accrued, or incurred, directly or indirectly, to a foreign operating corporation with respect
13.14 to such item of income to the extent that the income to the foreign operating corporation
13.15 is income from sources without the United States as defined in subtitle A, chapter 1,
13.16 subchapter N, part 1, of the Internal Revenue Code;

13.17 (21) except as already included in the taxpayer's taxable income pursuant to clause
13.18 (20), any interest income and income generated from intangible property received or
13.19 accrued by a foreign operating corporation that is a member of the taxpayer's unitary
13.20 group. For purposes of this clause, income generated from intangible property includes:

13.21 (i) income related to the direct or indirect acquisition, use, maintenance or
13.22 management, ownership, sale, exchange, or any other disposition of intangible property;

13.23 (ii) income from factoring transactions or discounting transactions;

13.24 (iii) royalty, patent, technical, and copyright fees;

13.25 (iv) licensing fees; and

13.26 (v) other similar income.

13.27 For purposes of this clause, "intangible property" includes stocks, bonds, patents, patent
13.28 applications, trade names, trademarks, service marks, copyrights, mask works, trade
13.29 secrets, and similar types of intangible assets.

13.30 This clause does not apply to any item of interest or intangible income received or accrued
13.31 by a foreign operating corporation with respect to such item of income to the extent that
13.32 the income is income from sources without the United States as defined in subtitle A,
13.33 chapter 1, subchapter N, part 1, of the Internal Revenue Code;

13.34 (22) the dividends attributable to the income of a foreign operating corporation that
13.35 is a member of the taxpayer's unitary group in an amount that is equal to the dividends

14.1 paid deduction of a real estate investment trust under section 561(a) of the Internal
14.2 Revenue Code for amounts paid or accrued by the real estate investment trust to the
14.3 foreign operating corporation;

14.4 (23) the income of a foreign operating corporation that is a member of the taxpayer's
14.5 unitary group in an amount that is equal to gains derived from the sale of real or personal
14.6 property located in the United States;

14.7 (24) for taxable years beginning before January 1, 2010, the additional amount
14.8 allowed as a deduction for donation of computer technology and equipment under section
14.9 170(e)(6) of the Internal Revenue Code, to the extent deducted from taxable income; and

14.10 (25) discharge of indebtedness income resulting from reacquisition of business
14.11 indebtedness and deferred under section 108(i) of the Internal Revenue Code.

14.12 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
14.13 December 31, 2012.

14.14 Sec. 6. Minnesota Statutes 2012, section 290.06, is amended by adding a subdivision
14.15 to read:

14.16 Subd. 2g. **Income surcharge.** (a) In addition to the tax computed under subdivision
14.17 2c and section 290.091, for taxable years beginning after December 31, 2012, and
14.18 before January 1, 2015, there is a surcharge imposed on individuals, estates, and trusts.
14.19 The surcharge equals four percent of taxable net income over a threshold. For married
14.20 individuals filing separately, estates, and trusts, the threshold is \$250,000. For all other
14.21 filers, the threshold is \$500,000.

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

14.24 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
14.25 December 31, 2012.

14.26 Sec. 7. Minnesota Statutes 2012, section 297A.68, subdivision 5, is amended to read:

14.27 **Subd. 5. **Capital equipment.**** (a) Capital equipment is exempt. ~~The tax must be~~
14.28 ~~imposed and collected as if the rate under section 297A.62, subdivision 1, applied, and~~
14.29 ~~then refunded in the manner provided in section 297A.75.~~

14.30 "Capital equipment" means machinery and equipment purchased or leased, and used
14.31 in this state by the purchaser or lessee primarily for manufacturing, fabricating, mining,
14.32 or refining tangible personal property to be sold ultimately at retail if the machinery and
14.33 equipment are essential to the integrated production process of manufacturing, fabricating,

15.1 mining, or refining. Capital equipment also includes machinery and equipment
15.2 used primarily to electronically transmit results retrieved by a customer of an online
15.3 computerized data retrieval system.

15.4 (b) Capital equipment includes, but is not limited to:

15.5 (1) machinery and equipment used to operate, control, or regulate the production
15.6 equipment;

15.7 (2) machinery and equipment used for research and development, design, quality
15.8 control, and testing activities;

15.9 (3) environmental control devices that are used to maintain conditions such as
15.10 temperature, humidity, light, or air pressure when those conditions are essential to and are
15.11 part of the production process;

15.12 (4) materials and supplies used to construct and install machinery or equipment;

15.13 (5) repair and replacement parts, including accessories, whether purchased as spare
15.14 parts, repair parts, or as upgrades or modifications to machinery or equipment;

15.15 (6) materials used for foundations that support machinery or equipment;

15.16 (7) materials used to construct and install special purpose buildings used in the
15.17 production process;

15.18 (8) ready-mixed concrete equipment in which the ready-mixed concrete is mixed
15.19 as part of the delivery process regardless if mounted on a chassis, repair parts for
15.20 ready-mixed concrete trucks, and leases of ready-mixed concrete trucks; and

15.21 (9) machinery or equipment used for research, development, design, or production
15.22 of computer software.

15.23 (c) Capital equipment does not include the following:

15.24 (1) motor vehicles taxed under chapter 297B;

15.25 (2) machinery or equipment used to receive or store raw materials;

15.26 (3) building materials, except for materials included in paragraph (b), clauses (6)
15.27 and (7);

15.28 (4) machinery or equipment used for nonproduction purposes, including, but not
15.29 limited to, the following: plant security, fire prevention, first aid, and hospital stations;
15.30 support operations or administration; pollution control; and plant cleaning, disposal of
15.31 scrap and waste, plant communications, space heating, cooling, lighting, or safety;

15.32 (5) farm machinery and aquaculture production equipment as defined by section
15.33 297A.61, subdivisions 12 and 13;

15.34 (6) machinery or equipment purchased and installed by a contractor as part of an
15.35 improvement to real property;

16.1 (7) machinery and equipment used by restaurants in the furnishing, preparing, or
16.2 serving of prepared foods as defined in section 297A.61, subdivision 31;

16.3 (8) machinery and equipment used to furnish the services listed in section 297A.61,
16.4 subdivision 3, paragraph (g), clause (6), items (i) to (vi) and (viii);

16.5 (9) machinery or equipment used in the transportation, transmission, or distribution
16.6 of petroleum, liquefied gas, natural gas, water, or steam, in, by, or through pipes, lines,
16.7 tanks, mains, or other means of transporting those products. This clause does not apply to
16.8 machinery or equipment used to blend petroleum or biodiesel fuel as defined in section
16.9 239.77; or

16.10 (10) any other item that is not essential to the integrated process of manufacturing,
16.11 fabricating, mining, or refining.

16.12 (d) For purposes of this subdivision:

16.13 (1) "Equipment" means independent devices or tools separate from machinery but
16.14 essential to an integrated production process, including computers and computer software,
16.15 used in operating, controlling, or regulating machinery and equipment; and any subunit or
16.16 assembly comprising a component of any machinery or accessory or attachment parts of
16.17 machinery, such as tools, dies, jigs, patterns, and molds.

16.18 (2) "Fabricating" means to make, build, create, produce, or assemble components or
16.19 property to work in a new or different manner.

16.20 (3) "Integrated production process" means a process or series of operations through
16.21 which tangible personal property is manufactured, fabricated, mined, or refined. For
16.22 purposes of this clause, (i) manufacturing begins with the removal of raw materials
16.23 from inventory and ends when the last process prior to loading for shipment has been
16.24 completed; (ii) fabricating begins with the removal from storage or inventory of the
16.25 property to be assembled, processed, altered, or modified and ends with the creation
16.26 or production of the new or changed product; (iii) mining begins with the removal of
16.27 overburden from the site of the ores, minerals, stone, peat deposit, or surface materials and
16.28 ends when the last process before stockpiling is completed; and (iv) refining begins with
16.29 the removal from inventory or storage of a natural resource and ends with the conversion
16.30 of the item to its completed form.

16.31 (4) "Machinery" means mechanical, electronic, or electrical devices, including
16.32 computers and computer software, that are purchased or constructed to be used for the
16.33 activities set forth in paragraph (a), beginning with the removal of raw materials from
16.34 inventory through completion of the product, including packaging of the product.

17.1 (5) "Machinery and equipment used for pollution control" means machinery and
17.2 equipment used solely to eliminate, prevent, or reduce pollution resulting from an activity
17.3 described in paragraph (a).

17.4 (6) "Manufacturing" means an operation or series of operations where raw materials
17.5 are changed in form, composition, or condition by machinery and equipment and which
17.6 results in the production of a new article of tangible personal property. For purposes of
17.7 this subdivision, "manufacturing" includes the generation of electricity or steam to be
17.8 sold at retail.

17.9 (7) "Mining" means the extraction of minerals, ores, stone, or peat.

17.10 (8) "Online data retrieval system" means a system whose cumulation of information
17.11 is equally available and accessible to all its customers.

17.12 (9) "Primarily" means machinery and equipment used 50 percent or more of the time
17.13 in an activity described in paragraph (a).

17.14 (10) "Refining" means the process of converting a natural resource to an intermediate
17.15 or finished product, including the treatment of water to be sold at retail.

17.16 (11) This subdivision does not apply to telecommunications equipment as
17.17 provided in subdivision 35, and does not apply to wire, cable, fiber, poles, or conduit
17.18 for telecommunications services.

17.19 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
17.20 June 30, 2013.

17.21 Sec. 8. Minnesota Statutes 2012, section 297A.75, subdivision 1, is amended to read:

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

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

17.26 ~~(2) (1) building materials for an agricultural processing facility exempt under section~~
17.27 ~~297A.71, subdivision 13;~~

17.28 ~~(3) (2) building materials for mineral production facilities exempt under section~~
17.29 ~~297A.71, subdivision 14;~~

17.30 ~~(4) (3) building materials for correctional facilities under section 297A.71,~~
17.31 ~~subdivision 3;~~

17.32 ~~(5) (4) building materials used in a residence for disabled veterans exempt under~~
17.33 ~~section 297A.71, subdivision 11;~~

17.34 ~~(6) (5) elevators and building materials exempt under section 297A.71, subdivision~~
17.35 ~~12;~~

- 18.1 ~~(7)~~ (6) building materials for the Long Lake Conservation Center exempt under
 18.2 section 297A.71, subdivision 17;
- 18.3 ~~(8)~~ (7) materials and supplies for qualified low-income housing under section
 18.4 297A.71, subdivision 23;
- 18.5 ~~(9)~~ (8) materials, supplies, and equipment for municipal electric utility facilities
 18.6 under section 297A.71, subdivision 35;
- 18.7 ~~(10)~~ (9) equipment and materials used for the generation, transmission, and
 18.8 distribution of electrical energy and an aerial camera package exempt under section
 18.9 297A.68, subdivision 37;
- 18.10 ~~(11)~~ (10) commuter rail vehicle and repair parts under section 297A.70, subdivision
 18.11 3, paragraph (a), clause (10);
- 18.12 ~~(12)~~ (11) materials, supplies, and equipment for construction or improvement of
 18.13 projects and facilities under section 297A.71, subdivision 40;
- 18.14 ~~(13)~~ (12) materials, supplies, and equipment for construction or improvement of a
 18.15 meat processing facility exempt under section 297A.71, subdivision 41;
- 18.16 ~~(14)~~ (13) materials, supplies, and equipment for construction, improvement, or
 18.17 expansion of an aerospace defense manufacturing facility exempt under section 297A.71,
 18.18 subdivision 42;
- 18.19 ~~(15)~~ (14) enterprise information technology equipment and computer software for
 18.20 use in a qualified data center exempt under section 297A.68, subdivision 42; and
- 18.21 ~~(16)~~ (15) materials, supplies, and equipment for qualifying capital projects under
 18.22 section 297A.71, subdivision 44.

18.23 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
 18.24 June 30, 2013.

18.25 Sec. 9. Minnesota Statutes 2012, section 297A.75, subdivision 2, is amended to read:

18.26 Subd. 2. **Refund; eligible persons.** Upon application on forms prescribed by the
 18.27 commissioner, a refund equal to the tax paid on the gross receipts of the exempt items
 18.28 must be paid to the applicant. Only the following persons may apply for the refund:

18.29 (1) for subdivision 1, clauses (1) ~~to~~ ~~(3)~~ and (2), the applicant must be the purchaser;

18.30 (2) for subdivision 1, clauses ~~(4)~~ (3) and ~~(7)~~ (6), the applicant must be the
 18.31 governmental subdivision;

18.32 (3) for subdivision 1, clause ~~(5)~~ (4), the applicant must be the recipient of the
 18.33 benefits provided in United States Code, title 38, chapter 21;

18.34 (4) for subdivision 1, clause ~~(6)~~ (5), the applicant must be the owner of the
 18.35 homestead property;

19.1 (5) for subdivision 1, clause ~~(8)~~ (7), the owner of the qualified low-income housing
 19.2 project;

19.3 (6) for subdivision 1, clause ~~(9)~~ (8), the applicant must be a municipal electric utility
 19.4 or a joint venture of municipal electric utilities;

19.5 (7) for subdivision 1, clauses ~~(10)~~ (9), (12), (13), and (14), ~~and (15)~~, the owner
 19.6 of the qualifying business; and

19.7 (8) for subdivision 1, clauses (10), (11), ~~(12)~~, and ~~(16)~~ (15), the applicant must be
 19.8 the governmental entity that owns or contracts for the project or facility.

19.9 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
 19.10 June 30, 2013.

19.11 Sec. 10. Minnesota Statutes 2012, section 297A.75, subdivision 3, is amended to read:

19.12 Subd. 3. **Application.** (a) The application must include sufficient information
 19.13 to permit the commissioner to verify the tax paid. If the tax was paid by a contractor,
 19.14 subcontractor, or builder, under subdivision 1, clause (3), (4), (5), (6), (7), (8), (9), (10),
 19.15 (11), (12), (13), (14), or (15), ~~or (16)~~, the contractor, subcontractor, or builder must
 19.16 furnish to the refund applicant a statement including the cost of the exempt items and the
 19.17 taxes paid on the items unless otherwise specifically provided by this subdivision. The
 19.18 provisions of sections 289A.40 and 289A.50 apply to refunds under this section.

19.19 (b) An applicant may not file more than two applications per calendar year for
 19.20 refunds for taxes paid on capital equipment exempt under section 297A.68, subdivision 5.

19.21 (c) Total refunds for purchases of items in section 297A.71, subdivision 40, must not
 19.22 exceed \$5,000,000 in fiscal years 2010 and 2011. Applications for refunds for purchases
 19.23 of items in sections 297A.70, subdivision 3, paragraph (a), clause (11), and 297A.71,
 19.24 subdivision 40, must not be filed until after June 30, 2009.

19.25 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
 19.26 June 30, 2013.

19.27 Sec. 11. **ESTIMATED TAXES; EXCEPTIONS.**

19.28 No addition to tax, penalties, or interest may be made under Minnesota Statutes,
 19.29 section 289A.25, for any period before July 1, 2013, with respect to an underpayment
 19.30 of estimated tax, to the extent that the underpayment was created or increased by the
 19.31 surcharge imposed under this article.

19.32 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
 19.33 December 31, 2012.

- 21.1 (vii) workers' compensation;
- 21.2 (viii) nontaxable strike benefits;
- 21.3 (ix) the gross amounts of payments received in the nature of disability income or
21.4 sick pay as a result of accident, sickness, or other disability, whether funded through
21.5 insurance or otherwise;
- 21.6 (x) a lump-sum distribution under section 402(e)(3) of the Internal Revenue Code of
21.7 1986, as amended through December 31, 1995;
- 21.8 (xi) contributions made by the claimant to an individual retirement account,
21.9 including a qualified voluntary employee contribution; simplified employee pension plan;
21.10 self-employed retirement plan; cash or deferred arrangement plan under section 401(k)
21.11 of the Internal Revenue Code; or deferred compensation plan under section 457 of the
21.12 Internal Revenue Code, to the extent the sum of amounts exceeds the retirement base
21.13 amount for the claimant and spouse;
- 21.14 (xii) to the extent not included in federal adjusted gross income, distributions received
21.15 by the claimant or spouse from a traditional or Roth style retirement account or plan;
- 21.16 (xiii) nontaxable scholarship or fellowship grants;
- 21.17 ~~(xiii)~~ (xiv) the amount of deduction allowed under section 199 of the Internal
21.18 Revenue Code;
- 21.19 ~~(xiv)~~ (xv) the amount of deduction allowed under section 220 or 223 of the Internal
21.20 Revenue Code;
- 21.21 ~~(xv)~~ (xvi) the amount of deducted for tuition expenses required to be added to
21.22 income under section 290.01, subdivision 19a, clause (12); under section 222 of the
21.23 Internal Revenue Code; and
- 21.24 ~~(xvi)~~ (xvii) the amount deducted for certain expenses of elementary and secondary
21.25 school teachers under section 62(a)(2)(D) of the Internal Revenue Code; ~~and.~~
- 21.26 ~~(xvii) unemployment compensation.~~
- 21.27 In the case of an individual who files an income tax return on a fiscal year basis, the
21.28 term "federal adjusted gross income" shall mean federal adjusted gross income reflected
21.29 in the fiscal year ending in the calendar year. Federal adjusted gross income shall not be
21.30 reduced by the amount of a net operating loss carryback or carryforward or a capital loss
21.31 carryback or carryforward allowed for the year.
- 21.32 (2) "Income" does not include:
- 21.33 (a) amounts excluded pursuant to the Internal Revenue Code, sections 101(a) and 102;
- 21.34 (b) amounts of any pension or annuity which was exclusively funded by the claimant
21.35 or spouse and which funding payments were not excluded from federal adjusted gross
21.36 income in the years when the payments were made;

22.1 (c) to the extent included in federal adjusted gross income, amounts contributed by
 22.2 the claimant or spouse to a traditional or Roth style retirement account or plan, but not
 22.3 to exceed the retirement base amount reduced by the amount of contributions excluded
 22.4 from federal adjusted gross income, but not less than zero;

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

22.6 ~~(d)~~ (e) relief granted under this chapter;

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

22.9 ~~(f)~~ (g) restitution payments received by eligible individuals and excludable interest
 22.10 as defined in section 803 of the Economic Growth and Tax Relief Reconciliation Act of
 22.11 2001, Public Law 107-16.

22.12 (3) The sum of the following amounts may be subtracted from income:

22.13 (a) for the claimant's first dependent, the exemption amount multiplied by 1.4;

22.14 (b) for the claimant's second dependent, the exemption amount multiplied by 1.3;

22.15 (c) for the claimant's third dependent, the exemption amount multiplied by 1.2;

22.16 (d) for the claimant's fourth dependent, the exemption amount multiplied by 1.1;

22.17 (e) for the claimant's fifth dependent, the exemption amount; and

22.18 (f) if the claimant or claimant's spouse was disabled or attained the age of 65
 22.19 on or before December 31 of the year for which the taxes were levied or rent paid, the
 22.20 exemption amount.

22.21 For purposes of this subdivision, the "exemption amount" means the exemption
 22.22 amount under section 151(d) of the Internal Revenue Code for the taxable year for which
 22.23 the income is reported; and "retirement base amount" means the deductible amount for
 22.24 the taxable year for the claimant and spouse under section 219(b)(5)(A) of the Internal
 22.25 Revenue Code, adjusted for inflation as provided in section 219(b)(5)(D) of the Internal
 22.26 Revenue Code, without regard to whether the claimant or spouse claimed a deduction.

22.27 **EFFECTIVE DATE.** This section is effective beginning with refunds based on
 22.28 property taxes payable in 2014 and rent paid in 2013.

22.29 Sec. 2. Minnesota Statutes 2012, section 290A.04, subdivision 2, is amended to read:

22.30 Subd. 2. **Homeowners; homestead credit refund.** A claimant whose property
 22.31 taxes payable are in excess of the percentage of the household income stated below shall
 22.32 pay an amount equal to the percent of income shown for the appropriate household
 22.33 income level along with the percent to be paid by the claimant of the remaining amount
 22.34 of property taxes payable. The state refund equals the amount of property taxes payable
 22.35 that remain, up to the state refund amount shown below.

			Percent Paid by	Maximum
	Household Income	Percent of Income	Claimant	State
				Refund
23.1				
23.2				
23.3				
23.4	\$0 to 1,549	1.0 percent	15 percent	\$ 2,460
23.5	1,550 to 3,089	1.1 percent	15 percent	\$ 2,460
23.6	3,090 to 4,669	1.2 percent	15 percent	\$ 2,460
23.7	4,670 to 6,229	1.3 percent	20 percent	\$ 2,460
23.8	6,230 to 7,769	1.4 percent	20 percent	\$ 2,460
23.9	7,770 to 10,879	1.5 percent	20 percent	\$ 2,460
23.10	10,880 to 12,429	1.6 percent	20 percent	\$ 2,460
23.11	12,430 to 13,989	1.7 percent	20 percent	\$ 2,460
23.12	13,990 to 15,539	1.8 percent	20 percent	\$ 2,460
23.13	15,540 to 17,079	1.9 percent	25 percent	\$ 2,460
23.14	17,080 to 18,659	2.0 percent	25 percent	\$ 2,460
23.15	18,660 to 21,759	2.1 percent	25 percent	\$ 2,460
23.16	21,760 to 23,309	2.2 percent	30 percent	\$ 2,460
23.17	23,310 to 24,859	2.3 percent	30 percent	\$ 2,460
23.18	24,860 to 26,419	2.4 percent	30 percent	\$ 2,460
23.19	26,420 to 32,629	2.5 percent	35 percent	\$ 2,460
23.20	32,630 to 37,279	2.6 percent	35 percent	\$ 2,460
23.21	37,280 to 46,609	2.7 percent	35 percent	\$ 2,000
23.22	46,610 to 54,369	2.8 percent	35 percent	\$ 2,000
23.23	54,370 to 62,139	2.8 percent	40 percent	\$ 1,750
23.24	62,140 to 69,909	3.0 percent	40 percent	\$ 1,440
23.25	69,910 to 77,679	3.0 percent	40 percent	\$ 1,290
23.26	77,680 to 85,449	3.0 percent	40 percent	\$ 1,130
23.27	85,450 to 90,119	3.5 percent	45 percent	\$ 960
23.28	90,120 to 93,239	3.5 percent	45 percent	\$ 790
23.29	93,240 to 97,009	3.5 percent	50 percent	\$ 650
23.30	97,010 to 100,779	3.5 percent	50 percent	\$ 480

			Percent Paid by	Maximum
	<u>Household Income</u>	<u>Percent of Income</u>	<u>Claimant</u>	<u>State</u>
				<u>Refund</u>
23.31				
23.32				
23.33				
23.34	<u>\$0 to 1,619</u>	<u>1.0 percent</u>	<u>15 percent</u>	<u>\$ 2,580</u>
23.35	<u>1,620 to 3,229</u>	<u>1.1 percent</u>	<u>15 percent</u>	<u>\$ 2,580</u>
23.36	<u>3,230 to 4,889</u>	<u>1.2 percent</u>	<u>15 percent</u>	<u>\$ 2,580</u>
23.37	<u>4,890 to 6,519</u>	<u>1.3 percent</u>	<u>20 percent</u>	<u>\$ 2,580</u>
23.38	<u>6,520 to 8,129</u>	<u>1.4 percent</u>	<u>20 percent</u>	<u>\$ 2,580</u>
23.39	<u>8,130 to 11,389</u>	<u>1.5 percent</u>	<u>20 percent</u>	<u>\$ 2,580</u>
23.40	<u>11,390 to 13,009</u>	<u>1.6 percent</u>	<u>20 percent</u>	<u>\$ 2,580</u>
23.41	<u>13,010 to 14,649</u>	<u>1.7 percent</u>	<u>20 percent</u>	<u>\$ 2,580</u>
23.42	<u>14,650 to 16,269</u>	<u>1.8 percent</u>	<u>20 percent</u>	<u>\$ 2,580</u>
23.43	<u>16,270 to 17,879</u>	<u>1.9 percent</u>	<u>25 percent</u>	<u>\$ 2,580</u>
23.44	<u>17,880 to 22,779</u>	<u>2.0 percent</u>	<u>25 percent</u>	<u>\$ 2,580</u>

24.1	<u>22,780 to 24,399</u>	<u>2.0 percent</u>	<u>30 percent</u>	<u>\$ 2,580</u>
24.2	<u>24,400 to 27,659</u>	<u>2.0 percent</u>	<u>30 percent</u>	<u>\$ 2,580</u>
24.3	<u>27,660 to 39,029</u>	<u>2.0 percent</u>	<u>35 percent</u>	<u>\$ 2,580</u>
24.4	<u>39,030 to 56,919</u>	<u>2.0 percent</u>	<u>35 percent</u>	<u>\$ 2,090</u>
24.5	<u>56,920 to 65,049</u>	<u>2.0 percent</u>	<u>40 percent</u>	<u>\$ 1,830</u>
24.6	<u>65,050 to 73,189</u>	<u>2.1 percent</u>	<u>40 percent</u>	<u>\$ 1,510</u>
24.7	<u>73,190 to 81,319</u>	<u>2.2 percent</u>	<u>40 percent</u>	<u>\$ 1,350</u>
24.8	<u>81,320 to 89,449</u>	<u>2.3 percent</u>	<u>40 percent</u>	<u>\$ 1,180</u>
24.9	<u>89,450 to 94,339</u>	<u>2.4 percent</u>	<u>45 percent</u>	<u>\$ 1,000</u>
24.10	<u>94,340 to 97,609</u>	<u>2.5 percent</u>	<u>45 percent</u>	<u>\$ 830</u>
24.11	<u>97,610 to 101,559</u>	<u>2.5 percent</u>	<u>50 percent</u>	<u>\$ 680</u>
24.12	<u>101,560 to 105,499</u>	<u>2.5 percent</u>	<u>50 percent</u>	<u>\$ 500</u>

24.13 The payment made to a claimant shall be the amount of the state refund calculated
 24.14 under this subdivision. No payment is allowed if the claimant's household income is
 24.15 ~~\$100,780~~ \$105,500 or more.

24.16 **EFFECTIVE DATE.** This section is effective for refund claims based on taxes
 24.17 payable in 2014 and thereafter.

24.18 Sec. 3. Minnesota Statutes 2012, section 290A.04, subdivision 2a, is amended to read:

24.19 Subd. 2a. **Renters.** A claimant whose rent constituting property taxes exceeds the
 24.20 percentage of the household income stated below must pay an amount equal to the percent
 24.21 of income shown for the appropriate household income level along with the percent to
 24.22 be paid by the claimant of the remaining amount of rent constituting property taxes. The
 24.23 state refund equals the amount of rent constituting property taxes that remain, up to the
 24.24 maximum state refund amount shown below.

24.25				Maximum
24.26			Percent Paid by	State
24.27	Household Income	Percent of Income	Claimant	Refund
24.28	\$0 to 3,589	1.0 percent	5 percent	\$ 1,190
24.29	3,590 to 4,779	1.0 percent	10 percent	\$ 1,190
24.30	4,780 to 5,969	1.1 percent	10 percent	\$ 1,190
24.31	5,970 to 8,369	1.2 percent	10 percent	\$ 1,190
24.32	8,370 to 10,759	1.3 percent	15 percent	\$ 1,190
24.33	10,760 to 11,949	1.4 percent	15 percent	\$ 1,190
24.34	11,950 to 13,139	1.4 percent	20 percent	\$ 1,190
24.35	13,140 to 15,539	1.5 percent	20 percent	\$ 1,190
24.36	15,540 to 16,729	1.6 percent	20 percent	\$ 1,190
24.37	16,730 to 17,919	1.7 percent	25 percent	\$ 1,190
24.38	17,920 to 20,319	1.8 percent	25 percent	\$ 1,190

25.1	20,320 to 21,509	1.9 percent	30 percent	\$ 1,190
25.2	21,510 to 22,699	2.0 percent	30 percent	\$ 1,190
25.3	22,700 to 23,899	2.2 percent	30 percent	\$ 1,190
25.4	23,900 to 25,089	2.4 percent	30 percent	\$ 1,190
25.5	25,090 to 26,289	2.6 percent	35 percent	\$ 1,190
25.6	26,290 to 27,489	2.7 percent	35 percent	\$ 1,190
25.7	27,490 to 28,679	2.8 percent	35 percent	\$ 1,190
25.8	28,680 to 29,869	2.9 percent	40 percent	\$ 1,190
25.9	29,870 to 31,079	3.0 percent	40 percent	\$ 1,190
25.10	31,080 to 32,269	3.1 percent	40 percent	\$ 1,190
25.11	32,270 to 33,459	3.2 percent	40 percent	\$ 1,190
25.12	33,460 to 34,649	3.3 percent	45 percent	\$ 1,080
25.13	34,650 to 35,849	3.4 percent	45 percent	\$ 960
25.14	35,850 to 37,049	3.5 percent	45 percent	\$ 830
25.15	37,050 to 38,239	3.5 percent	50 percent	\$ 720
25.16	38,240 to 39,439	3.5 percent	50 percent	\$ 600
25.17	38,440 to 40,629	3.5 percent	50 percent	\$ 360
25.18	40,630 to 41,819	3.5 percent	50 percent	\$ 120
25.19	<u>\$0 to 4,909</u>	<u>1.0 percent</u>	<u>5 percent</u>	<u>\$ 2,000</u>
25.20	<u>4,910 to 6,529</u>	<u>1.0 percent</u>	<u>10 percent</u>	<u>\$ 2,000</u>
25.21	<u>6,530 to 8,159</u>	<u>1.1 percent</u>	<u>10 percent</u>	<u>\$ 1,950</u>
25.22	<u>8,160 to 11,439</u>	<u>1.2 percent</u>	<u>10 percent</u>	<u>\$ 1,900</u>
25.23	<u>11,440 to 14,709</u>	<u>1.3 percent</u>	<u>15 percent</u>	<u>\$ 1,850</u>
25.24	<u>14,710 to 16,339</u>	<u>1.4 percent</u>	<u>15 percent</u>	<u>\$ 1,800</u>
25.25	<u>16,340 to 17,959</u>	<u>1.4 percent</u>	<u>20 percent</u>	<u>\$ 1,750</u>
25.26	<u>17,960 to 21,239</u>	<u>1.5 percent</u>	<u>20 percent</u>	<u>\$ 1,700</u>
25.27	<u>21,240 to 22,869</u>	<u>1.6 percent</u>	<u>20 percent</u>	<u>\$ 1,650</u>
25.28	<u>22,870 to 24,499</u>	<u>1.7 percent</u>	<u>25 percent</u>	<u>\$ 1,650</u>
25.29	<u>24,500 to 27,779</u>	<u>1.8 percent</u>	<u>25 percent</u>	<u>\$ 1,650</u>
25.30	<u>27,780 to 29,399</u>	<u>1.9 percent</u>	<u>30 percent</u>	<u>\$ 1,650</u>
25.31	<u>29,400 to 34,299</u>	<u>2.0 percent</u>	<u>30 percent</u>	<u>\$ 1,650</u>
25.32	<u>34,300 to 39,199</u>	<u>2.0 percent</u>	<u>35 percent</u>	<u>\$ 1,650</u>
25.33	<u>39,200 to 45,739</u>	<u>2.0 percent</u>	<u>40 percent</u>	<u>\$ 1,650</u>
25.34	<u>45,740 to 47,369</u>	<u>2.0 percent</u>	<u>45 percent</u>	<u>\$ 1,500</u>
25.35	<u>47,370 to 49,009</u>	<u>2.0 percent</u>	<u>45 percent</u>	<u>\$ 1,350</u>
25.36	<u>49,010 to 50,649</u>	<u>2.0 percent</u>	<u>45 percent</u>	<u>\$ 1,150</u>
25.37	<u>50,650 to 52,269</u>	<u>2.0 percent</u>	<u>50 percent</u>	<u>\$ 1,000</u>
25.38	<u>52,270 to 53,909</u>	<u>2.0 percent</u>	<u>50 percent</u>	<u>\$ 900</u>
25.39	<u>53,910 to 55,539</u>	<u>2.0 percent</u>	<u>50 percent</u>	<u>\$ 500</u>
25.40	<u>55,540 to 57,169</u>	<u>2.0 percent</u>	<u>50 percent</u>	<u>\$ 200</u>

26.1 The payment made to a claimant is the amount of the state refund calculated under
26.2 this subdivision. No payment is allowed if the claimant's household income is ~~\$41,820~~
26.3 \$57,170 or more.

26.4 **EFFECTIVE DATE.** This section is effective for claims based on rent paid in
26.5 2013 and following years.

26.6 Sec. 4. Minnesota Statutes 2012, section 290A.04, subdivision 4, is amended to read:

26.7 Subd. 4. **Inflation adjustment.** (a) Beginning for property tax refunds payable in
26.8 calendar year 2002, the commissioner shall annually adjust the dollar amounts of the
26.9 income thresholds and the maximum refunds under subdivisions 2 and 2a for inflation.
26.10 The commissioner shall make the inflation adjustments in accordance with section 1(f) of
26.11 the Internal Revenue Code, except that for purposes of this subdivision the percentage
26.12 increase shall be determined as provided in this subdivision.

26.13 (b) In adjusting the dollar amounts of the income thresholds and the maximum
26.14 refunds under subdivision 2 for inflation, the percentage increase shall be determined
26.15 from the year ending on June 30, ~~2011~~ 2013, to the year ending on June 30 of the year
26.16 preceding that in which the refund is payable.

26.17 (c) In adjusting the dollar amounts of the income thresholds and the maximum
26.18 refunds under subdivision 2a for inflation, the percentage increase shall be determined
26.19 from the year ending on June 30, ~~2000~~ 2013, to the year ending on June 30 of the year
26.20 preceding that in which the refund is payable.

26.21 (d) The commissioner shall use the appropriate percentage increase to annually
26.22 adjust the income thresholds and maximum refunds under subdivisions 2 and 2a for
26.23 inflation without regard to whether or not the income tax brackets are adjusted for inflation
26.24 in that year. The commissioner shall round the thresholds and the maximum amounts,
26.25 as adjusted to the nearest \$10 amount. If the amount ends in \$5, the commissioner shall
26.26 round it up to the next \$10 amount.

26.27 (e) The commissioner shall annually announce the adjusted refund schedule at the
26.28 same time provided under section 290.06. The determination of the commissioner under
26.29 this subdivision is not a rule under the Administrative Procedure Act.

26.30 **EFFECTIVE DATE.** This section is effective for refund claims based on taxes
26.31 payable in 2014 and rent paid in 2013 and following years.

26.32 Sec. 5. **[290A.28] NOTIFICATION OF POTENTIAL ELIGIBILITY.**

27.1 Subdivision 1. Notification of eligibility. (a) By August 1, 2014, the commissioner
27.2 shall notify, in writing or electronically, individual homeowners whom the commissioner
27.3 determines likely will be eligible for a homestead credit refund under this chapter for
27.4 that property taxes payable year. In determining whether to notify a homeowner, the
27.5 commissioner shall consider the property tax information available to the commissioner
27.6 under paragraph (b) and the most recent income information available to the commissioner
27.7 from filing under this chapter for the prior year or under chapter 290 for the current or
27.8 prior year. The notification must include information on how to file for the homestead
27.9 credit refund and the range of potential homestead credit refunds that the homeowner
27.10 could qualify to receive. The notification requirement under this section does not apply
27.11 to a homeowner who has already filed for the homestead credit refund for the current
27.12 or prior year.

27.13 (b) By May 15, 2014, each county auditor shall transmit to the commissioner
27.14 of revenue the following information for each property classified as a residential or
27.15 agricultural homestead under section 273.13, subdivision 22 or 23:

27.16 (1) the property taxes payable;

27.17 (2) the name and address of the owner;

27.18 (3) the Social Security number or numbers of the owners; and

27.19 (4) any other information the commissioner deems necessary or useful to carry
27.20 out the provisions of this section.

27.21 The information must be provided in the form and manner prescribed by the commissioner.

27.22 Subd. 2. Report. By March 15, 2015, the commissioner must provide written
27.23 reports to the chairs and ranking minority members of the legislative committees with
27.24 jurisdiction over taxes, in compliance with Minnesota Statutes, sections 3.195 and 3.197.

27.25 The report must provide information on the number and dollar amount of homeowner
27.26 property tax refund claims based on taxes payable in 2014, including:

27.27 (i) the number and dollar amount of claims projected for homestead credit refunds
27.28 based on taxes payable in 2014 prior to enactment of the notification requirement in
27.29 this section;

27.30 (ii) the number of notifications issued as provided in this section, including the
27.31 number issued by county;

27.32 (iii) the number and dollar amount of claims for homestead credit refunds based on
27.33 taxes payable in 2014 processed through December 31, 2014; and

27.34 (iv) a description of any outreach efforts undertaken by the commissioner for
27.35 homestead credit refunds based on taxes payable in 2014, in addition to the notification
27.36 required in this section.

28.1 **EFFECTIVE DATE.** This section is effective for refund claims based on property
28.2 taxes payable in 2014.

28.3 **ARTICLE 3**

28.4 **PROPERTY TAX AIDS AND CREDITS**

28.5 Section 1. Minnesota Statutes 2012, section 69.021, is amended by adding a
28.6 subdivision to read:

28.7 Subd. 12. **Surcharge aid accounts.** (a) A surcharge fire pension aid account is
28.8 established in the special revenue fund to receive amounts as provided under section
28.9 297I.07, subdivision 3, clause (1). The commissioner shall administer the account and
28.10 allocate money in the account as follows:

28.11 (1) 17.342 percent as supplemental state pension funding paid to the executive
28.12 director of the Public Employees Retirement Association for deposit in the public
28.13 employees police and fire retirement fund established by section 353.65, subdivision 1;

28.14 (2) 8.658 percent to municipalities employing firefighters with retirement coverage
28.15 by the public employees police and fire retirement plan, allocated in proportion to the
28.16 relationship that the preceding December 31 number of firefighters employed by each
28.17 municipality who have public employees police and fire retirement plan coverage bears to
28.18 the total preceding December 31 number of municipal firefighters covered by the public
28.19 employees police and fire retirement plan; and

28.20 (3) 74 percent for municipalities other than the municipalities receiving a
28.21 disbursement under clause (2) which qualified to receive fire state aid in that calendar year,
28.22 allocated in proportion to the most recent amount of fire state aid paid under subdivision 7
28.23 for the municipality bears to the most recent total fire state aid for all municipalities other
28.24 than the municipalities receiving a disbursement under clause (2) paid under subdivision
28.25 7, with the allocated amount for fire departments participating in the voluntary statewide
28.26 lump-sum volunteer firefighter retirement plan paid to the executive director of the Public
28.27 Employees Retirement Association for deposit in the fund established by section 353G.02,
28.28 subdivision 3, and credited to the respective account and with the balance paid to the
28.29 treasurer of each municipality for transmittal within 30 days of receipt to the treasurer of
28.30 the applicable volunteer firefighter relief association for deposit in its special fund.

28.31 (b) A surcharge police pension aid account is established in the special revenue
28.32 fund to receive amounts as provided by section 297I.07, subdivision 3, clause (2). The
28.33 commissioner shall administer the account and allocate money in the account as follows:

28.34 (1) one-third to be distributed as police state aid as provided under subdivision 7a; and

29.1 (2) two-thirds to be apportioned, on the basis of the number of active police officers
29.2 certified for police state aid receipt under section 69.011, subdivisions 2 and 2b, between:

29.3 (i) the executive director of the Public Employees Retirement Association for
29.4 deposit as a supplemental state pension funding aid in the public employees police and fire
29.5 retirement fund established by section 353.65, subdivision 1; and

29.6 (ii) the executive director of the Minnesota State Retirement System for deposit as a
29.7 supplemental state pension funding aid in the state patrol retirement fund.

29.8 (c) On or before September 1, annually, the executive director of the Public
29.9 Employees Retirement Association shall report to the commissioner the following:

29.10 (1) the municipalities which employ firefighters with retirement coverage by the
29.11 public employees police and fire retirement plan;

29.12 (2) the number of firefighters with public employees police and fire retirement plan
29.13 employed by each municipality;

29.14 (3) the fire departments covered by the voluntary statewide lump-sum volunteer
29.15 firefighter retirement plan; and

29.16 (4) any other information requested by the commissioner to administer the surcharge
29.17 fire pension aid account.

29.18 (d) For this subdivision, (i) the number of firefighters employed by a municipality
29.19 who have public employees police and fire retirement plan coverage means the number
29.20 of firefighters with public employees police and fire retirement plan coverage that were
29.21 employed by the municipality for not less than 30 hours per week for a minimum of six
29.22 months prior to December 31 preceding the date of the payment under this section and, if
29.23 the person was employed for less than the full year, prorated to the number of full months
29.24 employed; and, (ii) the number of active police officers certified for police state aid receipt
29.25 under section 69.011, subdivisions 2 and 2b means, for each municipality, the number of
29.26 police officers meeting the definition of peace officer in section 69.011, subdivision 1,
29.27 counted as provided and limited by section 69.011, subdivisions 2 and 2b.

29.28 (e) The payments under this section shall be made on October 1 each year, based
29.29 on the amount in the surcharge fire pension aid account and the amount in the surcharge
29.30 police pension aid account on the preceding June 30, with interest at 1 percent for each
29.31 month, or portion of a month, that the amount remains unpaid after October 1. The
29.32 amounts necessary to make the payments under this subdivision are annually appropriated
29.33 to the commissioner from the surcharge fire and police pension aid accounts. Any
29.34 necessary adjustments shall be made to subsequent payments.

29.35 (f) The provisions of this chapter that prevent municipalities and relief associations
29.36 from being eligible for, or receiving state aid under this chapter until the applicable

30.1 financial reporting requirements have been complied with, apply to the amounts payable
 30.2 to municipalities and relief associations under this subdivision.

30.3 (g) The amounts necessary to make the payments under this subdivision are
 30.4 appropriated to the commissioner from the respective accounts in the special revenue fund.

30.5 **EFFECTIVE DATE.** This section is effective beginning in the fiscal year beginning
 30.6 July 1, 2013.

30.7 Sec. 2. Minnesota Statutes 2012, section 273.1398, subdivision 4, is amended to read:

30.8 Subd. 4. **Disparity reduction credit.** (a) Beginning with taxes payable in 1989,
 30.9 class 4a and class 3a property qualifies for a disparity reduction credit if: (1) the property
 30.10 is located in a border city that has an enterprise zone, as defined in section 469.166; (2)
 30.11 the property is located in a city with a population greater than 2,500 and less than 35,000
 30.12 according to the 1980 decennial census; (3) the city is adjacent to a city in another state or
 30.13 immediately adjacent to a city adjacent to a city in another state; and (4) the adjacent city
 30.14 in the other state has a population of greater than 5,000 and less than 75,000 according to
 30.15 the 1980 decennial census.

30.16 (b) The credit is an amount sufficient to reduce (i) the taxes levied on class 4a
 30.17 property to ~~2.3~~ 2 percent of the property's market value and (ii) the tax on class 3a property
 30.18 to ~~2.3~~ 2 percent of market value.

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

30.22 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2014.

30.23 Sec. 3. Minnesota Statutes 2012, section 290C.02, subdivision 6, is amended to read:

30.24 Subd. 6. **Forest land.** "Forest land" means land containing a minimum of 20
 30.25 contiguous acres for which the owner has implemented a forest management plan that was
 30.26 prepared or updated within the past ten years by an approved plan writer. For purposes of
 30.27 this subdivision, acres are considered to be contiguous even if they are separated by a road,
 30.28 waterway, railroad track, or other similar intervening property. At least 50 percent of the
 30.29 contiguous acreage must meet the definition of forest land in section 88.01, subdivision 7.
 30.30 For the purposes of sections 290C.01 to 290C.11, forest land does not include the following:

30.31 (i) land used for residential or agricultural purposes;₂

30.32 (ii) land enrolled in the reinvest in Minnesota program, a state or federal conservation
 30.33 reserve or easement reserve program under sections 103F.501 to 103F.531, the Minnesota

31.1 agricultural property tax law under section 273.111, or land subject to agricultural land
 31.2 preservation controls or restrictions as defined in section 40A.02 or under the Metropolitan
 31.3 Agricultural Preserves Act under chapter 473H, or;

31.4 (iii) land subject to a conservation easement funded under section 97A.056 or a
 31.5 comparable permanent easement conveyed to a governmental or nonprofit entity; or

31.6 (iv) land improved with a structure, pavement, sewer, campsite, or any road, other
 31.7 than a township road, used for purposes not prescribed in the forest management plan.

31.8 **EFFECTIVE DATE.** This section is effective for payments made beginning in
 31.9 calendar year 2014.

31.10 Sec. 4. Minnesota Statutes 2012, section 290C.05, is amended to read:

31.11 **290C.05 ANNUAL CERTIFICATION.**

31.12 On or before July 1 of each year, beginning with the year after the original claimant
 31.13 has received an approved application, the commissioner shall send each claimant enrolled
 31.14 under the sustainable forest incentive program a certification form. For purposes of this
 31.15 section, the original claimant is the person that filed the first application under section
 31.16 290C.04 to enroll the land in the program. The claimant must sign the certification,
 31.17 attesting that the requirements and conditions for continued enrollment in the program are
 31.18 currently being met, and must return the signed certification form, along with a copy of
 31.19 the property tax statement for the property taxes payable on the enrolled property for the
 31.20 calendar year and any other information the commissioner deems necessary to determine
 31.21 whether the property is qualified under section 290C.02, subdivision 6, or the amount of
 31.22 the payment under section 290C.07, paragraph (a), clause (2), to the commissioner by
 31.23 August 15 of that same year. If the claimant does not return an annual certification form
 31.24 by the due date, the provisions in section 290C.11 apply.

31.25 **EFFECTIVE DATE.** This section is effective for payments made beginning in
 31.26 calendar year 2014.

31.27 Sec. 5. Minnesota Statutes 2012, section 290C.07, is amended to read:

31.28 **290C.07 CALCULATION OF INCENTIVE PAYMENT.**

31.29 (a) An approved claimant under the sustainable forest incentive program is eligible
 31.30 to receive an annual payment. The payment shall be equal to the lesser of (1) \$7 per acre
 31.31 or (2) one-half of the property tax payable for the calendar year for each acre enrolled in
 31.32 the sustainable forest incentive program.

32.1 (b) The annual payment for each Social Security number or state or federal business
32.2 tax identification number must not exceed \$100,000.

32.3 **EFFECTIVE DATE.** This section is effective for payments made beginning in
32.4 calendar year 2014.

32.5 Sec. 6. **[2971.07] SURCHARGE ON HOMEOWNERS AND AUTO POLICIES.**

32.6 Subdivision 1. **Surcharge on policies.** (a) Each licensed insurer engaged in writing
32.7 insurance shall collect a surcharge equal to \$5 per calendar year for each policy issued
32.8 or renewed during that calendar year for:

32.9 (1) homeowners insurance authorized in section 60A.06, subdivision 1, clause
32.10 (1)(c); and

32.11 (2) automobile insurance as defined in section 65B.14, subdivision 2.

32.12 (b) The surcharge amount collected under this subdivision must not be considered
32.13 premium for any other purpose. The surcharge amount must be separately stated on either a
32.14 billing or policy declaration or document containing similar information sent to an insured.

32.15 Subd. 2. **Collection and administration.** The commissioner shall administer the
32.16 surcharge imposed by this section in the same manner as the taxes imposed by this chapter.

32.17 Subd. 3. **Deposit of revenues.** The commissioner shall deposit revenues from the
32.18 surcharge under this section as follows:

32.19 (1) amounts from the surcharge imposed under subdivision 1, paragraph (a), clause
32.20 (1), in a surcharge fire pension aid account in the special revenue fund; and

32.21 (2) amounts from the surcharge imposed under subdivision 1, paragraph (a), clause
32.22 (2), in a surcharge police pension aid account in the special revenue fund.

32.23 Subd. 4. **Surcharge termination.** The surcharge imposed under subdivision
32.24 1 ends on the December 31 next following the actuarial valuation date on which the
32.25 assets of the retirement plan on a market value equals or exceeds 90 percent of the total
32.26 actuarial accrued liabilities of the retirement plan as disclosed in an actuarial valuation
32.27 prepared under section 356.215 and the Standards for Actuarial Work promulgated by the
32.28 Legislative Commission on Pensions and Retirement, for the State Patrol retirement plan
32.29 or the public employees police and fire retirement plan, whichever occurs last.

32.30 **EFFECTIVE DATE.** This section is effective for policies issued after June 30, 2013.

32.31 Sec. 7. Minnesota Statutes 2012, section 477A.011, subdivision 30, is amended to read:

32.32 Subd. 30. **Pre-1940 housing percentage.** (a) Except as provided in paragraph (b),
32.33 "pre-1940 housing percentage" for a city is 100 times the most recent federal census count

33.1 by the United States Bureau of the Census of all housing units in the city built before
 33.2 1940, divided by the total number of all housing units in the city. Housing units includes
 33.3 both occupied and vacant housing units as defined by the federal census.

33.4 (b) For the city of East Grand Forks only, "pre-1940 housing percentage" is equal
 33.5 to 100 times the 1990 federal census count of all housing units in the city built before
 33.6 1940, divided by the most recent count by the United States Bureau of the Census of all
 33.7 housing units in the city. Housing units includes both occupied and vacant housing units
 33.8 as defined by the federal census.

33.9 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year
 33.10 2014 and thereafter.

33.11 Sec. 8. Minnesota Statutes 2012, section 477A.011, is amended by adding a
 33.12 subdivision to read:

33.13 Subd. 30a. **Percent of housing built between 1940 and 1970.** "Percent of housing
 33.14 built between 1940 and 1970" is equal to 100 times the most recent count by the United
 33.15 States Bureau of the Census of all housing units in the city built after 1939 but before
 33.16 1970, divided by the total number of all housing units in the city. Housing units includes
 33.17 both occupied and vacant housing units as defined by the federal census.

33.18 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year
 33.19 2014 and thereafter.

33.20 Sec. 9. Minnesota Statutes 2012, section 477A.011, subdivision 34, is amended to read:

33.21 Subd. 34. **City revenue need.** (a) For a city with a population equal to or greater
 33.22 than ~~2,500~~ 10,000, "city revenue need" is ~~the greater of 285 or 1.15 times~~ the sum of (1)
 33.23 ~~5.0734098~~ 4.59 times the pre-1940 housing percentage; plus (2) ~~19.141678~~ times the
 33.24 ~~population decline percentage~~ 0.622 times the percent of housing built between 1940 and
 33.25 1970; plus (3) ~~2504.06334~~ times the road accidents factor 169.415 times the jobs per
 33.26 capita; plus (4) ~~355.0547~~; minus (5) the metropolitan area factor; minus (6) ~~49.10638~~
 33.27 ~~times the household size~~ the sparsity adjustment; plus (5) 307.664.

33.28 (b) For a city with a population equal to or greater than 2,500 and less than 10,000,
 33.29 "city revenue need" is 1.15 times the sum of (1) 572.62; plus (2) 5.026 times the pre-1940
 33.30 housing percentage; minus (3) 53.768 times household size; plus (4) 14.022 times peak
 33.31 population decline.

33.32 ~~(b)~~ (c) For a city with a population less than 2,500, "city revenue need" is the sum of
 33.33 ~~(1) 2.387 times the pre-1940 housing percentage; plus (2) 2.67591 times the commercial~~

34.1 industrial percentage; plus (3) ~~3.16042~~ times the population decline percentage; plus (4)
 34.2 ~~1.206~~ times the transformed population; minus (5) ~~62.772~~ 410 plus 0.367 times the city's
 34.3 population over 100. The city revenue need under this paragraph shall not exceed 630.

34.4 ~~(e)~~ (d) For a city with a population of at least 2,500 or more and a population in one
 34.5 of the most recently available five years that was less than 2,500, "city revenue need"
 34.6 is the sum of (1) its city revenue need calculated under paragraph (a) multiplied by its
 34.7 transition factor; plus (2) its city revenue need calculated under the formula in paragraph
 34.8 (b) multiplied by the difference between one and its transition factor. For purposes of this
 34.9 paragraph, a city's "transition factor" is equal to 0.2 multiplied by the number of years that
 34.10 the city's population estimate has been 2,500 or more. This provision only applies for aids
 34.11 payable in calendar years 2006 to 2008 to cities with a 2002 population of less than 2,500.
 34.12 It applies to any city for aids payable in 2009 and thereafter but less than 3,000, the "city
 34.13 revenue need" equals (1) the transition factor times the city's revenue need calculated in
 34.14 paragraph (b) plus (2) 630 times the difference between one and the transition factor. For
 34.15 a city with a population of at least 10,000 but less than 10,500, the "city revenue need"
 34.16 equals (1) the transition factor times the city's revenue need calculated in paragraph (a)
 34.17 plus (2) the city's revenue need calculated under the formula in paragraph (b) times the
 34.18 difference between one and the transition factor. For purposes of this paragraph "transition
 34.19 factor" is 0.2 percent times the amount that the city's population exceeds the minimum
 34.20 threshold in either of the first two sentences.

34.21 ~~(d)~~ (e) The city revenue need cannot be less than zero.

34.22 (e) (f) For calendar year ~~2005~~ 2015 and subsequent years, the city revenue need for
 34.23 a city, as determined in paragraphs (a) to ~~(d)~~ (e), is multiplied by the ratio of the annual
 34.24 implicit price deflator for government consumption expenditures and gross investment for
 34.25 state and local governments as prepared by the United States Department of Commerce,
 34.26 for the most recently available year to the ~~2003~~ 2013 implicit price deflator for state
 34.27 and local government purchases.

34.28 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year
 34.29 2014 and thereafter.

34.30 Sec. 10. Minnesota Statutes 2012, section 477A.011, subdivision 42, is amended to read:

34.31 Subd. 42. **City jobs base Jobs per capita.** (a) "City jobs base" for a city with a
 34.32 population of 5,000 or more is equal to the product of (1) \$25.20, (2) the number of
 34.33 jobs per capita in the city, and (3) its population. For cities with a population less than
 34.34 5,000, the city jobs base is equal to zero. For a city receiving aid under subdivision 36,
 34.35 paragraph (k), its city jobs base is reduced by the lesser of 36 percent of the amount of

35.1 aid received under that paragraph or \$1,000,000. No city's city jobs base may exceed
35.2 \$4,725,000 under this paragraph.

35.3 (b) For calendar year 2010 and subsequent years, the city jobs base for a city, as
35.4 determined in paragraph (a), is multiplied by the ratio of the appropriation under section
35.5 477A.03, subdivision 2a, for the year in which the aid is paid to the appropriation under
35.6 that section for aids payable in 2009.

35.7 (e) For purposes of this subdivision, "Jobs per capita in the city" means (1) the
35.8 average annual number of employees in the city based on the data from the Quarterly
35.9 Census of Employment and Wages, as reported by the Department of Employment and
35.10 Economic Development, for the most recent calendar year available as of ~~May 1, 2008~~
35.11 November 1 of every odd-numbered year, divided by (2) the city's population for the
35.12 same calendar year as the employment data. The commissioner of the Department of
35.13 Employment and Economic Development shall certify to the city the average annual
35.14 number of employees for each city by ~~June 1, 2008~~ January 15, of every even-numbered
35.15 year beginning with January 15, 2014. A city may challenge an estimate under this
35.16 paragraph by filing its specific objection, including the names of employers that it feels
35.17 may have misreported data, in writing with the commissioner by ~~June 20, 2008~~ December
35.18 1 of every odd-numbered year. The commissioner shall make every reasonable effort
35.19 to address the specific objection and adjust the data as necessary. The commissioner
35.20 shall certify the estimates of the annual employment to the commissioner of revenue by
35.21 ~~July 15, 2008~~ January 15 of all even-numbered years, including any estimates still under
35.22 objection. For aids payable in 2014, "jobs per capita" shall be based on the annual number
35.23 of employees and population for calendar year 2010 without additional review.

35.24 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year
35.25 2014 and thereafter.

35.26 Sec. 11. Minnesota Statutes 2012, section 477A.011, is amended by adding a
35.27 subdivision to read:

35.28 **Subd. 44. Peak population decline.** "Peak population decline" is equal to 100
35.29 times the difference between one and the ratio of the city's current population, to the
35.30 highest city population reported in a federal census from the 1970 census or later. "Peak
35.31 population decline" shall not be less than zero.

35.32 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year
35.33 2014 and thereafter.

36.1 Sec. 12. Minnesota Statutes 2012, section 477A.011, is amended by adding a
36.2 subdivision to read:

36.3 Subd. 45. **Sparsity adjustment.** For a city with a population of 10,000 or more, the
36.4 sparsity adjustment is 100 for any city with an average population density less than 150
36.5 per square mile, according to the most recent federal census, and the sparsity adjustment is
36.6 zero for all other cities.

36.7 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year
36.8 2014 and thereafter.

36.9 Sec. 13. Minnesota Statutes 2012, section 477A.013, subdivision 8, is amended to read:

36.10 Subd. 8. **City formula aid.** (a) For aids payable in 2014 only, the formula aid for
36.11 a city is equal to the lesser of its unmet need or the sum of (1) its 2013 certified aid and
36.12 (2) the product of (i) the difference between its unmet need and its 2013 certified aid
36.13 and (ii) the aid gap percentage.

36.14 (b) For aids payable in 2015 and thereafter, the formula aid for a city is equal to
36.15 the sum of (1) its city jobs base, (2) its small city aid base, and (3) the need increase
36.16 percentage multiplied by the average of its unmet need for the most recently available two
36.17 years formula aid in the previous year and (2) the product of (i) the difference between
36.18 its unmet need and its certified aid in the previous year under subdivision 9, and (ii)
36.19 the aid gap percentage.

36.20 No city may have a formula aid amount less than zero. The ~~need increase~~ aid gap
36.21 percentage must be the same for all cities.

36.22 The applicable ~~need increase~~ aid gap percentage must be calculated by the
36.23 Department of Revenue so that the total of the aid under subdivision 9 equals the total
36.24 amount available for aid under section 477A.03. Data used in calculating aids to cities
36.25 under sections 477A.011 to 477A.013 shall be the most recently available data as of
36.26 January 1 in the year in which the aid is calculated except that the data used to compute "net
36.27 levy" in subdivision 9 is the data most recently available at the time of the aid computation.

36.28 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year
36.29 2014 and thereafter.

36.30 Sec. 14. Minnesota Statutes 2012, section 477A.013, subdivision 9, is amended to read:

36.31 Subd. 9. **City aid distribution.** (a) In calendar year ~~2013~~ 2014 and thereafter, each
36.32 city shall receive an aid distribution equal to the sum of (1) the city formula aid under
36.33 subdivision 8, and (2) its city aid base aid adjustment under subdivision 13.

37.1 ~~(b) For aids payable in 2013 and 2014 only, the total aid in the previous year for~~
37.2 ~~any city shall mean the amount of aid it was certified to receive for aids payable in 2012~~
37.3 ~~under this section. For aids payable in 2015 and thereafter, the total aid in the previous~~
37.4 ~~year for any city means the amount of aid it was certified to receive under this section in~~
37.5 ~~the previous payable year.~~

37.6 ~~(c) For aids payable in 2010 and thereafter, the total aid for any city shall not exceed~~
37.7 ~~the sum of (1) ten percent of the city's net levy for the year prior to the aid distribution~~
37.8 ~~plus (2) its total aid in the previous year. For aids payable in 2009 and thereafter, the total~~
37.9 ~~aid for any city with a population of 2,500 or more may not be less than its total aid under~~
37.10 ~~this section in the previous year minus the lesser of \$10 multiplied by its population, or ten~~
37.11 ~~percent of its net levy in the year prior to the aid distribution.~~

37.12 ~~(d) (b) For aids payable in 2014 only, the total aid for a city may not be less than the~~
37.13 ~~amount it was certified to receive in 2013. For aids payable in 2010 2015 and thereafter,~~
37.14 ~~the total aid for a city with a population less than 2,500 must not be less than the amount~~
37.15 ~~it was certified to receive in the previous year minus the lesser of \$10 multiplied by its~~
37.16 ~~population, or five percent of its 2003-certified aid amount. For aids payable in 2009 only,~~
37.17 ~~the total aid for a city with a population less than 2,500 must not be less than what it~~
37.18 ~~received under this section in the previous year unless its total aid in calendar year 2008~~
37.19 ~~was aid under section 477A.011, subdivision 36, paragraph (s), in which case its minimum~~
37.20 ~~aid is zero its net levy in the year prior to the aid distribution.~~

37.21 ~~(e) A city's aid loss under this section may not exceed \$300,000 in any year in~~
37.22 ~~which the total city aid appropriation under section 477A.03, subdivision 2a, is equal or~~
37.23 ~~greater than the appropriation under that subdivision in the previous year, unless the~~
37.24 ~~city has an adjustment in its city net tax capacity under the process described in section~~
37.25 ~~469.174, subdivision 28.~~

37.26 ~~(f) If a city's net tax capacity used in calculating aid under this section has decreased~~
37.27 ~~in any year by more than 25 percent from its net tax capacity in the previous year due to~~
37.28 ~~property becoming tax-exempt Indian land, the city's maximum allowed aid increase~~
37.29 ~~under paragraph (c) shall be increased by an amount equal to (1) the city's tax rate in the~~
37.30 ~~year of the aid calculation, multiplied by (2) the amount of its net tax capacity decrease~~
37.31 ~~resulting from the property becoming tax exempt.~~

37.32 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year
37.33 2014 and thereafter.

37.34 Sec. 15. Minnesota Statutes 2012, section 477A.013, is amended by adding a
37.35 subdivision to read:

38.1 Subd. 13. **Certified aid adjustments.** (a) A city that received an aid base increase
38.2 under Minnesota Statutes 2012, section 477A.011, subdivision 36, paragraph (e), shall
38.3 have its total aid under subdivision 9 increased by an amount equal to \$150,000 for aids
38.4 payable in 2014 through 2018.

38.5 (b) A city that received a temporary aid increase under Minnesota Statutes 2012,
38.6 section 477A.011, subdivision 36, paragraph (m), (v), or (w), shall have its total aid under
38.7 subdivision 9 decreased by the amount of its aid base increase under those paragraphs in
38.8 calendar year 2013.

38.9 Sec. 16. Minnesota Statutes 2012, section 477A.03, subdivision 2a, is amended to read:

38.10 Subd. 2a. **Cities.** For aids payable in ~~2013~~ 2014 and thereafter, the total aid paid
38.11 under section 477A.013, subdivision 9, is ~~\$426,438,012~~ \$506,438,012. For aids payable
38.12 in 2015 and thereafter, the total aid paid under section 477A.013, subdivision 9, is the
38.13 amount certified under that section in the previous year multiplied by the inflation
38.14 adjustment under subdivision 6.

38.15 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year
38.16 2014 and thereafter.

38.17 Sec. 17. Minnesota Statutes 2012, section 477A.03, subdivision 2b, is amended to read:

38.18 Subd. 2b. **Counties.** (a) For aids payable in ~~2013~~ 2014 and thereafter, the total aid
38.19 payable under section 477A.0124, subdivision 3, is ~~\$80,795,000~~ \$95,795,000. Each
38.20 calendar year, ~~\$500,000~~ of this appropriation shall be retained by the commissioner
38.21 of revenue to make reimbursements to the commissioner of management and budget
38.22 for payments made under section 611.27. ~~For calendar year 2004, the amount shall~~
38.23 ~~be in addition to the payments authorized under section 477A.0124, subdivision 1.~~

38.24 ~~For calendar year 2005 and subsequent years, the amount shall be deducted from the~~
38.25 ~~appropriation under this paragraph.~~ The reimbursements shall be to defray the additional
38.26 costs associated with court-ordered counsel under section 611.27. Any retained amounts
38.27 not used for reimbursement in a year shall be included in the next distribution of county
38.28 need aid that is certified to the county auditors for the purpose of property tax reduction
38.29 for the next taxes payable year.

38.30 (b) For aids payable in ~~2013~~ 2014 and thereafter, the total aid under section
38.31 477A.0124, subdivision 4, is ~~\$84,909,575~~ \$99,909,575. The commissioner of management
38.32 and budget shall bill the commissioner of revenue for the cost of preparation of local impact
38.33 notes as required by section 3.987, not to exceed \$207,000 in each fiscal year ~~2004 and~~
38.34 ~~thereafter~~. The commissioner of education shall bill the commissioner of revenue for the

39.1 cost of preparation of local impact notes for school districts as required by section 3.987,
39.2 not to exceed \$7,000 in each fiscal year ~~2004 and thereafter~~. The commissioner of revenue
39.3 shall deduct the amounts billed under this paragraph from the appropriation under this
39.4 paragraph. The amounts deducted are appropriated to the commissioner of management
39.5 and budget and the commissioner of education for the preparation of local impact notes.

39.6 **EFFECTIVE DATE.** This section is effective for aid payable in 2014 and thereafter.

39.7 Sec. 18. Minnesota Statutes 2012, section 477A.03, is amended by adding a
39.8 subdivision to read:

39.9 **Subd. 6. Inflation adjustment.** In 2015 and thereafter, the amount paid under
39.10 subdivision 2a shall be multiplied by an amount equal to one plus the sum of (1) the
39.11 percentage increase in the implicit price deflator for government expenditures and gross
39.12 investment for state and local government purchases as prepared by the United States
39.13 Department of Commerce, for the 12-month period ending March 31 of the previous
39.14 calendar year, and (2) the percentage increase in total city population for the most recently
39.15 available years as of January 15 of the current year. The percentage increase in this
39.16 subdivision shall not be less than 2.5 percent or greater than five percent.

39.17 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year
39.18 2014 and thereafter.

39.19 Sec. 19. **REPEALER.**

39.20 (a) Minnesota Statutes 2012, sections 477A.011, subdivisions 2a, 19, 29, 31, 32, 33,
39.21 36, 39, 40, 41, and 42; 477A.013, subdivisions 11 and 12; 477A.0133; and 477A.0134, are
39.22 repealed.

39.23 (b) Laws 2006, chapter 259, article 11, section 3, as amended by Laws 2008, chapter
39.24 154, article 1, section 4, is repealed.

39.25 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year
39.26 2014 and thereafter.

39.27 ARTICLE 4

39.28 PROPERTY TAXES

39.29 Section 1. Minnesota Statutes 2012, section 103B.102, subdivision 3, is amended to
39.30 read:

40.1 Subd. 3. **Evaluation and report.** The Board of Water and Soil Resources shall
40.2 evaluate performance, financial, and activity information for each local water management
40.3 entity. The board shall evaluate the entities' progress in accomplishing their adopted plans
40.4 on a regular basis as determined by the board based on budget and operations of the local
40.5 water management entity, but not less than once every ~~five~~ ten years. The board shall
40.6 maintain a summary of local water management entity performance on the board's Web site.
40.7 Beginning February 1, 2008, and annually thereafter, the board shall provide an analysis
40.8 of local water management entity performance to the chairs of the house of representatives
40.9 and senate committees having jurisdiction over environment and natural resources policy.

40.10 Sec. 2. Minnesota Statutes 2012, section 103B.335, is amended to read:

40.11 **103B.335 TAX LEVY AUTHORITY.**

40.12 Subdivision 1. **Local water planning and management.** The governing body of
40.13 any county, municipality, or township may levy a tax in an amount required to implement
40.14 sections 103B.301 to 103B.355 or a comprehensive watershed management plan as
40.15 defined in section 103B.3363.

40.16 Subd. 2. **Priority programs; conservation and watershed districts.** A county
40.17 may levy amounts necessary to pay the reasonable ~~increased~~ costs to soil and water
40.18 conservation districts and watershed districts of administering and implementing priority
40.19 programs identified in an approved and adopted plan or a comprehensive watershed
40.20 management plan as defined in section 103B.3363.

40.21 Sec. 3. Minnesota Statutes 2012, section 103B.3369, subdivision 5, is amended to read:

40.22 Subd. 5. **Financial assistance.** A base grant may be awarded to a county that
40.23 provides a match utilizing a water implementation tax or other local source. A water
40.24 implementation tax that a county intends to use as a match to the base grant must be
40.25 levied at a rate sufficient to generate a minimum amount determined by the board.
40.26 The board may award performance-based grants to local units of government that are
40.27 responsible for implementing elements of applicable portions of watershed management
40.28 plans, comprehensive plans, local water management plans, or comprehensive watershed
40.29 management plans, developed or amended, adopted and approved, according to chapter
40.30 103B, 103C, or 103D. Upon request by a local government unit, the board may also
40.31 award performance-based grants to local units of government to carry out TMDL
40.32 implementation plans as provided in chapter 114D, if the TMDL implementation plan has
40.33 been incorporated into the local water management plan according to the procedures for
40.34 approving comprehensive plans, watershed management plans, local water management

41.1 plans, or comprehensive watershed management plans under chapter 103B, 103C, or
 41.2 103D, or if the TMDL implementation plan has undergone a public review process.
 41.3 Notwithstanding section 16A.41, the board may award performance-based grants on an
 41.4 advanced basis. The fee authorized in section 40A.152 may be used as a local match
 41.5 or as a supplement to state funding to accomplish implementation of comprehensive
 41.6 plans, watershed management plans, local water management plans, or comprehensive
 41.7 watershed management plans under chapter 103B, 103C, or 103D.

41.8 Sec. 4. Minnesota Statutes 2012, section 103C.501, subdivision 4, is amended to read:

41.9 Subd. 4. **Cost-sharing funds.** (a) The state board shall allocate ~~at least 70 percent~~
 41.10 ~~of~~ cost-sharing funds to areas with high priority erosion, sedimentation, or water quality
 41.11 problems or water quantity problems due to altered hydrology. The areas must be selected
 41.12 based on ~~the statewide~~ priorities established by the state board.

41.13 (b) The allocated funds must be used for conservation practices for high priority
 41.14 problems identified in the comprehensive and annual work plans of the districts, for
 41.15 the technical assistance portion of the grant funds to leverage federal or other nonstate
 41.16 funds, or to address high-priority needs identified in local water management plans or
 41.17 comprehensive watershed management plans.

41.18 ~~(b) The remaining cost-sharing funds may be allocated to districts as follows:~~

41.19 ~~(1) for technical and administrative assistance, not more than 20 percent of the~~
 41.20 ~~funds; and~~

41.21 ~~(2) for conservation practices for lower priority erosion, sedimentation, or water~~
 41.22 ~~quality problems.~~

41.23 Sec. 5. Minnesota Statutes 2012, section 103F.405, subdivision 1, is amended to read:

41.24 Subdivision 1. **Authority.** Each statutory or home rule charter city, town, or
 41.25 county that has planning and zoning authority under sections 366.10 to 366.19, 394.21
 41.26 to 394.37, or 462.351 to 462.365 is encouraged to adopt a soil loss ordinance. The soil
 41.27 loss ordinance must use the soil loss tolerance for each soil series described in the United
 41.28 States Soil Natural Resources Conservation Service Field Office Technical Guide, or
 41.29 another method approved by the Board of Water and Soil Resources, to determine the
 41.30 soil loss limits, but the soil loss limits must be attainable by the best practicable soil
 41.31 conservation practice. Ordinances adopted by local governments ~~within the metropolitan~~
 41.32 ~~area defined in section 473.121~~ must be consistent with ~~local water management plans~~
 41.33 ~~adopted under section 103B.235~~ a comprehensive plan, local water management plan, or

42.1 watershed management plan developed or amended, adopted and approved, according
42.2 to chapter 103B, 103C, or 103D.

42.3 Sec. 6. Minnesota Statutes 2012, section 168.012, subdivision 9, is amended to read:

42.4 Subd. 9. **Manufactured homes and park trailers.** Manufactured homes and park
42.5 trailers shall not be taxed as motor vehicles using the public streets and highways and shall
42.6 be exempt from the motor vehicle tax provisions of this chapter. Except as provided in
42.7 section 273.125, manufactured homes and park trailers shall be taxed as personal property.
42.8 The provisions of Minnesota Statutes 1957, section 272.02 or any other act providing for
42.9 tax exemption shall be inapplicable to manufactured homes and park trailers, except such
42.10 manufactured homes as are held by a licensed dealer or limited dealer and exempted as
42.11 inventory under subdivision 9a. Travel trailers not conspicuously displaying current
42.12 registration plates on the property tax assessment date shall be taxed as manufactured
42.13 homes if occupied as human dwelling places.

42.14 **EFFECTIVE DATE.** This section is effective for taxes payable in 2014 and
42.15 thereafter.

42.16 Sec. 7. Minnesota Statutes 2012, section 168.012, is amended by adding a subdivision
42.17 to read:

42.18 Subd. 9a. **Manufactured home as dealer inventory.** Manufactured homes as
42.19 defined in section 327.31, subdivision 6, shall be considered as dealer inventory if the
42.20 home is:

42.21 (1) listed as inventory and held by a licensed or limited dealer;

42.22 (2) unoccupied and not available for rent;

42.23 (3) may or may not be permanently connected to utilities when located in a
42.24 manufactured park; and

42.25 (4) may or may not be temporarily connected to utilities when located at a dealer's
42.26 sales center.

42.27 **EFFECTIVE DATE.** This section is effective for taxes payable in 2014 and
42.28 thereafter.

42.29 Sec. 8. Minnesota Statutes 2012, section 272.02, subdivision 39, is amended to read:

42.30 Subd. 39. **Economic development; public purpose.** The holding of property by a
42.31 political subdivision of the state for later resale for economic development purposes shall
42.32 be considered a public purpose in accordance with subdivision 8 for a period not to exceed

43.1 nine years, except that for property located in a city of ~~5,000~~ 20,000 population or under
43.2 that is located outside of the metropolitan area as defined in section 473.121, subdivision
43.3 2, the period must not exceed 15 years.

43.4 The holding of property by a political subdivision of the state for later resale (1)
43.5 which is purchased or held for housing purposes, or (2) which meets the conditions
43.6 described in section 469.174, subdivision 10, shall be considered a public purpose in
43.7 accordance with subdivision 8.

43.8 The governing body of the political subdivision which acquires property which is
43.9 subject to this subdivision shall after the purchase of the property certify to the city or
43.10 county assessor whether the property is held for economic development purposes or
43.11 housing purposes, or whether it meets the conditions of section 469.174, subdivision 10.
43.12 If the property is acquired for economic development purposes and buildings or other
43.13 improvements are constructed after acquisition of the property, and if more than one-half
43.14 of the floor space of the buildings or improvements which is available for lease to or use
43.15 by a private individual, corporation, or other entity is leased to or otherwise used by
43.16 a private individual, corporation, or other entity the provisions of this subdivision shall
43.17 not apply to the property. This subdivision shall not create an exemption from section
43.18 272.01, subdivision 2; 272.68; 273.19; or 469.040, subdivision 3; or other provision of
43.19 law providing for the taxation of or for payments in lieu of taxes for publicly held property
43.20 which is leased, loaned, or otherwise made available and used by a private person.

43.21 **EFFECTIVE DATE.** This section is effective for assessment year 2013 and
43.22 thereafter and for taxes payable in 2014 and thereafter.

43.23 Sec. 9. Minnesota Statutes 2012, section 272.02, is amended by adding a subdivision
43.24 to read:

43.25 **Subd. 98. Certain property owned by an Indian tribe.** (a) Property is exempt that:
43.26 (1) was classified as 3a under section 273.13, subdivision 24, for taxes payable
43.27 in 2013;

43.28 (2) is located in a city of the first class with a population greater than 300,000 as of
43.29 the 2010 federal census;

43.30 (3) is owned and occupied directly or indirectly by a federally recognized Indian
43.31 tribe within the state of Minnesota; and

43.32 (4) is used exclusively for tribal purposes or institutions of public charity as defined
43.33 in subdivision 7.

43.34 (b) For purposes of this subdivision, a "tribal purpose" is a public purpose as defined
43.35 in subdivision 8 and includes noncommercial tribal government activities. Property

44.1 that qualifies for the exemption under this subdivision is limited to no more than two
44.2 contiguous parcels and structures that do not exceed in the aggregate 20,000 square feet.
44.3 Property acquired for single-family housing, market-rate apartments, agriculture, or
44.4 forestry does not qualify for this exemption. The exemption created by this subdivision
44.5 expires with taxes payable in 2024.

44.6 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2014.

44.7 Sec. 10. Minnesota Statutes 2012, section 272.02, is amended by adding a subdivision
44.8 to read:

44.9 **Subd. 99. Public entertainment facility; property tax exemption; special**
44.10 **assessment.** Any real or personal property acquired, owned, leased, controlled, used,
44.11 or occupied by a first class city for the primary purpose of providing an arena for a
44.12 professional basketball team is declared to be acquired, owned, leased, controlled, used,
44.13 and occupied for public, governmental, and municipal purposes, and is exempt from ad
44.14 valorem taxation by the state or any political subdivision of the state, provided that the
44.15 properties are subject to special assessments levied by a political subdivision for a local
44.16 improvement in amounts proportionate to and not exceeding the special benefit received
44.17 by the properties from the improvement. In determining the special benefit received by
44.18 the properties, no possible use of any of the properties in any manner different from their
44.19 intended use for providing a professional basketball arena at the time may be considered.
44.20 Notwithstanding section 272.01, subdivision 2, or 273.19, real or personal property subject
44.21 to a lease or use agreement between the city and another person for uses related to the
44.22 purposes of the operation of the arena is exempt from taxation regardless of the length of
44.23 the lease or use agreement. This section, insofar as it provides an exemption or special
44.24 treatment, does not apply to any real property that is leased for residential, business, or
44.25 commercial development, or to a restaurant that is open for general business more than
44.26 200 days a year, or for other purposes different from those necessary to the provision
44.27 and operation of the arena.

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

44.29 Sec. 11. Minnesota Statutes 2012, section 272.02, is amended by adding a subdivision
44.30 to read:

44.31 **Subd. 100. Public entertainment facility; property tax exemption; special**
44.32 **assessment.** Any real or personal property acquired, owned, leased, controlled, used,
44.33 or occupied by a first class city for the primary purpose of providing a ball park for a

45.1 minor league baseball team is declared to be acquired, owned, leased, controlled, used,
 45.2 and occupied for public, governmental, and municipal purposes, and is exempt from ad
 45.3 valorem taxation by the state or any political subdivision of the state, provided that the
 45.4 properties are subject to special assessments levied by a political subdivision for a local
 45.5 improvement in amounts proportionate to and not exceeding the special benefit received
 45.6 by the properties from the improvement. In determining the special benefit received by
 45.7 the properties, no possible use of any of the properties in any manner different from
 45.8 their intended use for providing a minor league ballpark at the time may be considered.
 45.9 Notwithstanding section 272.01, subdivision 2, or 273.19, real or personal property
 45.10 subject to a lease or use agreement between the city and another person for uses related to
 45.11 the purposes of the operation of the ballpark and related parking facilities is exempt from
 45.12 taxation regardless of the length of the lease or use agreement. This section, insofar as it
 45.13 provides an exemption or special treatment, does not apply to any real property that is
 45.14 leased for residential, business, or commercial development or other purposes different
 45.15 from those necessary to the provision and operation of the ball park.

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

45.17 Sec. 12. Minnesota Statutes 2012, section 272.02, is amended by adding a subdivision
 45.18 to read:

45.19 Subd. 101. **Electric generation facility; personal property.** (a) Notwithstanding
 45.20 subdivision 9, clause (a), and section 453.54, subdivision 20, attached machinery and
 45.21 other personal property which is part of an electric generation facility that exceeds five
 45.22 megawatts of installed capacity and meets the requirements of this subdivision is exempt.

45.23 At the time of construction, the facility must be:

45.24 (1) designed to utilize natural gas as a primary fuel;

45.25 (2) owned and operated by a municipal power agency as defined in section 453.52,
 45.26 subdivision 8;

45.27 (3) designed to utilize reciprocating engines paired with generators to produce
 45.28 electrical power;

45.29 (4) located within the service territory of a municipal power agency's electrical
 45.30 municipal utility that serves load exclusively in a metropolitan county as defined in
 45.31 section 473.121, subdivision 4; and

45.32 (5) designed to connect directly with a municipality's substation.

45.33 (b) Construction of the facility must be commenced after June 1, 2013, and before
 45.34 June 1, 2017. Property eligible for this exemption does not include electric transmission

46.1 lines and interconnections or gas pipelines and interconnections appurtenant to the
46.2 property or the facility.

46.3 **EFFECTIVE DATE.** This section is effective for assessment year 2013, taxes
46.4 payable in 2014, and thereafter.

46.5 Sec. 13. Minnesota Statutes 2012, section 273.11, is amended by adding a subdivision
46.6 to read:

46.7 Subd. 24. **Valuation limit for class 4d property.** Notwithstanding the provisions of
46.8 subdivision 1, the taxable value of any property classified as class 4d under section 273.13,
46.9 subdivision 25, is limited as provided under this section. For assessment year 2013, the
46.10 value may not exceed \$100,000 times the number of dwelling units. For subsequent years,
46.11 the limit is adjusted each year by the average statewide change in estimated market value
46.12 of property classified as class 4a and 4d under section 273.13, subdivision 25, for the
46.13 previous assessment year, excluding valuation change due to new construction, rounded to
46.14 the nearest \$1,000. Beginning with assessment year 2014, the commissioner of revenue
46.15 must certify the limit for each assessment year by November 1 of the previous year.

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

46.17 Sec. 14. Minnesota Statutes 2012, section 279.01, subdivision 1, is amended to read:

46.18 Subdivision 1. **Due dates; penalties.** Except as provided in ~~subdivision~~ subdivisions
46.19 3 ~~or 4~~ to 5, on May 16 or 21 days after the postmark date on the envelope containing the
46.20 property tax statement, whichever is later, a penalty accrues and thereafter is charged upon
46.21 all unpaid taxes on real estate on the current lists in the hands of the county treasurer. The
46.22 penalty is at a rate of two percent on homestead property until May 31 and four percent on
46.23 June 1. The penalty on nonhomestead property is at a rate of four percent until May 31 and
46.24 eight percent on June 1. This penalty does not accrue until June 1 of each year, or 21 days
46.25 after the postmark date on the envelope containing the property tax statements, whichever
46.26 is later, on commercial use real property used for seasonal residential recreational purposes
46.27 and classified as class 1c or 4c, and on other commercial use real property classified as
46.28 class 3a, provided that over 60 percent of the gross income earned by the enterprise on the
46.29 class 3a property is earned during the months of May, June, July, and August. In order for
46.30 the first half of the tax due on class 3a property to be paid after May 15 and before June 1,
46.31 or 21 days after the postmark date on the envelope containing the property tax statement,
46.32 whichever is later, without penalty, the owner of the property must attach an affidavit
46.33 to the payment attesting to compliance with the income provision of this subdivision.

47.1 Thereafter, for both homestead and nonhomestead property, on the first day of each month
47.2 beginning July 1, up to and including October 1 following, an additional penalty of one
47.3 percent for each month accrues and is charged on all such unpaid taxes provided that if the
47.4 due date was extended beyond May 15 as the result of any delay in mailing property tax
47.5 statements no additional penalty shall accrue if the tax is paid by the extended due date. If
47.6 the tax is not paid by the extended due date, then all penalties that would have accrued if
47.7 the due date had been May 15 shall be charged. When the taxes against any tract or lot
47.8 exceed \$100, one-half thereof may be paid prior to May 16 or 21 days after the postmark
47.9 date on the envelope containing the property tax statement, whichever is later; and, if so
47.10 paid, no penalty attaches; the remaining one-half may be paid at any time prior to October
47.11 16 following, without penalty; but, if not so paid, then a penalty of two percent accrues
47.12 thereon for homestead property and a penalty of four percent on nonhomestead property.
47.13 Thereafter, for homestead property, on the first day of November an additional penalty of
47.14 four percent accrues and on the first day of December following, an additional penalty of
47.15 two percent accrues and is charged on all such unpaid taxes. Thereafter, for nonhomestead
47.16 property, on the first day of November and December following, an additional penalty of
47.17 four percent for each month accrues and is charged on all such unpaid taxes. If one-half of
47.18 such taxes are not paid prior to May 16 or 21 days after the postmark date on the envelope
47.19 containing the property tax statement, whichever is later, the same may be paid at any time
47.20 prior to October 16, with accrued penalties to the date of payment added, and thereupon
47.21 no penalty attaches to the remaining one-half until October 16 following.

47.22 This section applies to payment of personal property taxes assessed against
47.23 improvements to leased property, except as provided by section 277.01, subdivision 3.

47.24 A county may provide by resolution that in the case of a property owner that has
47.25 multiple tracts or parcels with aggregate taxes exceeding \$100, payments may be made in
47.26 installments as provided in this subdivision.

47.27 The county treasurer may accept payments of more or less than the exact amount of
47.28 a tax installment due. Payments must be applied first to the oldest installment that is due
47.29 but which has not been fully paid. If the accepted payment is less than the amount due,
47.30 payments must be applied first to the penalty accrued for the year or the installment being
47.31 paid. Acceptance of partial payment of tax does not constitute a waiver of the minimum
47.32 payment required as a condition for filing an appeal under section 278.03 or any other law,
47.33 nor does it affect the order of payment of delinquent taxes under section 280.39.

47.34 Sec. 15. Minnesota Statutes 2012, section 279.01, is amended by adding a subdivision
47.35 to read:

48.1 Subd. 5. Federal active service exception. In the case of a homestead property
48.2 owned by an individual who is on federal active service, as defined in section 190.05,
48.3 subdivision 5c, as a member of the National Guard or a reserve component, a six-month
48.4 grace period is granted for complying with the due dates imposed by subdivision 1. During
48.5 this period, no late fees or penalties shall accrue against the property. The due date for
48.6 property taxes owed under this chapter for an individual covered by this subdivision shall
48.7 be November 16 for taxes due on May 16, and April 16 of the following year for taxes due
48.8 on October 16. A taxpayer making a payment under this subdivision must accompany
48.9 the payment with a signed copy of the taxpayer's orders or form DD214 showing the
48.10 dates of active service which clearly indicate that the taxpayer was in active service as a
48.11 member of the National Guard or a reserve component on the date the payment was due.
48.12 This grace period applies to all homestead property owned by individuals on federal active
48.13 service, as herein defined, for all of that property's due dates which fall on a day that is
48.14 included in the taxpayer's federal active service.

48.15 Sec. 16. Minnesota Statutes 2012, section 279.02, is amended to read:

48.16 **279.02 DUTIES OF COUNTY AUDITOR AND TREASURER.**

48.17 Subdivision 1. Delinquent property; rates. On the first business day in January, of
48.18 each year, the county treasurer shall return the tax lists on hand to the county auditor, who
48.19 shall compare the same with the statements receipted for by the treasurer on file in the
48.20 auditor's office and each tract or lot of real property against which the taxes, or any part
48.21 thereof, remain unpaid, shall be deemed delinquent, and thereupon an additional penalty
48.22 of two percent on the amount of the original tax remaining unpaid shall immediately
48.23 accrue and thereafter be charged upon all such delinquent taxes; and any auditor who
48.24 shall make out and deliver any statement of delinquent taxes without including therein
48.25 the penalties imposed by law, and any treasurer who shall receive payment of such taxes
48.26 without including in such payment all items as shown on the auditor's statement, shall be
48.27 liable to the county for the amounts of any items omitted.

48.28 Subd. 2. Federal active service exception. Notwithstanding subdivision 1, a
48.29 homestead property owned by an individual who is on federal active service, as defined
48.30 in section 190.05, subdivision 5c, as a member of the National Guard or a reserve
48.31 component, shall not be deemed delinquent under this section if the due dates imposed
48.32 under section 279.01 fall on a day in which the individual was on federal active service.

48.33 Sec. 17. Minnesota Statutes 2012, section 287.05, is amended by adding a subdivision
48.34 to read:

49.1 Subd. 10. Hennepin and Ramsey Counties. For properties located in Hennepin
49.2 and Ramsey Counties, the county may impose an additional mortgage registry tax as
49.3 defined in sections 383A.80 and 383B.80.

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

49.5 Sec. 18. [287.40] HENNEPIN AND RAMSEY COUNTIES.

49.6 For properties located in Hennepin and Ramsey Counties, the county may impose an
49.7 additional deed tax as defined in sections 383A.80 and 383B.80.

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

49.9 Sec. 19. Laws 1988, chapter 645, section 3, as amended by Laws 1999, chapter 243,
49.10 article 6, section 9, Laws 2000, chapter 490, article 6, section 15, and Laws 2008, chapter
49.11 154, article 2, section 30, is amended to read:

49.12 Sec. 3. **TAX; PAYMENT OF EXPENSES.**

49.13 (a) The tax levied by the hospital district under Minnesota Statutes, section 447.34,
49.14 must not be levied at a rate that exceeds the amount authorized to be levied under that
49.15 section. The proceeds of the tax may be used for all purposes of the hospital district,
49.16 except as provided in paragraph (b).

49.17 (b) 0.015 percent of taxable market value of the tax in paragraph (a) may be used
49.18 ~~solely by the Cook ambulance service and the Orr ambulance service~~ for the purpose of
49.19 ~~capital expenditures as it relates to:~~

49.20 (1) ambulance acquisitions for the Cook ambulance service and the Orr ambulance
49.21 service ~~and not;~~

49.22 (2) attached and portable equipment for use in and for the ambulances; and

49.23 (3) parts and replacement parts for maintenance and repair of the ambulances.

49.24 The money may not be used for administrative, operation, or salary expenses.

49.25 (c) The part of the levy referred to in paragraph (b) must be administered by the
49.26 Cook Hospital and passed on in equal amounts directly to the Cook area ambulance
49.27 service board and the city of Orr to be ~~held in trust until funding for a new ambulance is~~
49.28 ~~needed by either the Cook ambulance service or the Orr ambulance service~~ used for the
49.29 purposes in paragraph (b).

49.30 Sec. 20. Laws 1999, chapter 243, article 6, section 11, is amended to read:

49.31 Sec. 11. **CEMETERY LEVY FOR SAWYER BY CARLTON COUNTY.**

50.1 ~~Subdivision 1. **Levy authorized.**~~ Notwithstanding other law to the contrary, the
50.2 Carlton county board of commissioners may annually levy in and for the unorganized
50.3 ~~township territory~~ of Sawyer an amount ~~up to \$1,000 annually~~ for cemetery purposes;
50.4 ~~beginning with taxes payable in 2000 and ending with taxes payable in 2009.~~

50.5 ~~Subd. 2. **Effective date.**~~ This section is effective June 1, 1999, without local
50.6 approval.

50.7 **EFFECTIVE DATE; LOCAL APPROVAL.** This section applies to taxes
50.8 payable in 2014 and thereafter, and is effective the day after the Carlton county board
50.9 of commissioners and its chief clerical officer timely complete their compliance with
50.10 Minnesota Statutes, section 645.021, subdivisions 2 and 3.

50.11 Sec. 21. Laws 2008, chapter 366, article 5, section 33, the effective date, is amended to
50.12 read:

50.13 **EFFECTIVE DATE.** This section is effective for taxes levied in 2008, payable in
50.14 2009, and is repealed effective for taxes levied in ~~2013~~ 2018, payable in ~~2014~~ 2019,
50.15 and thereafter.

50.16 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2014.

50.17 Sec. 22. Laws 2010, chapter 389, article 1, section 12, the effective date, is amended to
50.18 read:

50.19 **EFFECTIVE DATE.** This section is effective for assessment ~~years~~ year 2010 and
50.20 2011, for taxes payable in 2011 and 2012 thereafter.

50.21 **EFFECTIVE DATE.** This section is effective for assessment year 2012 and
50.22 thereafter.

50.23 Sec. 23. **MINNEAPOLIS AND ST. PAUL; ENTERTAINMENT FACILITIES**
50.24 **COORDINATION.**

50.25 (a) On or before January 1, 2015, the cities of St. Paul and Minneapolis shall establish
50.26 a joint governing structure to coordinate and provide for joint marketing, promotion, and
50.27 scheduling of conventions and events at the Target Center and Xcel Energy Center.

50.28 (b) On or before February 1, 2014, the cities of St. Paul and Minneapolis, and
50.29 representatives from the primary professional sports team tenant of each facility, shall also
50.30 study and report to the legislature on creating a joint governing structure to provide for
50.31 joint administration, financing, and operations of the facilities and the possible effects of

51.1 joint governance on the finances of each facility and each city. The study under this
51.2 paragraph must:

51.3 (1) examine the current finances of each facility, including past and projected costs
51.4 and revenues; projected capital improvements; and the current and projected impact
51.5 of each facility on the city's general fund;

51.6 (2) determine the impacts of joint governance on the future finances of each facility
51.7 and city;

51.8 (3) examine the inclusion of other entertainment venues in the joint governance, and
51.9 the impact the inclusion of those facilities would have on all the facilities within the joint
51.10 governing structure and the cities in which they are located; and

51.11 (4) consider the amount of city, regional, and state funding, if any, that would be
51.12 required to fund and operate the facilities under a joint governing structure.

51.13 (c) In considering joint governing structures under paragraph (b), the study shall
51.14 specifically consider the feasibility of joining the Target Center and the Xcel Energy
51.15 Center, and possibly other venues, to the Minnesota Sports Facilities Authority under
51.16 Minnesota Statutes, section 473J.08.

51.17 (d) Representatives of the cities and the primary professional sports team tenants
51.18 of each facility shall meet within 30 days of the effective date of this section to begin
51.19 implementation of this section.

51.20 **EFFECTIVE DATE.** This section is effective the day following final enactment
51.21 upon compliance with the provisions of Minnesota Statutes, section 645.021, subdivisions
51.22 2 and 3, by the governing bodies of the cities of St. Paul and Minneapolis and their chief
51.23 clerical officers, and provided that, notwithstanding the time limits under Minnesota
51.24 Statutes, section 645.021, subdivision 3, the certificates of approval are filed with the
51.25 secretary of state within 30 days after enactment of this act.

51.26 Sec. 24. **MORATORIUM ON CHANGES IN ASSESSMENT PRACTICE.**

51.27 (a) An assessor may not deviate from current practices or policies used generally in
51.28 assessing or determining the taxable status of property used in the production of biofuels,
51.29 wine, beer, distilled beverages, or dairy products.

51.30 (b) An assessor may not change the taxable status of any existing property involved
51.31 in the industrial processes identified in paragraph (a), unless the change is made as a result
51.32 of a change in use of the property, or to correct an error. For currently taxable properties,
51.33 the assessor may change the estimated market value of the property.

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

52.1 Sec. 25. **STUDY AND REPORT ON CERTAIN PROPERTY USED IN**
52.2 **BUSINESS AND PRODUCTION.**

52.3 In order to provide the legislature with information on the assessment of property
52.4 used in business and production activities, the commissioner of revenue must study the
52.5 impact of the exception contained in Minnesota Statutes, section 272.03, subdivision
52.6 1(c)(iii). The commissioner must report a summary of findings and recommendations to
52.7 the chairs and ranking minority members of the taxes committees of the senate and house
52.8 of representatives by February 1, 2014.

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

52.10 Sec. 26. **REIMBURSEMENT FOR PROPERTY TAX ABATEMENTS.**

52.11 Subdivision 1. **Reimbursement.** The commissioner of revenue shall reimburse
52.12 taxing jurisdictions for property tax abatements granted in Hennepin County under Laws
52.13 2011, First Special Session chapter 7, article 5, section 13, notwithstanding the time limits
52.14 contained in that section. The reimbursements must be made to each taxing jurisdiction
52.15 pursuant to the certification of the Hennepin County auditor.

52.16 Subd. 2. **Appropriation.** The amount necessary, not to exceed \$400,000, is
52.17 appropriated to the commissioner of revenue from the general fund to make the payments
52.18 required under this section. This appropriation does not cancel but is available until June
52.19 30, 2014.

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

52.21 Sec. 27. **IRON RANGE FISCAL DISPARITIES STUDY.**

52.22 Subdivision 1. **Study required.** The commissioner of revenue shall conduct a study
52.23 of the tax relief area revenue distribution program contained in Minnesota Statutes, chapter
52.24 276A, commonly known as the Iron Range fiscal disparities program. By February 1,
52.25 2015, the commissioner shall submit a report to the chairs and ranking minority members
52.26 of the house of representatives and senate tax committees consisting of the findings of the
52.27 study and identification of issues for policy makers to consider. The study must analyze:

52.28 (1) the extent to which the benefits of the economic growth in the region are shared
52.29 throughout the region, especially for growth that results from state or regional decisions;

52.30 (2) the program's impact on the variability of tax rates across jurisdictions of the
52.31 region;

52.32 (3) the program's impact on the distribution of homestead property tax burdens
52.33 across jurisdictions of the region; and

53.1 (4) the relationship between the impacts of the program and overburden on
 53.2 jurisdictions containing properties that provide regional benefits, specifically the costs
 53.3 those properties impose on their host jurisdictions in excess of their tax payments. The
 53.4 report must include a description of other property tax, aid, and local development
 53.5 programs that interact with the fiscal disparities program.

53.6 Subd. 2. **Funds transfer from fiscal disparities levy.** For taxes payable in 2014
 53.7 only, \$75,000 must be added to St. Louis County's areawide levy as otherwise determined
 53.8 under Minnesota Statutes, section 276A.06, subdivision 5. Upon receipt of the proceeds of
 53.9 this levy, St. Louis County must transfer this money to the commissioner of management
 53.10 and budget for deposit into an account in the special revenue fund. One-half of the
 53.11 proceeds of the levy must be transferred prior to June 30, 2014.

53.12 Subd. 3. **Appropriation.** \$37,500 in fiscal year 2014 and \$37,500 in fiscal year
 53.13 2015 are appropriated from the account in the special revenue fund established under
 53.14 subdivision 2 to the commissioner of revenue to pay for the study required by this section.
 53.15 Any amounts remaining in the account in the special revenue fund on June 30, 2015, must
 53.16 be distributed to St. Louis County for the purposes of reducing the areawide tax rate
 53.17 for taxes payable in 2016.

53.18 **EFFECTIVE DATE.** This section is effective July 1, 2013.

53.19 Sec. 28. **REPEALER.**

53.20 (a) Minnesota Statutes 2012, sections 428A.101; and 428A.21, are repealed.

53.21 (b) Minnesota Statutes 2012, sections 383A.80, subdivision 4; and 383B.80,
 53.22 subdivision 4, are repealed.

53.23 **EFFECTIVE DATE.** This section is effective the day following final enactment,
 53.24 and paragraph (b) reinstates the authority for Hennepin and Ramsey Counties to impose
 53.25 the additional mortgage registry and deed tax effective for deeds and mortgages executed
 53.26 on or after July 1, 2013.

53.27 **ARTICLE 5**

53.28 **SPECIAL TAXES**

53.29 Section 1. Minnesota Statutes 2012, section 270C.56, subdivision 1, is amended to read:

53.30 Subdivision 1. **Liability imposed.** A person who, either singly or jointly with
 53.31 others, has the control of, supervision of, or responsibility for filing returns or reports,
 53.32 paying taxes, or collecting or withholding and remitting taxes and who fails to do so, or a
 53.33 person who is liable under any other law, is liable for the payment of taxes arising under

54.1 chapters 295, 296A, 297A, 297F, and 297G, or sections ~~256.9658~~, 290.92, and 297E.02,
54.2 and the applicable penalties and interest on those taxes.

54.3 **EFFECTIVE DATE.** This section is effective July 1, 2013.

54.4 Sec. 2. **[295.61] SPORTS MEMORABILIA GROSS RECEIPTS TAX.**

54.5 **Subdivision 1. Definitions.** (a) For purposes of this section, the following terms
54.6 have the meanings given, unless the context clearly indicates otherwise.

54.7 (b) "Commissioner" means the commissioner of revenue.

54.8 (c) "Sale" means a transfer of title or possession of tangible personal property,
54.9 whether absolutely or conditionally.

54.10 (d) "Sports memorabilia" means items available for sale to the public that are sold
54.11 under a license granted by any professional sports league or a team that is a franchise of a
54.12 professional sports league, or an affiliate or subsidiary of a league or a team, including:

54.13 (1) one-of-a-kind items related to sports figures, teams, or events;

54.14 (2) trading cards;

54.15 (3) photographs;

54.16 (4) clothing;

54.17 (5) sports event licensed items;

54.18 (6) sports equipment; and

54.19 (7) similar items.

54.20 (e) "Wholesale" or "sale at wholesale" means a sale to a retailer, as defined in section
54.21 297A.61, subdivision 9, for the purpose of reselling the property to a third party.

54.22 (f) "Wholesaler" means any person making wholesale sales of sports memorabilia
54.23 to purchasers in the state.

54.24 **Subd. 2. Imposition.** A tax is imposed on each sale at wholesale of sports
54.25 memorabilia equal to ten percent of the gross revenues from the sale.

54.26 **Subd. 3. Estimated payments; annual return.** (a) Each wholesaler must make
54.27 estimated payments of the tax for the calendar year to the commissioner in quarterly
54.28 installments by April 15, July 15, October 15, and January 15 of the following calendar
54.29 year. Estimated tax payments are not required if the tax for the calendar year is less than
54.30 \$500. An underpayment of estimated installments bears interest at the rate specified in
54.31 section 270C.40, from the due date of the payment until paid or until the due date of the
54.32 annual return at the rate specified in section 270C.40. An underpayment of an estimated
54.33 installment is the difference between the amount paid and the lesser of (1) 90 percent of
54.34 one-quarter of the tax for the calendar year, or (2) the tax for the actual gross revenues
54.35 received during the quarter.

55.1 (b) A taxpayer with an aggregate tax liability of \$10,000 or more during a fiscal
55.2 year ending June 30, must remit all liabilities by funds transfer as defined in section
55.3 336.4A-104, paragraph (a), in the next calendar year. The funds-transfer payment date,
55.4 as defined in section 336.4A-401, is on or before the first funds-transfer business day
55.5 after the date the tax is due.

55.6 (c) The taxpayer must file an annual return reconciling the estimated payments by
55.7 March 15 of the following calendar year.

55.8 (d) The estimated payments and annual return must contain the information and be
55.9 in the form prescribed by the commissioner.

55.10 Subd. 4. **Compensating use tax.** If the tax is not paid under subdivision 2, a
55.11 compensating tax is imposed on possession for sale or use of sports memorabilia in
55.12 the state. The rate of tax equals the rate under subdivision 2, and must be paid by the
55.13 possessor of the items.

55.14 Subd. 5. **Administrative provisions.** Unless specifically provided otherwise by this
55.15 section, the audit, assessment, refund, penalty, interest, enforcement, collection remedies,
55.16 appeal, and administrative provisions of chapters 270C and 289A that apply to taxes
55.17 imposed under chapter 297A apply to taxes imposed under this section.

55.18 Subd. 6. **Disposition of revenues.** The commissioner shall deposit the revenues
55.19 from the tax in the general fund.

55.20 **EFFECTIVE DATE.** This section is effective for sales made after June 30, 2013.

55.21 Sec. 3. Minnesota Statutes 2012, section 297F.01, subdivision 3, is amended to read:

55.22 Subd. 3. **Cigarette.** "Cigarette" means any roll for smoking made wholly or in part
55.23 of tobacco; that weighs 4.5 pounds or less per thousand:

55.24 (1) the wrapper or cover of which is made of paper or another substance or material
55.25 except tobacco; or

55.26 (2) wrapped in any substance containing tobacco, however labeled or named, which,
55.27 because of its appearance, size, the type of tobacco used in the filler, or its packaging,
55.28 pricing, marketing, or labeling, is likely to be offered to or purchased by consumers as
55.29 a cigarette, as defined in clause (1), unless it is wrapped in whole tobacco leaf and does
55.30 not have a cellulose acetate or other cigarette-like filter.

55.31 **EFFECTIVE DATE.** This section is effective July 1, 2013.

55.32 Sec. 4. Minnesota Statutes 2012, section 297F.01, is amended by adding a subdivision
55.33 to read:

56.1 Subd. 10b. **Moist snuff.** "Moist snuff" means any finely cut, ground, or powdered
56.2 smokeless tobacco that is intended to be placed or dipped in the mouth.

56.3 Sec. 5. Minnesota Statutes 2012, section 297F.01, subdivision 19, is amended to read:

56.4 Subd. 19. **Tobacco products.** "Tobacco products" means any product containing,
56.5 made, or derived from tobacco that is intended for human consumption, whether chewed,
56.6 smoked, absorbed, dissolved, inhaled, snorted, sniffed, or ingested by any other means,
56.7 or any component, part, or accessory of a tobacco product, including, but not limited
56.8 to, cigars; ~~little cigars~~; cheroots; stogies; periques; granulated, plug cut, crimp cut,
56.9 ready rubbed, and other smoking tobacco; snuff; snuff flour; cavendish; plug and twist
56.10 tobacco; fine-cut and other chewing tobacco; shorts; refuse scraps, clippings, cuttings
56.11 and sweepings of tobacco, and other kinds and forms of tobacco; but does not include
56.12 cigarettes as defined in this section. Tobacco products excludes any tobacco product
56.13 that has been approved by the United States Food and Drug Administration for sale as
56.14 a tobacco cessation product, as a tobacco dependence product, or for other medical
56.15 purposes, and is being marketed and sold solely for such an approved purpose.

56.16 **EFFECTIVE DATE.** This section is effective July 1, 2013.

56.17 Sec. 6. Minnesota Statutes 2012, section 297F.05, subdivision 1, is amended to read:

56.18 Subdivision 1. **Rates; cigarettes.** A tax is imposed upon the sale of cigarettes in
56.19 this state, upon having cigarettes in possession in this state with intent to sell, upon any
56.20 person engaged in business as a distributor, and upon the use or storage by consumers, at
56.21 the following rates:

56.22 (1) on cigarettes weighing not more than three pounds per thousand, ~~24~~ 141.5 mills
56.23 on each such cigarette; and

56.24 (2) on cigarettes weighing more than three pounds per thousand, ~~48~~ 283 mills on
56.25 each such cigarette.

56.26 **EFFECTIVE DATE.** This section is effective July 1, 2013.

56.27 Sec. 7. Minnesota Statutes 2012, section 297F.05, is amended by adding a subdivision
56.28 to read:

56.29 Subd. 1a. **Annual indexing.** (a) Each year the commissioner shall adjust the
56.30 tax rates under subdivision 1, including any adjustment made in prior years under this
56.31 subdivision, by multiplying the mill rates for the current calendar year by an adjustment
56.32 factor. The adjustment factor equals the in-lieu sales tax rate that applies to the following

57.1 calendar year divided by the in-lieu sales tax rate for the current calendar year. For
57.2 purposes of this subdivision, "in-lieu sales tax rate" means the tax rate established under
57.3 section 297F.25, subdivision 1, in tenths of a cent per pack.

57.4 (b) The commissioner shall publish the resulting rate by November 1 and the rate
57.5 applies to sales made on or after January 1 of the following year.

57.6 (c) The determination of the commissioner under this subdivision is not a rule and is
57.7 not subject to the Administrative Procedure Act in chapter 14.

57.8 Sec. 8. Minnesota Statutes 2012, section 297F.05, subdivision 3, is amended to read:

57.9 Subd. 3. **Rates; tobacco products.** (a) A tax is imposed upon all tobacco products
57.10 in this state and upon any person engaged in business as a distributor, at the rate of 35
57.11 95 percent of the wholesale sales price of the tobacco products. The tax is imposed at
57.12 the time the distributor:

57.13 (1) brings, or causes to be brought, into this state from outside the state tobacco
57.14 products for sale;

57.15 (2) makes, manufactures, or fabricates tobacco products in this state for sale in
57.16 this state; or

57.17 (3) ships or transports tobacco products to retailers in this state, to be sold by those
57.18 retailers.

57.19 (b) Notwithstanding paragraph (a), a minimum tax equal to the rate imposed on a
57.20 pack of 20 cigarettes weighing not more than three pounds per thousand, as established
57.21 under subdivision 1, is imposed on each container of moist snuff.

57.22 For purposes of this subdivision, a "container" means the smallest consumer-size can,
57.23 package, or other container that is marketed or packaged by the manufacturer, distributor,
57.24 or retailer for separate sale to a retail purchaser.

57.25 **EFFECTIVE DATE.** This section is effective July 1, 2013, except the minimum
57.26 tax under paragraph (b) is effective January 1, 2014.

57.27 Sec. 9. Minnesota Statutes 2012, section 297F.05, subdivision 4, is amended to read:

57.28 Subd. 4. **Use tax; tobacco products.** A tax is imposed upon the use or storage by
57.29 consumers of tobacco products in this state, and upon such consumers, at the rate of 35 95
57.30 percent of the cost to the consumer of the tobacco products or the minimum tax under
57.31 subdivision 3, paragraph (b), whichever is greater.

57.32 **EFFECTIVE DATE.** This section is effective July 1, 2013.

58.1 Sec. 10. Minnesota Statutes 2012, section 297F.24, subdivision 1, is amended to read:

58.2 Subdivision 1. **Fee imposed.** (a) A fee is imposed upon the sale of nonsettlement
58.3 cigarettes in this state, upon having nonsettlement cigarettes in possession in this state
58.4 with intent to sell, upon any person engaged in business as a distributor, and upon the use
58.5 or storage by consumers of nonsettlement cigarettes. The fee equals a rate of ~~1.75~~ 2.5
58.6 cents per cigarette.

58.7 (b) The purpose of this fee is to:

58.8 (1) ensure that manufacturers of nonsettlement cigarettes pay fees to the state that
58.9 are comparable to costs attributable to the use of the cigarettes;

58.10 (2) prevent manufacturers of nonsettlement cigarettes from undermining the state's
58.11 policy of discouraging underage smoking by offering nonsettlement cigarettes at prices
58.12 substantially below the cigarettes of other manufacturers; and

58.13 (3) fund such other purposes as the legislature determines appropriate.

58.14 Sec. 11. Minnesota Statutes 2012, section 297F.25, subdivision 1, is amended to read:

58.15 Subdivision 1. **Imposition.** (a) A tax is imposed on distributors on the sale of
58.16 cigarettes by a cigarette distributor to a retailer or cigarette subjobber for resale in this
58.17 state. The tax is equal to ~~6.5 percent of~~ the combined tax rate under section 297A.62,
58.18 multiplied by the weighted average retail price and must be expressed in cents per pack
58.19 rounded to the nearest one-tenth of a cent. The weighted average retail price must be
58.20 determined annually, with new rates published by November 1, and effective for sales
58.21 on or after January 1 of the following year. The weighted average retail price must be
58.22 established by surveying cigarette retailers statewide in a manner and time determined by
58.23 the commissioner. The commissioner shall make an inflation adjustment in accordance
58.24 with the Consumer Price Index for all urban consumers inflation indicator as published in
58.25 the most recent state budget forecast. The commissioner shall use the inflation factor for
58.26 the calendar year in which the new tax rate takes effect. If the survey indicates that the
58.27 average retail price of cigarettes has not increased relative to the average retail price in
58.28 the previous year's survey, then the commissioner shall not make an inflation adjustment.
58.29 The determination of the commissioner pursuant to this subdivision is not a "rule" and is
58.30 not subject to the Administrative Procedure Act contained in chapter 14. For packs of
58.31 cigarettes with other than 20 cigarettes, the tax must be adjusted proportionally.

58.32 (b) Notwithstanding paragraph (a), and in lieu of a survey of cigarette retailers, the
58.33 tax calculation of the weighted average retail price for the sales of cigarettes from August
58.34 1, 2011, through December 31, 2011, shall be calculated by: (1) increasing the average
58.35 retail price per pack of 20 cigarettes from the most recent survey by the percentage change

59.1 in a weighted average of the presumed legal prices for cigarettes during the year after
 59.2 completion of that survey, as reported and published by the Department of Commerce
 59.3 under section 325D.371; (2) subtracting the sales tax included in the retail price; and (3)
 59.4 adjusting for expected inflation. The rate must be published by May 1 and is effective for
 59.5 sales after July 31. If the weighted average of the presumed legal prices indicates that the
 59.6 average retail price of cigarettes has not increased relative to the average retail price in the
 59.7 most recent survey, then no inflation adjustment must be made. For packs of cigarettes
 59.8 with other than 20 cigarettes, the tax must be adjusted proportionally.

59.9 **EFFECTIVE DATE.** This section is effective July 1, 2013.

59.10 Sec. 12. Minnesota Statutes 2012, section 297G.03, subdivision 1, is amended to read:

59.11 Subdivision 1. **General rate; distilled spirits and wine.** The following excise tax is
 59.12 imposed on all distilled spirits and wine manufactured, imported, sold, or possessed in
 59.13 this state:

	Standard	Metric
59.14		
59.15 (a) Distilled spirits, liqueurs, cordials, 59.16 and specialties regardless of alcohol 59.17 content (excluding ethyl alcohol)	\$ 5.03 <u>11.02</u> per gallon	\$ 1.33 <u>2.91</u> per liter
59.18 (b) Wine containing 14 percent or less 59.19 alcohol by volume (except cider as 59.20 defined in section 297G.01, subdivision 59.21 3a)	\$.30 <u>2.08</u> per gallon	\$.08 <u>.55</u> per liter
59.22 (c) Wine containing more than 14 59.23 percent but not more than 21 percent 59.24 alcohol by volume	\$.95 <u>2.73</u> per gallon	\$.25 <u>.72</u> per liter
59.25 (d) Wine containing more than 21 59.26 percent but not more than 24 percent 59.27 alcohol by volume	\$ 1.82 <u>3.64</u> per gallon	\$.48 <u>.97</u> per liter
59.28 (e) Wine containing more than 24 59.29 percent alcohol by volume	\$ 3.52 <u>5.34</u> per gallon	\$.93 <u>1.42</u> per liter
59.30 (f) Natural and artificial sparkling wines 59.31 containing alcohol	\$ 1.82 <u>3.60</u> per gallon	\$.48 <u>.95</u> per liter
59.32 (g) Cider as defined in section 297G.01, 59.33 subdivision 3a	\$.15 <u>1.93</u> per gallon	\$.04 <u>.51</u> per liter
59.34 (h) Low-alcohol dairy cocktails 59.35	\$.08 <u>1.36</u> per gallon	\$.02 <u>.36</u> per liter

59.36 In computing the tax on a package of distilled spirits or wine, a proportional tax at a
 59.37 like rate on all fractional parts of a gallon or liter must be paid, except that the tax on a
 59.38 fractional part of a gallon less than 1/16 of a gallon is the same as for 1/16 of a gallon.

59.39 **EFFECTIVE DATE.** This section is effective July 1, 2013.

60.1 Sec. 13. Minnesota Statutes 2012, section 297G.03, is amended by adding a
60.2 subdivision to read:

60.3 Subd. 5. **Small winery credit.** (a) A qualified winery is entitled to a tax credit of
60.4 \$2.08 per gallon on 50,000 gallons sold in any fiscal year beginning July 1. Qualified
60.5 wineries may take the credit on the 18th day of each month, but the total credit allowed
60.6 may not exceed in any fiscal year the lesser of:

60.7 (1) the liability for tax; or

60.8 (2) \$104,000.

60.9 (b) For purposes of this subdivision, a "qualified winery" means a winery, whether
60.10 or not located in this state, producing less than 100,000 gallons of wine in the calendar
60.11 year immediately preceding the calendar year for which the credit under this subdivision
60.12 is claimed. In determining the number of gallons, all brands or labels of a winery must
60.13 be combined. All facilities for the production of wine owned or controlled by the same
60.14 person, corporation, or other entity must be treated as a single winery.

60.15 **EFFECTIVE DATE.** This section is effective July 1, 2013.

60.16 Sec. 14. Minnesota Statutes 2012, section 297G.04, is amended to read:

60.17 **297G.04 FERMENTED MALT BEVERAGES; RATE OF TAX.**

60.18 Subdivision 1. **Tax imposed.** The following excise tax is imposed on all fermented
60.19 malt beverages that are imported, directly or indirectly sold, or possessed in this state:

60.20 (1) on fermented malt beverages containing not more than 3.2 percent alcohol by
60.21 weight, ~~\$2.40~~ \$25.55 per 31-gallon barrel; and

60.22 (2) on fermented malt beverages containing more than 3.2 percent alcohol by
60.23 weight, ~~\$4.60~~ \$27.75 per 31-gallon barrel.

60.24 For fractions of a 31-gallon barrel, the tax rate is calculated proportionally.

60.25 Subd. 2. **Tax credit.** A qualified brewer producing fermented malt beverages is
60.26 entitled to a tax credit of ~~\$4.60~~ \$27.75 per barrel on ~~25,000~~ 50,000 barrels sold in any
60.27 fiscal year beginning July 1, regardless of the alcohol content of the product. Qualified
60.28 brewers may take the credit on the 18th day of each month, but the total credit allowed
60.29 may not exceed in any fiscal year the lesser of:

60.30 (1) the liability for tax; or

60.31 (2) ~~\$115,000~~ \$1,387,500.

60.32 For purposes of this subdivision, a "qualified brewer" means a brewer, whether or
60.33 not located in this state, manufacturing less than ~~100,000~~ 200,000 barrels of fermented
60.34 malt beverages in the calendar year immediately preceding the calendar year for which

61.1 the credit under this subdivision is claimed. In determining the number of barrels, all
61.2 brands or labels of a brewer must be combined. All facilities for the manufacture of
61.3 fermented malt beverages owned or controlled by the same person, corporation, or other
61.4 entity must be treated as a single brewer.

61.5 **EFFECTIVE DATE.** This section is effective July 1, 2013.

61.6 Sec. 15. Minnesota Statutes 2012, section 325D.32, subdivision 2, is amended to read:

61.7 Subd. 2. **Cigarettes.** "Cigarettes" means and includes any roll for smoking, made
61.8 wholly or in part of tobacco, irrespective of size and shape and whether or not such
61.9 tobacco is flavored, adulterated or mixed with any other ingredient, the wrapper or cover
61.10 of which is made of paper or any other substance or material except whole tobacco leaf,
61.11 and includes any cigarette as defined in section 297F.01, subdivision 3.

61.12 **EFFECTIVE DATE.** This section is effective July 1, 2013.

61.13 Sec. 16. **FLOOR STOCKS TAX.**

61.14 Subdivision 1. **Cigarettes.** (a) A floor stocks tax is imposed on every person
61.15 engaged in the business in this state as a distributor, retailer, subjobber, vendor,
61.16 manufacturer, or manufacturer's representative of cigarettes, on the stamped cigarettes and
61.17 unaffixed stamps in the person's possession or under the person's control at 12:01 a.m. on
61.18 July 1, 2013. The tax is imposed at the rate of 80 mills on each cigarette.

61.19 (b) Each distributor, on or before July 11, 2013, shall file a return with the
61.20 commissioner of revenue, in the form the commissioner prescribes, showing the stamped
61.21 cigarettes and unaffixed stamps on hand at 12:01 a.m. on July 1, 2013, and the amount
61.22 of tax due on the cigarettes and unaffixed stamps. Each retailer, subjobber, vendor,
61.23 manufacturer, or manufacturer's representative, on or before July 11, 2013, shall file
61.24 a return with the commissioner, in the form the commissioner prescribes, showing the
61.25 cigarettes on hand at 12:01 a.m. on July 1, 2013, and the amount of tax due on the
61.26 cigarettes. The tax imposed by this section is due and payable on or before August 8,
61.27 2013, and after that date bears interest at the rate of one percent per month.

61.28 Subd. 2. **Audit and enforcement.** The tax imposed by this section is subject to
61.29 the audit, assessment, interest, appeal, refund, penalty, enforcement, administrative, and
61.30 collection provisions of Minnesota Statutes, chapters 270C and 297F. The commissioner
61.31 of revenue may require a distributor to receive and maintain copies of floor stocks fee
61.32 returns filed by all persons requesting a credit for returned cigarettes.

62.1 Subd. 3. **Deposit of proceeds.** The commissioner of revenue shall deposit the
62.2 revenues from the tax under this section in the state treasury and credit them to the
62.3 general fund.

62.4 **EFFECTIVE DATE.** This section is effective July 1, 2013.

62.5 Sec. 17. **INTERIM SALES TAX RATE.**

62.6 Notwithstanding the provisions of Minnesota Statutes, section 297F.25, the
62.7 commissioner shall adjust the weighted average retail price in section 297F.25, subdivision
62.8 1, on July 1, 2013, to reflect the price changes under this act. This weighted average
62.9 shall be used to compute cigarette sales tax under Minnesota Statutes, section 297F.25,
62.10 subdivision 1, until December 31, 2013, when the commissioner shall resume annual
62.11 adjustments to the weighted average sales price. The commissioner's determination of
62.12 the adjustment that takes effect on January 1, 2014, must be limited to the change in the
62.13 weighted average retail that occurs during calendar year 2013 but after July 15, 2013.

62.14 **EFFECTIVE DATE.** This section is effective July 1, 2013.

62.15 Sec. 18. **TOBACCO TAX COLLECTION REPORT.**

62.16 Subdivision 1. **Report to legislature.** (a) The commissioner of revenue shall report
62.17 to the 2014 legislature on the tobacco tax collection system, including recommendations
62.18 to improve compliance under the excise tax for both cigarettes and other tobacco products.
62.19 The purpose of the report is to provide information and guidance to the legislature on
62.20 improvements to the tobacco tax collection system to:

62.21 (1) provide a unified system of collecting both the cigarette and other tobacco
62.22 taxes, regardless of category, size, or shape, that ensures the highest reasonable rates of
62.23 tax collection;

62.24 (2) discourage tax evasion; and

62.25 (3) help to prevent illegal sale of tobacco products, which may make these products
62.26 more accessible to youth.

62.27 (b) In the report, the commissioner shall:

62.28 (1) provide a detailed review of the present excise tax collection and compliance
62.29 system as it applies to both cigarettes and other tobacco products. This must include
62.30 an assessment of the levels of compliance for each category of products and the effect
62.31 of the stamping requirement on compliance for each category of products and the effect
62.32 of the stamping requirement on compliance rates for cigarettes relative to other tobacco
62.33 products. It also must identify any weaknesses in the system;

63.1 (2) survey the methods of collection and enforcement used by other states or nations,
63.2 including identifying and discussing emerging best practices that ensure tracking of both
63.3 cigarettes and other tobacco products and result in the highest rates of tax collection and
63.4 compliance. These best practices must consider high-technology alternatives, such as use
63.5 of bar codes, radio-frequency identification tags, or similar mechanisms for tracking
63.6 compliance;

63.7 (3) evaluate the adequacy and effectiveness of the existing penalties and other
63.8 sanctions for noncompliance;

63.9 (4) evaluate the adequacy of the resources allocated by the state to enforce the
63.10 tobacco tax and prevention laws; and

63.11 (5) make recommendations on implementation of a comprehensive tobacco tax
63.12 collection system for Minnesota that can be implemented by January 1, 2014, including:

63.13 (i) recommendations on the specific steps needed to institute and implement the new
63.14 system, including estimates of the state's costs of doing so and any additional personnel
63.15 requirements;

63.16 (ii) recommendations on methods to recover the cost of implementing the system
63.17 from the industry;

63.18 (iii) evaluation of the extent to which the proposed system is sufficiently flexible
63.19 and adaptable to adjust to modifications in the construction, packaging, formatting, and
63.20 marketing of tobacco products by the industry; and

63.21 (iv) recommendations to modify existing penalties or to impose new penalties or
63.22 other sanctions to ensure compliance with the system.

63.23 Subd. 2. **Due date.** The report required by subdivision 1 is due January 1, 2014.

63.24 Subd. 3. **Procedure.** The report required under this section must be made in the
63.25 manner provided under Minnesota Statutes, section 3.195. In addition, copies must be
63.26 provided to the chairs and ranking minority members of the legislative committees and
63.27 divisions with jurisdiction over taxation.

63.28 Subd. 4. **Appropriation.** (a) \$100,000 is appropriated from the general fund to the
63.29 commissioner of revenue for fiscal year 2014 for the cost of preparing the report under
63.30 subdivision 1.

63.31 (b) The appropriation under this subdivision is a onetime appropriation and is not
63.32 included in the base budget.

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

64.1 Sec. 19. **REPEALER.**

64.2 Minnesota Statutes 2012, sections 16A.725; and 256.9658, are repealed.

64.3 **EFFECTIVE DATE.** This section is effective July 1, 2013.

64.4 **ARTICLE 6**

64.5 **INDIVIDUAL INCOME AND CORPORATE FRANCHISE TAXES**

64.6 Section 1. Minnesota Statutes 2012, section 116J.8737, subdivision 1, is amended to
64.7 read:

64.8 Subdivision 1. **Definitions.** (a) For the purposes of this section, the following terms
64.9 have the meanings given.

64.10 (b) "Qualified small business" means a business that has been certified by the
64.11 commissioner under subdivision 2.

64.12 (c) "Qualified investor" means an investor who has been certified by the
64.13 commissioner under subdivision 3.

64.14 (d) "Qualified fund" means a pooled angel investment network fund that has been
64.15 certified by the commissioner under subdivision 4.

64.16 (e) "Qualified investment" means a cash investment in a qualified small business
64.17 of a minimum of:

64.18 (1) \$10,000 in a calendar year by a qualified investor; or

64.19 (2) \$30,000 in a calendar year by a qualified fund.

64.20 A qualified investment must be made in exchange for common stock, a partnership
64.21 or membership interest, preferred stock, debt with mandatory conversion to equity, or an
64.22 equivalent ownership interest as determined by the commissioner.

64.23 (f) "Family" means a family member within the meaning of the Internal Revenue
64.24 Code, section 267(c)(4).

64.25 (g) "Pass-through entity" means a corporation that for the applicable taxable year is
64.26 treated as an S corporation or a general partnership, limited partnership, limited liability
64.27 partnership, trust, or limited liability company and which for the applicable taxable year is
64.28 not taxed as a corporation under chapter 290.

64.29 (h) "Intern" means a student of an accredited institution of higher education, or a
64.30 former student who has graduated in the past six months from an accredited institution
64.31 of higher education, who is employed by a qualified small business in a nonpermanent
64.32 position for a duration of nine months or less that provides training and experience in the
64.33 primary business activity of the business.

65.1 (i) "Liquidation event" means a conversion of qualified investment for cash, cash
65.2 and other consideration, or any other form of equity or debt interest.

65.3 **EFFECTIVE DATE.** This section is effective for qualified small businesses
65.4 certified after June 30, 2013.

65.5 Sec. 2. Minnesota Statutes 2012, section 116J.8737, subdivision 2, is amended to read:

65.6 Subd. 2. **Certification of qualified small businesses.** (a) Businesses may apply
65.7 to the commissioner for certification as a qualified small business for a calendar year.
65.8 The application must be in the form and be made under the procedures specified by the
65.9 commissioner, accompanied by an application fee of \$150. Application fees are deposited
65.10 in the small business investment tax credit administration account in the special revenue
65.11 fund. The application for certification for 2010 must be made available on the department's
65.12 Web site by August 1, 2010. Applications for subsequent years' certification must be made
65.13 available on the department's Web site by November 1 of the preceding year.

65.14 (b) Within 30 days of receiving an application for certification under this subdivision,
65.15 the commissioner must either certify the business as satisfying the conditions required of a
65.16 qualified small business, request additional information from the business, or reject the
65.17 application for certification. If the commissioner requests additional information from the
65.18 business, the commissioner must either certify the business or reject the application within
65.19 30 days of receiving the additional information. If the commissioner neither certifies the
65.20 business nor rejects the application within 30 days of receiving the original application or
65.21 within 30 days of receiving the additional information requested, whichever is later, then
65.22 the application is deemed rejected, and the commissioner must refund the \$150 application
65.23 fee. A business that applies for certification and is rejected may reapply.

65.24 (c) To receive certification, a business must satisfy all of the following conditions:

65.25 (1) the business has its headquarters in Minnesota;

65.26 (2) at least 51 percent of the business's employees are employed in Minnesota, and
65.27 51 percent of the business's total payroll is paid or incurred in the state;

65.28 (3) the business is engaged in, or is committed to engage in, innovation in Minnesota
65.29 in one of the following as its primary business activity:

65.30 (i) using proprietary technology to add value to a product, process, or service in a
65.31 qualified high-technology field;

65.32 (ii) researching or developing a proprietary product, process, or service in a qualified
65.33 high-technology field; or

65.34 (iii) researching, developing, or producing a new proprietary technology for use in
65.35 the fields of agriculture, tourism, forestry, mining, manufacturing, or transportation;

66.1 (4) other than the activities specifically listed in clause (3), the business is not
66.2 engaged in real estate development, insurance, banking, lending, lobbying, political
66.3 consulting, information technology consulting, wholesale or retail trade, leisure,
66.4 hospitality, transportation, construction, ethanol production from corn, or professional
66.5 services provided by attorneys, accountants, business consultants, physicians, or health
66.6 care consultants;

66.7 (5) the business has fewer than 25 employees;

66.8 (6) the business must pay its employees annual wages of at least 175 percent of the
66.9 federal poverty guideline for the year for a family of four and must pay its interns annual
66.10 wages of at least 175 percent of the federal minimum wage used for federally covered
66.11 employers, except that this requirement must be reduced proportionately for employees
66.12 and interns who work less than full-time, and does not apply to an executive, officer, or
66.13 member of the board of the business, or to any employee who owns, controls, or holds
66.14 power to vote more than 20 percent of the outstanding securities of the business;

66.15 (7) the business has (i) not been in operation for more than ten years, or (ii) the
66.16 business has not been in operation for more than 20 years if the business is engaged
66.17 in the research, development, or production of medical devices or pharmaceuticals for
66.18 which United States Food and Drug Administration approval is required for use in the
66.19 treatment or diagnosis of a disease or condition;

66.20 (8) the business has not previously received private equity investments of more
66.21 than \$4,000,000; ~~and~~

66.22 (9) the business is not an entity disqualified under section 80A.50, paragraph (b),
66.23 clause (3); ~~and~~

66.24 (10) the business has not issued securities that are traded on a public exchange.

66.25 (d) In applying the limit under paragraph (c), clause (5), the employees in all members
66.26 of the unitary business, as defined in section 290.17, subdivision 4, must be included.

66.27 (e) In order for a qualified investment in a business to be eligible for tax credits;

66.28 (1) the business must have applied for and received certification for the calendar
66.29 year in which the investment was made prior to the date on which the qualified investment
66.30 was made;

66.31 (2) the business must not have issued securities that are traded on a public exchange;

66.32 (3) the business must not issue securities that are traded on a public exchange within
66.33 180 days after the date on which the qualified investment was made; and

66.34 (4) the business must not have a liquidation event within 180 days after the date on
66.35 which the qualified investment was made.

67.1 (f) The commissioner must maintain a list of businesses certified under this
67.2 subdivision for the calendar year and make the list accessible to the public on the
67.3 department's Web site.

67.4 (g) For purposes of this subdivision, the following terms have the meanings given:

67.5 (1) "qualified high-technology field" includes aerospace, agricultural processing,
67.6 renewable energy, energy efficiency and conservation, environmental engineering, food
67.7 technology, cellulosic ethanol, information technology, materials science technology,
67.8 nanotechnology, telecommunications, biotechnology, medical device products,
67.9 pharmaceuticals, diagnostics, biologicals, chemistry, veterinary science, and similar
67.10 fields; and

67.11 (2) "proprietary technology" means the technical innovations that are unique and
67.12 legally owned or licensed by a business and includes, without limitation, those innovations
67.13 that are patented, patent pending, a subject of trade secrets, or copyrighted.

67.14 **EFFECTIVE DATE.** This section is effective for qualified small businesses
67.15 certified after June 30, 2013, except the amendments to paragraph (c), clause (7), are
67.16 effective the day following final enactment.

67.17 Sec. 3. Minnesota Statutes 2012, section 116J.8737, subdivision 8, is amended to read:

67.18 Subd. 8. **Data privacy.** (a) Data contained in an application submitted to the
67.19 commissioner under subdivision 2, 3, or 4 are nonpublic data, or private data on
67.20 individuals, as defined in section 13.02, subdivision 9 or 12, except that the following
67.21 data items are public:

67.22 (1) the name, mailing address, telephone number, e-mail address, contact person's
67.23 name, and industry type of a qualified small business upon approval of the application
67.24 and certification by the commissioner under subdivision 2;

67.25 (2) the name of a qualified investor upon approval of the application and certification
67.26 by the commissioner under subdivision 3;

67.27 (3) the name of a qualified fund upon approval of the application and certification
67.28 by the commissioner under subdivision 4;

67.29 (4) for credit certificates issued under subdivision 5, the amount of the credit
67.30 certificate issued, amount of the qualifying investment, the name of the qualifying investor
67.31 or qualifying fund that received the certificate, and the name of the qualifying small
67.32 business in which the qualifying investment was made;

67.33 (5) for credits revoked under subdivision 7, paragraph (a), the amount revoked and
67.34 the name of the qualified investor or qualified fund; and

68.1 (6) for credits revoked under subdivision 7, paragraphs (b) and (c), the amount
68.2 revoked and the name of the qualified small business.

68.3 (b) The following data, including data classified as nonpublic or private, must be
68.4 provided to the consultant for use in conducting the program evaluation under subdivision
68.5 10:

68.6 (1) the commissioner of employment and economic development shall provide data
68.7 contained in an application for certification received from a qualified small business,
68.8 qualified investor, or qualified fund, and any annual reporting information received on a
68.9 qualified small business, qualified investor, or qualified fund; and

68.10 (2) the commissioner of revenue shall provide data contained in any applicable tax
68.11 returns of a qualified small business, qualified investor, or qualified fund.

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

68.13 Sec. 4. Minnesota Statutes 2012, section 289A.02, subdivision 7, is amended to read:

68.14 Subd. 7. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal
68.15 Revenue Code" means the Internal Revenue Code of 1986, as amended through April
68.16 14, 2011 January 3, 2013.

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

68.18 Sec. 5. Minnesota Statutes 2012, section 289A.08, subdivision 1, is amended to read:

68.19 Subdivision 1. **Generally; individuals.** (a) A taxpayer must file a return for each
68.20 taxable year the taxpayer is required to file a return under section 6012 of the Internal
68.21 Revenue Code, except that:

68.22 (1) an individual who is not a Minnesota resident for any part of the year is not
68.23 required to file a Minnesota income tax return if the individual's gross income derived
68.24 from Minnesota sources as determined under sections 290.081, paragraph (a), and 290.17,
68.25 is less than the filing requirements for a single individual who is a full year resident of
68.26 Minnesota; and

68.27 (2) an individual who is a Minnesota resident is not required to file a Minnesota
68.28 income tax return if the individual's gross income derived from Minnesota sources as
68.29 determined under section 290.17, less the subtraction allowed under section 290.01,
68.30 subdivision 19b, clauses ~~(11) and (14)~~ (9) and (12), is less than the filing requirements for
68.31 a single individual who is a full-year resident of Minnesota.

68.32 (b) The decedent's final income tax return, and other income tax returns for prior
68.33 years where the decedent had gross income in excess of the minimum amount at which

69.1 an individual is required to file and did not file, must be filed by the decedent's personal
69.2 representative, if any. If there is no personal representative, the return or returns must
69.3 be filed by the transferees, as defined in section 270C.58, subdivision 3, who receive
69.4 property of the decedent.

69.5 (c) The term "gross income," as it is used in this section, has the same meaning
69.6 given it in section 290.01, subdivision 20.

69.7 Sec. 6. Minnesota Statutes 2012, section 289A.08, subdivision 3, is amended to read:

69.8 Subd. 3. **Corporations.** (a) A corporation that is subject to the state's jurisdiction to
69.9 tax under section 290.014, subdivision 5, must file a return, ~~except that a foreign operating~~
69.10 ~~corporation as defined in section 290.01, subdivision 6b, is not required to file a return.~~

69.11 (b) Members of a unitary business that are required to file a combined report on one
69.12 return must designate a member of the unitary business to be responsible for tax matters,
69.13 including the filing of returns, the payment of taxes, additions to tax, penalties, interest,
69.14 or any other payment, and for the receipt of refunds of taxes or interest paid in excess of
69.15 taxes lawfully due. The designated member must be a member of the unitary business that
69.16 is filing the single combined report and either:

69.17 (1) a corporation that is subject to the taxes imposed by chapter 290; or

69.18 (2) a corporation that is not subject to the taxes imposed by chapter 290:

69.19 (i) Such corporation consents by filing the return as a designated member under this
69.20 clause to remit taxes, penalties, interest, or additions to tax due from the members of the
69.21 unitary business subject to tax, and receive refunds or other payments on behalf of other
69.22 members of the unitary business. The member designated under this clause is a "taxpayer"
69.23 for the purposes of this chapter and chapter 270C, and is liable for any liability imposed
69.24 on the unitary business under this chapter and chapter 290.

69.25 (ii) If the state does not otherwise have the jurisdiction to tax the member designated
69.26 under this clause, consenting to be the designated member does not create the jurisdiction
69.27 to impose tax on the designated member, other than as described in item (i).

69.28 (iii) The member designated under this clause must apply for a business tax account
69.29 identification number.

69.30 (c) The commissioner shall adopt rules for the filing of one return on behalf of the
69.31 members of an affiliated group of corporations that are required to file a combined report.
69.32 All members of an affiliated group that are required to file a combined report must file one
69.33 return on behalf of the members of the group under rules adopted by the commissioner.

70.1 (d) If a corporation claims on a return that it has paid tax in excess of the amount of
70.2 taxes lawfully due, that corporation must include on that return information necessary for
70.3 payment of the tax in excess of the amount lawfully due by electronic means.

70.4 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
70.5 December 31, 2012.

70.6 Sec. 7. Minnesota Statutes 2012, section 289A.08, subdivision 7, is amended to read:

70.7 Subd. 7. **Composite income tax returns for nonresident partners, shareholders,**
70.8 **and beneficiaries.** (a) The commissioner may allow a partnership with nonresident
70.9 partners to file a composite return and to pay the tax on behalf of nonresident partners who
70.10 have no other Minnesota source income. This composite return must include the names,
70.11 addresses, Social Security numbers, income allocation, and tax liability for the nonresident
70.12 partners electing to be covered by the composite return.

70.13 (b) The computation of a partner's tax liability must be determined by multiplying
70.14 the income allocated to that partner by the highest rate used to determine the tax liability
70.15 for individuals under section 290.06, subdivision 2c. Nonbusiness deductions, standard
70.16 deductions, or personal exemptions are not allowed.

70.17 (c) The partnership must submit a request to use this composite return filing method
70.18 for nonresident partners. The requesting partnership must file a composite return in the
70.19 form prescribed by the commissioner of revenue. The filing of a composite return is
70.20 considered a request to use the composite return filing method.

70.21 (d) The electing partner must not have any Minnesota source income other than the
70.22 income from the partnership and other electing partnerships. If it is determined that the
70.23 electing partner has other Minnesota source income, the inclusion of the income and tax
70.24 liability for that partner under this provision will not constitute a return to satisfy the
70.25 requirements of subdivision 1. The tax paid for the individual as part of the composite return
70.26 is allowed as a payment of the tax by the individual on the date on which the composite
70.27 return payment was made. If the electing nonresident partner has no other Minnesota
70.28 source income, filing of the composite return is a return for purposes of subdivision 1.

70.29 (e) This subdivision does not negate the requirement that an individual pay estimated
70.30 tax if the individual's liability would exceed the requirements set forth in section 289A.25.
70.31 The individual's liability to pay estimated tax is, however, satisfied when the partnership
70.32 pays composite estimated tax in the manner prescribed in section 289A.25.

70.33 (f) If an electing partner's share of the partnership's gross income from Minnesota
70.34 sources is less than the filing requirements for a nonresident under this subdivision, the tax

71.1 liability is zero. However, a statement showing the partner's share of gross income must
71.2 be included as part of the composite return.

71.3 (g) The election provided in this subdivision is only available to a partner who has
71.4 no other Minnesota source income and who is either (1) a full-year nonresident individual
71.5 or (2) a trust or estate that does not claim a deduction under either section 651 or 661 of
71.6 the Internal Revenue Code.

71.7 (h) A corporation defined in section 290.9725 and its nonresident shareholders may
71.8 make an election under this paragraph. The provisions covering the partnership apply to
71.9 the corporation and the provisions applying to the partner apply to the shareholder.

71.10 (i) Estates and trusts distributing current income only and the nonresident individual
71.11 beneficiaries of the estates or trusts may make an election under this paragraph. The
71.12 provisions covering the partnership apply to the estate or trust. The provisions applying to
71.13 the partner apply to the beneficiary.

71.14 (j) For the purposes of this subdivision, "income" means the partner's share of
71.15 federal adjusted gross income from the partnership modified by the additions provided in
71.16 section 290.01, subdivision 19a, clauses (6) to ~~(10)~~ (9), and the subtractions provided in:
71.17 (i) section 290.01, subdivision 19b, clause (8), to the extent the amount is assignable or
71.18 allocable to Minnesota under section 290.17; and (ii) section 290.01, subdivision 19b,
71.19 clause (13). The subtraction allowed under section 290.01, subdivision 19b, clause (8), is
71.20 only allowed on the composite tax computation to the extent the electing partner would
71.21 have been allowed the subtraction.

71.22 Sec. 8. Minnesota Statutes 2012, section 290.01, subdivision 5, is amended to read:

71.23 Subd. 5. **Domestic corporation.** The term "domestic" when applied to a corporation
71.24 means a corporation:

71.25 (1) created or organized in the United States, or under the laws of the United States or
71.26 of any state, the District of Columbia, or any political subdivision of any of the foregoing
71.27 but not including the Commonwealth of Puerto Rico, or any possession of the United States;

71.28 ~~(2) which qualifies as a DISC, as defined in section 992(a) of the Internal Revenue~~
71.29 ~~Code; or~~

71.30 ~~(3) which qualifies as a FSC, as defined in section 922 of the Internal Revenue Code.~~

71.31 (2) which, regardless of the place where the corporation was incorporated:

71.32 (i) has the average of its property, payroll, and sales factors, as defined under section
71.33 290.191, within the territorial limits of the 50 states of the United States and the District of
71.34 Columbia of 20 percent or more; or

71.35 (ii) derives less than 80 percent of its income from foreign sources;

72.1 (3) which is:

72.2 (i) a foreign corporation, foreign partnership, or other foreign entity that has its
72.3 income included in the federal taxable income, as defined in section 63 of the Internal
72.4 Revenue Code, of an entity as defined in clause (1) or an individual who is a United States
72.5 resident, as defined in section 865(g) of the Internal Revenue Code; and

72.6 (ii) not treated as a corporation for federal income tax purposes;

72.7 (4) which is incorporated in a tax haven; or

72.8 (5) which is engaged in activity in a tax haven sufficient for the tax haven to impose a
72.9 net income tax under United States constitutional standards and section 290.015, and which
72.10 reports that 20 percent or more of its income is attributable to business in the tax haven.

72.11 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
72.12 December 31, 2012.

72.13 Sec. 9. Minnesota Statutes 2012, section 290.01, is amended by adding a subdivision
72.14 to read:

72.15 Subd. 5c. **Tax haven.** (a) "Tax haven" means the following foreign jurisdictions,
72.16 unless the listing of the jurisdiction does not apply under paragraph (b):

72.17 (1) Anguilla;

72.18 (2) Antigua and Barbuda;

72.19 (3) Aruba;

72.20 (4) Bahamas;

72.21 (5) Bahrain;

72.22 (6) Belize;

72.23 (7) Bermuda;

72.24 (8) British Virgin Islands;

72.25 (9) Cayman Islands;

72.26 (10) Cook Islands;

72.27 (11) Costa Rica;

72.28 (12) Cyprus;

72.29 (13) Dominica;

72.30 (14) Gibraltar;

72.31 (15) Grenada;

72.32 (16) Guernsey-Sark-Alderney;

72.33 (17) Isle of Man;

72.34 (18) Jersey;

72.35 (19) Jordan;

- 73.1 (20) Lebanon;
73.2 (21) Liberia;
73.3 (22) Liechtenstein;
73.4 (23) Malta;
73.5 (24) Marshall Islands;
73.6 (25) Monaco;
73.7 (26) Nauru;
73.8 (27) Netherlands Antilles;
73.9 (28) Niue;
73.10 (29) Panama;
73.11 (30) St. Kitts and Nevis;
73.12 (31) St. Lucia;
73.13 (32) St. Vincent and Grenadines;
73.14 (33) Samoa;
73.15 (34) Turks and Caicos; and
73.16 (35) Vanuatu.

73.17 (b) A foreign jurisdiction's listing under paragraph (a) does not apply to the first
73.18 taxable year after:

73.19 (1) the United States enters into a tax treaty or other agreement with the foreign
73.20 jurisdiction that provides for prompt, obligatory, and automatic exchange of information
73.21 with the United States government relevant to enforcing the provisions of federal tax laws
73.22 applicable to both individuals and all corporations and other entities and the treaty or other
73.23 agreement was in effect for the taxable year; and

73.24 (2) the foreign jurisdiction imposes a tax rate of at least ten percent on a tax base
73.25 equal to at least 90 percent of the tax base that applies to corporations under the Internal
73.26 Revenue Code.

73.27 **EFFECTIVE DATE.** This section is effective for returns filed for taxable years
73.28 beginning after December 31, 2012.

73.29 Sec. 10. Minnesota Statutes 2012, section 290.01, subdivision 19, as amended by Laws
73.30 2013, chapter 3, section 3, is amended to read:

73.31 Subd. 19. **Net income.** The term "net income" means the federal taxable income,
73.32 as defined in section 63 of the Internal Revenue Code of 1986, as amended through the
73.33 date named in this subdivision, incorporating the federal effective dates of changes to the
73.34 Internal Revenue Code and any elections made by the taxpayer in accordance with the

74.1 Internal Revenue Code in determining federal taxable income for federal income tax
74.2 purposes, and with the modifications provided in subdivisions 19a to 19f.

74.3 In the case of a regulated investment company or a fund thereof, as defined in section
74.4 851(a) or 851(g) of the Internal Revenue Code, federal taxable income means investment
74.5 company taxable income as defined in section 852(b)(2) of the Internal Revenue Code,
74.6 except that:

74.7 (1) the exclusion of net capital gain provided in section 852(b)(2)(A) of the Internal
74.8 Revenue Code does not apply;

74.9 (2) the deduction for dividends paid under section 852(b)(2)(D) of the Internal
74.10 Revenue Code must be applied by allowing a deduction for capital gain dividends and
74.11 exempt-interest dividends as defined in sections 852(b)(3)(C) and 852(b)(5) of the Internal
74.12 Revenue Code; and

74.13 (3) the deduction for dividends paid must also be applied in the amount of any
74.14 undistributed capital gains which the regulated investment company elects to have treated
74.15 as provided in section 852(b)(3)(D) of the Internal Revenue Code.

74.16 The net income of a real estate investment trust as defined and limited by section
74.17 856(a), (b), and (c) of the Internal Revenue Code means the real estate investment trust
74.18 taxable income as defined in section 857(b)(2) of the Internal Revenue Code.

74.19 The net income of a designated settlement fund as defined in section 468B(d) of
74.20 the Internal Revenue Code means the gross income as defined in section 468B(b) of the
74.21 Internal Revenue Code.

74.22 The Internal Revenue Code of 1986, as amended through ~~April 14, 2011~~ January 3,
74.23 2013, shall be in effect for taxable years beginning after December 31, 1996, ~~and before~~
74.24 ~~January 1, 2012, and for taxable years beginning after December 31, 2012.~~ The Internal
74.25 Revenue Code of 1986, as amended through January 3, 2013, is in effect for taxable years
74.26 ~~beginning after December 31, 2011, and before January 1, 2013.~~

74.27 Except as otherwise provided, references to the Internal Revenue Code in
74.28 subdivisions 19 to 19f mean the code in effect for purposes of determining net income for
74.29 the applicable year.

74.30 **EFFECTIVE DATE.** This section is effective the day following final enactment,
74.31 except the changes incorporated by federal changes are effective at the same time as the
74.32 changes were effective for federal purposes.

74.33 Sec. 11. Minnesota Statutes 2012, section 290.01, subdivision 19a, is amended to read:

74.34 Subd. 19a. **Additions to federal taxable income.** For individuals, estates, and
74.35 trusts, there shall be added to federal taxable income:

75.1 (1)(i) interest income on obligations of any state other than Minnesota or a political
 75.2 or governmental subdivision, municipality, or governmental agency or instrumentality
 75.3 of any state other than Minnesota exempt from federal income taxes under the Internal
 75.4 Revenue Code or any other federal statute; and

75.5 (ii) exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue
 75.6 Code, except:

75.7 (A) the portion of the exempt-interest dividends exempt from state taxation under
 75.8 the laws of the United States; and

75.9 (B) the portion of the exempt-interest dividends derived from interest income
 75.10 on obligations of the state of Minnesota or its political or governmental subdivisions,
 75.11 municipalities, governmental agencies or instrumentalities, but only if the portion of the
 75.12 exempt-interest dividends from such Minnesota sources paid to all shareholders represents
 75.13 95 percent or more of the exempt-interest dividends, including any dividends exempt
 75.14 under subitem (A), that are paid by the regulated investment company as defined in section
 75.15 851(a) of the Internal Revenue Code, or the fund of the regulated investment company as
 75.16 defined in section 851(g) of the Internal Revenue Code, making the payment; and

75.17 (iii) for the purposes of items (i) and (ii), interest on obligations of an Indian tribal
 75.18 government described in section 7871(c) of the Internal Revenue Code shall be treated as
 75.19 interest income on obligations of the state in which the tribe is located;

75.20 (2) to the extent allowed as a deduction under section 63(d) of the Internal Revenue
 75.21 Code the amount of:

75.22 (i) income, sales and use, motor vehicle sales, or excise taxes paid or accrued within
 75.23 the taxable year under this chapter ~~and the amount of:~~

75.24 (ii) taxes based on net income paid, sales and use, motor vehicle sales, or excise
 75.25 taxes paid to any other state or to any province or territory of Canada, ~~to the extent allowed~~
 75.26 ~~as a deduction under section 63(d) of the Internal Revenue Code;~~

75.27 (iii) charitable contributions, as defined in section 170(c) of the Internal Revenue
 75.28 Code, to the extent allowed as a deduction under section 170(a) of the Internal Revenue
 75.29 Code.

75.30 ~~but~~ The addition sum of the additions under items (i) to (iii) may not be more
 75.31 than the amount by which the itemized deductions as allowed under section 63(d) of
 75.32 the Internal Revenue Code state itemized deduction exceeds the amount of the standard
 75.33 deduction as defined in section 63(c) of the Internal Revenue Code, disregarding the
 75.34 amounts allowed under sections 63(e)(1)(C) and 63(e)(1)(E) of the Internal Revenue
 75.35 Code, minus any addition that would have been required under clause (21) if the taxpayer
 75.36 had claimed the standard deduction. For the purpose of this paragraph, the disallowance of

76.1 ~~itemized deductions under section 68 of the Internal Revenue Code of 1986, income, sales~~
76.2 ~~and use, motor vehicle sales, or excise taxes are the last itemized deductions disallowed.~~
76.3 For purposes of this clause, income, sales and use, and charitable contributions are the last
76.4 itemized deductions disallowed under clause (13);

76.5 (3) the capital gain amount of a lump-sum distribution to which the special tax under
76.6 section 1122(h)(3)(B)(ii) of the Tax Reform Act of 1986, Public Law 99-514, applies;

76.7 (4) the amount of income taxes paid or accrued within the taxable year under this
76.8 chapter and taxes based on net income paid to any other state or any province or territory
76.9 of Canada, to the extent allowed as a deduction in determining federal adjusted gross
76.10 income. For the purpose of this paragraph, income taxes do not include the taxes imposed
76.11 by sections 290.0922, subdivision 1, paragraph (b), 290.9727, 290.9728, and 290.9729;

76.12 (5) the amount of expense, interest, or taxes disallowed pursuant to section 290.10
76.13 other than expenses or interest used in computing net interest income for the subtraction
76.14 allowed under subdivision 19b, clause (1);

76.15 (6) the amount of a partner's pro rata share of net income which does not flow
76.16 through to the partner because the partnership elected to pay the tax on the income under
76.17 section 6242(a)(2) of the Internal Revenue Code;

76.18 (7) 80 percent of the depreciation deduction allowed under section 168(k) of the
76.19 Internal Revenue Code. For purposes of this clause, if the taxpayer has an activity that
76.20 in the taxable year generates a deduction for depreciation under section 168(k) and the
76.21 activity generates a loss for the taxable year that the taxpayer is not allowed to claim for
76.22 the taxable year, "the depreciation allowed under section 168(k)" for the taxable year is
76.23 limited to excess of the depreciation claimed by the activity under section 168(k) over the
76.24 amount of the loss from the activity that is not allowed in the taxable year. In succeeding
76.25 taxable years when the losses not allowed in the taxable year are allowed, the depreciation
76.26 under section 168(k) is allowed;

76.27 (8) 80 percent of the amount by which the deduction allowed by section 179 of the
76.28 Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal
76.29 Revenue Code of 1986, as amended through December 31, 2003;

76.30 (9) to the extent deducted in computing federal taxable income, the amount of the
76.31 deduction allowable under section 199 of the Internal Revenue Code;

76.32 ~~(10) for taxable years beginning before January 1, 2013, the exclusion allowed under~~
76.33 ~~section 139A of the Internal Revenue Code for federal subsidies for prescription drug plans;~~

76.34 ~~(11)~~ (10) the amount of expenses disallowed under section 290.10, subdivision 2;

77.1 ~~(12) for taxable years beginning before January 1, 2010, the amount deducted for~~
77.2 ~~qualified tuition and related expenses under section 222 of the Internal Revenue Code, to~~
77.3 ~~the extent deducted from gross income;~~

77.4 ~~(13) for taxable years beginning before January 1, 2010, the amount deducted for~~
77.5 ~~certain expenses of elementary and secondary school teachers under section 62(a)(2)(D)~~
77.6 ~~of the Internal Revenue Code, to the extent deducted from gross income;~~

77.7 ~~(14) the additional standard deduction for property taxes payable that is allowable~~
77.8 ~~under section 63(e)(1)(C) of the Internal Revenue Code;~~

77.9 ~~(15) the additional standard deduction for qualified motor vehicle sales taxes~~
77.10 ~~allowable under section 63(e)(1)(E) of the Internal Revenue Code;~~

77.11 ~~(16) (11) discharge of indebtedness income resulting from reacquisition of business~~
77.12 ~~indebtedness and deferred under section 108(i) of the Internal Revenue Code;~~

77.13 ~~(17) the amount of unemployment compensation exempt from tax under section~~
77.14 ~~85(e) of the Internal Revenue Code;~~

77.15 ~~(18) (12) changes to federal taxable income attributable to a net operating loss that~~
77.16 ~~the taxpayer elected to carry back for more than two years for federal purposes but for~~
77.17 ~~which the losses can be carried back for only two years under section 290.095, subdivision~~
77.18 ~~11, paragraph (c);~~

77.19 ~~(19) (13) to the extent included in the computation of federal taxable income in~~
77.20 ~~taxable years beginning after December 31, 2010, the amount of disallowed itemized~~
77.21 ~~deductions, but the amount of disallowed itemized deductions plus the addition required~~
77.22 ~~under clause (2) may not be more than the amount by which the itemized deductions as~~
77.23 ~~allowed under section 63(d) of the Internal Revenue Code exceeds the amount of the~~
77.24 ~~standard deduction as defined in section 63(c) of the Internal Revenue Code, disregarding~~
77.25 ~~the amounts allowed under sections 63(e)(1)(C) and 63(e)(1)(E) of the Internal Revenue~~
77.26 ~~Code, and reduced by any addition that would have been required under clause (21) if the~~
77.27 ~~taxpayer had claimed the standard deduction:~~

77.28 ~~(i) the amount of disallowed itemized deductions is equal to the lesser of:~~

77.29 ~~(A) three percent of the excess of the taxpayer's federal adjusted gross income~~
77.30 ~~over the applicable amount; or~~

77.31 ~~(B) 80 percent of the amount of the itemized deductions otherwise allowable to the~~
77.32 ~~taxpayer under the Internal Revenue Code for the taxable year;~~

77.33 ~~(ii) the term "applicable amount" means \$100,000, or \$50,000 in the case of a~~
77.34 ~~married individual filing a separate return. Each dollar amount shall be increased by~~
77.35 ~~an amount equal to:~~

77.36 ~~(A) such dollar amount, multiplied by~~

78.1 (B) the cost-of-living adjustment determined under section 1(f)(3) of the Internal
 78.2 Revenue Code for the calendar year in which the taxable year begins, by substituting
 78.3 "calendar year 1990" for "calendar year 1992" in subparagraph (B) thereof;

78.4 (iii) the term "itemized deductions" does not include:

78.5 (A) the deduction for medical expenses under section 213 of the Internal Revenue
 78.6 Code;

78.7 (B) any deduction for investment interest as defined in section 163(d) of the Internal
 78.8 Revenue Code; and

78.9 (C) the deduction under section 165(a) of the Internal Revenue Code for casualty or
 78.10 theft losses described in paragraph (2) or (3) of section 165(c) of the Internal Revenue
 78.11 Code or for losses described in section 165(d) of the Internal Revenue Code; and

78.12 ~~(20)~~ (14) to the extent included in federal taxable income in taxable years beginning
 78.13 after December 31, 2010, the amount of disallowed personal exemptions for taxpayers
 78.14 with federal adjusted gross income over the threshold amount:

78.15 (i) the disallowed personal exemption amount is equal to the dollar amount of the
 78.16 personal exemptions claimed by the taxpayer in the computation of federal taxable income
 78.17 multiplied by the applicable percentage;

78.18 (ii) "applicable percentage" means two percentage points for each \$2,500 (or
 78.19 fraction thereof) by which the taxpayer's federal adjusted gross income for the taxable
 78.20 year exceeds the threshold amount. In the case of a married individual filing a separate
 78.21 return, the preceding sentence shall be applied by substituting "\$1,250" for "\$2,500." In
 78.22 no event shall the applicable percentage exceed 100 percent;

78.23 (iii) the term "threshold amount" means:

78.24 (A) \$150,000 in the case of a joint return or a surviving spouse;

78.25 (B) \$125,000 in the case of a head of a household;

78.26 (C) \$100,000 in the case of an individual who is not married and who is not a
 78.27 surviving spouse or head of a household; and

78.28 (D) \$75,000 in the case of a married individual filing a separate return; and

78.29 (iv) the thresholds shall be increased by an amount equal to:

78.30 (A) such dollar amount, multiplied by

78.31 (B) the cost-of-living adjustment determined under section 1(f)(3) of the Internal
 78.32 Revenue Code for the calendar year in which the taxable year begins, by substituting
 78.33 "calendar year 1990" for "calendar year 1992" in subparagraph (B) thereof; and

78.34 ~~(21) to the extent deducted in the computation of federal taxable income, for taxable~~
 78.35 ~~years beginning after December 31, 2010, and before January 1, 2013, the difference~~
 78.36 ~~between the standard deduction allowed under section 63(e) of the Internal Revenue Code~~

79.1 ~~and the standard deduction allowed for 2011 and 2012 under the Internal Revenue Code~~
79.2 ~~as amended through December 1, 2010.~~

79.3 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
79.4 December 31, 2012.

79.5 Sec. 12. Minnesota Statutes 2012, section 290.01, subdivision 19b, is amended to read:

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

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

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

79.14 (3) the amount paid to others, less the amount used to claim the credit allowed under
79.15 section 290.0674, not to exceed \$1,625 for each qualifying child in grades kindergarten
79.16 to 6 and \$2,500 for each qualifying child in grades 7 to 12, for tuition, textbooks, and
79.17 transportation of each qualifying child in attending an elementary or secondary school
79.18 situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a
79.19 resident of this state may legally fulfill the state's compulsory attendance laws, which
79.20 is not operated for profit, and which adheres to the provisions of the Civil Rights Act
79.21 of 1964 and chapter 363A. For the purposes of this clause, "tuition" includes fees or
79.22 tuition as defined in section 290.0674, subdivision 1, clause (1). As used in this clause,
79.23 "textbooks" includes books and other instructional materials and equipment purchased
79.24 or leased for use in elementary and secondary schools in teaching only those subjects
79.25 legally and commonly taught in public elementary and secondary schools in this state.
79.26 Equipment expenses qualifying for deduction includes expenses as defined and limited in
79.27 section 290.0674, subdivision 1, clause (3). "Textbooks" does not include instructional
79.28 books and materials used in the teaching of religious tenets, doctrines, or worship, the
79.29 purpose of which is to instill such tenets, doctrines, or worship, nor does it include books
79.30 or materials for, or transportation to, extracurricular activities including sporting events,
79.31 musical or dramatic events, speech activities, driver's education, or similar programs. No
79.32 deduction is permitted for any expense the taxpayer incurred in using the taxpayer's or
79.33 the qualifying child's vehicle to provide such transportation for a qualifying child. For
79.34 purposes of the subtraction provided by this clause, "qualifying child" has the meaning
79.35 given in section 32(c)(3) of the Internal Revenue Code;

80.1 (4) income as provided under section 290.0802;

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

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

80.10 ~~(7) for individuals who are allowed a federal foreign tax credit for taxes that do not~~
80.11 ~~qualify for a credit under section 290.06, subdivision 22, an amount equal to the carryover~~
80.12 ~~of subnational foreign taxes for the taxable year, but not to exceed the total subnational~~
80.13 ~~foreign taxes reported in claiming the foreign tax credit. For purposes of this clause,~~
80.14 ~~"federal foreign tax credit" means the credit allowed under section 27 of the Internal~~
80.15 ~~Revenue Code, and "carryover of subnational foreign taxes" equals the carryover allowed~~
80.16 ~~under section 904(c) of the Internal Revenue Code minus national level foreign taxes to~~
80.17 ~~the extent they exceed the federal foreign tax credit;~~

80.18 ~~(8) (6)~~ in each of the five tax years immediately following the tax year in which an
80.19 addition is required under subdivision 19a, clause (7), or 19c, clause ~~(15)~~ (12), in the case
80.20 of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the
80.21 delayed depreciation. For purposes of this clause, "delayed depreciation" means the amount
80.22 of the addition made by the taxpayer under subdivision 19a, clause (7), or subdivision 19c,
80.23 clause ~~(15)~~ (12), in the case of a shareholder of an S corporation, minus the positive value
80.24 of any net operating loss under section 172 of the Internal Revenue Code generated for the
80.25 tax year of the addition. The resulting delayed depreciation cannot be less than zero;

80.26 ~~(9) (7)~~ job opportunity building zone income as provided under section 469.316;

80.27 ~~(10) (8)~~ to the extent included in federal taxable income, the amount of compensation
80.28 paid to members of the Minnesota National Guard or other reserve components of the
80.29 United States military for active service, excluding compensation for services performed
80.30 under the Active Guard Reserve (AGR) program. For purposes of this clause, "active
80.31 service" means (i) state active service as defined in section 190.05, subdivision 5a, clause
80.32 (1); or (ii) federally funded state active service as defined in section 190.05, subdivision
80.33 5b, but "active service" excludes service performed in accordance with section 190.08,
80.34 subdivision 3;

80.35 ~~(11) (9)~~ to the extent included in federal taxable income, the amount of compensation
80.36 paid to Minnesota residents who are members of the armed forces of the United States

81.1 or United Nations for active duty performed under United States Code, title 10; or the
81.2 authority of the United Nations;

81.3 ~~(12)~~ (10) an amount, not to exceed \$10,000, equal to qualified expenses related to a
81.4 qualified donor's donation, while living, of one or more of the qualified donor's organs
81.5 to another person for human organ transplantation. For purposes of this clause, "organ"
81.6 means all or part of an individual's liver, pancreas, kidney, intestine, lung, or bone marrow;
81.7 "human organ transplantation" means the medical procedure by which transfer of a human
81.8 organ is made from the body of one person to the body of another person; "qualified
81.9 expenses" means unreimbursed expenses for both the individual and the qualified donor
81.10 for (i) travel, (ii) lodging, and (iii) lost wages net of sick pay, except that such expenses
81.11 may be subtracted under this clause only once; and "qualified donor" means the individual
81.12 or the individual's dependent, as defined in section 152 of the Internal Revenue Code. An
81.13 individual may claim the subtraction in this clause for each instance of organ donation for
81.14 transplantation during the taxable year in which the qualified expenses occur;

81.15 ~~(13)~~ (11) in each of the five tax years immediately following the tax year in which an
81.16 addition is required under subdivision 19a, clause (8), or 19c, clause ~~(16)~~ (13), in the case
81.17 of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth of
81.18 the addition made by the taxpayer under subdivision 19a, clause (8), or 19c, clause ~~(16)~~
81.19 (13), in the case of a shareholder of a corporation that is an S corporation, minus the
81.20 positive value of any net operating loss under section 172 of the Internal Revenue Code
81.21 generated for the tax year of the addition. If the net operating loss exceeds the addition for
81.22 the tax year, a subtraction is not allowed under this clause;

81.23 ~~(14)~~ (12) to the extent included in the federal taxable income of a nonresident of
81.24 Minnesota, compensation paid to a service member as defined in United States Code, title
81.25 10, section 101(a)(5), for military service as defined in the Servicemembers Civil Relief
81.26 Act, Public Law 108-189, section 101(2);

81.27 ~~(15)~~ (13) to the extent included in federal taxable income, the amount of national
81.28 service educational awards received from the National Service Trust under United States
81.29 Code, title 42, sections 12601 to 12604, for service in an approved Americorps National
81.30 Service program;

81.31 ~~(16)~~ (14) to the extent included in federal taxable income, discharge of indebtedness
81.32 income resulting from reacquisition of business indebtedness included in federal taxable
81.33 income under section 108(i) of the Internal Revenue Code. This subtraction applies only
81.34 to the extent that the income was included in net income in a prior year as a result of the
81.35 addition under section 290.01, subdivision 19a, clause ~~(16)~~ (11); and

82.1 ~~(17)~~ (15) the amount of the net operating loss allowed under section 290.095,
82.2 subdivision 11, paragraph (c);

82.3 (16) the amount of the limitation on itemized deductions under section 68(b) of the
82.4 Internal Revenue Code;

82.5 (17) the amount of the phase-out of personal exemptions under section 151(d) of
82.6 the Internal Revenue Code; and

82.7 (18) in the year that the expenditures are made for railroad track maintenance, as
82.8 defined in section 45G(d) of the Internal Revenue Code, in the case of a shareholder of a
82.9 corporation that is an S corporation or a partner in a partnership, an amount equal to the
82.10 credit awarded under section 45G(a) of the Internal Revenue Code. The subtraction is
82.11 reduced to an amount equal to the percentage of the shareholder's or partner's share of the
82.12 net income of the S corporation or partnership.

82.13 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
82.14 December 31, 2012.

82.15 Sec. 13. Minnesota Statutes 2012, section 290.01, subdivision 19c, is amended to read:

82.16 Subd. 19c. **Corporations; additions to federal taxable income.** For corporations,
82.17 there shall be added to federal taxable income:

82.18 (1) the amount of any deduction taken for federal income tax purposes for income,
82.19 excise, or franchise taxes based on net income or related minimum taxes, including but not
82.20 limited to the tax imposed under section 290.0922, paid by the corporation to Minnesota,
82.21 another state, a political subdivision of another state, the District of Columbia, or any
82.22 foreign country or possession of the United States;

82.23 (2) interest not subject to federal tax upon obligations of: the United States, its
82.24 possessions, its agencies, or its instrumentalities; the state of Minnesota or any other
82.25 state, any of its political or governmental subdivisions, any of its municipalities, or any
82.26 of its governmental agencies or instrumentalities; the District of Columbia; or Indian
82.27 tribal governments;

82.28 (3) exempt-interest dividends received as defined in section 852(b)(5) of the Internal
82.29 Revenue Code;

82.30 (4) the amount of any net operating loss deduction taken for federal income tax
82.31 purposes under section 172 or 832(c)(10) of the Internal Revenue Code or operations loss
82.32 deduction under section 810 of the Internal Revenue Code;

82.33 (5) the amount of any special deductions taken for federal income tax purposes
82.34 under sections 241 to 247 and 965 of the Internal Revenue Code;

83.1 (6) losses from the business of mining, as defined in section 290.05, subdivision 1,
83.2 clause (a), that are not subject to Minnesota income tax;

83.3 (7) the amount of any capital losses deducted for federal income tax purposes under
83.4 sections 1211 and 1212 of the Internal Revenue Code;

83.5 ~~(8) the exempt foreign trade income of a foreign sales corporation under sections~~
83.6 ~~921(a) and 291 of the Internal Revenue Code;~~

83.7 ~~(9)~~ (8) the amount of percentage depletion deducted under sections 611 through
83.8 614 and 291 of the Internal Revenue Code;

83.9 ~~(10)~~ (9) for certified pollution control facilities placed in service in a taxable year
83.10 beginning before December 31, 1986, and for which amortization deductions were elected
83.11 under section 169 of the Internal Revenue Code of 1954, as amended through December
83.12 31, 1985, the amount of the amortization deduction allowed in computing federal taxable
83.13 income for those facilities;

83.14 ~~(11) the amount of any deemed dividend from a foreign operating corporation~~
83.15 ~~determined pursuant to section 290.17, subdivision 4, paragraph (g). The deemed dividend~~
83.16 ~~shall be reduced by the amount of the addition to income required by clauses (20), (21),~~
83.17 ~~(22), and (23);~~

83.18 ~~(12)~~ (10) the amount of a partner's pro rata share of net income which does not flow
83.19 through to the partner because the partnership elected to pay the tax on the income under
83.20 section 6242(a)(2) of the Internal Revenue Code;

83.21 ~~(13) the amount of net income excluded under section 114 of the Internal Revenue~~
83.22 ~~Code;~~

83.23 ~~(14)~~ (11) any increase in subpart F income, as defined in section 952(a) of the
83.24 Internal Revenue Code, for the taxable year when subpart F income is calculated without
83.25 regard to the provisions of Division C, title III, section 303(b) of Public Law 110-343;

83.26 ~~(15)~~ (12) 80 percent of the depreciation deduction allowed under section
83.27 168(k)(1)(A) and (k)(4)(A) of the Internal Revenue Code. For purposes of this clause, if
83.28 the taxpayer has an activity that in the taxable year generates a deduction for depreciation
83.29 under section 168(k)(1)(A) and (k)(4)(A) and the activity generates a loss for the taxable
83.30 year that the taxpayer is not allowed to claim for the taxable year, "the depreciation
83.31 allowed under section 168(k)(1)(A) and (k)(4)(A)" for the taxable year is limited to excess
83.32 of the depreciation claimed by the activity under section 168(k)(1)(A) and (k)(4)(A)
83.33 over the amount of the loss from the activity that is not allowed in the taxable year. In
83.34 succeeding taxable years when the losses not allowed in the taxable year are allowed, the
83.35 depreciation under section 168(k)(1)(A) and (k)(4)(A) is allowed;

84.1 ~~(16)~~ (13) 80 percent of the amount by which the deduction allowed by section 179 of
84.2 the Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal
84.3 Revenue Code of 1986, as amended through December 31, 2003;

84.4 ~~(17)~~ (14) to the extent deducted in computing federal taxable income, the amount of
84.5 the deduction allowable under section 199 of the Internal Revenue Code;

84.6 ~~(18)~~ for taxable years beginning before January 1, 2013, the exclusion allowed under
84.7 section 139A of the Internal Revenue Code for federal subsidies for prescription drug plans;

84.8 ~~(19)~~ (15) the amount of expenses disallowed under section 290.10, subdivision 2; and

84.9 ~~(20)~~ an amount equal to the interest and intangible expenses, losses, and costs paid,
84.10 accrued, or incurred by any member of the taxpayer's unitary group to or for the benefit
84.11 of a corporation that is a member of the taxpayer's unitary business group that qualifies
84.12 as a foreign operating corporation. For purposes of this clause, intangible expenses and
84.13 costs include:

84.14 ~~(i)~~ expenses, losses, and costs for, or related to, the direct or indirect acquisition,
84.15 use, maintenance or management, ownership, sale, exchange, or any other disposition of
84.16 intangible property;

84.17 ~~(ii)~~ losses incurred, directly or indirectly, from factoring transactions or discounting
84.18 transactions;

84.19 ~~(iii)~~ royalty, patent, technical, and copyright fees;

84.20 ~~(iv)~~ licensing fees; and

84.21 ~~(v)~~ other similar expenses and costs.

84.22 For purposes of this clause, "intangible property" includes stocks, bonds, patents, patent
84.23 applications, trade names, trademarks, service marks, copyrights, mask works, trade
84.24 secrets, and similar types of intangible assets.

84.25 This clause does not apply to any item of interest or intangible expenses or costs paid,
84.26 accrued, or incurred, directly or indirectly, to a foreign operating corporation with respect
84.27 to such item of income to the extent that the income to the foreign operating corporation
84.28 is income from sources without the United States as defined in subtitle A, chapter 1,
84.29 subchapter N, part 1, of the Internal Revenue Code;

84.30 ~~(21)~~ except as already included in the taxpayer's taxable income pursuant to clause
84.31 ~~(20)~~, any interest income and income generated from intangible property received or
84.32 accrued by a foreign operating corporation that is a member of the taxpayer's unitary
84.33 group. For purposes of this clause, income generated from intangible property includes:

84.34 ~~(i)~~ income related to the direct or indirect acquisition, use, maintenance or
84.35 management, ownership, sale, exchange, or any other disposition of intangible property;

84.36 ~~(ii)~~ income from factoring transactions or discounting transactions;

- 85.1 ~~(iii) royalty, patent, technical, and copyright fees;~~
 85.2 ~~(iv) licensing fees; and~~
 85.3 ~~(v) other similar income.~~

85.4 ~~For purposes of this clause, "intangible property" includes stocks, bonds, patents, patent~~
 85.5 ~~applications, trade names, trademarks, service marks, copyrights, mask works, trade~~
 85.6 ~~secrets, and similar types of intangible assets.~~

85.7 ~~This clause does not apply to any item of interest or intangible income received or accrued~~
 85.8 ~~by a foreign operating corporation with respect to such item of income to the extent that~~
 85.9 ~~the income is income from sources without the United States as defined in subtitle A,~~
 85.10 ~~chapter 1, subchapter N, part 1, of the Internal Revenue Code;~~

85.11 ~~(22) the dividends attributable to the income of a foreign operating corporation that~~
 85.12 ~~is a member of the taxpayer's unitary group in an amount that is equal to the dividends~~
 85.13 ~~paid deduction of a real estate investment trust under section 561(a) of the Internal~~
 85.14 ~~Revenue Code for amounts paid or accrued by the real estate investment trust to the~~
 85.15 ~~foreign operating corporation;~~

85.16 ~~(23) the income of a foreign operating corporation that is a member of the taxpayer's~~
 85.17 ~~unitary group in an amount that is equal to gains derived from the sale of real or personal~~
 85.18 ~~property located in the United States;~~

85.19 ~~(24) for taxable years beginning before January 1, 2010, the additional amount~~
 85.20 ~~allowed as a deduction for donation of computer technology and equipment under section~~
 85.21 ~~170(e)(6) of the Internal Revenue Code, to the extent deducted from taxable income; and~~

85.22 ~~(25) (16) discharge of indebtedness income resulting from reacquisition of business~~
 85.23 ~~indebtedness and deferred under section 108(i) of the Internal Revenue Code.~~

85.24 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
 85.25 December 31, 2012.

85.26 Sec. 14. Minnesota Statutes 2012, section 290.01, subdivision 19d, is amended to read:

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

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

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

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

86.5 (4) amounts disallowed for intangible drilling costs due to differences between
86.6 this chapter and the Internal Revenue Code in taxable years beginning before January
86.7 1, 1987, as follows:

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

86.11 (ii) to the extent the disallowed costs are not represented by physical property, an
86.12 amount equal to the allowance for cost depletion under Minnesota Statutes 1986, section
86.13 290.09, subdivision 8;

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

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

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

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

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

86.28 (6) an amount for interest and expenses relating to income not taxable for federal
86.29 income tax purposes, if (i) the income is taxable under this chapter and (ii) the interest and
86.30 expenses were disallowed as deductions under the provisions of section 171(a)(2), 265 or
86.31 291 of the Internal Revenue Code in computing federal taxable income;

86.32 (7) in the case of mines, oil and gas wells, other natural deposits, and timber for
86.33 which percentage depletion was disallowed pursuant to subdivision 19c, clause ~~(9)~~ (8), a
86.34 reasonable allowance for depletion based on actual cost. In the case of leases the deduction
86.35 must be apportioned between the lessor and lessee in accordance with rules prescribed
86.36 by the commissioner. In the case of property held in trust, the allowable deduction must

87.1 be apportioned between the income beneficiaries and the trustee in accordance with the
87.2 pertinent provisions of the trust, or if there is no provision in the instrument, on the basis
87.3 of the trust's income allocable to each;

87.4 (8) for certified pollution control facilities placed in service in a taxable year
87.5 beginning before December 31, 1986, and for which amortization deductions were elected
87.6 under section 169 of the Internal Revenue Code of 1954, as amended through December
87.7 31, 1985, an amount equal to the allowance for depreciation under Minnesota Statutes
87.8 1986, section 290.09, subdivision 7;

87.9 (9) amounts included in federal taxable income that are due to refunds of income,
87.10 excise, or franchise taxes based on net income or related minimum taxes paid by the
87.11 corporation to Minnesota, another state, a political subdivision of another state, the
87.12 District of Columbia, or a foreign country or possession of the United States to the extent
87.13 that the taxes were added to federal taxable income under ~~section 290.01~~, subdivision 19c,
87.14 clause (1), in a prior taxable year;

87.15 (10) ~~80~~ 50 percent of royalties, fees, or other like income accrued or received from a
87.16 ~~foreign operating corporation or a~~ foreign corporation which is part of the same unitary
87.17 business as the receiving corporation, unless the income resulting from such payments or
87.18 accruals is income from sources within the United States as defined in subtitle A, chapter
87.19 1, subchapter N, part 1, of the Internal Revenue Code;

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

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

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

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

87.29 ~~(15) for a corporation whose foreign sales corporation, as defined in section 922~~
87.30 ~~of the Internal Revenue Code, constituted a foreign operating corporation during any~~
87.31 ~~taxable year ending before January 1, 1995, and a return was filed by August 15, 1996,~~
87.32 ~~claiming the deduction under section 290.21, subdivision 4, for income received from~~
87.33 ~~the foreign operating corporation, an amount equal to 1.23 multiplied by the amount of~~
87.34 ~~income excluded under section 114 of the Internal Revenue Code, provided the income is~~
87.35 ~~not income of a foreign operating company;~~

88.1 ~~(16)~~ (15) any decrease in subpart F income, as defined in section 952(a) of the
 88.2 Internal Revenue Code, for the taxable year when subpart F income is calculated without
 88.3 regard to the provisions of Division C, title III, section 303(b) of Public Law 110-343;

88.4 ~~(17)~~ (16) in each of the five tax years immediately following the tax year in which an
 88.5 addition is required under subdivision 19c, clause ~~(15)~~ (12), an amount equal to one-fifth
 88.6 of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the
 88.7 amount of the addition made by the taxpayer under subdivision 19c, clause ~~(15)~~ (12). The
 88.8 resulting delayed depreciation cannot be less than zero;

88.9 ~~(18)~~ (17) in each of the five tax years immediately following the tax year in which an
 88.10 addition is required under subdivision 19c, clause ~~(16)~~ (13), an amount equal to one-fifth
 88.11 of the amount of the addition; ~~and~~

88.12 ~~(19)~~ (18) to the extent included in federal taxable income, discharge of indebtedness
 88.13 income resulting from reacquisition of business indebtedness included in federal taxable
 88.14 income under section 108(i) of the Internal Revenue Code. This subtraction applies only
 88.15 to the extent that the income was included in net income in a prior year as a result of the
 88.16 addition under ~~section 290.01~~, subdivision 19c, clause ~~(25)~~ (16); and

88.17 (19) in the year that the expenditures are made for railroad track maintenance, as
 88.18 defined in section 45G(d) of the Internal Revenue Code, an amount equal to the credit
 88.19 awarded under section 45G(a) of the Internal Revenue Code.

88.20 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
 88.21 December 31, 2012.

88.22 Sec. 15. Minnesota Statutes 2012, section 290.01, is amended by adding a subdivision
 88.23 to read:

88.24 Subd. 29a. **State itemized deduction.** The term "state itemized deduction" means
 88.25 federal itemized deductions, as defined in section 63(d) of the Internal Revenue Code,
 88.26 disregarding any limitation under section 68 of the Internal Revenue Code, and reduced
 88.27 by the amount of the addition required under subdivision 19a, clause (13).

88.28 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
 88.29 December 31, 2012.

88.30 Sec. 16. Minnesota Statutes 2012, section 290.01, subdivision 31, as amended by Laws
 88.31 2013, chapter 3, section 4, is amended to read:

88.32 Subd. 31. **Internal Revenue Code.** Unless specifically defined otherwise, ~~for~~
 88.33 ~~taxable years beginning before January 1, 2012, and after December 31, 2012,~~ "Internal

89.1 Revenue Code" means the Internal Revenue Code of 1986, as amended through April 14,
 89.2 2011; and for taxable years beginning after December 31, 2011, and before January 1,
 89.3 2013, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended
 89.4 through January 3, 2013. Internal Revenue Code also includes any uncodified provision in
 89.5 federal law that relates to provisions of the Internal Revenue Code that are incorporated
 89.6 into Minnesota law. When used in this chapter, the reference to "subtitle A, chapter 1,
 89.7 subchapter N, part 1, of the Internal Revenue Code" is to the Internal Revenue Code as
 89.8 amended through March 18, 2010.

89.9 **EFFECTIVE DATE.** This section is effective the day following final enactment,
 89.10 except the changes incorporated by federal changes are effective at the same time as the
 89.11 changes were effective for federal purposes.

89.12 Sec. 17. Minnesota Statutes 2012, section 290.01, is amended by adding a subdivision
 89.13 to read:

89.14 **Subd. 33. Foreign source income; income from foreign sources.** The terms
 89.15 "foreign source income" and "income from foreign sources" means income from sources
 89.16 without the United States as defined in subtitle A, chapter 1, subchapter N, part 1, of the
 89.17 Internal Revenue Code.

89.18 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
 89.19 December 31, 2012.

89.20 Sec. 18. Minnesota Statutes 2012, section 290.06, subdivision 2c, is amended to read:

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

- 89.25 (1) On the first ~~\$25,680~~ \$31,250, 5.35 percent;
- 89.26 (2) On all over ~~\$25,680~~ \$31,250, but not over ~~\$102,030~~ \$130,000, 7.05 percent;
- 89.27 (3) On all over ~~\$102,030~~ \$130,000, but not over \$400,000, 7.85 percent.;
- 89.28 (4) On all over \$400,000, 8.49 percent.

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

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

90.1 (1) On the first ~~\$17,570~~ \$21,400, 5.35 percent;

90.2 (2) On all over ~~\$17,570~~ \$21,400, but not over ~~\$57,710~~ \$73,500, 7.05 percent;

90.3 (3) On all over ~~\$57,710~~ \$73,500, but not over \$226,200, 7.85 percent.;

90.4 (4) On all over \$226,200, 8.49 percent.

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

90.8 (1) On the first ~~\$21,630~~ \$26,300, 5.35 percent;

90.9 (2) On all over ~~\$21,630~~ \$26,300, but not over ~~\$86,910~~ \$110,700, 7.05 percent;

90.10 (3) On all over ~~\$86,910~~ \$110,700, but not over \$340,700, 7.85 percent.;

90.11 (4) On all over \$340,700, 8.49 percent.

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

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

90.23 (1) the numerator is the individual's Minnesota source federal adjusted gross income
90.24 as defined in section 62 of the Internal Revenue Code and increased by the additions
90.25 required under section 290.01, subdivision 19a, clauses (1), ~~(5), (6), (7), (8), (9), (12),~~
90.26 ~~(13), and (16) to (18)~~ (5) to (9), (11), and (12), and reduced by the Minnesota assignable
90.27 portion of the subtraction for United States government interest under section 290.01,
90.28 subdivision 19b, clause (1), and the subtractions under section 290.01, subdivision 19b,
90.29 clauses ~~(8), (9), (13), (14), (16), and (17)~~ (6), (7), (11), (12), (14), and (15), after applying
90.30 the allocation and assignability provisions of section 290.081, clause (a), or 290.17; and

90.31 (2) the denominator is the individual's federal adjusted gross income as defined in
90.32 section 62 of the Internal Revenue Code of 1986, increased by the amounts specified in
90.33 section 290.01, subdivision 19a, clauses (1), ~~(5), (6), (7), (8), (9), (12), (13), and (16) to~~
90.34 ~~(18)~~ (5) to (9), (11), and (12), and reduced by the amounts specified in section 290.01,
90.35 subdivision 19b, clauses (1), ~~(8), (9), (13), (14), (16), and (17)~~ (6), (7), (11), (12), (14),
90.36 and (15).

91.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
 91.2 December 31, 2012.

91.3 Sec. 19. Minnesota Statutes 2012, section 290.06, subdivision 2d, is amended to read:

91.4 Subd. 2d. **Inflation adjustment of brackets.** (a) For taxable years beginning after
 91.5 December 31, ~~2000~~ 2013, the minimum and maximum dollar amounts for each rate
 91.6 bracket for which a tax is imposed in subdivision 2c shall be adjusted for inflation by the
 91.7 percentage determined under paragraph (b). For the purpose of making the adjustment as
 91.8 provided in this subdivision all of the rate brackets provided in subdivision 2c shall be the
 91.9 rate brackets as they existed for taxable years beginning after December 31, ~~1999~~ 2012,
 91.10 and before January 1, ~~2001~~ 2014. The rate applicable to any rate bracket must not be
 91.11 changed. The dollar amounts setting forth the tax shall be adjusted to reflect the changes
 91.12 in the rate brackets. The rate brackets as adjusted must be rounded to the nearest \$10
 91.13 amount. If the rate bracket ends in \$5, it must be rounded up to the nearest \$10 amount.

91.14 (b) The commissioner shall adjust the rate brackets and by the percentage determined
 91.15 pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in
 91.16 section 1(f)(3)(B) the word "~~1999~~" "2012" shall be substituted for the word "1992." For
 91.17 ~~2001~~ 2014, the commissioner shall then determine the percent change from the 12 months
 91.18 ending on August 31, ~~1999~~ 2012, to the 12 months ending on August 31, ~~2000~~ 2013, and
 91.19 in each subsequent year, from the 12 months ending on August 31, ~~1999~~ 2012, to the 12
 91.20 months ending on August 31 of the year preceding the taxable year. The determination of
 91.21 the commissioner pursuant to this subdivision shall not be considered a "rule" and shall
 91.22 not be subject to the Administrative Procedure Act contained in chapter 14.

91.23 No later than December 15 of each year, the commissioner shall announce the
 91.24 specific percentage that will be used to adjust the tax rate brackets.

91.25 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
 91.26 December 31, 2012.

91.27 Sec. 20. Minnesota Statutes 2012, section 290.06, is amended by adding a subdivision
 91.28 to read:

91.29 Subd. 36. **Charitable contributions credit.** (a) A taxpayer, other than a corporation,
 91.30 estate, or trust, is allowed a credit against the tax imposed by this chapter equal to eight
 91.31 percent of the amount by which eligible charitable contributions exceed the greater of:

- 91.32 (1) two percent of the taxpayer's adjusted gross income for the taxable year; or
 91.33 (2) \$400 (\$800 for married filing jointly).

92.1 (b) For purposes of this subdivision, "eligible charitable contributions" means
92.2 charitable contributions allowable as a deduction for the taxable year under section 170(a)
92.3 of the Internal Revenue Code, subject to the limitations of section 170(b) of the Internal
92.4 Revenue Code, and determined without regard to whether or not the taxpayer itemizes
92.5 deductions.

92.6 (c) For purposes of this subdivision, "adjusted gross income" has the meaning given
92.7 in section 62 of the Internal Revenue Code.

92.8 (d) For a nonresident or part-year resident, the credit must be allocated based on the
92.9 percentage calculated under subdivision 2c, paragraph (e).

92.10 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
92.11 December 31, 2012.

92.12 Sec. 21. Minnesota Statutes 2012, section 290.067, subdivision 1, is amended to read:

92.13 Subdivision 1. **Amount of credit.** (a) A taxpayer may take as a credit against the
92.14 tax due from the taxpayer and a spouse, if any, under this chapter an amount equal to the
92.15 dependent care credit for which the taxpayer is eligible pursuant to the provisions of
92.16 section 21 of the Internal Revenue Code subject to the limitations provided in subdivision
92.17 2 except that in determining whether the child qualified as a dependent, income received
92.18 as a Minnesota family investment program grant or allowance to or on behalf of the child
92.19 must not be taken into account in determining whether the child received more than half
92.20 of the child's support from the taxpayer, and the provisions of section 32(b)(1)(D) of
92.21 the Internal Revenue Code do not apply.

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

92.31 (c) If a married couple:

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

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

92.34 (3) does not participate in a dependent care assistance program as defined in section
92.35 129 of the Internal Revenue Code, in lieu of the actual employment related expenses paid

93.1 for that child under paragraph (a) or the deemed amount under paragraph (b), the lesser of
93.2 (i) the combined earned income of the couple or (ii) the amount of the maximum limit for
93.3 one qualified individual under section 21(c) and (d) of the Internal Revenue Code will
93.4 be deemed to be the employment related expense paid for that child. The earned income
93.5 limitation of section 21(d) of the Internal Revenue Code shall not apply to this deemed
93.6 amount. These deemed amounts apply regardless of whether any employment-related
93.7 expenses have been paid.

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

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

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

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

93.18 In the case of a nonresident, part-year resident, or a person who has earned income
93.19 not subject to tax under this chapter including earned income excluded pursuant to section
93.20 290.01, subdivision 19b, clause ~~(9)~~ (7), the credit determined under section 21 of the
93.21 Internal Revenue Code must be allocated based on the ratio by which the earned income
93.22 of the claimant and the claimant's spouse from Minnesota sources bears to the total earned
93.23 income of the claimant and the claimant's spouse.

93.24 For residents of Minnesota, the subtractions for military pay under section 290.01,
93.25 subdivision 19b, clauses ~~(10) and (11)~~ (8) and (9), are not considered "earned income not
93.26 subject to tax under this chapter."

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

93.30 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
93.31 December 31, 2012.

93.32 Sec. 22. Minnesota Statutes 2012, section 290.067, subdivision 2a, is amended to read:

93.33 Subd. 2a. **Income.** (a) For purposes of this section, "income" means the sum of
93.34 the following:

- 94.1 (1) federal adjusted gross income as defined in section 62 of the Internal Revenue
94.2 Code; and
- 94.3 (2) the sum of the following amounts to the extent not included in clause (1):
- 94.4 (i) all nontaxable income;
- 94.5 (ii) the amount of a passive activity loss that is not disallowed as a result of section
94.6 469, paragraph (i) or (m) of the Internal Revenue Code and the amount of passive activity
94.7 loss carryover allowed under section 469(b) of the Internal Revenue Code;
- 94.8 (iii) an amount equal to the total of any discharge of qualified farm indebtedness
94.9 of a solvent individual excluded from gross income under section 108(g) of the Internal
94.10 Revenue Code;
- 94.11 (iv) cash public assistance and relief;
- 94.12 (v) any pension or annuity (including railroad retirement benefits, all payments
94.13 received under the federal Social Security Act, supplemental security income, and veterans
94.14 benefits), which was not exclusively funded by the claimant or spouse, or which was
94.15 funded exclusively by the claimant or spouse and which funding payments were excluded
94.16 from federal adjusted gross income in the years when the payments were made;
- 94.17 (vi) interest received from the federal or a state government or any instrumentality
94.18 or political subdivision thereof;
- 94.19 (vii) workers' compensation;
- 94.20 (viii) nontaxable strike benefits;
- 94.21 (ix) the gross amounts of payments received in the nature of disability income or
94.22 sick pay as a result of accident, sickness, or other disability, whether funded through
94.23 insurance or otherwise;
- 94.24 (x) a lump-sum distribution under section 402(e)(3) of the Internal Revenue Code of
94.25 1986, as amended through December 31, 1995;
- 94.26 (xi) contributions made by the claimant to an individual retirement account,
94.27 including a qualified voluntary employee contribution; simplified employee pension plan;
94.28 self-employed retirement plan; cash or deferred arrangement plan under section 401(k)
94.29 of the Internal Revenue Code; or deferred compensation plan under section 457 of the
94.30 Internal Revenue Code;
- 94.31 (xii) nontaxable scholarship or fellowship grants;
- 94.32 (xiii) the amount of deduction allowed under section 199 of the Internal Revenue
94.33 Code;
- 94.34 (xiv) the amount of deduction allowed under section 220 or 223 of the Internal
94.35 Revenue Code;

95.1 (xv) the amount of ~~deducted for tuition expenses required to be added to income~~
 95.2 ~~under section 290.01, subdivision 19a, clause (12) under section 222 of the Internal~~
 95.3 ~~Revenue Code; and~~

95.4 (xvi) the amount deducted for certain expenses of elementary and secondary school
 95.5 teachers under section 62(a)(2)(D) of the Internal Revenue Code; ~~and.~~

95.6 ~~(xvii) unemployment compensation.~~

95.7 In the case of an individual who files an income tax return on a fiscal year basis, the
 95.8 term "federal adjusted gross income" means federal adjusted gross income reflected in the
 95.9 fiscal year ending in the next calendar year. Federal adjusted gross income may not be
 95.10 reduced by the amount of a net operating loss carryback or carryforward or a capital loss
 95.11 carryback or carryforward allowed for the year.

95.12 (b) "Income" does not include:

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

95.14 (2) amounts of any pension or annuity that were exclusively funded by the claimant
 95.15 or spouse if the funding payments were not excluded from federal adjusted gross income
 95.16 in the years when the payments were made;

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

95.18 (4) relief granted under chapter 290A;

95.19 (5) child support payments received under a temporary or final decree of dissolution
 95.20 or legal separation; and

95.21 (6) restitution payments received by eligible individuals and excludable interest as
 95.22 defined in section 803 of the Economic Growth and Tax Relief Reconciliation Act of
 95.23 2001, Public Law 107-16.

95.24 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
 95.25 December 31, 2012.

95.26 Sec. 23. Minnesota Statutes 2012, section 290.0671, subdivision 1, is amended to read:

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

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

95.34 (c) For individuals with one qualifying child, the credit equals 8.5 percent of the first
 95.35 \$6,920 of earned income and 8.5 percent of earned income over \$12,080 but less than

96.1 \$13,450. The credit is reduced by 5.73 percent of earned income or adjusted gross income,
96.2 whichever is greater, in excess of \$15,080, but in no case is the credit less than zero.

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

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

96.9 (f) For a person who was a resident for the entire tax year and has earned income
96.10 not subject to tax under this chapter, including income excluded under section 290.01,
96.11 subdivision 19b, clause (9), the credit must be allocated based on the ratio of federal
96.12 adjusted gross income reduced by the earned income not subject to tax under this chapter
96.13 over federal adjusted gross income. For purposes of this paragraph, the subtractions for
96.14 military pay under section 290.01, subdivision 19b, clauses ~~(10) and (11)~~ (8) and (9), are
96.15 not considered "earned income not subject to tax under this chapter."

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

96.19 (g) For tax years beginning after December 31, 2007, and before December 31,
96.20 2010, and for tax years beginning after December 31, 2017, the \$5,770 in paragraph (b),
96.21 the \$15,080 in paragraph (c), and the \$17,890 in paragraph (d), after being adjusted for
96.22 inflation under subdivision 7, are each increased by \$3,000 for married taxpayers filing joint
96.23 returns. For tax years beginning after December 31, 2008, the commissioner shall annually
96.24 adjust the \$3,000 by the percentage determined pursuant to the provisions of section 1(f)
96.25 of the Internal Revenue Code, except that in section 1(f)(3)(B), the word "2007" shall be
96.26 substituted for the word "1992." For 2009, the commissioner shall then determine the
96.27 percent change from the 12 months ending on August 31, 2007, to the 12 months ending on
96.28 August 31, 2008, and in each subsequent year, from the 12 months ending on August 31,
96.29 2007, to the 12 months ending on August 31 of the year preceding the taxable year. The
96.30 earned income thresholds as adjusted for inflation must be rounded to the nearest \$10. If the
96.31 amount ends in \$5, the amount is rounded up to the nearest \$10. The determination of the
96.32 commissioner under this subdivision is not a rule under the Administrative Procedure Act.

96.33 (h) For tax years beginning after December 31, 2010, and before January 1, 2012,
96.34 and for tax years beginning after December 31, 2012, and before January 1, 2018, the
96.35 \$5,770 in paragraph (b), the \$15,080 in paragraph (c), and the \$17,890 in paragraph
96.36 (d), after being adjusted for inflation under subdivision 7, are each increased by \$5,000

97.1 for married taxpayers filing joint returns. For tax years beginning after December 31,
97.2 2010, and before January 1, 2012, and for tax years beginning after December 31, 2012,
97.3 and before January 1, 2018, the commissioner shall annually adjust the \$5,000 by the
97.4 percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue
97.5 Code, except that in section 1(f)(3)(B), the word "2008" shall be substituted for the word
97.6 "1992." For 2011, the commissioner shall then determine the percent change from the 12
97.7 months ending on August 31, 2008, to the 12 months ending on August 31, 2010, and in
97.8 each subsequent year, from the 12 months ending on August 31, 2008, to the 12 months
97.9 ending on August 31 of the year preceding the taxable year. The earned income thresholds
97.10 as adjusted for inflation must be rounded to the nearest \$10. If the amount ends in \$5, the
97.11 amount is rounded up to the nearest \$10. The determination of the commissioner under
97.12 this subdivision is not a rule under the Administrative Procedure Act.

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

97.17 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
97.18 December 31, 2012.

97.19 Sec. 24. Minnesota Statutes 2012, section 290.0675, subdivision 1, is amended to read:

97.20 Subdivision 1. **Definitions.** (a) For purposes of this section the following terms
97.21 have the meanings given.

97.22 (b) "Earned income" means the sum of the following, to the extent included in
97.23 Minnesota taxable income:

97.24 (1) earned income as defined in section 32(c)(2) of the Internal Revenue Code;

97.25 (2) income received from a retirement pension, profit-sharing, stock bonus, or
97.26 annuity plan; and

97.27 (3) Social Security benefits as defined in section 86(d)(1) of the Internal Revenue
97.28 Code.

97.29 (c) "Taxable income" means net income as defined in section 290.01, subdivision 19.

97.30 (d) "Earned income of lesser-earning spouse" means the earned income of the
97.31 spouse with the lesser amount of earned income as defined in paragraph (b) for the taxable
97.32 year minus the sum of (i) the amount for one exemption under section 151(d) of the
97.33 Internal Revenue Code and (ii) one-half the amount of the standard deduction under
97.34 section 63(c)(2)(A) and (4) of the Internal Revenue Code ~~minus one-half of any addition~~
97.35 ~~required under section 290.01, subdivision 19a, clause (21), and one-half of the addition~~

98.1 ~~that would have been required under section 290.01, subdivision 19a, clause (21), if the~~
98.2 ~~taxpayer had claimed the standard deduction.~~

98.3 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
98.4 December 31, 2012.

98.5 Sec. 25. Minnesota Statutes 2012, section 290.0677, subdivision 2, is amended to read:

98.6 Subd. 2. **Definitions.** (a) For purposes of this section, the following terms have
98.7 the meanings given.

98.8 (b) "Designated area" means a:

98.9 (1) combat zone designated by Executive Order from the President of the United
98.10 States;

98.11 (2) qualified hazardous duty area, designated in Public Law; or

98.12 (3) location certified by the U. S. Department of Defense as eligible for combat zone
98.13 tax benefits due to the location's direct support of military operations.

98.14 (c) "Active military service" means active duty service in any of the United States
98.15 armed forces, the National Guard, or reserves.

98.16 (d) "Qualified individual" means an individual who has:

98.17 (1) ~~either (i) met one of the following criteria:~~

98.18 (i) has served at least 20 years in the military or;

98.19 (ii) has a service-connected disability rating of 100 percent for a total and permanent
98.20 disability; or

98.21 (iii) has been determined by the military to be eligible for compensation from a
98.22 pension or other retirement pay from the federal government for service in the military,
98.23 as computed under United States Code, title 10, sections 1401 to 1414, 1447 to 1455,
98.24 or 12733; and

98.25 (2) separated from military service before the end of the taxable year.

98.26 (e) "Adjusted gross income" has the meaning given in section 61 of the Internal
98.27 Revenue Code.

98.28 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
98.29 December 31, 2012.

98.30 Sec. 26. Minnesota Statutes 2012, section 290.068, subdivision 3, is amended to read:

98.31 Subd. 3. **Limitation; carryover.** (a)(1) The credit for a taxable year beginning
98.32 before January 1, 2010, and after December 31, 2012, shall not exceed the liability for
98.33 tax. "Liability for tax" for purposes of this section means the tax imposed under section

99.1 290.06, subdivision 1, for the taxable year reduced by the sum of the nonrefundable
99.2 credits allowed under this chapter.

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

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

99.16 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
99.17 December 31, 2012.

99.18 Sec. 27. Minnesota Statutes 2012, section 290.068, subdivision 6a, is amended to read:

99.19 Subd. 6a. **Credit to be refundable.** If the amount of credit allowed in this section
99.20 for qualified research expenses incurred in taxable years beginning after December 31,
99.21 2009, and before January 1, 2013, exceeds the taxpayer's tax liability under this chapter,
99.22 the commissioner shall refund the excess amount. The credit allowed for qualified research
99.23 expenses incurred in taxable years beginning after December 31, 2009, and before January
99.24 1, 2013, must be used before any research credit earned under subdivision 3.

99.25 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
99.26 December 31, 2012.

99.27 Sec. 28. Minnesota Statutes 2012, section 290.0681, subdivision 1, is amended to read:

99.28 Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms
99.29 have the meanings given.

99.30 (b) "Account" means the historic credit administration account in the special
99.31 revenue fund.

99.32 (c) "Office" means the State Historic Preservation Office of the Minnesota Historical
99.33 Society.

100.1 (d) "Project" means rehabilitation of a certified historic structure, as defined in
100.2 section 47(c)(3)(A) of the Internal Revenue Code, that is located in Minnesota and is
100.3 allowed a federal credit ~~under section 47(a)(2) of the Internal Revenue Code.~~

100.4 (e) "Society" means the Minnesota Historical Society.

100.5 (f) "Federal credit" means the credit allowed under section 47(a)(2) of the Internal
100.6 Revenue Code.

100.7 (g) "Placed in service" has the meaning used in section 47 of the Internal Revenue
100.8 Code.

100.9 (h) "Qualified rehabilitation expenditures" has the meaning given in section 47 of
100.10 the Internal Revenue Code.

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

100.12 Sec. 29. Minnesota Statutes 2012, section 290.0681, subdivision 3, is amended to read:

100.13 Subd. 3. **Applications; allocations.** (a) To qualify for a credit or grant under this
100.14 section, the developer of a project must apply to the office before the rehabilitation
100.15 begins. The application must contain the information and be in the form prescribed by
100.16 the office. The office may collect a fee for application of up to ~~\$5,000, based on 0.5~~
100.17 percent of estimated qualified rehabilitation expenses, not to exceed \$35,000, to offset
100.18 costs associated with personnel and administrative expenses related to administering the
100.19 credit and preparing the economic impact report in subdivision 9. Application fees are
100.20 deposited in the account. The application must indicate if the application is for a credit
100.21 or a grant in lieu of the credit or a combination of the two and designate the taxpayer
100.22 qualifying for the credit or the recipient of the grant.

100.23 (b) Upon approving an application for credit, the office shall issue allocation
100.24 certificates that:

100.25 (1) verify eligibility for the credit or grant;

100.26 (2) state the amount of credit or grant anticipated with the project, with the credit
100.27 amount equal to 100 percent and the grant amount equal to 90 percent of the federal
100.28 credit anticipated in the application;

100.29 (3) state that the credit or grant allowed may increase or decrease if the federal
100.30 credit the project receives at the time it is placed in service is different than the amount
100.31 anticipated at the time the allocation certificate is issued; and

100.32 (4) state the fiscal year in which the credit or grant is allocated, and that the taxpayer
100.33 or grant recipient is entitled to receive the credit or grant at the time the project is placed
100.34 in service, provided that date is within three calendar years following the issuance of
100.35 the allocation certificate.

101.1 (c) The office, in consultation with the commissioner ~~of revenue~~, shall determine
101.2 if the project is eligible for a credit or a grant under this section and must notify the
101.3 developer in writing of its determination. Eligibility for the credit is subject to review
101.4 and audit by the commissioner ~~of revenue~~.

101.5 (d) The federal credit recapture and repayment requirements under section 50 of the
101.6 Internal Revenue Code do not apply to the credit allowed under this section.

101.7 (e) Any decision of the office under paragraph (c) may be challenged as a contested
101.8 case under chapter 14. The contested case proceeding must be initiated within 45 days of
101.9 the date of written notification by the office.

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

101.11 Sec. 30. Minnesota Statutes 2012, section 290.0681, subdivision 4, is amended to read:

101.12 Subd. 4. **Credit certificates; grants.** (a)(1) The developer of a project for which the
101.13 office has issued an allocation certificate must notify the office when the project is placed
101.14 in service. Upon verifying that the project has been placed in service, and was allowed a
101.15 federal credit, the office must issue a credit certificate to the taxpayer designated in the
101.16 application or must issue a grant to the recipient designated in the application. The credit
101.17 certificate must state the amount of the credit.

101.18 (2) The credit amount equals the federal credit allowed for the project.

101.19 (3) The grant amount equals 90 percent of the federal credit allowed for the project.

101.20 (b) The recipient of a credit certificate may assign the certificate to another taxpayer,
101.21 which is then allowed the credit under this section or section 297I.20, subdivision 3. An
101.22 assignment is not valid unless the assignee notifies the commissioner within 30 days of the
101.23 date that the assignment is made. The commissioner shall prescribe the forms necessary
101.24 for notifying the commissioner of the assignment of a credit certificate and for claiming
101.25 a credit by assignment.

101.26 (c) Credits passed through to partners, members, shareholders, or owners pursuant to
101.27 subdivision 5 are not an assignment of a credit certificate under this subdivision.

101.28 (d) A grant agreement between the office and the recipient of a grant may allow the
101.29 grant to be issued to another individual or entity.

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

101.31 Sec. 31. Minnesota Statutes 2012, section 290.0681, subdivision 5, is amended to read:

101.32 Subd. 5. **Partnerships; multiple owners.** Credits granted to a partnership, a limited
101.33 liability company taxed as a partnership, S corporation, or multiple owners of property

102.1 are passed through to the partners, members, shareholders, or owners, respectively, pro
102.2 rata to each partner, member, shareholder, or owner based on their share of the entity's
102.3 assets or as specially allocated in their organizational documents or any other executed
102.4 agreement, as of the last day of the taxable year.

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

102.6 Sec. 32. **[290.0693] VETERANS JOBS TAX CREDIT.**

102.7 **Subdivision 1. Definitions.** (a) For the purposes of this section, the following terms
102.8 have the meanings given.

102.9 (b) "Date of hire" means the day that the qualified employee begins performing
102.10 services as an employee of the qualified employer.

102.11 (c) "Disabled veteran" is a veteran who has had a service-connected disability rating
102.12 as adjudicated by the United States Veterans Administration, or by the retirement board of
102.13 one of the several branches of the armed forces.

102.14 (d)(1) "Qualified employee" means an employee as defined in section 290.92,
102.15 subdivision 1, who meets the following criteria:

102.16 (i) the employee is a resident of Minnesota on the date of hire;

102.17 (ii) the employee is paid wages as defined in section 290.92, subdivision 1; and

102.18 (iii) the employee's wages are attributable to Minnesota under section 290.191,
102.19 subdivision 12;

102.20 (2) Qualified employee does not include:

102.21 (i) any employee who bears any of the relationships to the employer described in
102.22 subparagraphs (A) to (G) of section 152(d)(2) of the Internal Revenue Code;

102.23 (ii) if the employer is a corporation, an employee who owns, directly or indirectly,
102.24 more than 50 percent in value of the outstanding stock of the corporation, or if the
102.25 employer is an entity other than a corporation, an employee who owns, directly or
102.26 indirectly, more than 50 percent of the capital and profits interests in the entity, as
102.27 determined with the application of section 267(c) of the Internal Revenue Code; or

102.28 (iii) if the employer is an estate or trust, any employee who is a fiduciary of the estate
102.29 or trust, or is an individual who bears any of the relationships described in subparagraphs
102.30 (A) to (G) of section 152(d)(2) of the Internal Revenue Code to a grantor, beneficiary,
102.31 or fiduciary of the estate or trust.

102.32 (e) "Qualified employer" means an employer that hired a disabled veteran, or an
102.33 unemployed veteran as a qualified employee.

102.34 (f) "Unemployed veteran" is a veteran who:

103.1 (1) received unemployment compensation under state or federal law at any time
103.2 during the two-year period prior to the date of hire; and

103.3 (2) was unemployed on the date of hire.

103.4 (g) "Veteran" has the meaning given in section 197.447.

103.5 Subd. 2. **Credit allowed.** (a) A qualified employer is allowed a credit for each of
103.6 the following individuals that the qualified employer hires as a qualified employee during
103.7 taxable years beginning after December 31, 2012, and before January 1, 2017:

103.8 (1) a disabled veteran; or

103.9 (2) an unemployed veteran.

103.10 (b) Subject to the requirements of this section, there is no limit to the number of
103.11 credits that a qualified employer may claim under this section during a taxable year.

103.12 (c) A qualified employer may claim the credit either for the taxable year in which
103.13 the qualified employee is hired, or in the next taxable year, but may claim the credit only
103.14 once for each qualified employee.

103.15 Subd. 3. **Credit amount for hiring certain veterans.** (a) A qualified employer who
103.16 is required to file a return under section 289A.08, subdivision 1, 2, or 3, is allowed a credit
103.17 against the tax imposed by this chapter as determined under this subdivision.

103.18 (b) For hiring a disabled veteran as a qualified employee, the credit equals ten
103.19 percent of the wages paid to the qualified employee during the taxable year, but the
103.20 amount of the credit shall not exceed \$1,200.

103.21 (c) For hiring an unemployed veteran as a qualified employee, the credit equals
103.22 ten percent of the wages paid to the qualified employee during the taxable year, but the
103.23 amount of the credit shall not exceed \$600.

103.24 (d) The credit is limited to the liability for tax under this chapter for the taxable year.

103.25 (e) A qualified employer is allowed only one of the credits authorized under
103.26 paragraphs (b) and (c) upon hiring a disabled veteran, or an unemployed veteran as a
103.27 qualified employee.

103.28 (f) A qualified employer may not claim a credit under this subdivision for hiring
103.29 a disabled veteran, or an unemployed veteran as a qualified employee if the qualified
103.30 employer currently employs or has previously employed the disabled veteran, or
103.31 unemployed veteran.

103.32 Subd. 4. **Flow-through entities.** Credits granted to a partnership, limited liability
103.33 company taxed as a partnership, S corporation, or multiple owners of a business are passed
103.34 through to the partners, members, shareholders, or owners, respectively, pro rata to each
103.35 partner, member, shareholder, or owner based on their share of the entity's assets or as
103.36 specially allocated in their organizational documents, as of the last day of the taxable year.

104.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
104.2 December 31, 2012.

104.3 Sec. 33. Minnesota Statutes 2012, section 290.091, subdivision 2, is amended to read:

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

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

104.8 (1) the taxpayer's federal alternative minimum taxable income as defined in section
104.9 55(b)(2) of the Internal Revenue Code;

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

104.12 ~~(i) the charitable contribution deduction under section 170 of the Internal Revenue~~
104.13 ~~Code;~~

104.14 ~~(ii) (i) the medical expense deduction;~~

104.15 ~~(iii) (ii) the casualty, theft, and disaster loss deduction; and~~

104.16 ~~(iv) (iii) the impairment-related work expenses of a disabled person;~~

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

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

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

104.28 (6) the amount of addition required by section 290.01, subdivision 19a, clauses ~~(7)~~
104.29 ~~to (9), (12), (13), and (16) to (18)~~ (7) to (9), (11), and (12);

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

104.31 (1) interest income as defined in section 290.01, subdivision 19b, clause (1);

104.32 (2) an overpayment of state income tax as provided by section 290.01, subdivision
104.33 19b, clause (2), to the extent included in federal alternative minimum taxable income;

104.34 (3) the amount of investment interest paid or accrued within the taxable year on
104.35 indebtedness to the extent that the amount does not exceed net investment income, as

105.1 defined in section 163(d)(4) of the Internal Revenue Code. Interest does not include
 105.2 amounts deducted in computing federal adjusted gross income;

105.3 (4) amounts subtracted from federal taxable income as provided by section 290.01,
 105.4 subdivision 19b, clauses ~~(6), (8) to (14), and (16)~~ (6) to (12), (14), and (18); and

105.5 (5) the amount of the net operating loss allowed under section 290.095, subdivision
 105.6 11, paragraph (c).

105.7 In the case of an estate or trust, alternative minimum taxable income must be
 105.8 computed as provided in section 59(c) of the Internal Revenue Code.

105.9 (b) "Investment interest" means investment interest as defined in section 163(d)(3)
 105.10 of the Internal Revenue Code.

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

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

105.15 (e) "Tentative minimum tax" equals 6.4 percent of alternative minimum taxable
 105.16 income after subtracting the exemption amount determined under subdivision 3.

105.17 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
 105.18 December 31, 2012.

105.19 Sec. 34. Minnesota Statutes 2012, section 290.0921, subdivision 3, is amended to read:

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

105.27 (1) For purposes of the depreciation adjustments under section 56(a)(1) and
 105.28 56(g)(4)(A) of the Internal Revenue Code, the basis for depreciable property placed in
 105.29 service in a taxable year beginning before January 1, 1990, is the adjusted basis for federal
 105.30 income tax purposes, including any modification made in a taxable year under section
 105.31 290.01, subdivision 19e, or Minnesota Statutes 1986, section 290.09, subdivision 7,
 105.32 paragraph (c).

105.33 For taxable years beginning after December 31, 2000, the amount of any remaining
 105.34 modification made under section 290.01, subdivision 19e, or Minnesota Statutes 1986,

106.1 section 290.09, subdivision 7, paragraph (c), not previously deducted is a depreciation
106.2 allowance in the first taxable year after December 31, 2000.

106.3 (2) The portion of the depreciation deduction allowed for federal income tax
106.4 purposes under section 168(k) of the Internal Revenue Code that is required as an addition
106.5 under section 290.01, subdivision 19c, clause ~~(15)~~ (12), is disallowed in determining
106.6 alternative minimum taxable income.

106.7 (3) The subtraction for depreciation allowed under section 290.01, subdivision
106.8 19d, clause ~~(17)~~ (16), is allowed as a depreciation deduction in determining alternative
106.9 minimum taxable income.

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

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

106.14 ~~(6) The special rule for dividends from section 936 companies under section~~
106.15 ~~56(g)(4)(C)(iii) does not apply.~~

106.16 ~~(7)~~ (6) The tax preference for depletion under section 57(a)(1) of the Internal
106.17 Revenue Code does not apply.

106.18 ~~(8)~~ (7) The tax preference for intangible drilling costs under section 57(a)(2) of the
106.19 Internal Revenue Code must be calculated without regard to subparagraph (E) and the
106.20 subtraction under section 290.01, subdivision 19d, clause (4).

106.21 ~~(9)~~ (8) The tax preference for tax exempt interest under section 57(a)(5) of the
106.22 Internal Revenue Code does not apply.

106.23 ~~(10)~~ (9) The tax preference for charitable contributions of appreciated property
106.24 under section 57(a)(6) of the Internal Revenue Code does not apply.

106.25 ~~(11)~~ (10) For purposes of calculating the tax preference for accelerated depreciation
106.26 or amortization on certain property placed in service before January 1, 1987, under section
106.27 57(a)(7) of the Internal Revenue Code, the deduction allowable for the taxable year is the
106.28 deduction allowed under section 290.01, subdivision 19e.

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

106.32 ~~(12)~~ (11) For purposes of calculating the adjustment for adjusted current earnings
106.33 in section 56(g) of the Internal Revenue Code, the term "alternative minimum taxable
106.34 income" as it is used in section 56(g) of the Internal Revenue Code, means alternative
106.35 minimum taxable income as defined in this subdivision, determined without regard to the
106.36 adjustment for adjusted current earnings in section 56(g) of the Internal Revenue Code.

107.1 ~~(13)~~ (12) For purposes of determining the amount of adjusted current earnings
 107.2 under section 56(g)(3) of the Internal Revenue Code, no adjustment shall be made under
 107.3 section 56(g)(4) of the Internal Revenue Code with respect to (i) the amount of foreign
 107.4 dividend gross-up subtracted as provided in section 290.01, subdivision 19d, clause (1),
 107.5 (ii) the amount of refunds of income, excise, or franchise taxes subtracted as provided in
 107.6 section 290.01, subdivision 19d, clause (9), or (iii) the amount of royalties, fees or other
 107.7 like income subtracted as provided in section 290.01, subdivision 19d, clause (10).

107.8 ~~(14)~~ (13) Alternative minimum taxable income excludes the income from operating
 107.9 in a job opportunity building zone as provided under section 469.317.

107.10 ~~(15)~~ (14) Alternative minimum taxable income excludes the income from operating
 107.11 in a biotechnology and health sciences industry zone as provided under section 469.337.

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

107.14 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
 107.15 December 31, 2012.

107.16 Sec. 35. Minnesota Statutes 2012, section 290.0922, subdivision 1, is amended to read:

107.17 Subdivision 1. **Imposition.** (a) In addition to the tax imposed by this chapter without
 107.18 regard to this section, the franchise tax imposed on a corporation required to file under
 107.19 section 289A.08, subdivision 3, other than a corporation treated as an "S" corporation
 107.20 under section 290.9725 for the taxable year includes a tax equal to the following amounts:

107.21	If the sum of the corporation's Minnesota		
107.22	property, payrolls, and sales or receipts is:		the tax equals:
107.23	less than	\$ 500,000	\$ 0
107.24	\$ 500,000 to	\$ 999,999	\$ 100
107.25	\$ 1,000,000 to	\$ 4,999,999	\$ 300
107.26	\$ 5,000,000 to	\$ 9,999,999	\$ 1,000
107.27	\$ 10,000,000 to	\$ 19,999,999	\$ 2,000
107.28	\$ 20,000,000 or more		\$ 5,000
107.29	<u>less than</u>	\$ 930,000	\$ 0
107.30	\$ 930,000 to	\$ 1,869,999	\$ 190
107.31	\$ 1,870,000 to	\$ 9,339,999	\$ 560
107.32	\$ 9,340,000 to	\$ 18,679,999	\$ 1,870
107.33	\$ 18,680,000 to	\$ 37,359,999	\$ 3,740
107.34	\$ 37,360,000 or more		\$ 9,340

107.35 (b) A tax is imposed for each taxable year on a corporation required to file a return
 107.36 under section 289A.12, subdivision 3, that is treated as an "S" corporation under section
 107.37 290.9725 and on a partnership required to file a return under section 289A.12, subdivision

108.1 3, other than a partnership that derives over 80 percent of its income from farming. The
 108.2 tax imposed under this paragraph is due on or before the due date of the return for the
 108.3 taxpayer due under section 289A.18, subdivision 1. The commissioner shall prescribe
 108.4 the return to be used for payment of this tax. The tax under this paragraph is equal to
 108.5 the following amounts:

108.6 If the sum of the S corporation's
 108.7 or partnership's Minnesota
 108.8 property, payrolls, and sales or
 108.9 receipts is:

the tax equals:

108.10	less than	\$	500,000	\$	0
108.11	\$	500,000	to	\$	999,999
108.12	\$	1,000,000	to	\$	4,999,999
108.13	\$	5,000,000	to	\$	9,999,999
108.14	\$	10,000,000	to	\$	19,999,999
108.15	\$	20,000,000	or more	\$	5,000
108.16	<u>less than</u>	\$	<u>930,000</u>	\$	<u>0</u>
108.17	\$	<u>930,000</u>	to	\$	<u>1,869,999</u>
108.18	\$	<u>1,870,000</u>	to	\$	<u>9,339,999</u>
108.19	\$	<u>9,340,000</u>	to	\$	<u>18,679,999</u>
108.20	\$	<u>18,680,000</u>	to	\$	<u>37,359,999</u>
108.21	\$	<u>37,360,000</u>	or more	\$	<u>9,340</u>

108.22 (c) The commissioner shall adjust the dollar amounts of both the tax and the property,
 108.23 payrolls, and sales or receipts thresholds in paragraphs (a) and (b) by the percentage
 108.24 determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except
 108.25 that in section 1(f)(3)(B) the word "2012" must be substituted for the word "1992." For
 108.26 2014, the commissioner shall determine the percentage change from the 12 months ending
 108.27 on August 31, 2012, to the 12 months ending on August 31, 2013, and in each subsequent
 108.28 year, from the 12 months ending on August 31, 2012, to the 12 months ending on August
 108.29 31 of the year preceding the taxable year. The determination of the commissioner pursuant
 108.30 to this subdivision is not a "rule" subject to the Administrative Procedure Act contained in
 108.31 chapter 14. The tax amounts as adjusted must be rounded to the nearest \$10 amount and
 108.32 the threshold amounts must be adjusted to the nearest \$10,000 amount. For tax amounts
 108.33 that end in \$5, the amount is rounded up to the nearest \$10 amount and for the threshold
 108.34 amounts that end in \$5,000, the amount is rounded up to the nearest \$10,000.

108.35 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
 108.36 December 31, 2012.

108.37 Sec. 36. Minnesota Statutes 2012, section 290.17, subdivision 4, is amended to read:

109.1 Subd. 4. **Unitary business principle.** (a) If a trade or business conducted wholly
109.2 within this state or partly within and partly without this state is part of a unitary business,
109.3 the entire income of the unitary business is subject to apportionment pursuant to section
109.4 290.191. Notwithstanding subdivision 2, paragraph (c), none of the income of a unitary
109.5 business is considered to be derived from any particular source and none may be allocated
109.6 to a particular place except as provided by the applicable apportionment formula. The
109.7 provisions of this subdivision do not apply to business income subject to subdivision 5,
109.8 income of an insurance company, or income of an investment company determined under
109.9 section 290.36.

109.10 (b) The term "unitary business" means business activities or operations which
109.11 result in a flow of value between them. The term may be applied within a single legal
109.12 entity or between multiple entities and without regard to whether each entity is a sole
109.13 proprietorship, a corporation, a partnership or a trust.

109.14 (c) Unity is presumed whenever there is unity of ownership, operation, and use,
109.15 evidenced by centralized management or executive force, centralized purchasing,
109.16 advertising, accounting, or other controlled interaction, but the absence of these
109.17 centralized activities will not necessarily evidence a nonunitary business. Unity is also
109.18 presumed when business activities or operations are of mutual benefit, dependent upon or
109.19 contributory to one another, either individually or as a group.

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

109.25 (e) Unity of ownership ~~is~~ does ~~not deemed to exist when a corporation is two or~~
109.26 more corporations are involved unless that corporation is a member of a group of two or
109.27 ~~more business entities and more than 50 percent of the voting stock of each member of~~
109.28 the group corporation is directly or indirectly owned by a common owner or by common
109.29 owners, either corporate or noncorporate, or by one or more of the member corporations
109.30 of the group. For this purpose, the term "voting stock" shall include membership interests
109.31 of mutual insurance holding companies formed under section 66A.40.

109.32 (f) The net income and apportionment factors under section 290.191 or 290.20 of
109.33 foreign corporations and other foreign entities which are part of a unitary business shall
109.34 not be included in the net income or the apportionment factors of the unitary business. A
109.35 foreign corporation or other foreign entity which is not included on a combined report and
109.36 which is required to file a return under this chapter shall file on a separate return basis.

110.1 ~~The net income and apportionment factors under section 290.191 or 290.20 of foreign~~
110.2 ~~operating corporations shall not be included in the net income or the apportionment~~
110.3 ~~factors of the unitary business except as provided in paragraph (g). The legislature intends~~
110.4 ~~that the provisions of this paragraph are not severable from the provisions of section~~
110.5 ~~290.01, subdivision 5, clauses (4) and (5), and if any of those provisions are found to be~~
110.6 ~~unconstitutional, the provisions of this paragraph are void for the respective taxable years.~~

110.7 ~~(g) The adjusted net income of a foreign operating corporation shall be deemed to~~
110.8 ~~be paid as a dividend on the last day of its taxable year to each shareholder thereof, in~~
110.9 ~~proportion to each shareholder's ownership, with which such corporation is engaged in~~
110.10 ~~a unitary business. Such deemed dividend shall be treated as a dividend under section~~
110.11 ~~290.21, subdivision 4.~~

110.12 ~~Dividends actually paid by a foreign operating corporation to a corporate shareholder~~
110.13 ~~which is a member of the same unitary business as the foreign operating corporation shall~~
110.14 ~~be eliminated from the net income of the unitary business in preparing a combined report~~
110.15 ~~for the unitary business. The adjusted net income of a foreign operating corporation~~
110.16 ~~shall be its net income adjusted as follows:~~

110.17 ~~(1) any taxes paid or accrued to a foreign country, the commonwealth of Puerto~~
110.18 ~~Rico, or a United States possession or political subdivision of any of the foregoing shall~~
110.19 ~~be a deduction; and~~

110.20 ~~(2) the subtraction from federal taxable income for payments received from foreign~~
110.21 ~~corporations or foreign operating corporations under section 290.01, subdivision 19d,~~
110.22 ~~clause (10), shall not be allowed.~~

110.23 ~~If a foreign operating corporation incurs a net loss, neither income nor deduction from~~
110.24 ~~that corporation shall be included in determining the net income of the unitary business.~~

110.25 ~~(h) (g) For purposes of determining the net income of a unitary business and the~~
110.26 ~~factors to be used in the apportionment of net income pursuant to section 290.191 or~~
110.27 ~~290.20, there must be included only the income and apportionment factors of domestic~~
110.28 ~~corporations or other domestic entities other than foreign operating corporations that are~~
110.29 ~~determined to be part of the unitary business pursuant to this subdivision, notwithstanding~~
110.30 ~~that foreign corporations or other foreign entities might be included in the unitary business.~~

110.31 ~~(i) (h) Deductions for expenses, interest, or taxes otherwise allowable under~~
110.32 ~~this chapter that are connected with or allocable against dividends, deemed dividends~~
110.33 ~~described in paragraph (g), or royalties, fees, or other like income described in section~~
110.34 ~~290.01, subdivision 19d, clause (10), shall not be disallowed.~~

110.35 ~~(j) (i) Each corporation or other entity, except a sole proprietorship, that is part of~~
110.36 ~~a unitary business must file combined reports as the commissioner determines. On the~~

111.1 reports, all intercompany transactions between entities included pursuant to paragraph ~~(h)~~
111.2 (g) must be eliminated and the entire net income of the unitary business determined in
111.3 accordance with this subdivision is apportioned among the entities by using each entity's
111.4 Minnesota factors for apportionment purposes in the numerators of the apportionment
111.5 formula and the total factors for apportionment purposes of all entities included pursuant
111.6 to paragraph ~~(h)~~ (g) in the denominators of the apportionment formula. All sales of the
111.7 unitary business made within Minnesota pursuant to section 290.191 or 290.20 must be
111.8 included on the separate combined report of a corporation that is a member of the unitary
111.9 business and is subject to the jurisdiction of this state to impose tax under this chapter.

111.10 ~~(k)~~ (j) If a corporation has been divested from a unitary business and is included in a
111.11 combined report for a fractional part of the common accounting period of the combined
111.12 report:

111.13 (1) its income includable in the combined report is its income incurred for that part
111.14 of the year determined by proration or separate accounting; and

111.15 (2) its sales, property, and payroll included in the apportionment formula must
111.16 be prorated or accounted for separately.

111.17 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
111.18 December 31, 2012.

111.19 Sec. 37. Minnesota Statutes 2012, section 290.21, subdivision 4, is amended to read:

111.20 Subd. 4. **Dividends received from another corporation.** (a)(1) Eighty percent
111.21 of dividends received by a corporation during the taxable year from another corporation,
111.22 in which the recipient owns 20 percent or more of the stock, by vote and value, not
111.23 including stock described in section 1504(a)(4) of the Internal Revenue Code when the
111.24 corporate stock with respect to which dividends are paid does not constitute the stock in
111.25 trade of the taxpayer or would not be included in the inventory of the taxpayer, or does not
111.26 constitute property held by the taxpayer primarily for sale to customers in the ordinary
111.27 course of the taxpayer's trade or business, or when the trade or business of the taxpayer
111.28 does not consist principally of the holding of the stocks and the collection of the income
111.29 and gains therefrom; and

111.30 (2)(i) the remaining 20 percent of dividends if the dividends received are the stock in
111.31 an affiliated company transferred in an overall plan of reorganization and the dividend
111.32 is eliminated in consolidation under Treasury Department Regulation 1.1502-14(a), as
111.33 amended through December 31, 1989;

111.34 (ii) the remaining 20 percent of dividends if the dividends are received from a
111.35 corporation which is subject to tax under section 290.36 and which is a member of an

112.1 affiliated group of corporations as defined by the Internal Revenue Code and the dividend
112.2 is eliminated in consolidation under Treasury Department Regulation 1.1502-14(a), as
112.3 amended through December 31, 1989, or is deducted under an election under section
112.4 243(b) of the Internal Revenue Code; or

112.5 (iii) the remaining 20 percent of the dividends if the dividends are received from a
112.6 property and casualty insurer as defined under section 60A.60, subdivision 8, which is a
112.7 member of an affiliated group of corporations as defined by the Internal Revenue Code
112.8 and either: (A) the dividend is eliminated in consolidation under Treasury Regulation
112.9 1.1502-14(a), as amended through December 31, 1989; or (B) the dividend is deducted
112.10 under an election under section 243(b) of the Internal Revenue Code.

112.11 (b) Seventy percent of dividends received by a corporation during the taxable year
112.12 from another corporation in which the recipient owns less than 20 percent of the stock,
112.13 by vote or value, not including stock described in section 1504(a)(4) of the Internal
112.14 Revenue Code when the corporate stock with respect to which dividends are paid does not
112.15 constitute the stock in trade of the taxpayer, or does not constitute property held by the
112.16 taxpayer primarily for sale to customers in the ordinary course of the taxpayer's trade or
112.17 business, or when the trade or business of the taxpayer does not consist principally of the
112.18 holding of the stocks and the collection of income and gain therefrom.

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

112.22 The dividend deduction provided in this subdivision does not apply to a dividend
112.23 from a corporation which, for the taxable year of the corporation in which the distribution
112.24 is made or for the next preceding taxable year of the corporation, is a corporation exempt
112.25 from tax under section 501 of the Internal Revenue Code.

112.26 The dividend deduction provided in this subdivision does not apply to a dividend
112.27 received from a real estate investment trust, as defined in section 856 of the Internal
112.28 Revenue Code.

112.29 The dividend deduction provided in this subdivision applies to the amount of
112.30 regulated investment company dividends only to the extent determined under section
112.31 854(b) of the Internal Revenue Code.

112.32 The dividend deduction provided in this subdivision shall not be allowed with
112.33 respect to any dividend for which a deduction is not allowed under the provisions of
112.34 section 246(c) of the Internal Revenue Code.

112.35 (d) If dividends received by a corporation that does not have nexus with Minnesota
112.36 under the provisions of Public Law 86-272 are included as income on the return of

113.1 an affiliated corporation permitted or required to file a combined report under section
113.2 290.17, subdivision 4, or 290.34, subdivision 2, then for purposes of this subdivision the
113.3 determination as to whether the trade or business of the corporation consists principally
113.4 of the holding of stocks and the collection of income and gains therefrom shall be made
113.5 with reference to the trade or business of the affiliated corporation having a nexus with
113.6 Minnesota.

113.7 (e) The deduction provided by this subdivision does not apply if the dividends are
113.8 paid by a FSC as defined in section 922 of the Internal Revenue Code.

113.9 (f) If one or more of the members of the unitary group whose income is included on
113.10 the combined report received a dividend, the deduction under this subdivision for each
113.11 member of the unitary business required to file a return under this chapter is the product
113.12 of: (1) 100 percent of the dividends received by members of the group; (2) the percentage
113.13 allowed pursuant to paragraph (a) or (b); and (3) the percentage of the taxpayer's business
113.14 income apportionable to this state for the taxable year under section 290.191 or 290.20.

113.15 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
113.16 December 31, 2012.

113.17 Sec. 38. Minnesota Statutes 2012, section 290A.03, subdivision 15, as amended by
113.18 Laws 2013, chapter 3, section 5, is amended to read:

113.19 Subd. 15. **Internal Revenue Code.** ~~For taxable years beginning before January 1,~~
113.20 ~~2012, and after December 31, 2012,~~ "Internal Revenue Code" means the Internal Revenue
113.21 Code of 1986, as amended through April 14, 2011; ~~and for taxable years beginning after~~
113.22 ~~December 31, 2011, and before January 1, 2013,~~ "Internal Revenue Code" means the
113.23 ~~Internal Revenue Code of 1986, as amended through~~ January 3, 2013.

113.24 **EFFECTIVE DATE.** This section is effective for property tax refunds based on
113.25 property taxes payable after December 31, 2013, and rent paid after December 31, 2012.

113.26 Sec. 39. Minnesota Statutes 2012, section 298.01, subdivision 3b, is amended to read:

113.27 Subd. 3b. **Deductions.** (a) For purposes of determining taxable income under
113.28 subdivision 3, the deductions from gross income include only those expenses necessary
113.29 to convert raw ores to marketable quality. Such expenses include costs associated with
113.30 refinement but do not include expenses such as transportation, stockpiling, marketing, or
113.31 marine insurance that are incurred after marketable ores are produced, unless the expenses
113.32 are included in gross income. The allowable deductions from a mine or plant that mines
113.33 and produces more than one mineral, metal, or energy resource must be determined

114.1 separately for the purposes of computing the deduction in section 290.01, subdivision 19c,
114.2 clause ~~(9)~~ (8). These deductions may be combined on one occupation tax return to arrive
114.3 at the deduction from gross income for all production.

114.4 (b) The provisions of section 290.01, subdivisions 19c, clauses (6) and (9), and 19d,
114.5 clauses (7) and (11), are not used to determine taxable income.

114.6 Sec. 40. **ESTIMATED TAXES; EXCEPTIONS.**

114.7 No addition to tax, penalties, or interest may be made under Minnesota Statutes,
114.8 section 289A.25, for any period before September 15, 2013, with respect to an
114.9 underpayment of estimated tax, to the extent that the underpayment was created or
114.10 increased by the increase in income tax rates under this article.

114.11 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
114.12 December 31, 2012.

114.13 Sec. 41. **REPEALER.**

114.14 Minnesota Statutes 2012, sections 290.01, subdivision 6b; 290.06, subdivision 22a;
114.15 290.0672; and 290.0921, subdivision 7, are repealed.

114.16 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
114.17 December 31, 2012.

114.18 **ARTICLE 7**

114.19 **ESTATE AND GIFT TAXES**

114.20 Section 1. Minnesota Statutes 2012, section 289A.10, subdivision 1, is amended to read:

114.21 Subdivision 1. **Return required.** In the case of a decedent who has an interest in
114.22 property with a situs in Minnesota, the personal representative must submit a Minnesota
114.23 estate tax return to the commissioner, on a form prescribed by the commissioner, if:

114.24 (1) a federal estate tax return is required to be filed; or

114.25 (2) the sum of the federal gross estate and federal adjusted taxable gifts made within
114.26 three years of the date of the decedent's death exceeds \$1,000,000.

114.27 The return must contain a computation of the Minnesota estate tax due. The return
114.28 must be signed by the personal representative.

114.29 **EFFECTIVE DATE.** This section is effective for estates of decedents dying after
114.30 December 31, 2012.

115.1 Sec. 2. Minnesota Statutes 2012, section 291.005, subdivision 1, is amended to read:

115.2 Subdivision 1. **Scope.** Unless the context otherwise clearly requires, the following
115.3 terms used in this chapter shall have the following meanings:

115.4 (1) "Commissioner" means the commissioner of revenue or any person to whom the
115.5 commissioner has delegated functions under this chapter.

115.6 (2) "Federal gross estate" means the gross estate of a decedent as required to be valued
115.7 and otherwise determined for federal estate tax purposes under the Internal Revenue Code.

115.8 (3) "Internal Revenue Code" means the United States Internal Revenue Code of
115.9 1986, as amended through ~~April 14, 2011~~ January 3, 2013, but without regard to the
115.10 provisions of sections 501 and 901 of Public Law 107-16, as amended by Public Law
115.11 ~~111-312~~, and section 301(e) of Public Law ~~111-312~~ section 2011, paragraph (f), of the
115.12 Internal Revenue Code.

115.13 (4) "Minnesota adjusted taxable estate" means federal adjusted taxable estate as
115.14 defined by section 2011(b)(3) of the Internal Revenue Code, plus

115.15 (i) the amount of deduction for state death taxes allowed under section 2058 of the
115.16 Internal Revenue Code;

115.17 (ii) the amount of taxable gifts, as defined in section 292.16, and made by the
115.18 decedent within three years of the decedent's date of death; less

115.19 ~~(ii)~~ (iii)(A) the value of qualified small business property under section 291.03,
115.20 subdivision 9, and the value of qualified farm property under section 291.03, subdivision
115.21 10, or (B) \$4,000,000, whichever is less.

115.22 (5) "Minnesota gross estate" means the federal gross estate of a decedent after (a)
115.23 excluding therefrom any property included therein which has its situs outside Minnesota,
115.24 and (b) including therein any property omitted from the federal gross estate which is
115.25 includable therein, has its situs in Minnesota, and was not disclosed to federal taxing
115.26 authorities.

115.27 (6) "Nonresident decedent" means an individual whose domicile at the time of
115.28 death was not in Minnesota.

115.29 (7) "Personal representative" means the executor, administrator or other person
115.30 appointed by the court to administer and dispose of the property of the decedent. If there
115.31 is no executor, administrator or other person appointed, qualified, and acting within this
115.32 state, then any person in actual or constructive possession of any property having a situs in
115.33 this state which is included in the federal gross estate of the decedent shall be deemed
115.34 to be a personal representative to the extent of the property and the Minnesota estate tax
115.35 due with respect to the property.

116.1 (8) "Resident decedent" means an individual whose domicile at the time of death
116.2 was in Minnesota.

116.3 (9) "Situs of property" means, with respect to:

116.4 (i) real property, the state or country in which it is located; ~~with respect to~~

116.5 (ii) tangible personal property, the state or country in which it was normally kept or
116.6 located at the time of the decedent's death or for a gift of tangible personal property within
116.7 three years of death, the state or country in which it was normally kept or located when
116.8 the gift was executed; and ~~with respect to~~

116.9 (iii) intangible personal property, the state or country in which the decedent was
116.10 domiciled at death or for a gift of intangible personal property within three years of death,
116.11 the state or country in which the decedent was domiciled when the gift was executed.

116.12 For a nonresident decedent with an ownership interest in a pass-through entity
116.13 with assets that include real or tangible personal property, situs of the real or tangible
116.14 personal property is determined as if the pass-through entity does not exist and the real
116.15 or tangible personal property is personally owned by the decedent. If the pass-through
116.16 entity is owned by a person or persons in addition to the decedent, ownership of the
116.17 property is attributed to the decedent in proportion to the decedent's capital ownership
116.18 share of the pass-through entity.

116.19 (10) "Pass-through entity" includes the following:

116.20 (i) an entity electing S corporation status under section 1362 of the Internal Revenue
116.21 Code;

116.22 (ii) an entity taxed as a partnership under subchapter K of the Internal Revenue Code;

116.23 (iii) a single-member limited liability company or similar entity, regardless of
116.24 whether it is taxed as an association or is disregarded for federal income tax purposes
116.25 under Code of Federal Regulations, title 26, section 301.7701-3; or

116.26 (iv) a trust to the extent the property is includible in the decedent's federal gross estate.

116.27 **EFFECTIVE DATE.** This section is effective for decedents dying after December
116.28 31, 2012.

116.29 Sec. 3. Minnesota Statutes 2012, section 291.03, subdivision 1, is amended to read:

116.30 Subdivision 1. **Tax amount.** (a) The tax imposed shall be an amount equal to the
116.31 proportion of the maximum credit for state death taxes computed under section 2011 of
116.32 the Internal Revenue Code, but using Minnesota adjusted taxable estate instead of federal
116.33 adjusted taxable estate, as the Minnesota gross estate bears to the value of the federal
116.34 gross estate. The tax is reduced by:

117.1 (1) the gift tax paid by the decedent under section 292.17 on gifts included in the
117.2 Minnesota adjusted gross estate and not subtracted as qualified farm or small business
117.3 property; and

117.4 (2) any credit allowed under subdivision 1c.

117.5 (b) The tax determined under this subdivision must not be greater than the sum of
117.6 the following amounts multiplied by a fraction, the numerator of which is the Minnesota
117.7 gross estate and the denominator of which is the federal gross estate:

117.8 (1) the rates and brackets under section 2001(c) of the Internal Revenue Code
117.9 multiplied by the sum of:

117.10 (i) the taxable estate, as defined under section 2051 of the Internal Revenue Code; plus

117.11 (ii) adjusted taxable gifts, as defined in section 2001(b) of the Internal Revenue
117.12 Code; less

117.13 (iii) the lesser of (A) the sum of the value of qualified small business property
117.14 under subdivision 9, and the value of qualified farm property under subdivision 10, or
117.15 (B) \$4,000,000; less

117.16 (2) the amount of tax allowed under section 2001(b)(2) of the Internal Revenue
117.17 Code; and less

117.18 (3) the federal credit allowed under section 2010 of the Internal Revenue Code.

117.19 (c) For purposes of this subdivision, "Internal Revenue Code" means the Internal
117.20 Revenue Code of 1986, as amended through December 31, 2000.

117.21 **EFFECTIVE DATE.** This section is effective for decedents dying after December
117.22 31, 2012.

117.23 Sec. 4. Minnesota Statutes 2012, section 291.03, is amended by adding a subdivision
117.24 to read:

117.25 Subd. 1c. **Nonresident decedent tax credit.** (a) The estate of a nonresident
117.26 decedent that is subject to tax under this chapter on the value of Minnesota situs property
117.27 held in a pass-through entity is allowed a credit against the tax due under this section
117.28 equal to the lesser of:

117.29 (1) the amount of estate or inheritance tax paid to another state that is attributable to
117.30 the Minnesota situs property held in the pass-through entity; or

117.31 (2) the amount of tax paid under this section attributable to the Minnesota situs
117.32 property held in the pass-through entity.

117.33 (b) The amount of tax attributable to the Minnesota situs property held in the
117.34 pass-through entity must be determined by the increase in the estate or inheritance tax that

118.1 results from including the market value of the property in the estate or treating the value
118.2 as a taxable inheritance to the recipient of the property.

118.3 **EFFECTIVE DATE.** This section is effective for decedents dying after December
118.4 31, 2012.

118.5 Sec. 5. Minnesota Statutes 2012, section 291.03, subdivision 8, is amended to read:

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

118.8 (b) "Family member" means a family member as defined in section 2032A(e)(2) of
118.9 the Internal Revenue Code, or a trust whose present beneficiaries are all family members
118.10 as defined in section 2032A(e)(2) of the Internal Revenue Code.

118.11 (c) "Qualified heir" means a family member who acquired qualified property ~~from~~
118.12 upon the death of the decedent and satisfies the requirement under subdivision 9, clause
118.13 (6) (7), or subdivision 10, clause (4) (5), for the property.

118.14 (d) "Qualified property" means qualified small business property under subdivision
118.15 9 and qualified farm property under subdivision 10.

118.16 **EFFECTIVE DATE.** This section is effective retroactively for estates of decedents
118.17 dying after June 30, 2011.

118.18 Sec. 6. Minnesota Statutes 2012, section 291.03, subdivision 9, is amended to read:

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

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

118.22 (2) The property consists of the assets of a trade or business or shares of stock or
118.23 other ownership interests in a corporation or other entity engaged in a trade or business.

118.24 ~~The decedent or the decedent's spouse must have materially participated in the trade or~~

118.25 ~~business within the meaning of section 469 of the Internal Revenue Code during the~~

118.26 ~~taxable year that ended before the date of the decedent's death.~~ Shares of stock in a

118.27 corporation or an ownership interest in another type of entity do not qualify under this

118.28 subdivision if the shares or ownership interests are traded on a public stock exchange at

118.29 any time during the three-year period ending on the decedent's date of death. For purposes

118.30 of this subdivision, an ownership interest includes the interest the decedent is deemed to

118.31 own under sections 2036, 2037, and 2038 of the Internal Revenue Code.

118.32 (3) During the taxable year that ended before the decedent's death, the trade or

118.33 business must not have been a passive activity within the meaning of section 469(c) of the

119.1 Internal Revenue Code, and the decedent or the decedent's spouse must have materially
119.2 participated in the trade or business within the meaning of section 469(h) of the Internal
119.3 Revenue Code, excluding section 469(h)(3) of the Internal Revenue Code and any other
119.4 provision provided by United States Treasury Department regulation that substitutes
119.5 material participation in prior taxable years for material participation in the taxable year
119.6 that ended before the decedent's death.

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

119.9 (4) (5) The property does not consist of cash or, cash equivalents, publicly traded
119.10 securities, or assets not used in the operation of the trade or business. For property
119.11 consisting of shares of stock or other ownership interests in an entity, the amount value of
119.12 cash or, cash equivalents, publicly traded securities, or assets not used in the operation of
119.13 the trade or business held by the corporation or other entity must be deducted from the
119.14 value of the property qualifying under this subdivision in proportion to the decedent's
119.15 share of ownership of the entity on the date of death.

119.16 (5) (6) The decedent continuously owned the property, including property the
119.17 decedent is deemed to own under sections 2036, 2037, and 2038 of the Internal Revenue
119.18 Code, for the three-year period ending on the date of death of the decedent. In the case of
119.19 a sole proprietor, if the property replaced similar property within the three-year period,
119.20 the replacement property will be treated as having been owned for the three-year period
119.21 ending on the date of death of the decedent.

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

119.24 (7) For three years following the date of death of the decedent, the trade or business
119.25 is not a passive activity within the meaning of section 469(c) of the Internal Revenue Code,
119.26 and a family member materially participates in the operation of the trade or business within
119.27 the meaning of section 469(h) of the Internal Revenue Code, excluding section 469(h)(3)
119.28 of the Internal Revenue Code and any other provision provided by United States Treasury
119.29 Department regulation that substitutes material participation in prior taxable years for
119.30 material participation in the three years following the date of death of the decedent.

119.31 (8) The estate and the qualified heir elect to treat the property as qualified small
119.32 business property and agree, in the form prescribed by the commissioner, to pay the
119.33 recapture tax under subdivision 11, if applicable.

119.34 **EFFECTIVE DATE.** This section is effective retroactively for estates of decedents
119.35 dying after June 30, 2011.

120.1 Sec. 7. Minnesota Statutes 2012, section 291.03, subdivision 10, is amended to read:

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

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

120.5 (2) The property consists of ~~a farm meeting the requirements of agricultural land as~~
120.6 defined in section 500.24, subdivision 2, paragraph (g), and is owned by a person or entity
120.7 that is not excluded from owning agricultural land by section 500.24, and was classified
120.8 for property tax purposes as the homestead of the decedent or the decedent's spouse or
120.9 both under section 273.124, and as class 2a property under section 273.13, subdivision 23.

120.10 (3) For property taxes payable in the taxable year of decedent's death, the property is
120.11 classified as class 2a property under section 273.13, subdivision 23, and is classified as
120.12 agricultural homestead, agricultural relative homestead, or special agricultural homestead
120.13 under section 273.124.

120.14 (4) The decedent continuously owned the property, including property the decedent
120.15 is deemed to own under sections 2036, 2037, and 2038 of the Internal Revenue Code, for
120.16 the three-year period ending on the date of death of the decedent either by ownership of
120.17 the agricultural land or pursuant to holding an interest in an entity that is not excluded
120.18 from owning agricultural land under section 500.24.

120.19 ~~(4) A family member continuously uses the property in the operation of the trade or~~
120.20 ~~business~~ (5) The property is classified for property tax purposes as class 2a property under
120.21 section 273.13, subdivision 23, for three years following the date of death of the decedent.

120.22 ~~(5)~~ (6) The estate and the qualified heir elect to treat the property as qualified farm
120.23 property and agree, in a form prescribed by the commissioner, to pay the recapture tax
120.24 under subdivision 11, if applicable.

120.25 **EFFECTIVE DATE.** This section is effective retroactively for estates of decedents
120.26 dying after June 30, 2011.

120.27 Sec. 8. Minnesota Statutes 2012, section 291.03, subdivision 11, is amended to read:

120.28 Subd. 11. **Recapture tax.** (a) If, within three years after the decedent's death and
120.29 before the death of the qualified heir, the qualified heir disposes of any interest in the
120.30 qualified property, other than by a disposition to a family member, or a family member
120.31 ceases to use the qualified property which was acquired or passed from the decedent
120.32 satisfy the requirement under subdivision 9, clause (7); or 10, clause (5), an additional
120.33 estate tax is imposed on the property. In the case of a sole proprietor, if the qualified heir
120.34 replaces qualified small business property excluded under subdivision 9 with similar

121.1 property, then the qualified heir will not be treated as having disposed of an interest in the
121.2 qualified property.

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

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

121.7 **EFFECTIVE DATE.** This section is effective retroactively for estates of decedents
121.8 dying after June 30, 2011.

121.9 Sec. 9. **[292.16] DEFINITIONS.**

121.10 (a) For purposes of this chapter, the following definitions apply.

121.11 (b) The definitions of terms defined in section 291.005 apply.

121.12 (c) "Resident" has the meaning given in section 290.01.

121.13 (d) "Taxable gifts" means:

121.14 (1) the transfers by gift which are included in taxable gifts for federal gift tax
121.15 purposes under the following sections of the Internal Revenue Code:

121.16 (i) section 2503;

121.17 (ii) sections 2511 to 2514; and

121.18 (iii) sections 2516 to 2519; less

121.19 (2) the deductions allowed in sections 2522 to 2524 of the Internal Revenue Code.

121.20 **EFFECTIVE DATE.** This section is effective for taxable gifts made after June
121.21 30, 2013.

121.22 Sec. 10. **[292.17] GIFT TAX.**

121.23 Subdivision 1. **Imposition.** (a) A tax is imposed on the transfer of property by gift
121.24 by any individual resident or nonresident in an amount equal to ten percent of the amount
121.25 of the taxable gift.

121.26 (b) The donor is liable for payment of the tax. If the gift tax is not paid when due,
121.27 the donee of any gift is personally liable for the tax to the extent of the value of the gift.

121.28 Subd. 2. **Lifetime credit.** A credit is allowed against the tax imposed under this
121.29 section equal to \$100,000. This credit applies to the cumulative amount of taxable gifts
121.30 made by the donor during the donor's lifetime.

121.31 Subd. 3. **Out-of-state gifts.** Taxable gifts exclude the transfer of:

121.32 (1) real property located outside of this state;

122.1 (2) tangible personal property that was normally kept at a location outside of the
122.2 state on the date the gift was executed; and

122.3 (3) intangible personal property made by an individual who is not a resident.

122.4 **EFFECTIVE DATE.** This section is effective for taxable gifts made after June
122.5 30, 2013.

122.6 Sec. 11. **[292.18] RETURNS.**

122.7 (a) Any individual who makes a taxable gift during the taxable year shall file a gift
122.8 tax return in the form and manner prescribed by the commissioner.

122.9 (b) If the donor dies before filing the return, the executor of the donor's will or
122.10 the administrator of the donor's estate shall file the return. If the donor becomes legally
122.11 incompetent before filing the return, the guardian or conservator shall file the return.

122.12 (c) The return must include:

122.13 (1) each gift made during the calendar year which is to be included in computing the
122.14 taxable gifts;

122.15 (2) the deductions claimed and allowable under section 292.16, paragraph (d),
122.16 clause (2);

122.17 (3) a description of the gift, and the donee's name, address, and Social Security
122.18 number;

122.19 (4) the fair market value of gifts not made in money; and

122.20 (5) any other information the commissioner requires to administer the gift tax.

122.21 **EFFECTIVE DATE.** This section is effective for taxable gifts made after June
122.22 30, 2013.

122.23 Sec. 12. **[292.19] FILING REQUIREMENTS.**

122.24 Gift tax returns must be filed by the April 15 following the close of the calendar
122.25 year, except if a gift is made during the calendar year in which the donor dies, the return
122.26 for the donor must be filed by the last date, including extensions, for filing the gift tax
122.27 return for federal gift tax purposes for the donor.

122.28 **EFFECTIVE DATE.** This section is effective for taxable gifts made after June
122.29 30, 2013.

122.30 Sec. 13. **[292.20] APPRAISAL OF PROPERTY; DECLARATION BY DONOR.**

122.31 The commissioner may require the donor or the donee to show the property subject to
122.32 the tax under section 292.17 to the commissioner upon demand and may employ a suitable

123.1 person to appraise the property. The donor shall submit a declaration, in a form prescribed
123.2 by the commissioner and including any certification required by the commissioner, that the
123.3 property shown by the donor on the gift tax return includes all of the property transferred by
123.4 gift for the calendar year and not deductible under section 292.16, paragraph (d), clause (2).

123.5 **EFFECTIVE DATE.** This section is effective for taxable gifts made after June
123.6 30, 2013.

123.7 Sec. 14. **[292.21] ADMINISTRATIVE PROVISIONS.**

123.8 Subdivision 1. **Payment of tax; penalty for late payment.** The tax imposed under
123.9 section 292.17 is due and payable to the commissioner by the April 15 following the close
123.10 of the calendar year during which the gift was made. The return required under section
123.11 292.19 must be included with the payment. If a taxable gift is made during the calendar
123.12 year in which the donor dies, the due date is the last date, including extensions, for filing
123.13 the gift tax return for federal gift tax purposes for the donor. If any person fails to pay the
123.14 tax due within the time specified under this section, a penalty applies equal to ten percent
123.15 of the amount due and unpaid or \$100, whichever is greater. The unpaid tax and penalty
123.16 bear interest at the rate under section 270C.40 from the due date of the return.

123.17 Subd. 2. **Extensions.** The commissioner may, for good cause, extend the time for
123.18 filing a gift tax return, if a written request is filed with a tentative return accompanied by a
123.19 payment of the tax, which is estimated in the tentative return, on or before the last day for
123.20 filing the return. Any person to whom an extension is granted must pay, in addition to the
123.21 tax, interest at the rate under section 270C.40 from the date on which the tax would have
123.22 been due without the extension.

123.23 Subd. 3. **Changes in federal gift tax.** If the amount of a taxpayer's taxable gifts
123.24 for federal gift tax purposes, as reported on the taxpayer's federal gift tax return for any
123.25 calendar year, is changed or corrected by the Internal Revenue Service or other officer
123.26 of the United States or other competent authority, the taxpayer shall report the change or
123.27 correction in federal taxable gifts within 180 days after the final determination of the change
123.28 or correction, and concede the accuracy of the determination or provide a letter detailing
123.29 how the federal determination is incorrect or does not change the Minnesota gift tax. Any
123.30 taxpayer filing an amended federal gift tax return shall also file within 180 days an amended
123.31 return under this chapter and shall include any information the commissioner requires. The
123.32 time for filing the report or amended return may be extended by the commissioner upon due
123.33 cause shown. Notwithstanding any limitation of time in this chapter, if, upon examination,
123.34 the commissioner finds that the taxpayer is liable for the payment of an additional tax, the
123.35 commissioner shall, within a reasonable time from the receipt of the report or amended

124.1 return, notify the taxpayer of the amount of additional tax, together with interest computed
124.2 at the rate under section 270C.40 from the date when the original tax was due and payable.
124.3 Within 30 days of the mailing of the notice, the taxpayer shall pay the commissioner the
124.4 amount of the additional tax and interest. If, upon examination of the report or amended
124.5 return and related information, the commissioner finds that the taxpayer has overpaid the
124.6 tax due the state, the commissioner shall refund the overpayment to the taxpayer.

124.7 Subd. 4. **Application of federal rules.** In administering the tax under this chapter,
124.8 the commissioner shall apply the provisions of sections 2701 to 2704 of the Internal
124.9 Revenue Code. The words "secretary or his delegate," as used in those sections of the
124.10 Internal Revenue Code, mean the commissioner.

124.11 **EFFECTIVE DATE.** This section is effective for taxable gifts made after June
124.12 30, 2013.

124.13 Sec. 15. **[292.22] CREDIT AGAINST ESTATE TAX.**

124.14 A credit is allowed against the estate tax imposed under chapter 291 in the amount
124.15 of any tax imposed and paid under this chapter for a gift includable in the Minnesota
124.16 adjusted taxable estate of the donor under section 291.005.

124.17 **EFFECTIVE DATE.** This section is effective for taxable gifts made after June
124.18 30, 2013.

124.19 **ARTICLE 8**

124.20 **SALES AND USE TAX; LOCAL SALES TAXES**

124.21 Section 1. Minnesota Statutes 2012, section 297A.61, subdivision 3, is amended to read:

124.22 Subd. 3. **Sale and purchase.** (a) "Sale" and "purchase" include, but are not limited
124.23 to, each of the transactions listed in this subdivision.

124.24 (b) Sale and purchase include:

124.25 (1) any transfer of title or possession, or both, of tangible personal property, whether
124.26 absolutely or conditionally, for a consideration in money or by exchange or barter; and

124.27 (2) the leasing of or the granting of a license to use or consume, for a consideration
124.28 in money or by exchange or barter, tangible personal property, other than a manufactured
124.29 home used for residential purposes for a continuous period of 30 days or more.

124.30 (c) Sale and purchase include the production, fabrication, printing, or processing of
124.31 tangible personal property for a consideration for consumers who furnish either directly or
124.32 indirectly the materials used in the production, fabrication, printing, or processing.

- 125.1 (d) Sale and purchase include the preparing for a consideration of food.
- 125.2 Notwithstanding section 297A.67, subdivision 2, taxable food includes, but is not limited
- 125.3 to, the following:
- 125.4 (1) prepared food sold by the retailer;
- 125.5 (2) soft drinks;
- 125.6 (3) candy;
- 125.7 (4) dietary supplements; and
- 125.8 (5) all food sold through vending machines.
- 125.9 (e) A sale and a purchase includes the furnishing for a consideration of electricity,
- 125.10 gas, water, or steam for use or consumption within this state.
- 125.11 (f) A sale and a purchase includes the transfer for a consideration of prewritten
- 125.12 computer software whether delivered electronically, by load and leave, or otherwise.
- 125.13 (g) A sale and a purchase includes the furnishing for a consideration of the following
- 125.14 services:
- 125.15 (1) the privilege of admission to places of amusement, recreational areas, or athletic
- 125.16 events, including seat licenses, the rental of box seats, suites, sky boxes, and similar
- 125.17 facilities in stadiums and arenas and the making available of amusement devices, tanning
- 125.18 facilities, reducing salons, steam baths, Turkish baths, health clubs, and spas or athletic
- 125.19 facilities;
- 125.20 (2) lodging and related services by a hotel, rooming house, resort, campground,
- 125.21 motel, or trailer camp, including furnishing the guest of the facility with access to
- 125.22 telecommunication services, and the granting of any similar license to use real property in
- 125.23 a specific facility, other than the renting or leasing of it for a continuous period of 30 days
- 125.24 or more under an enforceable written agreement that may not be terminated without prior
- 125.25 notice and including accommodations intermediary services provided in connection with
- 125.26 other services provided under this clause;
- 125.27 (3) nonresidential parking services, whether on a contractual, hourly, or other
- 125.28 periodic basis, except for parking at a meter;
- 125.29 (4) the granting of membership in a club, association, or other organization if:
- 125.30 (i) the club, association, or other organization makes available for the use of its
- 125.31 members sports and athletic facilities, without regard to whether a separate charge is
- 125.32 assessed for use of the facilities; and
- 125.33 (ii) use of the sports and athletic facility is not made available to the general public
- 125.34 on the same basis as it is made available to members.
- 125.35 Granting of membership means both onetime initiation fees and periodic membership
- 125.36 dues. Sports and athletic facilities include golf courses; tennis, racquetball, handball, and

126.1 squash courts; basketball and volleyball facilities; running tracks; exercise equipment;
126.2 swimming pools; and other similar athletic or sports facilities;

126.3 (5) delivery of aggregate materials by a third party, excluding delivery of aggregate
126.4 material used in road construction; and delivery of concrete block by a third party if the
126.5 delivery would be subject to the sales tax if provided by the seller of the concrete block; and

126.6 (6) services as provided in this clause:

126.7 (i) laundry and dry cleaning services including cleaning, pressing, repairing, altering,
126.8 and storing clothes, linen services and supply, cleaning and blocking hats, and carpet,
126.9 drapery, upholstery, and industrial cleaning. Laundry and dry cleaning services do not
126.10 include services provided by coin operated facilities operated by the customer;

126.11 (ii) motor vehicle washing, waxing, and cleaning services, including services
126.12 provided by coin operated facilities operated by the customer, and rustproofing,
126.13 undercoating, and towing of motor vehicles;

126.14 (iii) building and residential cleaning, maintenance, and disinfecting services and
126.15 pest control and exterminating services;

126.16 (iv) detective, security, burglar, fire alarm, and armored car services; but not including
126.17 services performed within the jurisdiction they serve by off-duty licensed peace officers as
126.18 defined in section 626.84, subdivision 1, or services provided by a nonprofit organization
126.19 for monitoring and electronic surveillance of persons placed on in-home detention
126.20 pursuant to court order or under the direction of the Minnesota Department of Corrections;

126.21 (v) pet grooming services;

126.22 (vi) lawn care, fertilizing, mowing, spraying and sprigging services; garden planting
126.23 and maintenance; tree, bush, and shrub pruning, bracing, spraying, and surgery; indoor
126.24 plant care; tree, bush, shrub, and stump removal, except when performed as part of a land
126.25 clearing contract as defined in section 297A.68, subdivision 40; and tree trimming for
126.26 public utility lines. Services performed under a construction contract for the installation of
126.27 shrubbery, plants, sod, trees, bushes, and similar items are not taxable;

126.28 (vii) massages, except when provided by a licensed health care facility or
126.29 professional or upon written referral from a licensed health care facility or professional for
126.30 treatment of illness, injury, or disease; and

126.31 (viii) the furnishing of lodging, board, and care services for animals in kennels and
126.32 other similar arrangements, but excluding veterinary and horse boarding services.

126.33 In applying the provisions of this chapter, the terms "tangible personal property"
126.34 and "retail sale" include taxable services listed in clause (6), items (i) to (vi) and (viii),
126.35 and the provision of these taxable services, unless specifically provided otherwise.

126.36 Services performed by an employee for an employer are not taxable. Services performed

127.1 by a partnership or association for another partnership or association are not taxable if
127.2 one of the entities owns or controls more than 80 percent of the voting power of the
127.3 equity interest in the other entity. Services performed between members of an affiliated
127.4 group of corporations are not taxable. For purposes of the preceding sentence, "affiliated
127.5 group of corporations" means those entities that would be classified as members of an
127.6 affiliated group as defined under United States Code, title 26, section 1504, disregarding
127.7 the exclusions in section 1504(b).

127.8 For purposes of clause (5), "road construction" means construction of (1) public
127.9 roads, (2) cartways, and (3) private roads in townships located outside of the seven-county
127.10 metropolitan area up to the point of the emergency response location sign.

127.11 (h) A sale and a purchase includes the furnishing for a consideration of tangible
127.12 personal property or taxable services by the United States or any of its agencies or
127.13 instrumentalities, or the state of Minnesota, its agencies, instrumentalities, or political
127.14 subdivisions.

127.15 (i) A sale and a purchase includes the furnishing for a consideration of
127.16 telecommunications services, ancillary services associated with telecommunication
127.17 services, cable television services, and direct satellite services. Telecommunication
127.18 services include, but are not limited to, the following services, as defined in section
127.19 297A.669: air-to-ground radiotelephone service, mobile telecommunication service,
127.20 postpaid calling service, prepaid calling service, prepaid wireless calling service, and
127.21 private communication services. The services in this paragraph are taxed to the extent
127.22 allowed under federal law.

127.23 (j) A sale and a purchase includes the furnishing for a consideration of installation if
127.24 the installation charges would be subject to the sales tax if the installation were provided
127.25 by the seller of the item being installed.

127.26 (k) A sale and a purchase includes the rental of a vehicle by a motor vehicle dealer
127.27 to a customer when (1) the vehicle is rented by the customer for a consideration, or (2)
127.28 the motor vehicle dealer is reimbursed pursuant to a service contract as defined in section
127.29 59B.02, subdivision 11.

127.30 **EFFECTIVE DATE.** This section is effective for sales made after June 30, 2013.

127.31 Sec. 2. Minnesota Statutes 2012, section 297A.61, subdivision 4, is amended to read:

127.32 Subd. 4. **Retail sale.** (a) A "retail sale" means any sale, lease, or rental for any
127.33 purpose, other than resale, sublease, or subrent of items by the purchaser in the normal
127.34 course of business as defined in subdivision 21.

128.1 (b) A sale of property used by the owner only by leasing it to others or by holding it
128.2 in an effort to lease it, and put to no use by the owner other than resale after the lease or
128.3 effort to lease, is a sale of property for resale.

128.4 (c) A sale of master computer software that is purchased and used to make copies for
128.5 sale or lease is a sale of property for resale.

128.6 (d) A sale of building materials, supplies, and equipment to owners, contractors,
128.7 subcontractors, or builders for the erection of buildings or the alteration, repair, or
128.8 improvement of real property is a retail sale in whatever quantity sold, whether the sale is
128.9 for purposes of resale in the form of real property or otherwise.

128.10 (e) A sale of carpeting, linoleum, or similar floor covering to a person who provides
128.11 for installation of the floor covering is a retail sale and not a sale for resale since a sale of
128.12 floor covering which includes installation is a contract for the improvement of real property.

128.13 (f) A sale of shrubbery, plants, sod, trees, and similar items to a person who provides
128.14 for installation of the items is a retail sale and not a sale for resale since a sale of
128.15 shrubbery, plants, sod, trees, and similar items that includes installation is a contract for
128.16 the improvement of real property.

128.17 (g) A sale of tangible personal property that is awarded as prizes is a retail sale and
128.18 is not considered a sale of property for resale.

128.19 (h) A sale of tangible personal property utilized or employed in the furnishing or
128.20 providing of services under subdivision 3, paragraph (g), clause (1), including, but not
128.21 limited to, property given as promotional items, is a retail sale and is not considered a
128.22 sale of property for resale.

128.23 (i) A sale of tangible personal property used in conducting lawful gambling under
128.24 chapter 349 or the State Lottery under chapter 349A, including, but not limited to, property
128.25 given as promotional items, is a retail sale and is not considered a sale of property for resale.

128.26 (j) Except as otherwise provided in this paragraph, a sale of machines, equipment,
128.27 or devices that are used to furnish, provide, or dispense goods or services, including,
128.28 but not limited to, coin-operated devices, is a retail sale and is not considered a sale of
128.29 property for resale. A sale of coin-operated entertainment and amusement machines,
128.30 including, but not limited to, fortune-telling machines, cranes, foosball and pool tables,
128.31 video and pinball games, batting cages, rides, photo or video booths, and jukeboxes is a
128.32 sale of property for resale.

128.33 (k) In the case of a lease, a retail sale occurs (1) when an obligation to make a lease
128.34 payment becomes due under the terms of the agreement or the trade practices of the lessor
128.35 or; (2) in the case of a lease of a motor vehicle, as defined in section 297B.01, subdivision
128.36 11, but excluding vehicles with a manufacturer's gross vehicle weight rating greater than

129.1 10,000 pounds and rentals of vehicles for not more than 28 days, at the time the lease is
129.2 executed; or (3) for rent-to-own or lease-to-own used vehicles where the lessee may
129.3 purchase or return the vehicle at any time without penalty, at the time each payment is
129.4 made under the terms of the agreement.

129.5 (l) In the case of a conditional sales contract, a retail sale occurs upon the transfer of
129.6 title or possession of the tangible personal property.

129.7 (m) A sale of a bundled transaction in which one or more of the products included
129.8 in the bundle is a taxable product is a retail sale, except that if one of the products
129.9 is a telecommunication service, ancillary service, Internet access, or audio or video
129.10 programming service, and the seller has maintained books and records identifying through
129.11 reasonable and verifiable standards the portions of the price that are attributable to the
129.12 distinct and separately identifiable products, then the products are not considered part of a
129.13 bundled transaction. For purposes of this paragraph:

129.14 (1) the books and records maintained by the seller must be maintained in the regular
129.15 course of business, and do not include books and records created and maintained by the
129.16 seller primarily for tax purposes;

129.17 (2) books and records maintained in the regular course of business include, but are
129.18 not limited to, financial statements, general ledgers, invoicing and billing systems and
129.19 reports, and reports for regulatory tariffs and other regulatory matters; and

129.20 (3) books and records are maintained primarily for tax purposes when the books
129.21 and records identify taxable and nontaxable portions of the price, but the seller maintains
129.22 other books and records that identify different prices attributable to the distinct products
129.23 included in the same bundled transaction.

129.24 (n) A sale of motor vehicle repair paint and materials by a motor vehicle repair or
129.25 body shop business is a retail sale and the sales tax is imposed on the gross receipts from the
129.26 retail sale of the paint and materials. The motor vehicle repair or body shop that purchases
129.27 motor vehicle repair paint and motor vehicle repair materials for resale must either:

129.28 (1) separately state each item of paint and each item of materials, and the sales price
129.29 of each, on the invoice to the purchaser; or

129.30 (2) in order to calculate the sales price of the paint and materials, use a method
129.31 which estimates the amount and monetary value of the paint and materials used in
129.32 the repair of the motor vehicle by multiplying the number of labor hours by a rate of
129.33 consideration for the paint and materials used in the repair of the motor vehicle following
129.34 industry standard practices that fairly calculate the gross receipts from the retail sale of
129.35 the motor vehicle repair paint and motor vehicle repair materials. An industry standard
129.36 practice fairly calculates the gross receipts if the sales price of the paint and materials used

130.1 or consumed in the repair of a motor vehicle equals or exceeds the purchase price paid
 130.2 by the motor vehicle repair or body shop business. Under this clause, the invoice must
 130.3 either separately state the "paint and materials" as a single taxable item, or separately state
 130.4 "paint" as a taxable item and "materials" as a taxable item. This clause does not apply to
 130.5 wholesale transactions at an auto auction facility.

130.6 (o) A payment made to a cooperative electric association or public utility as a
 130.7 contribution in aid of construction is a contract for improvement to real property and
 130.8 is not a retail sale.

130.9 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
 130.10 June 30, 2013.

130.11 Sec. 3. Minnesota Statutes 2012, section 297A.61, is amended by adding a subdivision
 130.12 to read:

130.13 Subd. 49. **Motor vehicle repair paint and motor vehicle repair materials.** "Motor
 130.14 vehicle repair paint" means a substance composed of solid matter suspended in a liquid
 130.15 medium and applied as a protective or decorative coating to the surface of a motor vehicle in
 130.16 order to restore the motor vehicle to its original condition, and includes primer, body paint,
 130.17 clear coat, and paint thinner used to paint motor vehicles, as defined in section 297B.01.

130.18 "Motor vehicle repair materials" means items, other than motor vehicle repair paint
 130.19 or motor vehicle parts, that become a part of a repaired motor vehicle or are consumed in
 130.20 repairing the motor vehicle at retail, and include abrasives, battery water, body filler or
 130.21 putty, bolts and nuts, brake fluid, buffing pads, chamois, cleaning compounds, degreasing
 130.22 compounds, glaze, grease, grinding discs, hydraulic jack oil, lubricants, masking tape,
 130.23 oxygen and acetylene, polishes, rags, razor blades, sandpaper, sanding discs, scuff pads,
 130.24 sealer, solder, solvents, striping tape, tack cloth, thinner, waxes, and welding rods. Motor
 130.25 vehicle repair materials do not include items that are not used directly on the motor vehicle,
 130.26 such as floor dry that is used to clean the shop, or cleaning compounds and rags that are
 130.27 used to clean tools, equipment, or the shop and are not used to clean the motor vehicle.

130.28 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
 130.29 June 30, 2013.

130.30 Sec. 4. Minnesota Statutes 2012, section 297A.64, subdivision 1, is amended to read:

130.31 Subdivision 1. **Tax imposed.** (a) A tax is imposed on the lease or rental in this
 130.32 state for not more than 28 days of a passenger automobile as defined in section 168.002,
 130.33 subdivision 24, a van as defined in section 168.002, subdivision 40, or a pickup truck as

131.1 defined in section 168.002, subdivision 26. The rate of tax is ~~6.2~~ 9.2 percent of the sales
 131.2 price. The tax applies whether or not the vehicle is licensed in the state.

131.3 (b) The provisions of this subdivision do not apply to the vehicles of a nonprofit
 131.4 corporation or similar entity, consisting of members who pay the organization for the
 131.5 use of a motor vehicle, if the organization:

131.6 (1) owns or leases a fleet of vehicles of the type subject to the tax under paragraph (a)
 131.7 that are available to its members for use, priced on the basis of intervals of one hour or less;

131.8 (2) parks its vehicles at unstaffed, self-service locations that are accessible to its
 131.9 members at any time; and

131.10 (3) maintains its vehicles, insures its vehicles on behalf of its members, and
 131.11 purchases fuel for its fleet.

131.12 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
 131.13 June 30, 2013.

131.14 Sec. 5. Minnesota Statutes 2012, section 297A.64, subdivision 2, is amended to read:

131.15 Subd. 2. **Fee imposed.** (a) A fee equal to five percent of the sales price is imposed
 131.16 on leases or rentals of vehicles subject to the tax under subdivision 1, paragraph (a). The
 131.17 lessor on the invoice to the customer may designate the fee as "a fee imposed by the State
 131.18 of Minnesota for the registration of rental cars."

131.19 ~~(b) The provisions of this subdivision do not apply to the vehicles of a nonprofit~~
 131.20 ~~corporation or similar entity, consisting of individual or group members who pay the~~
 131.21 ~~organization for the use of a motor vehicle, if the organization:~~

131.22 ~~(1) owns or leases a fleet of vehicles of the type subject to the tax under subdivision 1~~
 131.23 ~~that are available to its members for use, priced on the basis of intervals of one hour or less;~~

131.24 ~~(2) parks its vehicles at unstaffed, self-service locations that are accessible at any~~
 131.25 ~~time of the day;~~

131.26 ~~(3) maintains its vehicles, insures its vehicles on behalf of its members, and~~
 131.27 ~~purchases fuel for its fleet; and~~

131.28 ~~(4) does not charge usage rates that decline on a per unit basis, whether specified~~
 131.29 ~~based on distance or time exempt from the tax imposed under subdivision 1, paragraph (b).~~

131.30 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
 131.31 June 30, 2013.

131.32 Sec. 6. Minnesota Statutes 2012, section 297A.66, is amended by adding a subdivision
 131.33 to read:

132.1 Subd. 4a. **Solicitor.** (a) "Solicitor," for purposes of subdivision 1, paragraph (a),
132.2 means a person, whether an independent contractor or other representative, who directly
132.3 or indirectly solicits business for the retailer.

132.4 (b) A retailer is presumed to have a solicitor in this state if it enters into an agreement
132.5 with a resident under which the resident, for a commission or other consideration, directly
132.6 or indirectly refers potential customers, whether by a link on an Internet Web site, or
132.7 otherwise, to the seller. This paragraph only applies if the total gross receipts are at least
132.8 \$10,000 in the 12-month period ending on the last day of the most recent calendar quarter
132.9 before the calendar quarter in which the sale is made. For purposes of this paragraph,
132.10 gross receipts means receipts from sales to customers located in the state who were
132.11 referred to the retailer by all residents with this type of agreement with the retailer.

132.12 (c) The presumption under paragraph (b) may be rebutted by proof that the resident
132.13 with whom the seller has an agreement did not engage in any solicitation in the state
132.14 on behalf of the retailer that would satisfy the nexus requirement of the United States
132.15 Constitution during the 12-month period in question. Nothing in this section shall be
132.16 construed to narrow the scope of the terms affiliate, agent, salesperson, canvasser, or other
132.17 representative for purposes of subdivision 1, paragraph (a).

132.18 (d) For purposes of this paragraph, "resident" includes an individual who is a
132.19 resident of this state, as defined in section 290.01, or a business that owns tangible
132.20 personal property located in this state or has one or more employees providing services for
132.21 the business in this state.

132.22 (e) This subdivision does not apply to chapter 290 and does not expand or contract
132.23 the jurisdiction to tax a trade or business under chapter 290.

132.24 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
132.25 June 30, 2013.

132.26 Sec. 7. Minnesota Statutes 2012, section 297A.668, is amended by adding a
132.27 subdivision to read:

132.28 Subd. 6a. **Multiple points of use.** (a) Notwithstanding the provisions of subdivisions
132.29 2 to 5, a business purchaser that is not a holder of a direct pay permit that knows at the
132.30 time of its purchase of a digital good, computer software delivered electronically, or a
132.31 service that the digital good, computer software delivered electronically, or service will be
132.32 concurrently available for use in more than one jurisdiction shall deliver to the seller in
132.33 conjunction with its purchase a multiple points of use exemption certificate disclosing
132.34 this fact.

133.1 (b) Upon receipt of the multiple points of use certificate, the seller is relieved of the
 133.2 obligation to collect, pay, or remit the applicable tax and the purchaser is obligated to
 133.3 collect, pay, or remit the applicable tax on a direct pay basis.

133.4 (c) A purchaser delivering the multiple points of use exemption certificate may use
 133.5 any reasonable, but consistent and uniform, method of apportionment that is supported by
 133.6 the purchaser's business records as they exist at the time of the consummation of the sale.

133.7 (d) The multiple points of use exemption certificate remains in effect for all future
 133.8 sales by the seller to the purchaser until it is revoked in writing, except as to the subsequent
 133.9 sale's specific apportionment that is governed by the principle of paragraph (c) and the
 133.10 facts existing at the time of the sale.

133.11 (e) A holder of a direct pay permit is not required to deliver a multiple points of use
 133.12 exemption certificate to the seller. A direct pay permit holder shall follow the provisions
 133.13 of paragraph (c) in apportioning the tax due on a digital good, computer software delivered
 133.14 electronically, or a service that will be concurrently available for use in more than one
 133.15 jurisdiction.

133.16 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
 133.17 June 30, 2013.

133.18 Sec. 8. Minnesota Statutes 2012, section 297A.67, subdivision 7, is amended to read:

133.19 Subd. 7. **Drugs; medical devices.** (a) Sales of the following drugs and medical
 133.20 devices for human use are exempt:

133.21 (1) drugs, including over-the-counter drugs;

133.22 (2) single-use finger-pricking devices for the extraction of blood and other single-use
 133.23 devices and single-use diagnostic agents used in diagnosing, monitoring, or treating
 133.24 diabetes;

133.25 (3) insulin and medical oxygen for human use, regardless of whether prescribed
 133.26 or sold over the counter;

133.27 (4) prosthetic devices;

133.28 (5) durable medical equipment for home use only;

133.29 (6) mobility enhancing equipment;

133.30 (7) prescription corrective eyeglasses; and

133.31 (8) kidney dialysis equipment, including repair and replacement parts.

133.32 (b) Items purchased in transactions covered by:

133.33 (1) Medicare as defined under title XVIII of the Social Security Act, United States
 133.34 Code, title 42, sections 1395, et seq.; or

134.1 (2) Medicaid as defined under title XIX of the Social Security Act, United States
134.2 Code, title 42, sections 1396, et seq.

134.3 **(b)** (c) For purposes of this subdivision:

134.4 (1) "Drug" means a compound, substance, or preparation, and any component of
134.5 a compound, substance, or preparation, other than food and food ingredients, dietary
134.6 supplements, or alcoholic beverages that is:

134.7 (i) recognized in the official United States Pharmacopoeia, official Homeopathic
134.8 Pharmacopoeia of the United States, or official National Formulary, and supplement
134.9 to any of them;

134.10 (ii) intended for use in the diagnosis, cure, mitigation, treatment, or prevention
134.11 of disease; or

134.12 (iii) intended to affect the structure or any function of the body.

134.13 (2) "Durable medical equipment" means equipment, including repair and
134.14 replacement parts and all accessories and supplies, including single patient use items
134.15 required for the effective use of the durable medical equipment device, but not including
134.16 mobility enhancing equipment, that:

134.17 (i) can withstand repeated use;

134.18 (ii) is primarily and customarily used to serve a medical purpose;

134.19 (iii) generally is not useful to a person in the absence of illness or injury; and

134.20 (iv) is not worn in or on the body.

134.21 For purposes of this clause, "repair and replacement parts" includes all components
134.22 or attachments used in conjunction with the durable medical equipment, ~~but does not~~
134.23 ~~include~~ including repair and replacement parts which are for single patient use only.

134.24 (3) "Mobility enhancing equipment" means equipment, including repair and
134.25 replacement parts, but not including durable medical equipment, that:

134.26 (i) is primarily and customarily used to provide or increase the ability to move from
134.27 one place to another and that is appropriate for use either in a home or a motor vehicle;

134.28 (ii) is not generally used by persons with normal mobility; and

134.29 (iii) does not include any motor vehicle or equipment on a motor vehicle normally
134.30 provided by a motor vehicle manufacturer.

134.31 (4) "Over-the-counter drug" means a drug that contains a label that identifies the
134.32 product as a drug as required by Code of Federal Regulations, title 21, section 201.66. The
134.33 label must include a "drug facts" panel or a statement of the active ingredients with a list of
134.34 those ingredients contained in the compound, substance, or preparation. Over-the-counter
134.35 drugs do not include grooming and hygiene products, regardless of whether they otherwise

135.1 meet the definition. "Grooming and hygiene products" are soaps, cleaning solutions,
135.2 shampoo, toothpaste, mouthwash, antiperspirants, and suntan lotions and sunscreens.

135.3 (5) "Prescribed" and "prescription" means a direction in the form of an order,
135.4 formula, or recipe issued in any form of oral, written, electronic, or other means of
135.5 transmission by a duly licensed health care professional.

135.6 (6) "Prosthetic device" means a replacement, corrective, or supportive device,
135.7 including repair and replacement parts, and all necessary accessories, supplies, and items
135.8 required for the effective use of the prosthetic device, worn on or in the body to:

135.9 (i) artificially replace a missing portion of the body;

135.10 (ii) prevent or correct physical deformity or malfunction; or

135.11 (iii) support a weak or deformed portion of the body.

135.12 Prosthetic device does not include corrective eyeglasses.

135.13 (7) "Kidney dialysis equipment" means equipment that:

135.14 (i) is used to remove waste products that build up in the blood when the kidneys are
135.15 not able to do so on their own; and

135.16 (ii) can withstand repeated use, including multiple use by a single patient,
135.17 notwithstanding the provisions of clause (2).

135.18 (8) A transaction is covered by Medicare or Medicaid if any portion of the cost of
135.19 the item purchased in the transaction is paid for or reimbursed by the federal government
135.20 or the state of Minnesota pursuant to the Medicare or Medicaid program, by a private
135.21 insurance company administering the Medicare or Medicaid program on behalf of the
135.22 federal government or the state of Minnesota, or by a managed care organization for the
135.23 benefit of a patient enrolled in a prepaid program that furnishes medical services in lieu
135.24 of conventional Medicare or Medicaid coverage pursuant to agreement with the federal
135.25 government or the state of Minnesota.

135.26 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
135.27 June 30, 2013.

135.28 Sec. 9. Minnesota Statutes 2012, section 297A.70, subdivision 4, is amended to read:

135.29 Subd. 4. **Sales to nonprofit groups.** (a) All sales, except those listed in paragraph
135.30 (b), to the following "nonprofit organizations" are exempt:

135.31 (1) a corporation, society, association, foundation, or institution organized and
135.32 operated exclusively for charitable, religious, or educational purposes if the item

135.33 purchased is used in the performance of charitable, religious, or educational functions; and

135.34 (2) any senior citizen group or association of groups that:

136.1 (i) in general limits membership to persons who are either age 55 or older, or
136.2 physically disabled;

136.3 (ii) is organized and operated exclusively for pleasure, recreation, and other
136.4 nonprofit purposes, not including housing, no part of the net earnings of which inures to
136.5 the benefit of any private shareholders; and

136.6 (iii) is an exempt organization under section 501(c) of the Internal Revenue Code.

136.7 For purposes of this subdivision, charitable purpose includes the maintenance of a
136.8 cemetery owned by a religious organization.

136.9 (b) This exemption does not apply to the following sales:

136.10 (1) building, construction, or reconstruction materials purchased by a contractor
136.11 or a subcontractor as a part of a lump-sum contract or similar type of contract with a
136.12 guaranteed maximum price covering both labor and materials for use in the construction,
136.13 alteration, or repair of a building or facility;

136.14 (2) construction materials purchased by tax-exempt entities or their contractors to
136.15 be used in constructing buildings or facilities that will not be used principally by the
136.16 tax-exempt entities; and

136.17 (3) lodging as defined under section 297A.61, subdivision 3, paragraph (g), clause
136.18 (2), and prepared food, candy, soft drinks, and alcoholic beverages as defined in section
136.19 297A.67, subdivision 2, except wine purchased by an established religious organization
136.20 for sacramental purposes or as allowed under subdivision 9a; and

136.21 (4) leasing of a motor vehicle as defined in section 297B.01, subdivision 11, except
136.22 as provided in paragraph (c).

136.23 (c) This exemption applies to the leasing of a motor vehicle as defined in section
136.24 297B.01, subdivision 11, only if the vehicle is:

136.25 (1) a truck, as defined in section 168.002, a bus, as defined in section 168.002, or a
136.26 passenger automobile, as defined in section 168.002, if the automobile is designed and
136.27 used for carrying more than nine persons including the driver; and

136.28 (2) intended to be used primarily to transport tangible personal property or
136.29 individuals, other than employees, to whom the organization provides service in
136.30 performing its charitable, religious, or educational purpose.

136.31 (d) A limited liability company also qualifies for exemption under this subdivision if
136.32 (1) it consists of a sole member that would qualify for the exemption, and (2) the items
136.33 purchased qualify for the exemption.

136.34 **EFFECTIVE DATE.** This section is effective retroactively for sales and purchases
136.35 made after June 30, 2012.

137.1 Sec. 10. Minnesota Statutes 2012, section 297A.70, subdivision 8, is amended to read:

137.2 Subd. 8. **Regionwide Public safety radio communication system systems;**
137.3 **products and services.** (a) Products and services including, but not limited to, end user
137.4 equipment used for construction, ownership, operation, maintenance, and enhancement
137.5 of the backbone system of the regionwide public safety radio communication system
137.6 established under sections 403.21 to 403.40, are exempt. For purposes of this subdivision,
137.7 backbone system is defined in section 403.21, subdivision 9. This subdivision is effective
137.8 for purchases, sales, storage, use, or consumption for use in the first and second phases of
137.9 the system, as defined in section 403.21, subdivisions 3, 10, and 11, that portion of the
137.10 third phase of the system that is located in the southeast district of the State Patrol and
137.11 the counties of Benton, Sherburne, Stearns, and Wright, and that portion of the system
137.12 that is located in Itasca County.

137.13 (b) Products and services, including, but not limited to, end-user equipment used
137.14 for construction, ownership, operation, maintenance, and enhancement of public safety
137.15 radio communication systems not already exempt under paragraph (a), including public
137.16 safety radio dispatch centers, are exempt.

137.17 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
137.18 June 30, 2013.

137.19 Sec. 11. Minnesota Statutes 2012, section 297A.70, is amended by adding a
137.20 subdivision to read:

137.21 Subd. 9a. **Established religious orders.** (a) Sales of lodging, prepared food, candy,
137.22 soft drinks, and alcoholic beverages at noncatered events between an established religious
137.23 order and an affiliated institution of higher education are exempt.

137.24 (b) For purposes of this subdivision, "established religious order" means an
137.25 organization directly or indirectly under the control or supervision of a church or
137.26 convention or association of churches, where members of the organization:

137.27 (1) normally live together as part of a community;

137.28 (2) make long-term commitments to live under a strict set of moral and spiritual
137.29 rules; and

137.30 (3) work or engage full time in a combination of prayer, religious study, church
137.31 reform or renewal, or other religious, educational, or charitable goals of the organization.

137.32 (c) For purposes of this subdivision, an institution of higher education is "affiliated"
137.33 with an established religious order if members of the religious order are represented
137.34 on the governing board of the institution of higher education and the two organization
137.35 share campus space and common facilities.

138.1 **EFFECTIVE DATE.** This section is effective retroactively for sales and purchases
138.2 made after June 30, 2012.

138.3 Sec. 12. Minnesota Statutes 2012, section 297A.70, is amended by adding a
138.4 subdivision to read:

138.5 Subd. 18. **Nursing homes and boarding care homes.** (a) All sales, except those
138.6 listed in paragraph (b), to a nursing home licensed under section 144A.02 or a boarding
138.7 care home certified as a nursing facility under title 19 of the Social Security Act are
138.8 exempt if the facility:

138.9 (1) is exempt from federal income taxation pursuant to section 501(c)(3) of the
138.10 Internal Revenue Code; and

138.11 (2) is certified to participate in the medical assistance program under title 19 of the
138.12 Social Security Act, or certifies to the commissioner that it does not discharge residents
138.13 due to the inability to pay.

138.14 (b) This exemption does not apply to the following sales:

138.15 (1) building, construction, or reconstruction materials purchased by a contractor
138.16 or a subcontractor as a part of a lump-sum contract or similar type of contract with a
138.17 guaranteed maximum price covering both labor and materials for use in the construction,
138.18 alteration, or repair of a building or facility;

138.19 (2) construction materials purchased by tax-exempt entities or their contractors to
138.20 be used in constructing buildings or facilities that will not be used principally by the
138.21 tax-exempt entities;

138.22 (3) lodging as defined under section 297A.61, subdivision 3, paragraph (g), clause
138.23 (2), and prepared food, candy, soft drinks, and alcoholic beverages as defined in section
138.24 297A.67, subdivision 2; and

138.25 (4) leasing of a motor vehicle as defined in section 297B.01, subdivision 11, except
138.26 as provided in paragraph (c).

138.27 (c) This exemption applies to the leasing of a motor vehicle as defined in section
138.28 297B.01, subdivision 11, only if the vehicle is:

138.29 (1) a truck, as defined in section 168.002; a bus, as defined in section 168.002; or a
138.30 passenger automobile, as defined in section 168.002, if the automobile is designed and
138.31 used for carrying more than nine persons including the driver; and

138.32 (2) intended to be used primarily to transport tangible personal property or residents
138.33 of the nursing home or boarding care home.

138.34 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
138.35 June 30, 2013.

139.1 Sec. 13. Minnesota Statutes 2012, section 297A.71, is amended by adding a
139.2 subdivision to read:

139.3 Subd. 45. **Industrial measurement manufacturing and controls facility.** (a)

139.4 Materials and supplies used or consumed in, capital equipment incorporated into,
139.5 fixtures installed in, and privately owned infrastructure in support of the construction,
139.6 improvement, or expansion of an industrial measurement manufacturing and controls
139.7 facility are exempt if:

139.8 (1) the total capital investment made at the facility is at least \$60,000,000;

139.9 (2) the facility employs at least 250 full-time equivalent employees that are not
139.10 employees currently employed by the company in the state; and

139.11 (3) the Department of Employment and Economic Development determines that
139.12 the expansion, remodeling, or improvement of the facility has a significant impact on
139.13 the state economy.

139.14 (b) The tax must be imposed and collected as if the rate under section 297A.62,
139.15 subdivisions 1 and 1a, applied and refunded in the manner provided in section 297A.75,
139.16 only after the following criteria are met:

139.17 (1) a refund may not be issued until the owner of the facility has received
139.18 certification from the Department of Employment and Economic Development that the
139.19 company meets the requirements in paragraph (a); and

139.20 (2) to receive the refund, the owner of the industrial measurement manufacturing
139.21 and controls facility must initially apply to the Department of Employment and Economic
139.22 Development for certification no later than one year from the final completion date of
139.23 construction, improvement, or expansion of the industrial measurement manufacturing
139.24 and controls facility.

139.25 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
139.26 June 30, 2013, and before December 31, 2015.

139.27 Sec. 14. Minnesota Statutes 2012, section 297A.71, is amended by adding a
139.28 subdivision to read:

139.29 Subd. 46. **Building materials; resorts and recreational camping areas.** Materials
139.30 and supplies used or consumed in, and equipment incorporated into, the improvement of
139.31 an existing structure located at a resort, as defined in section 157.15, subdivision 11, or
139.32 recreational camping area, as defined in section 327.14, are exempt. The tax on purchases
139.33 exempt under this provision must be imposed and collected as if the rate under section
139.34 297A.62, subdivision 1, applied and then refunded in the manner provided in section
139.35 297A.75. For purposes of this subdivision, a structure includes a cabin located on resort

140.1 property and any other structure available for use by guests of the resort or recreational
140.2 camping area.

140.3 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
140.4 June 30, 2013.

140.5 Sec. 15. Minnesota Statutes 2012, section 297A.71, is amended by adding a
140.6 subdivision to read:

140.7 Subd. 47. **Biopharmaceutical manufacturing facility.** (a) Materials and
140.8 supplies used or consumed in, capital equipment incorporated into, and privately
140.9 owned infrastructure in support of the construction, improvement, or expansion of a
140.10 biopharmaceutical manufacturing facility in the state are exempt if the following criteria
140.11 are met:

140.12 (1) the facility is used for the manufacturing of biologics;

140.13 (2) the total capital investment made at the facility exceeds \$50,000,000; and

140.14 (3) the facility creates and maintains at least 190 full-time equivalent positions at the
140.15 facility. These positions must be new jobs in Minnesota and not the result of relocating
140.16 jobs that currently exist in Minnesota.

140.17 (b) The tax must be imposed and collected as if the rate under section 297A.62,
140.18 subdivision 1, applied, and refunded in the manner provided in section 297A.75.

140.19 (c) To be eligible for a refund, the owner of the biopharmaceutical manufacturing
140.20 facility must:

140.21 (1) initially apply to the Department of Employment and Economic Development
140.22 for certification no later than one year from the final completion date of construction,
140.23 improvement, or expansion of the facility; and

140.24 (2) for each year that the owner of the biopharmaceutical manufacturing facility
140.25 applies for a refund, the owner must have received written certification from the
140.26 Department of Employment and Economic Development that the facility has met the
140.27 criteria of paragraph (a).

140.28 (d) The refund is to be paid annually at a rate of 25 percent of the total allowable
140.29 refund payable to date, with the commissioner making annual payments of the remaining
140.30 refund until all of the refund has been paid.

140.31 (e) For purposes of this subdivision, "biopharmaceutical" and "biologics" are
140.32 interchangeable and mean medical drugs or medicinal preparations produced using
140.33 technology that uses biological systems, living organisms or derivatives of living
140.34 organisms, to make or modify products or processes for specific use. The medical drugs or

141.1 medicinal preparations include but are not limited to proteins, antibodies, nucleic acids,
141.2 and vaccines.

141.3 **EFFECTIVE DATE.** This section is effective retroactively to investments entered
141.4 into and jobs created after December 31, 2012, and effective retroactively for sales and
141.5 purchases made after December 31, 2012, and before July 1, 2019.

141.6 Sec. 16. Minnesota Statutes 2012, section 297A.75, subdivision 1, is amended to read:

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

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

141.11 (2) building materials for an agricultural processing facility exempt under section
141.12 297A.71, subdivision 13;

141.13 (3) building materials for mineral production facilities exempt under section
141.14 297A.71, subdivision 14;

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

141.16 (5) building materials used in a residence for disabled veterans exempt under section
141.17 297A.71, subdivision 11;

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

141.19 (7) building materials for the Long Lake Conservation Center exempt under section
141.20 297A.71, subdivision 17;

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

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

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

141.28 (11) commuter rail vehicle and repair parts under section 297A.70, subdivision 3,
141.29 paragraph (a), clause (10);

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

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

141.34 (14) materials, supplies, and equipment for construction, improvement, or
141.35 expansion of an aerospace defense manufacturing facility exempt under section 297A.71,

142.1 subdivision 42, and construction, expansion, or improvement of an industrial measurement
 142.2 manufacturing and controls facility under section 297A.71, subdivision 45;

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

142.5 (16) materials, supplies, and equipment for qualifying capital projects under section
 142.6 297A.71, subdivision 44;

142.7 (17) materials, supplies, and equipment for structure improvements at resort and
 142.8 camping areas under section 297A.71, subdivision 46; and

142.9 (18) materials, supplies, and equipment for construction, improvement, or expansion
 142.10 of a biopharmaceutical manufacturing facility exempt under section 297A.71, subdivision
 142.11 47.

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

142.13 Sec. 17. Minnesota Statutes 2012, section 297A.75, subdivision 2, is amended to read:

142.14 Subd. 2. **Refund; eligible persons.** Upon application on forms prescribed by the
 142.15 commissioner, a refund equal to the tax paid on the gross receipts of the exempt items
 142.16 must be paid to the applicant. Only the following persons may apply for the refund:

142.17 (1) for subdivision 1, clauses (1) to (3), the applicant must be the purchaser;

142.18 (2) for subdivision 1, clauses (4) and (7), the applicant must be the governmental
 142.19 subdivision;

142.20 (3) for subdivision 1, clause (5), the applicant must be the recipient of the benefits
 142.21 provided in United States Code, title 38, chapter 21;

142.22 (4) for subdivision 1, clause (6), the applicant must be the owner of the homestead
 142.23 property;

142.24 (5) for subdivision 1, clause (8), the owner of the qualified low-income housing
 142.25 project;

142.26 (6) for subdivision 1, clause (9), the applicant must be a municipal electric utility or
 142.27 a joint venture of municipal electric utilities;

142.28 (7) for subdivision 1, clauses (10), (13), (14), ~~and (15), and (18)~~, the owner of the
 142.29 qualifying business; ~~and~~

142.30 (8) for subdivision 1, clauses (11), (12), and (16), the applicant must be the
 142.31 governmental entity that owns or contracts for the project or facility; and

142.32 (9) for subdivision 1, clause (17), the applicant must be the owner of the resort
 142.33 or recreational camping facility.

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

143.1 Sec. 18. Minnesota Statutes 2012, section 297A.75, subdivision 3, is amended to read:

143.2 Subd. 3. **Application.** (a) The application must include sufficient information
143.3 to permit the commissioner to verify the tax paid. If the tax was paid by a contractor,
143.4 subcontractor, or builder, under subdivision 1, clause (4), (5), (6), (7), (8), (9), (10), (11),
143.5 (12), (13), (14), (15), ~~or (16), (17), or (18)~~, the contractor, subcontractor, or builder must
143.6 furnish to the refund applicant a statement including the cost of the exempt items and the
143.7 taxes paid on the items unless otherwise specifically provided by this subdivision. The
143.8 provisions of sections 289A.40 and 289A.50 apply to refunds under this section.

143.9 (b) An applicant may not file more than two applications per calendar year for
143.10 refunds for taxes paid on capital equipment exempt under section 297A.68, subdivision 5.

143.11 (c) Total refunds for purchases of items in section 297A.71, subdivision 40, must not
143.12 exceed \$5,000,000 in fiscal years 2010 and 2011. Applications for refunds for purchases
143.13 of items in sections 297A.70, subdivision 3, paragraph (a), clause (11), and 297A.71,
143.14 subdivision 40, must not be filed until after June 30, 2009. Applications for refunds for
143.15 purchases of items in section 297A.71, subdivision 47, must not be filed until after June
143.16 30, 2016, and only one refund may be filed annually thereafter.

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

143.18 Sec. 19. Minnesota Statutes 2012, section 297A.815, subdivision 3, is amended to read:

143.19 Subd. 3. **Motor vehicle lease sales tax revenue.** (a) For purposes of this
143.20 subdivision, "net revenue" means an amount equal to:

143.21 (1) the revenues, including interest and penalties, collected under this section and
143.22 on the leases under section 297A.61, subdivision 4, paragraph (k), clause (3), during
143.23 the fiscal year; less

143.24 (2) in fiscal year 2011, \$30,100,000; in fiscal year 2012, \$31,100,000; and in fiscal
143.25 year 2013 and following fiscal years, \$32,000,000.

143.26 (b) On or before June 30 of each fiscal year, the commissioner of revenue shall
143.27 estimate the amount of the revenues and subtraction under paragraph (a) for the current
143.28 fiscal year.

143.29 (c) On or after July 1 of the subsequent fiscal year, the commissioner of management
143.30 and budget shall transfer the net revenue as estimated in paragraph (b) from the general
143.31 fund, as follows:

143.32 (1) 50 percent to the greater Minnesota transit account; and

143.33 (2) 50 percent to the county state-aid highway fund. Notwithstanding any other law
143.34 to the contrary, the commissioner of transportation shall allocate the funds transferred
143.35 under this clause to the counties in the metropolitan area, as defined in section 473.121,

144.1 subdivision 4, excluding the counties of Hennepin and Ramsey, so that each county shall
144.2 receive of such amount the percentage that its population, as defined in section 477A.011,
144.3 subdivision 3, estimated or established by July 15 of the year prior to the current calendar
144.4 year, bears to the total population of the counties receiving funds under this clause.

144.5 (d) For fiscal years 2010 and 2011, the amount under paragraph (a), clause (1), must
144.6 be calculated using the following percentages of the total revenues:

144.7 (1) for fiscal year 2010, 83.75 percent; and

144.8 (2) for fiscal year 2011, 93.75 percent.

144.9 **EFFECTIVE DATE.** This section is effective for leases entered into after June
144.10 30, 2013.

144.11 Sec. 20. Minnesota Statutes 2012, section 297A.993, subdivision 1, is amended to read:

144.12 Subdivision 1. **Authorization; rates.** Notwithstanding section 297A.99,
144.13 subdivisions 1, 2, 3, 5, and 13, or 477A.016, or any other law, the board of a county outside
144.14 the metropolitan transportation area, as defined under section 297A.992, subdivision 1, or
144.15 more than one county outside the metropolitan transportation area acting under a joint
144.16 powers agreement, may by resolution of the county board, or each of the county boards,
144.17 following a public hearing impose (1) a transportation sales tax at a rate of up to one-half
144.18 of one percent on retail sales and uses taxable under this chapter, and (2) an excise tax
144.19 of \$20 per motor vehicle, as defined in section 297B.01, subdivision 11, purchased or
144.20 acquired from any person engaged in the business of selling motor vehicles at retail,
144.21 occurring within the jurisdiction of the taxing authority. ~~The taxes imposed under this~~
144.22 ~~section are subject to approval by a majority of the voters in each of the counties affected~~
144.23 ~~at a general election who vote on the question to impose the taxes.~~

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

144.25 Sec. 21. Minnesota Statutes 2012, section 297A.993, subdivision 2, is amended to read:

144.26 Subd. 2. **Allocation; termination.** The proceeds of the taxes must be dedicated
144.27 exclusively to: (1) payment of the capital cost of a specific transportation project or
144.28 improvement; (2) payments of the costs, which may include both capital and operating
144.29 costs, of a specific transit project or improvement; or (3) payment of transit operating
144.30 costs. The ~~transportation~~ project or improvement must be designated by the board of the
144.31 county, or more than one county acting under a joint powers agreement. Except for taxes
144.32 for operating costs of a transit project or improvement, or for transit operations, the taxes

145.1 must terminate ~~after the project or improvement has been completed~~ when revenues
145.2 raised are sufficient to finance the project.

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

145.4 Sec. 22. Minnesota Statutes 2012, section 469.190, is amended by adding a subdivision
145.5 to read:

145.6 **Subd. 1a. Tax base; locally collected taxes.** A tax imposed on the gross receipts
145.7 from lodging under this section or under a special law applies to the same base as taxes
145.8 collected by the commissioner of revenue under subdivision 7 and section 270C.171.

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

145.10 In enacting this section, the legislature confirms its original intent in enacting Minnesota
145.11 Statutes, section 469.190, its predecessor provisions, and any special laws authorizing
145.12 political subdivisions to impose lodging taxes, and that those taxes were and are intended
145.13 to apply to the entire consideration paid to obtain access to transient lodging, including
145.14 ancillary or related services, such as services provided by accommodation intermediaries
145.15 as defined in Minnesota Statutes, section 297A.61, and similar services. The provisions of
145.16 this section must not be interpreted to imply a narrower construction of the tax base under
145.17 lodging tax provisions of Minnesota law prior to the enactment of this section.

145.18 Sec. 23. Minnesota Statutes 2012, section 469.190, subdivision 7, is amended to read:

145.19 **Subd. 7. Collection.** (a) The statutory or home rule charter city may agree with the
145.20 commissioner of revenue that a tax imposed pursuant to this section shall be collected
145.21 by the commissioner together with the tax imposed by chapter 297A, and subject to the
145.22 same interest, penalties, and other rules and that its proceeds, less the cost of collection,
145.23 shall be remitted to the city.

145.24 (b) If a tax imposed under this section or under a special law is not collected by
145.25 the commissioner of revenue, the local government imposing the tax may only require
145.26 an accommodations intermediary, as defined in section 297A.61, subdivision 47, to file
145.27 and remit the tax related to accommodations intermediary services once in every calendar
145.28 year. The local government must inform the tax intermediary of the date when the return
145.29 and remittance is due.

145.30 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
145.31 June 30, 2013.

146.1 Sec. 24. Laws 1993, chapter 375, article 9, section 46, subdivision 2, as amended by
146.2 Laws 1997, chapter 231, article 7, section 40, Laws 1998, chapter 389, article 8, section
146.3 30, Laws 2003, First Special Session chapter 21, article 8, section 13, Laws 2005, First
146.4 Special Session chapter 3, article 5, section 26, and Laws 2009, chapter 88, article 4,
146.5 section 15, is amended to read:

146.6 Subd. 2. **Use of revenues.** Revenues received from the tax authorized by subdivision
146.7 1 may only be used by the city to pay the cost of collecting the tax, and, except as provided in
146.8 paragraph (e), to pay for the following projects or to secure or pay any principal, premium,
146.9 or interest on bonds issued in accordance with subdivision 3 for the following projects.

146.10 (a) To pay all or a portion of the capital expenses of construction, equipment and
146.11 acquisition costs for the expansion and remodeling of the St. Paul Civic Center complex,
146.12 including the demolition of the existing arena and the construction and equipping of a
146.13 new arena.

146.14 (b) Except as provided in paragraphs (e) and (f), the remainder of the funds must be
146.15 spent for:

146.16 (1) capital projects to further residential, cultural, commercial, and economic
146.17 development in both downtown St. Paul and St. Paul neighborhoods; and

146.18 (2) capital and operating expenses of cultural organizations in the city, provided
146.19 that the amount spent under this clause must equal ten percent of the total amount spent
146.20 under this paragraph in any year.

146.21 (c) The amount apportioned under paragraph (b) shall be no less than 60 percent
146.22 of the revenues derived from the tax each year, except to the extent that a portion of that
146.23 amount is required to pay debt service on (1) bonds issued for the purposes of paragraph (a)
146.24 prior to March 1, 1998; or (2) bonds issued for the purposes of paragraph (a) after March 1,
146.25 1998, but only if the city council determines that 40 percent of the revenues derived from
146.26 the tax together with other revenues pledged to the payment of the bonds, including the
146.27 proceeds of definitive bonds, is expected to exceed the annual debt service on the bonds.

146.28 (d) If in any year more than 40 percent of the revenue derived from the tax authorized
146.29 by subdivision 1 is used to pay debt service on the bonds issued for the purposes of
146.30 paragraph (a) and to fund a reserve for the bonds, the amount of the debt service payment
146.31 that exceeds 40 percent of the revenue must be determined for that year. In any year when
146.32 40 percent of the revenue produced by the sales tax exceeds the amount required to pay
146.33 debt service on the bonds and to fund a reserve for the bonds under paragraph (a), the
146.34 amount of the excess must be made available for capital projects to further residential,
146.35 cultural, commercial, and economic development in the neighborhoods and downtown
146.36 until the cumulative amounts determined for all years under the preceding sentence have

147.1 been made available under this sentence. The amount made available as reimbursement in
147.2 the preceding sentence is not included in the 60 percent determined under paragraph (c).

147.3 ~~(e) In each of calendar years 2006 to 2014, revenue not to exceed \$3,500,000 may be~~
147.4 ~~used to pay the principal of bonds issued for capital projects of the city. After December~~
147.5 ~~31, 2014, revenue from the tax imposed under subdivision 1 may not be used for this~~
147.6 ~~purpose. If the amount necessary to meet obligations under paragraphs (a) and (d) are less~~
147.7 ~~than 40 percent of the revenue from the tax in any year, the city may place the difference~~
147.8 ~~between 40 percent of the revenue and the amounts allocated under paragraphs (a) and (d)~~
147.9 ~~in an economic development fund to be used for any economic development purposes.~~

147.10 (f) By January 15 of each year, the mayor and the city council must report to the
147.11 legislature on the use of sales tax revenues during the preceding one-year period.

147.12 **EFFECTIVE DATE.** This section is effective the day after compliance by the
147.13 governing body of the city of St. Paul with Minnesota Statutes, section 645.021,
147.14 subdivisions 2 and 3.

147.15 Sec. 25. Laws 1993, chapter 375, article 9, section 46, subdivision 5, as amended by
147.16 Laws 1998, chapter 389, article 8, section 32, is amended to read:

147.17 Subd. 5. **Expiration of taxing authority.** The authority granted by subdivision 1 to
147.18 the city to impose a sales tax shall expire on December 31, ~~2030~~ 2042, or at an earlier
147.19 time as the city shall, by ordinance, determine. Any funds remaining after completion of
147.20 projects approved under subdivision 2, paragraph (a) and retirement or redemption of any
147.21 bonds or other obligations may be placed in the general fund of the city.

147.22 **EFFECTIVE DATE.** This section is effective the day after compliance by the
147.23 governing body of the city of St. Paul with Minnesota Statutes, section 645.021,
147.24 subdivisions 2 and 3.

147.25 Sec. 26. Laws 2002, chapter 377, article 3, section 25, as amended by Laws 2009,
147.26 chapter 88, article 4, section 19, and Laws 2010, chapter 389, article 5, section 3, is
147.27 amended to read:

147.28 Sec. 25. **ROCHESTER LODGING TAX.**

147.29 Subdivision 1. **Authorization.** Notwithstanding Minnesota Statutes, section
147.30 469.190 or 477A.016, or any other law, the city of Rochester may impose an additional
147.31 tax of one percent on the gross receipts from the furnishing for consideration of lodging at
147.32 a hotel, motel, rooming house, tourist court, or resort, other than the renting or leasing of it
147.33 for a continuous period of 30 days or more.

148.1 Subd. 1a. **Authorization.** Notwithstanding Minnesota Statutes, section 469.190 or
148.2 477A.016, or any other law, and in addition to the tax authorized by subdivision 1, the city
148.3 of Rochester may impose an additional tax of ~~one~~ three percent on the gross receipts from
148.4 the furnishing for consideration of lodging at a hotel, motel, rooming house, tourist court, or
148.5 resort, other than the renting or leasing of it for a continuous period of 30 days or more only
148.6 upon the approval of the city governing body of a total financial package for the project.

148.7 Subd. 2. **Disposition of proceeds.** (a) The gross proceeds from the tax imposed
148.8 under subdivision 1 must be used by the city to fund a local convention or tourism bureau
148.9 for the purpose of marketing and promoting the city as a tourist or convention center.

148.10 (b) The gross proceeds from the ~~one~~ three percent tax imposed under subdivision
148.11 1a shall be used to pay for (1) design, construction, renovation, improvement, and
148.12 expansion of the Mayo Civic Center Complex and related infrastructure, including but not
148.13 limited to, skyway access, lighting, parking, or landscaping; and (2) for payment of any
148.14 principal, interest, or premium on bonds issued to finance the construction, renovation,
148.15 improvement, and expansion of the Mayo Civic Center Complex.

148.16 Subd. 2a. **Bonds.** The city of Rochester may issue, without an election, general
148.17 obligation bonds of the city, in one or more series, in the aggregate principal amount not to
148.18 exceed ~~\$43,500,000~~ \$50,000,000, to pay for capital and administrative costs for the design,
148.19 construction, renovation, improvement, and expansion of the Mayo Civic Center Complex,
148.20 and related infrastructure, including but not limited to, skyway, access, lighting, parking,
148.21 and landscaping. The city may pledge the lodging tax authorized by subdivision 1a ~~and the~~
148.22 ~~food and beverage tax authorized under Laws 2009, chapter 88, article 4, section 23,~~ to the
148.23 payment of the bonds. The debt represented by the bonds is not included in computing any
148.24 debt limitations applicable to the city, and the levy of taxes required by Minnesota Statutes,
148.25 section 475.61, to pay the principal of and interest on the bonds is not subject to any levy
148.26 limitation or included in computing or applying any levy limitation applicable to the city.

148.27 Subd. 3. **Expiration of taxing authority.** ~~The authority of the city to impose a tax~~
148.28 ~~under subdivision 1a shall expire when the principal and interest on any bonds or other~~
148.29 ~~obligations issued prior to December 31, 2014, to finance the construction, renovation,~~
148.30 ~~improvement, and expansion of the Mayo Civic Center Complex and related skyway~~
148.31 ~~access, lighting, parking, or landscaping have been paid, including any bonds issued to~~
148.32 ~~refund such bonds, or at an earlier time as the city shall, by ordinance, determine. Any~~
148.33 ~~funds remaining after completion of the project and retirement or redemption of the bonds~~
148.34 ~~shall be placed in the general fund of the city. The city may, by ordinance, repeal the~~
148.35 tax provided that:

- 149.1 (1) the revenues raised before the repeal are sufficient to meet all bond or other
149.2 obligations backed by revenues of the tax; and
149.3 (2) the repeal date meets the requirements of section 297A.99, subdivision 12.

149.4 **EFFECTIVE DATE.** This section is effective the day after the governing body of
149.5 the city of Rochester and its chief fiscal officer comply with Minnesota Statutes, section
149.6 645.021, subdivisions 2 and 3.

149.7 Sec. 27. Laws 2005, First Special Session chapter 3, article 5, section 37, subdivision
149.8 2, is amended to read:

149.9 Subd. 2. **Use of revenues.** (a) Revenues received from the tax authorized by
149.10 subdivision 1 by the city of St. Cloud must be used for the cost of collecting and
149.11 administering the tax and to pay all or part of the capital or administrative costs of the
149.12 development, acquisition, construction, improvement, and securing and paying debt
149.13 service on bonds or other obligations issued to finance the following regional projects as
149.14 approved by the voters and specifically detailed in the referendum authorizing the tax or
149.15 extending the tax:

- 149.16 (1) St. Cloud Regional Airport;
149.17 (2) regional transportation improvements;
149.18 (3) regional community and aquatics and recreation centers and facilities;
149.19 (4) regional public libraries; and
149.20 (5) acquisition and improvement of regional park land and open space.

149.21 (b) Revenues received from the tax authorized by subdivision 1 by the cities of St.
149.22 Joseph, Waite Park, Sartell, Sauk Rapids, and St. Augusta must be used for the cost of
149.23 collecting and administering the tax and to pay all or part of the capital or administrative
149.24 costs of the development, acquisition, construction, improvement, and securing and paying
149.25 debt service on bonds or other obligations issued to fund the projects specifically approved
149.26 by the voters at the referendum authorizing the tax or extending the tax. The portion of
149.27 revenues from the city going to fund the regional airport or regional library located in the
149.28 city of St. Cloud will be as required under the applicable joint powers agreement.

149.29 (c) The use of revenues received from the taxes authorized in subdivision 1 for
149.30 projects allowed under paragraphs (a) and (b) are limited to the amount authorized for
149.31 each project under the enabling referendum.

149.32 **EFFECTIVE DATE.** This section is effective for a city that approves it the day
149.33 after compliance by the governing body of that city with Minnesota Statutes, section
149.34 645.021, subdivision 3.

150.1 Sec. 28. Laws 2005, First Special Session chapter 3, article 5, section 37, subdivision
150.2 4, is amended to read:

150.3 Subd. 4. **Termination of tax.** The tax imposed in the cities of St. Joseph, St. Cloud,
150.4 St. Augusta, Sartell, Sauk Rapids, and Waite Park under subdivision 1 expires when the
150.5 city council determines that sufficient funds have been collected from the tax to retire or
150.6 redeem the bonds and obligations authorized under subdivision 2, paragraph (a), but no
150.7 later than December 31, 2018. Notwithstanding Minnesota Statutes, section 297A.99,
150.8 subdivision 3, paragraphs (a), (c), and (d), a city may extend the tax imposed under
150.9 subdivision 1 through December 31, 2038, if approved under the referendum authorizing
150.10 the tax under subdivision 1 or if approved by voters of the city at a general election held
150.11 no later than November 6, 2018.

150.12 **EFFECTIVE DATE.** This section is effective for a city that approves it the day
150.13 after compliance by the governing body of that city with Minnesota Statutes, section
150.14 645.021, subdivision 3.

150.15 Sec. 29. Laws 2008, chapter 366, article 7, section 19, subdivision 3, as amended by
150.16 Laws 2011, First Special Session chapter 7, article 4, section 8, is amended to read:

150.17 Subd. 3. **Use of revenues.** Notwithstanding Minnesota Statutes, section 297A.99,
150.18 subdivision 3, paragraph (b), the proceeds of the tax imposed under this section shall be
150.19 used to pay for the costs of improvements to the Sportsman Park/Ballfields, Riverside
150.20 Park, Lions Park/Pavilion, Cedar South Park also known as Eldorado Park, and Spring
150.21 Street Park; improvements to and extension of the River County Bike Trail; acquisition;
150.22 and construction, improvement, and development of regional parks, bicycle trails, park
150.23 land, open space, and of a pedestrian walkways, as described in the city improvement
150.24 plan adopted by the city council by resolution on December 12, 2006, and walkway
150.25 over Interstate 94 and State Highway 24; and the acquisition of land and construction of
150.26 buildings for a community and recreation center. The total amount of revenues from the
150.27 taxes in subdivisions 1 and 2 that may be used to fund these projects is \$12,000,000
150.28 plus any associated bond costs.

150.29 **EFFECTIVE DATE.** This section is effective the day after compliance by the
150.30 governing body of the city of Clearwater with Minnesota Statutes, section 645.021,
150.31 subdivisions 2 and 3.

150.32 Sec. 30. Laws 2010, chapter 389, article 5, section 6, subdivision 4, is amended to read:

151.1 Subd. 4. **Use of lodging tax revenues.** The revenues derived from the tax imposed
151.2 under subdivision 3 must be used by the city of Marshall to pay the costs of collecting
151.3 and administering the lodging tax, to pay all or part of the operating costs of the new and
151.4 existing facilities of the Minnesota Emergency Response and Industry Training Center,
151.5 including the payment of debt service on bonds issued under subdivision 2, and to pay
151.6 all or part of the operating costs of the facilities of the Southwest Minnesota Regional
151.7 Amateur Sports Center, including the payment of debt service on bonds issued under
151.8 subdivision 2. Authorized expenses include, but are not limited to, acquiring property;
151.9 predesign; design; and paying construction, furnishing, and equipment costs related to
151.10 these facilities and paying debt service on bonds or other obligations issued by the city.

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

151.12 Sec. 31. Laws 2010, chapter 389, article 5, section 6, subdivision 6, is amended to read:

151.13 Subd. 6. **Use of food and beverages tax.** The revenues derived from the tax
151.14 imposed under subdivision 5 must be used by the city of Marshall to pay the costs of
151.15 collecting and administering the food and beverages tax, to pay all or part of the operating
151.16 costs of the new and existing facilities of the Minnesota Emergency Response and
151.17 Industry Training Center, including the payment of debt service on bonds issued under
151.18 subdivision 2, and to pay all or part of the operating costs of the facilities of the Southwest
151.19 Minnesota Regional Amateur Sports Center, including the payment of debt service on
151.20 bonds issued under subdivision 2. Authorized expenses for each organization include,
151.21 but are not limited to, acquiring property; predesign; design; and paying construction,
151.22 furnishing, and equipment costs related to these facilities and paying debt service on
151.23 bonds or other obligations issued by the city.

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

151.25 Sec. 32. **CITY OF MARSHALL; VALIDATION OF PRIOR ACT.**

151.26 (a) Notwithstanding the time limits in Minnesota Statutes, section 645.021, the city
151.27 of Marshall may approve Laws 2010, chapter 389, article 5, section 6, as amended by
151.28 Laws 2011, First Special Session chapter 7, article 4, section 9, and file its approval with
151.29 the secretary of state by June 15, 2013. If approved as authorized under this paragraph,
151.30 actions undertaken by the city pursuant to the approval of the voters on November 6, 2012,
151.31 and otherwise in accordance with Laws 2010, chapter 389, article 5, section 6, as amended
151.32 by Laws 2011, First Special Session chapter 7, article 4, section 9, are validated.

152.1 (b) Notwithstanding the time limit on the imposition of tax under Laws 2010,
152.2 chapter 389, article 5, section 6, subdivision 1, as amended by Laws 2011, First Special
152.3 Session chapter 7, article 4, section 9, and subject to local approval under paragraph (a),
152.4 the city of Marshall may impose the tax on or before July 1, 2013.

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

152.6 **Sec. 33. CITY OF PROCTOR; VALIDATION OF PRIOR ACT.**

152.7 Notwithstanding the time limits in Minnesota Statutes, section 645.021, the city of
152.8 Proctor may approve, by resolution, Laws 2008, chapter 366, article 7, section 13, and
152.9 Laws 2010, chapter 389, article 5, sections 1 and 2, and file its approval with the secretary
152.10 of state by January 1, 2014. If approved under this paragraph, actions undertaken by
152.11 the city pursuant to the approval of the voters on November 2, 2010, and otherwise in
152.12 accordance with those laws are validated.

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

152.14 **Sec. 34. CITY OF BEMIDJI; LOCAL TAXES AUTHORIZED.**

152.15 Subdivision 1. **Food and beverage tax authorized.** Notwithstanding Minnesota
152.16 Statutes, section 477A.016, or any ordinance, city charter, or other provision of law, the
152.17 city of Bemidji may, by ordinance, impose a sales tax of up to one percent on the gross
152.18 receipts of all food and beverages sold by a restaurant or place of refreshment located
152.19 within the city. For purposes of this section, "food and beverages" include retail on-sale of
152.20 intoxicating liquor and fermented malt beverages.

152.21 Subd. 2. **Lodging tax.** Notwithstanding Minnesota Statutes, section 469.190 or
152.22 477A.016, or any other provision of law, ordinance, or city charter, the city of Bemidji
152.23 may impose, by ordinance, a tax of up to one percent on the gross receipts for the
152.24 furnishing for consideration of lodging at a hotel, motel, rooming house, tourist court, or
152.25 resort, other than for the renting or leasing of it for a continuous period of 30 days or more.

152.26 Subd. 3. **Use of proceeds from authorized taxes.** The proceeds of the taxes
152.27 imposed under subdivisions 1 and 2 must only be used by the city to fund the costs of
152.28 operation, maintenance, and capital replacement costs for the Sanford Center.

152.29 Subd. 4. **Collection, administration, and enforcement.** The city may enter into
152.30 an agreement with the commissioner of revenue to administer, collect, and enforce the
152.31 taxes under subdivisions 1 and 2. If the commissioner agrees to collect the tax, the
152.32 provisions of Minnesota Statutes, section 297A.99, related to collection, administration,
152.33 and enforcement, and Minnesota Statutes, section 270C.171, apply.

153.1 **EFFECTIVE DATE.** This section is effective the day after the governing body of
153.2 the city of Bemidji and its chief clerical officer comply with Minnesota Statutes, section
153.3 645.021, subdivisions 2 and 3.

153.4 Sec. 35. **ROCHESTER SALES TAX SHARING.**

153.5 The city council may, after holding a public hearing and passing a resolution, use
153.6 \$5,000,000 of the \$10,000,000 allocated to an economic development fund in Laws 1998,
153.7 chapter 389, article 8, section 43, subdivision 3, as amended by Laws 2005, First Special
153.8 Session chapter 3, article 5, section 28, and Laws 2011, First Special Session chapter
153.9 7, article 4, section 5, paragraph (c), clause (9), for grants to any or all of the cities of
153.10 Altura, Byron, Chatfield, Dodge Center, Elgin, Eyota, Grand Meadow, Hayfield, Kasson,
153.11 Mantorville, Mazeppa, Oronoco, Pine Island, Plainview, Spring Valley, St. Charles,
153.12 Stewartville, Wanamingo, West Concord, and Zumbrota for economic development
153.13 projects that these communities would fund through their economic development authority
153.14 or housing and redevelopment authority. The public hearing may be part of a regular city
153.15 council meeting. If the council does not pass the resolution by September 1, 2013, the
153.16 \$5,000,000 may not be used for grants to the other cities but shall instead be used to
153.17 fund public infrastructure projects contained in the development plan under Minnesota
153.18 Statutes, section 469.42.

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

153.20 Sec. 36. **REPEALER.**

153.21 Laws 2009, chapter 88, article 4, section 23, as amended by Laws 2010, chapter 389,
153.22 article 5, section 4, is repealed.

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

153.24 **ARTICLE 9**

153.25 **ECONOMIC DEVELOPMENT**

153.26 Section 1. Minnesota Statutes 2012, section 469.071, subdivision 5, is amended to read:

153.27 Subd. 5. **Exception; parking facilities.** Notwithstanding section 469.068, the
153.28 Bloomington port authority need not require competitive bidding with respect to a
153.29 structured parking facility or other public improvements constructed in conjunction with,
153.30 and directly above or below, or adjacent and integrally related to, a development and
153.31 financed with the proceeds of tax increment or, revenue bonds, or other funds of the
153.32 port authority and the city of Bloomington.

154.1 **EFFECTIVE DATE.** This section is effective upon compliance of the governing
154.2 body of the city of Bloomington with the requirements of Minnesota Statutes, section
154.3 645.021, subdivision 3.

154.4 Sec. 2. Minnesota Statutes 2012, section 469.169, is amended by adding a subdivision
154.5 to read:

154.6 **Subd. 19. Additional border city allocation; 2013.** (a) In addition to the tax
154.7 reductions authorized in subdivisions 12 to 18, the commissioner shall allocate \$750,000
154.8 for tax reductions to border city enterprise zones in cities located on the western border
154.9 of the state. The commissioner shall allocate this amount among cities on a per capita
154.10 basis. Allocations made under this subdivision may be used for tax reductions under
154.11 section 469.171, or for other offsets of taxes imposed on or remitted by businesses located
154.12 in the enterprise zone, but only if the municipality determines that the granting of the tax
154.13 reduction or offset is necessary to retain a business within or attract a business to the zone.
154.14 The city alternatively may elect to use any portion of the allocation under this paragraph
154.15 for tax reductions under section 469.1732 or 469.1734.

154.16 (b) The commissioner shall allocate \$750,000 for tax reductions under section
154.17 469.1732 or 469.1734 to cities with border city enterprise zones located on the western
154.18 border of the state. The commissioner shall allocate this amount among the cities on a per
154.19 capita basis. The city alternatively may elect to use any portion of the allocation provided
154.20 in this paragraph for tax reductions under section 469.171.

154.21 **EFFECTIVE DATE.** This section is effective July 1, 2013.

154.22 Sec. 3. Minnesota Statutes 2012, section 469.176, subdivision 4c, is amended to read:

154.23 **Subd. 4c. Economic development districts.** (a) Revenue derived from tax increment
154.24 from an economic development district may not be used to provide improvements, loans,
154.25 subsidies, grants, interest rate subsidies, or assistance in any form to developments
154.26 consisting of buildings and ancillary facilities, if more than 15 percent of the buildings and
154.27 facilities (determined on the basis of square footage) are used for a purpose other than:

154.28 (1) the manufacturing or production of tangible personal property, including
154.29 processing resulting in the change in condition of the property;

154.30 (2) warehousing, storage, and distribution of tangible personal property, excluding
154.31 retail sales;

154.32 (3) research and development related to the activities listed in clause (1) or (2);

154.33 (4) telemarketing if that activity is the exclusive use of the property;

154.34 (5) tourism facilities; or

155.1 ~~(6) qualified border retail facilities; or~~
 155.2 ~~(7) space necessary for and related to the activities listed in clauses (1) to (6) (5).~~

155.3 (b) Notwithstanding the provisions of this subdivision, revenues derived from tax
 155.4 increment from an economic development district may be used to provide improvements,
 155.5 loans, subsidies, grants, interest rate subsidies, or assistance in any form for up to 15,000
 155.6 square feet of any separately owned commercial facility located within the municipal
 155.7 jurisdiction of a small city, if the revenues derived from increments are spent only to
 155.8 assist the facility directly or for administrative expenses, the assistance is necessary to
 155.9 develop the facility, and all of the increments, except those for administrative expenses,
 155.10 are spent only for activities within the district.

155.11 (c) A city is a small city for purposes of this subdivision if the city was a small city
 155.12 in the year in which the request for certification was made and applies for the rest of
 155.13 the duration of the district, regardless of whether the city qualifies or ceases to qualify
 155.14 as a small city.

155.15 ~~(d) Notwithstanding the requirements of paragraph (a) and the finding requirements~~
 155.16 ~~of section 469.174, subdivision 12, tax increments from an economic development district~~
 155.17 ~~may be used to provide improvements, loans, subsidies, grants, interest rate subsidies, or~~
 155.18 ~~assistance in any form to developments consisting of buildings and ancillary facilities, if~~
 155.19 ~~all the following conditions are met:~~

155.20 ~~(1) the municipality finds that the project will create or retain jobs in this state,~~
 155.21 ~~including construction jobs, and that construction of the project would not have~~
 155.22 ~~commenced before July 1, 2012, without the authority providing assistance under the~~
 155.23 ~~provisions of this paragraph;~~

155.24 ~~(2) construction of the project begins no later than July 1, 2012;~~

155.25 ~~(3) the request for certification of the district is made no later than June 30, 2012; and~~

155.26 ~~(4) for development of housing under this paragraph, the construction must begin~~
 155.27 ~~before January 1, 2012.~~

155.28 ~~The provisions of this paragraph may not be used to assist housing that is developed~~
 155.29 ~~to qualify under section 469.1761, subdivision 2 or 3, or similar requirements of other law,~~
 155.30 ~~if construction of the project begins later than July 1, 2011.~~

155.31 **EFFECTIVE DATE.** This section is effective for districts for which the request for
 155.32 certification was made after June 30, 2012.

155.33 Sec. 4. Minnesota Statutes 2012, section 469.176, subdivision 4g, is amended to read:

155.34 Subd. 4g. **General government use prohibited.** (a) Tax increments may not be
 155.35 used to circumvent existing levy limit law.

156.1 (b) No tax increment from any district may be used for the acquisition, construction,
 156.2 renovation, operation, or maintenance of a building to be used primarily and regularly
 156.3 for conducting the business of a municipality, county, school district, or any other local
 156.4 unit of government or the state or federal government. This provision does not prohibit
 156.5 the use of revenues derived from tax increments for the construction or renovation of
 156.6 a parking structure.

156.7 ~~(e)(1) Tax increments may not be used to pay for the cost of public improvements,
 156.8 equipment, or other items, if:~~

156.9 ~~(i) the improvements, equipment, or other items are located outside of the area of the
 156.10 tax increment financing district from which the increments were collected; and~~

156.11 ~~(ii) the improvements, equipment, or items that (A) primarily serve a decorative or
 156.12 aesthetic purpose, or (B) serve a functional purpose, but their cost is increased by more than
 156.13 100 percent as a result of the selection of materials, design, or type as compared with more
 156.14 commonly used materials, designs, or types for similar improvements, equipment, or items.~~

156.15 ~~(2) The provisions of this paragraph do not apply to expenditures related to the
 156.16 rehabilitation of historic structures that are:~~

156.17 ~~(i) individually listed on the National Register of Historic Places; or~~

156.18 ~~(ii) a contributing element to a historic district listed on the National Register
 156.19 of Historic Places.~~

156.20 **EFFECTIVE DATE.** This section is effective the day following final enactment for
 156.21 all tax increment financing districts, regardless of when the request for certification was
 156.22 made, but applies only to amounts spent after final enactment.

156.23 Sec. 5. Minnesota Statutes 2012, section 469.176, subdivision 6, is amended to read:

156.24 Subd. 6. **Action required.** (a) If, after four years from the date of certification of
 156.25 the original net tax capacity of the tax increment financing district pursuant to section
 156.26 469.177, no demolition, rehabilitation, or renovation of property or other site preparation,
 156.27 including qualified improvement of a street adjacent to a parcel but not installation
 156.28 of utility service including sewer or water systems, has been commenced on a parcel
 156.29 located within a tax increment financing district by the authority or by the owner of the
 156.30 parcel in accordance with the tax increment financing plan, no additional tax increment
 156.31 may be taken from that parcel, and the original net tax capacity of that parcel shall be
 156.32 excluded from the original net tax capacity of the tax increment financing district. If the
 156.33 authority or the owner of the parcel subsequently commences demolition, rehabilitation,
 156.34 or renovation or other site preparation on that parcel including qualified improvement of
 156.35 a street adjacent to that parcel, in accordance with the tax increment financing plan, the

157.1 authority shall certify to the county auditor that the activity has commenced, and the
157.2 county auditor shall certify the net tax capacity thereof as most recently certified by the
157.3 commissioner of revenue and add it to the original net tax capacity of the tax increment
157.4 financing district. The county auditor must enforce the provisions of this subdivision. The
157.5 authority must submit to the county auditor evidence that the required activity has taken
157.6 place for each parcel in the district. The evidence for a parcel must be submitted by
157.7 February 1 of the fifth year following the year in which the parcel was certified as included
157.8 in the district. For purposes of this subdivision, qualified improvements of a street are
157.9 limited to (1) construction or opening of a new street, (2) relocation of a street, and (3)
157.10 substantial reconstruction or rebuilding of an existing street.

157.11 (b) For districts which were certified on or after January 1, 2005, and before April
157.12 20, 2009, the four-year period under paragraph (a) is ~~increased to six years~~ deemed to end
157.13 on December 31, 2016.

157.14 **EFFECTIVE DATE.** This section is effective the day following final enactment
157.15 and applies to districts certified on or after January 1, 2006, and before April 20, 2009.

157.16 Sec. 6. Minnesota Statutes 2012, section 469.177, is amended by adding a subdivision
157.17 to read:

157.18 **Subd. 1d. Original net tax capacity adjustment; homestead market value**
157.19 **exclusion.** (a) Upon approval by the municipality, by resolution, the authority may elect
157.20 to reduce the net tax capacity of a qualified district by the amount of the tax capacity
157.21 attributable to the market value exclusion under section 273.13, subdivision 35. The
157.22 amount of the reduction may not reduce the original net tax capacity below zero.

157.23 (b) For purposes of this subdivision, a qualified district means a tax increment
157.24 financing district that satisfies the following conditions:

157.25 (1) for taxes payable in 2011, the authority received a homestead market value credit
157.26 reimbursement under section 273.1384 for the district of \$10,000 or more;

157.27 (2) for taxes payable in 2013, the reduction in captured tax capacity resulting from
157.28 the market value exclusion for the district was equal to or greater than 1.75 percent of the
157.29 district's captured tax capacity; and

157.30 (3) either (i) the authority is permitted to expend increments on activities under the
157.31 provisions of section 469.1763, subdivision 3, or an equivalent provision of special law
157.32 on July 1, 2013, or (ii) the district's tax increments received for taxes payable in 2012
157.33 exceeded the amount of debt service payments due during calendar year 2012 on bonds
157.34 issued under section 469.178 to which the district's increments are pledged.

158.1 The calculation of the amount under clause (2) must reflect any adjustments to original
158.2 net tax capacity made under subdivision 1, paragraphs (d) and (e), for the homestead
158.3 market value exclusion.

158.4 (c) The authority must notify the county auditor of its election under this section no
158.5 later than July 1, 2014. Notifications made by July 1, 2013, are effective beginning for
158.6 taxes payable in 2014, and notifications made after July 1, 2013, are effective beginning
158.7 for taxes payable in 2015.

158.8 **EFFECTIVE DATE.** This section is effective the day following final enactment
158.9 and applies to all tax increment financing districts regardless of when the request for
158.10 certification was made.

158.11 Sec. 7. Minnesota Statutes 2012, section 473F.08, is amended by adding a subdivision
158.12 to read:

158.13 Subd. 3c. **Mall of America.** (a) When computing the net tax capacity under section
158.14 473F.05, the Hennepin County auditor shall exclude the captured tax capacity of Tax
158.15 Increment Financing Districts No. 1-C and No. 1-G in the city of Bloomington.

158.16 (b) Notwithstanding the provisions of subdivision 2, paragraph (a), the
158.17 commercial-industrial contribution percentage for the city of Bloomington is the
158.18 contribution net tax capacity divided by the total net tax capacity of commercial-industrial
158.19 property in the city, excluding any commercial-industrial property that is captured tax
158.20 capacity of Tax Increment Financing Districts No. 1-C and No. 1-G.

158.21 (c) The property taxes to be paid on commercial-industrial tax capacity that is
158.22 included in the captured tax capacity of Tax Increment Financing Districts No. 1-C and
158.23 No. 1-G in the city of Bloomington must be determined as described in subdivision 6,
158.24 except that the portion of the tax that is based on the areawide tax rate is to be treated
158.25 as tax increment under section 469.176.

158.26 (d) The provisions of this subdivision take effect only if the clerk of the city of
158.27 Bloomington certifies to the Hennepin County auditor that the city has entered into a
158.28 binding written agreement with the Metropolitan Council to repair and restore, or to
158.29 replace, the old Cedar Avenue bridge for use by bicycle commuters and recreational users.

158.30 (e) This subdivision expires on the earliest of the following dates:

158.31 (1) when the tax increment financing districts have been decertified in 2024 or 2035,
158.32 as provided by section 10, subdivision 2 or 4; or

158.33 (2) on January 1, 2014, if the city clerk fails to make the certification provided in
158.34 paragraph (d) or if the city fails to file its local approval of section 18 with the secretary
158.35 of state by December 31, 2013.

159.1 **EFFECTIVE DATE.** This section is effective beginning for property taxes payable
 159.2 in 2014.

159.3 Sec. 8. Laws 2008, chapter 366, article 5, section 26, is amended to read:

159.4 Sec. 26. **BLOOMINGTON TAX INCREMENT FINANCING; FIVE-YEAR**
 159.5 **RULE.**

159.6 (a) The requirements of Minnesota Statutes, section 469.1763, subdivision 3, that
 159.7 activities must be undertaken within a five-year period from the date of certification of
 159.8 a tax increment financing district, are increased to a ~~ten-year~~ 15-year period for the
 159.9 Port Authority of the City of Bloomington's Tax Increment Financing District No. 1-I,
 159.10 Bloomington Central Station.

159.11 (b) Notwithstanding the provisions of Minnesota Statutes, section 469.176, or any
 159.12 other law to the contrary, the city of Bloomington and its port authority may extend the
 159.13 duration limits of the district for a period through December 31, 2039.

159.14 (c) Effective for taxes payable in 2014, tax increment for the district must be
 159.15 computed using the current local tax rate, notwithstanding the provisions of Minnesota
 159.16 Statutes, section 469.177, subdivision 1a.

159.17 **EFFECTIVE DATE.** Paragraphs (a) and (c) are effective upon compliance by
 159.18 the governing body of the city of Bloomington with the requirements of Minnesota
 159.19 Statutes, section 645.021, subdivision 3. Paragraph (b) is effective upon compliance by
 159.20 the governing bodies of the city of Bloomington, Hennepin County, and Independent
 159.21 School District No. 271 with the requirements of Minnesota Statutes, sections 469.1782,
 159.22 subdivision 2, and 645.021, subdivision 3.

159.23 Sec. 9. Laws 2008, chapter 366, article 5, section 34, as amended by Laws 2009,
 159.24 chapter 88, article 5, section 11, is amended to read:

159.25 Sec. 34. **CITY OF OAKDALE; ORIGINAL TAX CAPACITY PARCELS**
 159.26 **DEEMED OCCUPIED.**

159.27 (a) ~~The provisions of this section apply to redevelopment tax increment financing~~
 159.28 ~~districts created by the Housing and Redevelopment Authority in and for the city of~~
 159.29 ~~Oakdale in the areas comprised of the parcels with the following parcel identification~~
 159.30 ~~numbers: (1) 3102921320053; 3102921320054; 3102921320055; 3102921320056;~~
 159.31 ~~3102921320057; 3102921320058; 3102921320062; 3102921320063; 3102921320059;~~
 159.32 ~~3102921320060; 3102921320061; 3102921330005; and 3102921330004; and (2)~~
 159.33 ~~2902921330001 and 2902921330005.~~

160.1 ~~(b) For a district subject to this section, the Housing and Redevelopment Authority~~
160.2 ~~may, when requesting certification of the original tax capacity of the district under~~
160.3 ~~Minnesota Statutes, section 469.177, elect to have the original tax capacity of the district~~
160.4 ~~be certified as the tax capacity of the land.~~

160.5 ~~(e) The authority to request certification of a district under this section expires on~~
160.6 ~~July 1, 2013.~~

160.7 (a) Parcel numbers 3102921320054, 3102921320055, 3102921320056,
160.8 3102921320057, 3102921320061, and 3102921330004 are deemed to meet the
160.9 requirements of Minnesota Statutes, section 469.174, subdivision 10, paragraph (d),
160.10 notwithstanding any contrary provisions of that paragraph, if the following conditions
160.11 are met:

160.12 (1) a building located on any part of each of the specified parcels was demolished after
160.13 the Housing and Redevelopment Authority for the city of Oakdale adopted a resolution
160.14 under Minnesota Statutes, section 469.174, subdivision 10, paragraph (d), clause (3);

160.15 (2) the building was removed either by the authority, by a developer under a
160.16 development agreement with the Housing and Redevelopment Authority for the city of
160.17 Oakdale, or by the owner of the property without entering into a development agreement
160.18 with the Housing and Redevelopment Authority for the city of Oakdale; and

160.19 (3) the request for certification of the parcel as part of a district is filed with the
160.20 county auditor by December 31, 2017.

160.21 (b) The provisions of this section allow an election by the Housing and
160.22 Redevelopment Authority for the city of Oakdale for the parcels deemed occupied under
160.23 paragraph (a), notwithstanding the provisions of Minnesota Statutes, sections 469.174,
160.24 subdivision 10, paragraph (d), and 469.177, subdivision 1, paragraph (f).

160.25 (c) The city may elect, in the tax increment financing plan, to collect increment from
160.26 a redevelopment district created under the provisions of this section for an additional ten
160.27 years beyond the limit in Minnesota Statutes, section 469.176, subdivision 1b.

160.28 **EFFECTIVE DATE.** This section is effective upon compliance by the governing
160.29 body of the city of Oakdale with the requirements of Minnesota Statutes, section 645.021,
160.30 subdivision 3, except that the provisions of paragraph (c) are effective only upon
160.31 compliance with Minnesota Statutes, section 469.1782, subdivision 2, by Ramsey County
160.32 and Independent School District No. 622.

160.33 Sec. 10. Laws 2010, chapter 216, section 55, is amended to read:

160.34 Sec. 55. **OAKDALE; TAX INCREMENT FINANCING DISTRICT.**

161.1 Subdivision 1. **Duration of district.** Notwithstanding the provisions of Minnesota
161.2 Statutes, section 469.176, subdivision 1b, the city of Oakdale may collect tax increments
161.3 from Tax Increment Financing District No. 6 (Bergen Plaza) through December 31, 2024
161.4 2040, subject to the conditions described in subdivision 2.

161.5 Subd. 2. **Conditions for extension.** (a) Subdivision 1 applies only if the following
161.6 conditions are met:

161.7 (1) by July 1, 2011, the city of Oakdale has entered into a development agreement
161.8 with a private developer for development or redevelopment of all or a substantial part of
161.9 the area parcels described in clause (2); and

161.10 (2) by November 1, 2011, the city of Oakdale or a private developer commences
161.11 construction of streets, traffic improvements, water, sewer, or related infrastructure that
161.12 serves one or both of the parcels with the following parcel identification numbers:
161.13 2902921330001 and 2902921330005. For the purposes of this section, construction
161.14 commences upon grading or other visible improvements that are part of the subject
161.15 infrastructure.

161.16 (b) All tax increments received by the city of Oakdale under subdivision 1 after
161.17 December 31, 2016, must be used only to pay costs that are both:

161.18 (1) related to redevelopment of the parcels specified in this subdivision or
161.19 parcel numbers 3102921320053, 3102921320054, 3102921320055, 3102921320056,
161.20 3102921320057, 3102921320058, 3102921320059, 3102921320060, 3102921320061,
161.21 3102921320062, 3102921320063, 3102921330004, and 3102921330005, including,
161.22 without limitation, any ~~of the infrastructure referenced in this subdivision~~ that serves
161.23 any of the referenced parcels; and

161.24 (2) otherwise eligible under law to be paid with increments from the specified tax
161.25 increment financing district, ~~except the authority under this clause does not apply to~~
161.26 ~~increments collected after the conclusion of the duration limit under general law.~~

161.27 **EFFECTIVE DATE.** This section is effective upon compliance by the governing
161.28 body of the city of Oakdale with the requirements of Minnesota Statutes, section 645.021,
161.29 subdivision 3, except that the amendments to subdivision 1 are effective only upon
161.30 compliance with Minnesota Statutes, section 469.1782, subdivision 2, by Ramsey County
161.31 and Independent School District No. 622.

161.32 Sec. 11. **CITY OF BLOOMINGTON; TAX INCREMENT FINANCING.**

161.33 Subdivision 1. **Addition of property to Tax Increment Financing District**
161.34 **No. 1-G.** (a) Notwithstanding the provisions of Minnesota Statutes, section 469.175,
161.35 subdivision 4, or any other law to the contrary, the governing bodies of the Port Authority

162.1 of the city of Bloomington and the city of Bloomington may elect to eliminate the real
162.2 property north of the existing building line on Lot 1, Block 1, Mall of America 7th
162.3 Addition, exclusive of Lots 2 and 3 from Tax Increment Financing District No. 1-C
162.4 within Industrial Development District No. 1 Airport South in the city of Bloomington,
162.5 Minnesota, and expand the boundaries of Tax Increment Financing District No. 1-G
162.6 to include that property.

162.7 (b) If the city elects to transfer parcels under this authority, the county auditor shall
162.8 transfer the original tax capacity of the affected parcels from Tax Increment Financing
162.9 District No. 1-C to Tax Increment Financing District No. 1-G.

162.10 Subd. 2. **Authority to extend duration limit; computation of increment.** (a)
162.11 Notwithstanding Minnesota Statutes, section 469.176, or Laws 1996, chapter 464, article
162.12 1, section 8, or any other law to the contrary, the city of Bloomington and its port authority
162.13 may extend the duration limits of Tax Increment Financing Districts No. 1-C and No.
162.14 1-G through December 31, 2034.

162.15 (b) Effective for property taxes payable in 2017 through 2034, the captured tax
162.16 capacity of Tax Increment Financing District No. 1-C must be included in computing the
162.17 tax rates of each local taxing district and the tax increment equals only the amount of tax
162.18 computed under Minnesota Statutes, section 473F.08, subdivision 3c, paragraph (c).

162.19 (c) Effective for property taxes payable in 2019 through 2034, the captured tax
162.20 capacity of Tax Increment Financing District No. 1-G must be included in computing the
162.21 tax rates of each local taxing district and the tax increment for the district equals only
162.22 the amount of tax computed under Minnesota Statutes, section 473F.08, subdivision
162.23 3c, paragraph (c).

162.24 Subd. 3. **Treatment of increment.** Increments received under the provisions
162.25 of subdivision 2, paragraph (b) or (c), and Minnesota Statutes, section 473F.08,
162.26 subdivision 3c, are deemed to be tax increments of Tax Increment Financing District No.
162.27 1-G, notwithstanding any law to the contrary, and without regard to whether they are
162.28 attributable to captured tax capacity of Tax Increment Financing District No. 1-C.

162.29 Subd. 4. **Condition.** The authority under this section expires and Tax Increment
162.30 Financing Districts No. 1-C and No. 1-G must be decertified for taxes payable in 2024
162.31 and thereafter, if the total estimated market value of improvements for parcels located in
162.32 Tax Increment Financing District No. 1-G, as modified, do not exceed \$100,000,000
162.33 by taxes payable in 2023.

162.34 **EFFECTIVE DATE.** This section is effective upon compliance of the governing
162.35 body of the city of Bloomington with the requirements of Minnesota Statutes, section
162.36 645.021, subdivision 3, but only if the city enters into a binding written agreement with

163.1 the Metropolitan Council to repair and restore, or to replace, the old Cedar Avenue bridge
163.2 for use by bicycle commuters and recreational users. This section is effective without
163.3 approval of the county and school district under Minnesota Statutes, section 469.1782,
163.4 subdivision 2. The legislature finds that the county and school district are not "affected
163.5 local government units" within the meaning of Minnesota Statutes, section 469.1782,
163.6 because the provision allowing extended collection of increment by the tax increment
163.7 financing districts does not affect their tax bases and tax rates dissimilarly to other counties
163.8 and school districts in the metropolitan area.

163.9 Sec. 12. **ST. CLOUD; TAX INCREMENT FINANCING.**

163.10 The request for certification of Tax Increment Financing District No. 2, commonly
163.11 referred to as the Norwest District, in the city of St. Cloud is deemed to have been made
163.12 on or after August 1, 1979, and before July 1, 1982. Revenues derived from tax increment
163.13 for that district must be treated for purposes of any law as revenue of a tax increment
163.14 financing district for which the request for certification was made during that time period.

163.15 **EFFECTIVE DATE.** This section is effective upon approval by the governing
163.16 body of the city of St. Cloud and compliance with Minnesota Statutes, section 645.021,
163.17 subdivision 3.

163.18 Sec. 13. **DAKOTA COUNTY COMMUNITY DEVELOPMENT AGENCY; TAX**
163.19 **INCREMENT FINANCING DISTRICT.**

163.20 Subdivision 1. **Authorization.** Notwithstanding the provisions of any other law,
163.21 the Dakota County Community Development Agency may establish a redevelopment tax
163.22 increment financing district comprised of the properties that were:

163.23 (1) included in the CDA 10 Robert and South Street district in the city of West
163.24 St. Paul; and

163.25 (2) not decertified before July 1, 2012.

163.26 The district created under this section terminates no later than December 31, 2018.

163.27 Subd. 2. **Special rules.** The requirements for qualifying a redevelopment district
163.28 under Minnesota Statutes, section 469.174, subdivision 10, do not apply to parcels located
163.29 within the district. Minnesota Statutes, section 469.176, subdivision 4j, do not apply to the
163.30 district. The original tax capacity of the district is \$93,239.

163.31 Subd. 3. **Authorized expenditures.** Tax increment from the district may be
163.32 expended to pay for any eligible activities authorized by Minnesota Statutes, chapter 469,
163.33 within the redevelopment area that includes the district, provided that the boundaries of

164.1 the redevelopment area may not be expanded to add new area after April 1, 2013. All
164.2 expenditures for eligible activities are deemed to be activities within the district under
164.3 Minnesota Statutes, section 469.1763, subdivisions 2 to 4.

164.4 Subd. 4. **Adjusted net tax capacity.** The captured tax capacity of the district must
164.5 be included in the adjusted net tax capacity of the city, county, and school district for the
164.6 purposes of determining local government aid, education aid, and county program aid.
164.7 The county auditor shall report to the commissioner of revenue the amount of the captured
164.8 tax capacity for the district at the time the assessment abstracts are filed.

164.9 **EFFECTIVE DATE.** This section is effective upon compliance by the governing
164.10 body of the Dakota County Community Development Agency with the requirements of
164.11 Minnesota Statutes, section 645.021, subdivision 3.

164.12 Sec. 14. **CITY OF GLENCOE; TAX INCREMENT FINANCING DISTRICT**
164.13 **EXTENSION.**

164.14 Subdivision 1. **Duration of district.** Notwithstanding the provisions of Minnesota
164.15 Statutes, section 469.176, subdivision 1b, paragraph (a), clause (4), or any other law to the
164.16 contrary, the city of Glencoe may collect tax increments from Tax Increment Financing
164.17 District No. 4 (McLeod County District No. 007) through December 31, 2023, subject to
164.18 the conditions in subdivision 2.

164.19 Subd. 2. **Exclusive use of revenues.** (a) All tax increments derived from Tax
164.20 Increment Financing District No. 4 (McLeod County District No. 007) that are collected
164.21 after December 31, 2013, must be used only to pay debt service on or to defease bonds that
164.22 were outstanding on January 1, 2013 and that were issued to finance improvements serving:

164.23 (1) Tax Increment Financing District No. 14 (McLeod County District No. 033)
164.24 (Downtown);

164.25 (2) Tax Increment Financing District No. 15 (McLeod County District No. 035)
164.26 (Industrial Park); and

164.27 (3) benefited properties as further described in proceedings related to the city's series
164.28 2007A bonds, dated September 1, 2007, and any bonds issued to refund those bonds.

164.29 (b) Increments may also be used to pay debt service on or to defease bonds issued to
164.30 refund the bonds described in paragraph (a), if the refunding bonds do not increase the
164.31 present value of debt service due on the refunded bonds when the refunding is closed.

164.32 (c) When the bonds described in paragraphs (a) and (b) have been paid or defeased,
164.33 the district must be decertified and any remaining increment returned to the city, county,
164.34 and school district as provided in Minnesota Statutes, section 469.176, subdivision 2,
164.35 paragraph (c), clause (4).

165.1 **EFFECTIVE DATE.** This section is effective upon compliance by the governing
165.2 bodies of the city of Glencoe, McLeod County, and Independent School District No.
165.3 2859 with the requirements of Minnesota Statutes, sections 469.1782, subdivision 2, and
165.4 645.021, subdivision 3.

165.5 **Sec. 15. CITY OF ELY; TAX INCREMENT FINANCING.**

165.6 Subdivision 1. **Extension of district.** Notwithstanding Minnesota Statutes, section
165.7 469.176, subdivision 1b, or any other law to the contrary, the city of Ely may collect
165.8 tax increment from Tax Increment Financing District No. 1 through December 31,
165.9 2021. Increments from the district may only be used to pay binding obligations and
165.10 administrative expenses.

165.11 Subd. 2. **Binding obligations.** For purposes of this section, "binding obligations"
165.12 means the binding contractual or debt obligation of Tax Increment Financing District
165.13 No. 1 entered into before January 1, 2013.

165.14 Subd. 3. **Expenditures outside district.** Notwithstanding Minnesota Statutes,
165.15 section 469.1763, subdivision 2, the governing body of the city of Ely may elect to
165.16 transfer revenues derived from increments from its Tax Increment Financing District No.
165.17 3 to the tax increment account established under Minnesota Statutes, section 469.177,
165.18 subdivision 5, for Tax Increment Financing District No. 1. The amount that may be
165.19 transferred is limited to the lesser of:

165.20 (1) \$168,000; or

165.21 (2) the total amount due on binding obligations and outstanding on that date, less the
165.22 amount of increment collected by Tax Increment Financing District No. 1 after December
165.23 31, 2012, and administrative expenses of Tax Increment Financing District No. 1 incurred
165.24 after December 31, 2012.

165.25 **EFFECTIVE DATE.** This section is effective upon approval by the governing
165.26 bodies of the city of Ely, St. Louis County, and Independent School District No. 696 with
165.27 the requirements of Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021,
165.28 subdivision 3.

165.29 **Sec. 16. CITY OF MAPLEWOOD; TAX INCREMENT FINANCING**
165.30 **DISTRICT; SPECIAL RULES.**

165.31 (a) If the city of Maplewood elects, upon the adoption of a tax increment financing
165.32 plan for a district, the rules under this section apply to one or more redevelopment
165.33 tax increment financing districts established by the city or the economic development
165.34 authority of the city. The area within which the redevelopment tax increment districts may

166.1 be created is parcel 362922240002 (the "parcel") or any replatted parcels constituting a
166.2 part of the parcel and the adjacent rights-of-way. For purposes of this section, the parcel is
166.3 the "3M Renovation and Retention Project Area" or "project area."

166.4 (b) The requirements for qualifying redevelopment tax increment districts under
166.5 Minnesota Statutes, section 469.174, subdivision 10, do not apply to the parcel, which is
166.6 deemed eligible for inclusion in a redevelopment tax increment district.

166.7 (c) The 90 percent rule under Minnesota Statutes, section 469.176, subdivision
166.8 4j, does not apply to the parcel.

166.9 (d) The expenditures outside district rule under Minnesota Statutes, section
166.10 469.1763, subdivision 2, does not apply; the five-year rule under Minnesota Statutes,
166.11 section 469.1763, subdivision 3, is extended to ten years; and expenditures must only
166.12 be made within the project area.

166.13 (e) If, after one year from the date of certification of the original net tax capacity
166.14 of the tax increment district, no demolition, rehabilitation, or renovation of property has
166.15 been commenced on a parcel located within the tax increment district, no additional tax
166.16 increment may be taken from that parcel, and the original net tax capacity of the parcel
166.17 shall be excluded from the original net tax capacity of the tax increment district. If 3M
166.18 Company subsequently commences demolition, rehabilitation, or renovation, the authority
166.19 shall certify to the county auditor that the activity has commenced, and the county auditor
166.20 shall certify the net tax capacity thereof as most recently certified by the commissioner
166.21 of revenue and add it to the original net tax capacity of the tax increment district. The
166.22 authority must submit to the county auditor evidence that the required activity has taken
166.23 place for each parcel in the district.

166.24 (f) The authority to approve a tax increment financing plan and to establish a tax
166.25 increment financing district under this section expires December 31, 2018.

166.26 **EFFECTIVE DATE.** This section is effective upon approval by the governing
166.27 body of the city of Maplewood and upon compliance with Minnesota Statutes, section
166.28 645.021, subdivision 3.

166.29 **Sec. 17. CITY OF MINNEAPOLIS; STREETCAR FINANCING.**

166.30 **Subdivision 1. Definitions.** (a) For purposes of this section, the following terms
166.31 have the meanings given them.

166.32 (b) "City" means the city of Minneapolis.

166.33 (c) "County" means Hennepin County.

166.34 (d) "District" means the areas certified by the city under subdivision 2 for collection
166.35 of value capture taxes.

167.1 (e) "Project area" means the area including one city block on either side of a streetcar
167.2 line designated by the city to serve the downtown and adjacent neighborhoods of the city.

167.3 Subd. 2. **Authority to establish district.** (a) The governing body of the city may, by
167.4 resolution, establish a value capture district consisting of some or all of the taxable parcels
167.5 located within one or more of the following areas of the city, as described in the resolution:

167.6 (1) the area bounded by Nicollet Avenue on the west, 16th Street East on the south,
167.7 First Avenue South on the east, and 14th Street East on the north;

167.8 (2) the area bounded by Spruce Place on the west, 14th Street West on the south,
167.9 LaSalle Avenue on the east, and Grant Street West on the north;

167.10 (3) the area bounded by Nicollet Avenue or Mall on the west, Fifth Street South on
167.11 the south, Marquette Avenue on the east, and Fourth Street South on the north; and

167.12 (4) the area bounded by First Avenue North on the west, Washington Avenue on the
167.13 south, Hennepin Avenue on the east, and Second Street North on the north.

167.14 (b) The city may establish the district and the project area only after holding a public
167.15 hearing on its proposed creation after publishing notice of the hearing and the proposal at
167.16 least once not less than ten days nor more than 30 days before the date of the hearing.

167.17 Subd. 3. **Calculation of value capture district; administrative provisions.** (a) If
167.18 the city establishes a value capture district under subdivision 2, the city shall request the
167.19 county auditor to certify the district for calculation of the district's tax revenues.

167.20 (b) For purposes of calculating the tax revenues of the district, the county auditor
167.21 shall treat the district as if it were a request for certification of a tax increment financing
167.22 district under the provisions of Minnesota Statutes, section 469.177, subdivision 1,
167.23 and shall calculate the tax revenues of the district for each year of its duration under
167.24 subdivision 4 as equaling the amount of tax increment that would be computed by
167.25 applying the provisions of Minnesota Statutes, section 469.177, subdivisions 1, 2, and
167.26 3, to determine captured tax capacity and multiplying by the current tax rate, excluding
167.27 the state general tax rate. The city shall provide the county auditor with the necessary
167.28 information to certify the district, including the option for calculating revenues derived
167.29 from the areawide tax rate under Minnesota Statutes, chapter 473F.

167.30 (c) The county auditor shall pay to the city at the same times provided for settlement
167.31 of taxes and payment of tax increments the tax revenues of the district. The city must use
167.32 the tax revenues as provided under subdivision 4.

167.33 Subd. 4. **Permitted uses of district tax revenues.** (a) In addition to paying for
167.34 reasonable administrative costs of the district, the city may spend tax revenues of the
167.35 district for property acquisition, improvements, and equipment to be used for operations
167.36 within the project area, along with related costs, for:

168.1 (1) planning, design, and engineering services related to the construction of the
168.2 streetcar line;

168.3 (2) acquiring property for, constructing, and installing a streetcar line;

168.4 (3) acquiring and maintaining equipment and rolling stock and related facilities, such
168.5 as maintenance facilities, which need not be located in the project area;

168.6 (4) acquiring, constructing, or improving transit stations; and

168.7 (5) acquiring or improving public space, including the construction and installation
168.8 of improvements to streets and sidewalks, decorative lighting and surfaces, and plantings
168.9 related to the streetcar line.

168.10 (b) The city may issue bonds or other obligations under Minnesota Statutes, chapter
168.11 475, without an election, to fund acquisition or improvement of property of a capital
168.12 nature authorized by this section, including any costs of issuance. The city may also issue
168.13 bonds or other obligations to refund those bonds or obligations. Payment of principal
168.14 and interest on the bonds or other obligations issued under this paragraph is a permitted
168.15 use of the district's tax revenues.

168.16 (c) Tax revenues of the district may not be used for the operation of the streetcar line.

168.17 Subd. 5. **Duration of the district.** A district established under this section is limited
168.18 to the lesser of (1) 25 years of tax revenues, or (2) the time necessary to collect tax revenues
168.19 equal to the amount of the capital costs permitted under subdivision 4 or the amount needed
168.20 to pay or defease bonds or other obligations issued under subdivision 4, whichever is later.

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

168.22 Sec. 18. **CITY OF BLOOMINGTON; OLD CEDAR AVENUE BRIDGE.**

168.23 (a) Notwithstanding any law to the contrary, the city of Bloomington shall transfer
168.24 from the tax increment financing accounts for its Tax Increment Financing District No.
168.25 1-C and Tax Increment Financing District No. 1-G an amount equal to the tax increment
168.26 for each district that is computed under the provisions of Minnesota Statutes, section
168.27 473F.08, subdivision 3c, for taxes payable in 2014 to an account or fund established for
168.28 the repair, restoration, or replacement of the Old Cedar Avenue bridge for use by bicycle
168.29 commuters and recreational users. The city is authorized to and must use the transferred
168.30 funds to complete the repair, renovation, or replacement of the bridge.

168.31 (b) No signs, plaques, or markers acknowledging or crediting donations for,
168.32 sponsorships of, or naming rights may be posted on or in the vicinity of the Old Cedar
168.33 Avenue bridge.

169.1 **EFFECTIVE DATE.** This section is effective upon compliance by the city of
169.2 Bloomington with the requirements of Minnesota Statutes, section 645.021, subdivision 3.

169.3 **ARTICLE 10**

169.4 **DESTINATION MEDICAL CENTER**

169.5 Section 1. Minnesota Statutes 2012, section 297A.71, is amended by adding a
169.6 subdivision to read:

169.7 Subd. 45. **Construction materials, public infrastructure related to the**
169.8 **Destination medical center.** Materials and supplies used in, and equipment incorporated
169.9 into, the construction and improvement of publicly owned buildings and infrastructure
169.10 included in the development plan adopted under section 469.42, and financed with public
169.11 funds, are exempt.

169.12 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
169.13 June 30, 2015.

169.14 Sec. 2. **[469.40] DEFINITIONS.**

169.15 Subdivision 1. **Application.** For the purposes of section 469.40 to 469.46, the terms
169.16 defined in this section have the meanings given them.

169.17 Subd. 2. **City.** "City" means the city of Rochester.

169.18 Subd. 3. **County.** "County" means Olmsted County.

169.19 Subd. 4. **Destination Medical Center Corporation, corporation, DMCC.**
169.20 "Destination Medical Center Corporation," "corporation," or "DMCC" means the
169.21 nonprofit corporation created by the city as provided in section 469.41, and organized
169.22 under chapter 317A.

169.23 Subd. 5. **Destination medical center development district.** "Destination medical
169.24 center development district" or "development district" means a geographic area in the
169.25 city identified in the adopted DMCC development plan in which public infrastructure
169.26 projects are implemented.

169.27 Subd. 6. **Development plan.** "Development plan" means the plan adopted by
169.28 the DMCC under section 469.42.

169.29 Subd. 7. **Medical business entity.** "Medical business entity" means a medical
169.30 business entity with its principal place of business in the city that, as of the effective date
169.31 of this section, together with all business entities of which it is the sole member or sole
169.32 shareholder, collectively employs more than 30,000 persons in the state.

170.1 Subd. 8. **Public infrastructure project.** (a) "Public infrastructure project" means
 170.2 a project financed in part or whole with public money in order to support the medical
 170.3 business entity's development plans, as identified in the adopted DMCC development
 170.4 plan. A project may be to:
 170.5 (1) acquire real property and other assets associated with the real property;
 170.6 (2) demolish, repair, or rehabilitate buildings;
 170.7 (3) remediate land and buildings as required to prepare the property for acquisition
 170.8 or development;
 170.9 (4) install, construct, or reconstruct elements of public infrastructure required to
 170.10 support the overall development of the destination medical center development district,
 170.11 including, but not limited to, streets, roadways, utilities systems and related facilities,
 170.12 utility relocations and replacements, network and communication systems, streetscape
 170.13 improvements, drainage systems, sewer and water systems, subgrade structures and
 170.14 associated improvements, landscaping, façade construction and restoration, wayfinding
 170.15 and signage, and other components of community infrastructure;
 170.16 (5) acquire, construct or reconstruct, and equip parking facilities and other facilities
 170.17 to encourage intermodal transportation and public transit;
 170.18 (6) install, construct or reconstruct, furnish, and equip parks, cultural, and
 170.19 recreational facilities, facilities to promote tourism and hospitality, conferencing and
 170.20 conventions, broadcast and related multimedia infrastructure;
 170.21 (7) make related site improvements, including, without limitation, excavation, earth
 170.22 retention, soil stabilization and correction, site improvements to support the destination
 170.23 medical center development district; and
 170.24 (8) prepare land for private development and to sell or lease land.
 170.25 (b) A public infrastructure project is not a business subsidy under section 116J.993.

170.26 Sec. 3. **[469.41] DESTINATION MEDICAL CENTER CORPORATION**
 170.27 **ESTABLISHED.**

170.28 Subdivision 1. **DMCC created.** The city shall establish a destination medical
 170.29 center corporation as a nonprofit corporation under chapter 317A to provide the city with
 170.30 expertise in preparing and implementing the development plan to establish the city as a
 170.31 destination medical center. Except as provided in this article, the nonprofit corporation
 170.32 is not subject to laws governing the city.

170.33 Subd. 2. **Membership.** (a) The corporation's governing board consists of nine
 170.34 voting members, as follows:

171.1 (1) the mayor of the city, or the mayor's designee, subject to approval by the city
 171.2 council;

171.3 (2) a member of the city council, selected by the city council;

171.4 (3) a member of the county board, selected by the county board;

171.5 (4) two representatives of the medical business entity defined in section 469.40,
 171.6 subdivision 7, appointed by the city council from among five candidates nominated by the
 171.7 medical business entity;

171.8 (5) two representatives of the city business community other than the medical
 171.9 business entity, appointed by the city council from among five candidates nominated by
 171.10 the Rochester Area Chamber of Commerce; and

171.11 (6) two members, appointed by the governor.

171.12 (b) Appointing authorities must make their appointments as soon as practicable after
 171.13 the effective date of this section.

171.14 Subd. 3. **Bylaws.** The corporation shall adopt bylaws governing the terms of
 171.15 members, filling vacancies, removal of members, selection of officers and other personnel
 171.16 and contractors, and other matters of organization and operation of the corporation.

171.17 Subd. 4. **Open meeting law; data practices.** Meetings of the corporation and any
 171.18 committee or subcommittee of the corporation are subject to the open meeting law in
 171.19 chapter 13D. The corporation is a government entity for purposes of chapter 13.

171.20 Subd. 5. **Conflicts of interest.** Except for the members appointed under subdivision
 171.21 2, paragraph (a), clause (4), to represent the medical business entity, within one year
 171.22 prior to or at any time during a member's term of service on the corporation's governing
 171.23 board, a member must not be employed by, be a member of the board of directors of, or
 171.24 otherwise be a representative of the medical business entity. No member may serve as a
 171.25 lobbyist, as defined under section 10A.01, subdivision 21.

171.26 Subd. 6. **Powers; gifts.** The corporation may exercise any other powers that are
 171.27 granted by its articles of incorporation and bylaws to the extent that those powers are not
 171.28 inconsistent with the provisions of sections 469.40 to 469.46. Notwithstanding any law to
 171.29 the contrary, the corporation may accept and use gifts of money or in-kind and may use
 171.30 any of its money or assets, other than money or assets received from the city, county, or
 171.31 state, to develop and implement the adopted development plan.

171.32 Subd. 7. **Dissolution.** The city shall provide for the terms for dissolution of the
 171.33 corporation in the articles of incorporation.

171.34 Sec. 4. **[469.42] DEVELOPMENT PLAN.**

172.1 Subdivision 1. **Development plan; adoption by DMCC; notice; findings.** (a)

172.2 The corporation shall prepare and adopt a development plan. The corporation must
172.3 hold a public hearing before adopting a development plan. At least 45 days before the
172.4 hearing, the corporation shall make copies of the proposed plan available to the public at
172.5 the corporation and city offices during normal business hours, on the corporation's and
172.6 city's Web site, and as otherwise determined appropriate by the corporation. At least ten
172.7 days before the hearing, the corporation shall publish notice of the hearing in a daily
172.8 newspaper of general circulation in the city. The development plan may not be adopted
172.9 unless the corporation finds by resolution that:

172.10 (1) the plan provides an outline for the development of the city as a destination
172.11 medical center, and the plan is sufficiently complete, including the identification of planned
172.12 and anticipated projects, to indicate its relationship to definite state and local objectives;

172.13 (2) the proposed development affords maximum opportunity, consistent with the
172.14 needs of the city, county, and state, for the development of the city by private enterprise
172.15 as a destination medical center;

172.16 (3) the proposed development conforms to the general plan for the development of
172.17 the city and is consistent with the city comprehensive plan;

172.18 (4) the plan includes:

172.19 (i) strategic planning consistent with a destination medical center in the core areas of
172.20 commercial research and technology, learning environment, hospitality and convention,
172.21 sports and recreation, livable communities, including mixed-use urban development
172.22 and neighborhood residential development, retail/dining/entertainment, and health and
172.23 wellness;

172.24 (ii) estimates of short- and long-range fiscal and economic impacts;

172.25 (iii) a framework to identify and prioritize short- and long-term public investment
172.26 and public infrastructure project development and to facilitate private investment and
172.27 development;

172.28 (iv) land use planning;

172.29 (v) transportation and transit planning;

172.30 (vi) operational planning required to support the medical center development
172.31 district; and

172.32 (vii) ongoing market research plans; and

172.33 (5) the city has approved the plan.

172.34 (b) The identification of planned and anticipated projects under paragraph (a), clause
172.35 (1), must give priority to projects that will pay wages at least equal to the basic cost of
172.36 living wage as calculated by the commissioner of employment and economic development

173.1 for the county in which the project is located. The calculation of the basic cost of living
173.2 wage shall be done as provided for under Minnesota Statutes, section 116J.013, if enacted
173.3 by the 2013 legislature.

173.4 Subd. 2. **Modification of development plan.** The corporation may modify the
173.5 development plan at any time. The corporation must update the development plan not less
173.6 than every five years. A modification or update under this subdivision must be adopted by
173.7 the corporation upon the notice and after the public hearing and findings required for the
173.8 original adoption of the development plan.

173.9 Subd. 3. **Medical center development districts; creation; notice; findings.** As
173.10 part of the development plan, the corporation may create and define the boundaries of
173.11 medical center development districts and subdistricts at any place or places within the
173.12 city. Projects may be undertaken within defined medical center development districts
173.13 consistent with the development plan.

173.14 Subd. 4. **DMCC consultant.** (a) The corporation may engage a business entity
173.15 consultant to provide experience and expertise in developing the destination medical
173.16 center. The consultant may assist the corporation in preparing the development plan and
173.17 provide services to assist the corporation or city in implementing, consistent with the
173.18 development plan, the goals, objectives, and strategies in the development plan, including,
173.19 but not limited to:

173.20 (1) developing and updating the criteria for evaluating and underwriting
173.21 development proposals;

173.22 (2) implementing the development plan, including soliciting and evaluating
173.23 proposals for development and evaluating and making recommendations to the corporation
173.24 and the city regarding those proposals;

173.25 (3) providing transactional services in connection with approved projects;

173.26 (4) developing patient, visitor, and community outreach programs for a destination
173.27 medical center development district;

173.28 (5) working with the corporation to acquire and facilitate the sale, lease, or other
173.29 transactions involving land and real property;

173.30 (6) seeking financial support for the corporation, the city, and a project;

173.31 (7) partnering with other development agencies and organizations and the county in
173.32 joint efforts to promote economic development and establish a destination medical center;

173.33 (8) supporting and administering the planning and development activities required to
173.34 implement the development plan;

173.35 (9) preparing and supporting the marketing and promotion of the medical center
173.36 development district;

174.1 (10) preparing and implementing a program for community and public relations in
 174.2 support of the medical center development district;

174.3 (11) assisting the corporation or city and others in applications for federal grants, tax
 174.4 credits, and other sources of funding to aid both private and public development; and

174.5 (12) making other general advisory recommendations to the corporation and the
 174.6 city, as requested.

174.7 (b) The corporation may contract with the consultant to provide administrative
 174.8 services to the corporation with regard to the destination medical center plan
 174.9 implementation. The corporation may pay for those services out of any revenue sources
 174.10 available to it.

174.11 Subd. 5. **Audit of consultant contracts.** Any contract for services between the
 174.12 corporation and a consultant paid, in whole or in part, with public money gives the
 174.13 corporation, the city, and the state auditor the right to audit the books and records of the
 174.14 consultant that are necessary to certify (1) the nature and extent of the services furnished
 174.15 pursuant to the contract, and (2) that the payment for services and related disbursements
 174.16 complies with all state laws, regulations, and the terms of the contract. Any contract for
 174.17 services between the corporation and the consultant paid, in whole or in part, with public
 174.18 money shall require the corporation to maintain for the life of the corporation accurate and
 174.19 complete books and records directly relating to the contract.

174.20 Subd. 6. **Report.** By January 15 of each year, the corporation and city must submit
 174.21 a report to the chairs and ranking minority members of the legislative committees with
 174.22 jurisdiction over local and state government operations, economic development, and taxes,
 174.23 and to the commissioners of revenue and employment and economic development, and
 174.24 the county. The corporation and city must also submit the report as provided in section
 174.25 3.195. The report must include:

174.26 (1) the adopted development plan and any proposed changes to the development plan;

174.27 (2) progress of projects identified in the development plan;

174.28 (3) actual costs and financing sources, including the amount paid with state aid under
 174.29 section 469.46 and required local contributions, of projects completed in the previous two
 174.30 years by the corporation, city, the county, and the medical business entity;

174.31 (4) estimated costs and financing sources for projects to be begun in the next two
 174.32 years by the corporation, city, the county, and the medical business entity; and

174.33 (5) debt service schedules for all outstanding obligations of the city for debt issued
 174.34 for projects identified in the plan.

174.35 Sec. 5. **[469.43] CITY POWERS, DUTIES; AUTHORITY TO ISSUE BONDS.**

175.1 Subdivision 1. **Port authority powers.** The city may exercise the powers of a
175.2 port authority under sections 469.048 to 469.068, for the purposes of implementing the
175.3 destination medical center development plan.

175.4 Subd. 2. **Support to the corporation.** The city may provide financial and
175.5 administrative support and office and other space to the corporation. The city may
175.6 appropriate money of the city to the corporation for its work.

175.7 Subd. 3. **City to issue debt.** The city may issue general obligation bonds, revenue
175.8 bonds, or other obligations, as it determines appropriate, to finance public infrastructure
175.9 projects, as provided by chapter 475. Notwithstanding section 475.53 obligations issued
175.10 under this section are not subject to the limits on net debt, regardless of their source of
175.11 security or payment. Notwithstanding section 475.58 or any other law or charter provision
175.12 to the contrary, issuance of obligations under the provisions of this section are not subject
175.13 to approval of the electors. The city may pledge any of its revenues, including property
175.14 taxes, the taxes authorized by sections 469.44 and 469.45, and the state aid under section
175.15 469.46, as security for and to pay the obligations. The city must not issue obligations that
175.16 are only payable from or secured by state aid under section 469.46.

175.17 Subd. 4. **American made steel.** The city must require that a public infrastructure
175.18 project use American steel products to the extent practicable. In determining whether it
175.19 is practicable, the city may consider the exceptions to the requirement in Public Law
175.20 111-5, section 1605.

175.21 **Sec. 6. [469.44] CITY TAX AUTHORITY.**

175.22 Subdivision 1. **Rochester, other local taxes authorized.** (a) Notwithstanding
175.23 section 477A.016, or any other contrary provision of law, ordinance, or city charter, and in
175.24 addition to any taxes the city may impose on these transactions under another statute or
175.25 law, the city of Rochester may, by ordinance impose at a rate or rates, determined by the
175.26 city, any of the following taxes:

175.27 (1) a tax on the gross receipts from the furnishing for consideration of lodging and
175.28 related services as defined in section 297A.61, subdivision 3, paragraph (g), clause (2); the
175.29 city may choose to impose a differential tax based on the number of rooms in the facility;

175.30 (2) a tax on the gross receipts of food and beverages sold primarily for consumption
175.31 on the premises by restaurants and places of refreshment that occur in the city of
175.32 Rochester; the city may elect to impose the tax in a defined district of the city; and

175.33 (3) a tax on the admission receipts to entertainment and recreational facilities, as
175.34 defined by ordinance, in the city of Rochester.

176.1 (b) The provisions of section 297A.99, subdivisions 4 to 13, govern the
176.2 administration, collection, and enforcement of any tax imposed by the city under
176.3 paragraph (a).

176.4 (c) The proceeds of any taxes imposed under this subdivision, less refunds and costs
176.5 of collection, must be used by the city to fund obligations related to public infrastructure
176.6 projects contained in the development plan, including any associated financing costs. Any
176.7 tax imposed under paragraph (a) expires at the earlier of December 31, 2041, or when the
176.8 city council determines that sufficient funds have been raised from the tax plus all other
176.9 local funding sources authorized in this article to meet the city obligation for financing a
176.10 public infrastructure project contained in the development plan, including any associated
176.11 financing costs.

176.12 Subd. 2. **General sales tax authority.** The city may elect to extend the existing
176.13 local sales and use tax under section 11 or to impose an additional rate of up to one-half of
176.14 one percent tax on sales and use under section 9.

176.15 Subd. 3. **Special abatement rules.** (a) If the city or the county elects to use tax
176.16 abatement under sections 469.1812 to 469.1815 to finance costs of public infrastructure
176.17 projects, the special rules under this subdivision apply.

176.18 (b) The limitations under section 469.1813, subdivision 6, do not apply to the city
176.19 or the county.

176.20 (c) The limitations under section 469.1813, subdivision 8, do not apply and property
176.21 taxes abated by the city or the county to finance costs of public infrastructure projects are
176.22 not included for purposes of applying section 469.1813, subdivision 8, to the use of tax
176.23 abatement for other purposes of the city or the county; however, the total amount of property
176.24 taxes abated by the city and the county under this authority must not exceed \$87,750,000.

176.25 Subd. 4. **Special tax increment financing rules.** If the city elects to establish
176.26 a redevelopment tax increment financing district or districts within the area of the
176.27 destination medical center development district, the requirements of section 469.174,
176.28 subdivision 10, restricting the geographic areas that may be designated as a district do not
176.29 apply and increments from the district are not required to be spent in accordance with the
176.30 requirements of section 469.176, subdivision 4j.

176.31 **Sec. 7. [469.45] COUNTY TAX AUTHORITY.**

176.32 (a) Notwithstanding sections 297A.99, 297A.993, and 477A.016, or any other
176.33 contrary provision of law, ordinance, or charter, and in addition to any taxes the county
176.34 may impose under another law or statute, the board of commissioners of Olmsted County
176.35 may, by resolution, impose a transit tax of up to one quarter of one percent on retail sales

177.1 and uses taxable under chapter 297A. The provisions of section 297A.99, subdivisions
177.2 4 to 13, govern the imposition, administration, collection, and enforcement of the tax
177.3 authorized under this paragraph.

177.4 (b) The board of commissioners of Olmsted County may, by resolution, levy an
177.5 annual wheelage tax of up to \$10 on each motor vehicle kept in the county when not in
177.6 operation which is subject to annual registration and taxation under chapter 168. The
177.7 wheelage tax shall not be imposed on the vehicles exempt from wheelage tax under
177.8 section 163.051, subdivision 1. The board by resolution may provide for collection of
177.9 the wheelage tax by county officials or it may request that the tax be collected by the
177.10 state registrar on behalf of the county. The provisions of section 163.051, subdivisions
177.11 2, 2a, 3, and 7, shall govern the administration, collection, and enforcement of the tax
177.12 authorized under this paragraph.

177.13 (c) The proceeds of any taxes imposed under this subdivision, less refunds and
177.14 costs of collection, must be first used by the county to meet its share of obligations for
177.15 financing transit infrastructure related to the public infrastructure projects contained in
177.16 the development plan, including any associated financing costs. Revenues collected in
177.17 any calendar year in excess of the county obligation to pay for projects contained in the
177.18 development plan may be retained by the county and used for funding other transportation
177.19 projects, including roads and bridges, airport and transit improvements.

177.20 (d) Any taxes imposed under paragraph (a), expire December 31, 2041, or at an
177.21 earlier time if approved by resolution of the county board of commissioners. However,
177.22 the taxes may not terminate before the county board of commissioners determines that
177.23 revenues from these taxes and any other revenue source the county dedicates are sufficient
177.24 to pay the county share of transit project costs and associated financing costs under the
177.25 adopted development plan.

177.26 **Sec. 8. [469.46] STATE INFRASTRUCTURE AID.**

177.27 Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms
177.28 have the meanings given them.

177.29 (b) "Commissioner" means the commissioner of employment and economic
177.30 development.

177.31 (c) "Construction projects" means construction of buildings in the city for which the
177.32 building permit was issued after June 30, 2013.

177.33 (d) "Expenditures" means expenditures made by a medical business entity, including
177.34 any affiliated entities, on construction projects for the capital cost of the project, including
177.35 but not limited to:

- 178.1 (1) design and predesign, including architectural, engineering, and similar services;
 178.2 (2) legal, regulatory, and other compliance costs of the project;
 178.3 (3) land acquisition, demolition of existing improvements, and other site preparation
 178.4 costs;
 178.5 (4) construction costs including all materials and supplies of the project; and
 178.6 (5) equipment and furnishings that are attached to or become part of the real property.

178.7 Expenditures exclude supplies and other items with a useful life of less than a year that
 178.8 are not used or consumed in constructing improvements to real property or are otherwise
 178.9 chargeable to capital costs.

178.10 (e) "Qualified expenditures" has the following meaning. In the first year in which
 178.11 aid is paid under this section "qualified expenditures" mean the total certified expenditures
 178.12 since June 30, 2013, through the end of the previous calendar year minus \$200,000,000.
 178.13 For subsequent years "qualified expenditures" mean the certified expenditures for the
 178.14 previous calendar year.

178.15 (f) "Transit costs" means the portions of a public infrastructure project that are for
 178.16 public transit intended primarily to serve the district, such as transit stations, equipment,
 178.17 right-of-way, and similar costs.

178.18 Subd. 2. **Certification of expenditures.** By April 1 of each year, the medical
 178.19 business entity must certify to the commissioner the amount of expenditures made in the
 178.20 prior calendar year. The certification must be made in the form that the commissioner
 178.21 prescribes and include any documentation of and supporting information regarding the
 178.22 expenditures that the commissioner requires. By August 1 of each year, the commissioner
 178.23 shall determine the amount of the expenditures for the prior calendar year.

178.24 Subd. 3. **General state infrastructure aid.** (a) General state infrastructure aid may
 178.25 not be paid out under this section until total expenditures exceed \$200,000,000.

178.26 (b) The amount of the general state infrastructure aid for a fiscal year equals the sum
 178.27 of qualified expenditures, multiplied by 2.75 percent. The maximum amount of general
 178.28 state aid payable in any year is limited to no more than \$30,000,000. If the aid entitlement
 178.29 for the year exceeds the maximum annual limit, the excess is an aid carryover to later
 178.30 years. The carryover aid must be paid in the first year in which the aid entitlement for the
 178.31 current year is less than the maximum annual limit, but only to the extent the carryover,
 178.32 when added to the current year aid, is less than the maximum annual limit.

178.33 (c) If the commissioner determines that the city has made the required matching
 178.34 local contribution under subdivision 4, the commissioner shall pay to the city the amount
 178.35 of general state infrastructure aid for the year by September 1.

179.1 (d) The city must use general state infrastructure aid it receives under this
179.2 subdivision for improvements and other capital costs related to the public infrastructure
179.3 project, other than transit costs. The city shall maintain appropriate records to document
179.4 the use of the funds under this requirement.

179.5 (e) The commissioner, in consultation with the commissioner of management and
179.6 budget and representatives of the city and the corporation, shall establish a total limit on
179.7 the amount of state aid payable under this subdivision that is sufficient, in combination
179.8 with the local contribution, to pay for \$455,000,000 of general public infrastructure
179.9 projects, plus financing costs.

179.10 Subd. 4. **General aid; local matching contribution.** In order to qualify for general
179.11 state infrastructure aid, the city must enter a written agreement with the commissioner that
179.12 requires the city to make a qualifying local matching contribution to pay for \$128,000,000
179.13 of the cost of public infrastructure projects, including associated financing costs, using
179.14 funds other than state aid received under this section. This agreement must provide for the
179.15 manner, timing, and amounts of the city contributions, including the city's commitment for
179.16 each year. The commissioner and city may agree to amend the agreement at any time in
179.17 light of new information or other appropriate factors. The city may enter arrangements
179.18 with the county to pay for or otherwise meet the local matching contribution requirement.

179.19 Subd. 5. **State transit aid.** (a) The city qualifies for state transit aid under this
179.20 section if:

179.21 (1) the county has elected to impose the transit sales tax under section 469.45 for a
179.22 calendar year; and

179.23 (2) the county contributes the required local matching contribution under subdivision
179.24 6 or the city or county have agreed to make an equivalent contribution out of other funds.

179.25 (b) The amount of the state transit aid for a fiscal year equals the sum of qualified
179.26 expenditures, as certified by the commissioner for the prior calendar year, multiplied
179.27 by 0.75 percent, reduced by the amount of the local contribution under subdivision 6.
179.28 The maximum amount of state transit aid payable in any year is limited to no more than
179.29 \$7,500,000. If the aid entitlement for the year exceeds the maximum annual limit, the
179.30 excess is an aid carryover to later years. The carryover aid must be paid in the first year
179.31 in which the aid entitlement for the current year is less than the maximum annual limit,
179.32 but only to the extent the carryover, when added to the current year aid, is less than the
179.33 maximum annual limit.

179.34 (c) The commissioner, in consultation with the commissioner of management and
179.35 budget and representatives of the city and the corporation, shall establish a total limit on
179.36 the amount of state aid payable under this subdivision that is sufficient, in combination

180.1 with the local contribution, to pay for \$116,000,000 of general public infrastructure
180.2 projects, plus financing costs.

180.3 Subd. 6. **Transit aid; local matching contribution.** (a) The required local matching
180.4 contribution for state transit aid equals the amount that would be raised by a 0.15 percent
180.5 sales tax imposed by the county in the prior calendar year. The county may impose the
180.6 sales tax or the wheelage tax under section 469.45 to meet this obligation.

180.7 (b) If the county elects not to impose any of the taxes authorized under section 469.45,
180.8 the county or city or both may agree to make the local contribution out of other available
180.9 funds, other than state aid payable under this section. The commissioner of revenue shall
180.10 estimate the required amount and certify it to the commissioner, city, and county.

180.11 Subd. 7. **Termination.** No aid may be paid under this section after fiscal year 2041.

180.12 Subd. 8. **Appropriation.** An amount sufficient to pay the state general infrastructure
180.13 and state transit aid authorized under this section is appropriated to the commissioner
180.14 from the general fund.

180.15 Sec. 9. Laws 1998, chapter 389, article 8, section 43, subdivision 1, is amended to read:

180.16 Subdivision 1. **Sales and use taxes authorized.** (a) Notwithstanding Minnesota
180.17 Statutes, section 477A.016, or any other contrary provision of law, ordinance, or city
180.18 charter, upon termination of the taxes authorized under Laws 1992, chapter 511, article
180.19 8, section 33, subdivision 1, and if approved by the voters of the city at a general or
180.20 special election held within one year of the date of final enactment of this act, the city of
180.21 Rochester may, by ordinance, impose an additional sales and use tax of up to one-half
180.22 of one percent. The provisions of Minnesota Statutes, section ~~297A.48~~, 297A.99 govern
180.23 the imposition, administration, collection, and enforcement of the tax authorized under
180.24 this ~~subdivision~~ paragraph.

180.25 (b) Notwithstanding Minnesota Statutes, sections 297A.99 and 477A.016, or any
180.26 other contrary provision of law, ordinance, or charter, the city of Rochester may, by
180.27 ordinance, impose an additional sales and use tax of up to one half of one percent. The
180.28 provisions of Minnesota Statutes, section 297A.99, subdivisions 1 and 4 to 13, govern
180.29 the imposition, administration, collection, and enforcement of the tax authorized under
180.30 this paragraph.

180.31 Sec. 10. Laws 1998, chapter 389, article 8, section 43, subdivision 3, as amended by
180.32 Laws 2005, First Special Session chapter 3, article 5, section 28, and Laws 2011, First
180.33 Special Session chapter 7, article 4, section 5, is amended to read:

181.1 Subd. 3. **Use of revenues.** (a) Revenues received from the taxes authorized by
181.2 subdivisions 1, paragraph (a), and 2 must be used by the city to pay for the cost of
181.3 collecting and administering the taxes and to pay for the following projects:

181.4 (1) transportation infrastructure improvements including regional highway and
181.5 airport improvements;

181.6 (2) improvements to the civic center complex;

181.7 (3) a municipal water, sewer, and storm sewer project necessary to improve regional
181.8 ground water quality; and

181.9 (4) construction of a regional recreation and sports center and other higher education
181.10 facilities available for both community and student use.

181.11 (b) The total amount of capital expenditures or bonds for projects listed in paragraph
181.12 (a) that may be paid from the revenues raised from the taxes authorized in this section
181.13 may not exceed \$111,500,000. The total amount of capital expenditures or bonds for the
181.14 project in clause (4) that may be paid from the revenues raised from the taxes authorized
181.15 in this section may not exceed \$28,000,000.

181.16 (c) In addition to the projects authorized in paragraph (a) and not subject to the
181.17 amount stated in paragraph (b), the city of Rochester may, if approved by the voters at an
181.18 election under subdivision 5, paragraph (c), use the revenues received from the taxes and
181.19 bonds authorized in this section to pay the costs of or bonds for the following purposes:

181.20 (1) \$17,000,000 for capital expenditures and bonds for the following Olmsted
181.21 County transportation infrastructure improvements:

181.22 (i) County State Aid Highway 34 reconstruction;

181.23 (ii) Trunk Highway 63 and County State Aid Highway 16 interchange;

181.24 (iii) phase II of the Trunk Highway 52 and County State Aid Highway 22 interchange;

181.25 (iv) widening of County State Aid Highway 22 West Circle Drive; and

181.26 (v) 60th Avenue Northwest corridor preservation;

181.27 (2) \$30,000,000 for city transportation projects including:

181.28 (i) Trunk Highway 52 and 65th Street interchange;

181.29 (ii) NW transportation corridor acquisition;

181.30 (iii) Phase I of the Trunk Highway 52 and County State Aid Highway 22 interchange;

181.31 (iv) Trunk Highway 14 and Trunk Highway 63 intersection;

181.32 (v) Southeast transportation corridor acquisition;

181.33 (vi) Rochester International Airport expansion; and

181.34 (vii) a transit operations center bus facility;

181.35 (3) \$14,000,000 for the University of Minnesota Rochester academic and
181.36 complementary facilities;

182.1 (4) \$6,500,000 for the Rochester Community and Technical College/Winona State
 182.2 University career technical education and science and math facilities;

182.3 (5) \$6,000,000 for the Rochester Community and Technical College regional
 182.4 recreation facilities at University Center Rochester;

182.5 (6) \$20,000,000 for the Destination Medical Community Initiative;

182.6 (7) \$8,000,000 for the regional public safety and 911 dispatch center facilities;

182.7 (8) \$20,000,000 for a regional recreation/senior center;

182.8 (9) \$10,000,000 for an economic development fund; and

182.9 (10) \$8,000,000 for downtown infrastructure.

182.10 (d) No revenues from the taxes raised from the taxes authorized in subdivisions 1
 182.11 and 2 may be used to fund transportation improvements related to a railroad bypass that
 182.12 would divert traffic from the city of Rochester.

182.13 ~~(e) The city shall use \$5,000,000 of the money allocated to the purpose in paragraph~~
 182.14 ~~(e), clause (9), for grants to the cities of Byron, Chatfield, Dodge Center, Dover, Elgin,~~
 182.15 ~~Eyota, Kasson, Mantorville, Oronoco, Pine Island, Plainview, St. Charles, Stewartville,~~
 182.16 ~~Zumbrota, Spring Valley, West Concord, and Hayfield for economic development projects~~
 182.17 ~~that these communities would fund through their economic development authority or~~
 182.18 ~~housing and redevelopment authority.~~

182.19 (e) Notwithstanding Minnesota Statutes, section 297A.99, subdivisions 2 and 3, if
 182.20 the city decides to extend the taxes in subdivisions 1, paragraph (a), and 2, as allowed
 182.21 under subdivision 5, paragraph (c), the city must use any amount in excess of the amount
 182.22 necessary to meet obligations under paragraphs (a) to (c) from those taxes to fund
 182.23 obligations, including associated financing costs, related to public infrastructure projects
 182.24 in the development plan adopted under Minnesota Statutes, section 469.42.

182.25 (f) Revenues from the tax under subdivision 1, paragraph (b), must be used to fund
 182.26 obligations, including associated financing costs, related to the public infrastructure
 182.27 projects contained in the development plan adopted by the city under Minnesota Statutes,
 182.28 section 469.42.

182.29 Sec. 11. Laws 1998, chapter 389, article 8, section 43, subdivision 5, as amended by
 182.30 Laws 2005, First Special Session chapter 3, article 5, section 30, and Laws 2011, First
 182.31 Special Session chapter 7, article 4, section 7, is amended to read:

182.32 Subd. 5. **Termination of taxes.** (a) The taxes imposed under subdivisions 1 and 2
 182.33 expire at the later of (1) December 31, 2009, or (2) when the city council determines that
 182.34 sufficient funds have been received from the taxes to finance the first \$71,500,000 of capital
 182.35 expenditures and bonds for the projects authorized in subdivision 3, including the amount to

183.1 prepay or retire at maturity the principal, interest, and premium due on any bonds issued for
183.2 the projects under subdivision 4, unless the taxes are extended as allowed in paragraph (b).
183.3 Any funds remaining after completion of the project and retirement or redemption of the
183.4 bonds shall also be used to fund the projects under subdivision 3. The taxes imposed under
183.5 subdivisions 1 and 2 may expire at an earlier time if the city so determines by ordinance.

183.6 (b) Notwithstanding Minnesota Statutes, sections 297A.99 and 477A.016, or any
183.7 other contrary provision of law, ordinance, or city charter, the city of Rochester may, by
183.8 ordinance, extend the taxes authorized in subdivisions 1 and 2 beyond December 31, 2009,
183.9 if approved by the voters of the city at a special election in 2005 or the general election in
183.10 2006. The question put to the voters must indicate that an affirmative vote would allow
183.11 up to an additional \$40,000,000 of sales tax revenues be raised and up to \$40,000,000
183.12 of bonds to be issued above the amount authorized in the June 23, 1998, referendum for
183.13 the projects specified in subdivision 3. If the taxes authorized in subdivisions 1 and 2 are
183.14 extended under this paragraph, the taxes expire when the city council determines that
183.15 sufficient funds have been received from the taxes to finance the projects and to prepay
183.16 or retire at maturity the principal, interest, and premium due on any bonds issued for the
183.17 projects under subdivision 4. Any funds remaining after completion of the project and
183.18 retirement or redemption of the bonds may be placed in the general fund of the city.

183.19 (c) Notwithstanding Minnesota Statutes, sections 297A.99 and 477A.016, or any
183.20 other contrary provision of law, ordinance, or city charter, the city of Rochester may,
183.21 by ordinance, extend the taxes authorized in subdivisions 1, paragraph (a), and 2 up to
183.22 December 31, 2041, provided that all additional revenues above those necessary to fund
183.23 the projects and associated financing costs listed in subdivision 3, paragraphs (a) to (e),
183.24 are committed to fund public infrastructure projects contained in the development plan
183.25 adopted under Minnesota Statutes, section 469.42, including all associated financing
183.26 costs; otherwise the taxes terminate when ~~beyond the date~~ the city council determines
183.27 that sufficient funds have been received from the taxes to finance \$111,500,000 of the
183.28 expenditures and bonds for the projects authorized in subdivision 3, ~~paragraph (a)~~
183.29 paragraphs (a) to (e), plus an amount equal to the costs of issuance of the bonds and
183.30 including the amount to prepay or retire at maturity the principal, interest, and premiums
183.31 due on any bonds issued for the projects under subdivision 4, ~~paragraph (a), if approved~~
183.32 ~~by the voters of the city at the general election in 2012. If the election to authorize the~~
183.33 ~~additional \$139,500,000 of bonds plus an amount equal to the costs of the issuance of the~~
183.34 ~~bonds is placed on the general election ballot in 2012, the city may continue to collect the~~
183.35 ~~taxes authorized in subdivisions 1 and 2 until December 31, 2012. The question put to~~
183.36 ~~the voters must indicate that an affirmative vote would allow sales tax revenues be raised~~

184.1 ~~for an extended period of time and an additional \$139,500,000 of bonds plus an amount~~
184.2 ~~equal to the costs of issuance of the bonds, to be issued above the amount authorized in~~
184.3 ~~the previous elections required under paragraphs (a) and (b) for the projects and amounts~~
184.4 ~~specified in subdivision 3. If the taxes authorized in subdivisions 1 and 2 are extended~~
184.5 ~~under this paragraph, the taxes expire when the city council determines that \$139,500,000~~
184.6 ~~has been received from the taxes to finance the projects plus an amount sufficient to~~
184.7 ~~prepay or retire at maturity the principal, interest, and premium due on any bonds issued~~
184.8 ~~for the projects under subdivision 4, including any bonds issued to refund the bonds. Any~~
184.9 ~~funds remaining after completion of the projects and retirement or redemption of the~~
184.10 ~~bonds may be placed in the general fund of the city.~~

184.11 (d) The tax imposed under subdivision 1, paragraph (b), expires at the earlier of
184.12 2041, or when the city council determines that sufficient funds have been raised from the
184.13 tax plus all other city funding sources authorized in this article to meet the city obligation
184.14 for financing the public infrastructure projects contained in the development plan adopted
184.15 under Minnesota Statutes, section 469.42, including all associated financing costs.

184.16 Sec. 12. **ROCHESTER AREA DEVELOPMENT AND TRANSPORTATION**
184.17 **IMPACTS STUDY.**

184.18 (a) From funds appropriated by law for the purposes of this section, the commissioner
184.19 of transportation shall in consultation with the Rochester-Olmsted Council of Governments
184.20 enter into an agreement with a consultant to perform a study of economic development
184.21 and transportation impacts in the Rochester metropolitan area, including the feasibility of
184.22 high-speed rail between Rochester and the seven-county metropolitan area. To be eligible,
184.23 a consultant must have experience and expertise in a majority of the following: economics,
184.24 economic development, demography, urban planning, engineering, and transportation.

184.25 (b) At a minimum, the study under this section must:

184.26 (1) utilize at least a 20-year planning horizon;

184.27 (2) perform a comprehensive planning assessment of key transportation
184.28 infrastructure throughout the Rochester metropolitan area based on (i) long-range
184.29 transportation plans developed by the Rochester-Olmsted Council of Governments, and
184.30 (ii) expected and potential economic development patterns;

184.31 (3) analyze major roadways across all jurisdictions including, but not limited to,
184.32 trunk highways; county highways; and arterial city streets; and interconnections with other
184.33 modes in conjunction with ongoing rail and airports studies;

185.1 (4) analyze the feasibility of a high-speed rail connection between Rochester and the
185.2 Mall of America via Minnesota State Highway 77 with connections to the Minneapolis-St.
185.3 Paul International Airport and the Union Depot in St. Paul;

185.4 (5) to the extent feasible, take into account available data, forecasts, available
185.5 transportation demand modeling information, and transportation impacts of major
185.6 economic initiatives and proposals including, but not limited to, expansion of the Mayo
185.7 Clinic; and

185.8 (6) provide scenarios and identify revenue shortfalls to address both short-term and
185.9 long-term deficiencies in safety, mobility, congestion, and transportation infrastructure
185.10 condition.

185.11 (c) By January 15, 2014, the commissioner shall provide an electronic copy of the
185.12 study to the chairs and ranking minority members of the legislative committees with
185.13 jurisdiction over transportation policy and finance, as provided in Minnesota Statutes,
185.14 section 174.02, subdivision 8.

185.15 Sec. 13. **EFFECTIVE DATE.**

185.16 Except as otherwise provided, this article is effective the day after the governing
185.17 body of the city of Rochester and its chief clerical officer timely comply with Minnesota
185.18 Statutes, section 645.021, subdivisions 2 and 3.

185.19 **ARTICLE 11**

185.20 **MINING TAXES**

185.21 Section 1. **[116C.992] SILICA SAND MINING ACCOUNT.**

185.22 A silica sand mining account is created in the special revenue fund. Money in the
185.23 account is available for development of model standards, technical assistance to counties
185.24 and other governments, other assistance to counties, and other purposes as appropriated
185.25 by law.

185.26 Sec. 2. Minnesota Statutes 2012, section 126C.48, subdivision 8, is amended to read:

185.27 Subd. 8. **Taconite payment and other reductions.** (1) Reductions in levies
185.28 pursuant to subdivision 1 must be made prior to the reductions in clause (2).

185.29 (2) Notwithstanding any other law to the contrary, districts that have revenue
185.30 pursuant to sections 298.018; 298.225; 298.24 to 298.28, except an amount distributed
185.31 under sections 298.26; 298.28, subdivision 4, paragraphs (c), clause (ii), and (d); 298.34
185.32 to 298.39; 298.391 to 298.396; 298.405; 477A.15; and any law imposing a tax upon
185.33 severed mineral values must reduce the levies authorized by this chapter and chapters

186.1 120B, 122A, 123A, 123B, 124A, 124D, 125A, and 127A by 95 percent of the sum of the
186.2 previous year's revenue specified under this clause and the amount attributable to the same
186.3 production year distributed to the cities and townships within the school district under
186.4 section 298.28, subdivision 2, paragraph (c).

186.5 (3) The amount of any voter approved referendum, facilities down payment, and
186.6 debt levies shall not be reduced by more than 50 percent under this subdivision. In
186.7 administering this paragraph, the commissioner shall first reduce the nonvoter approved
186.8 levies of a district; then, if any payments, severed mineral value tax revenue or recognized
186.9 revenue under paragraph (2) remains, the commissioner shall reduce any voter approved
186.10 referendum levies authorized under section 126C.17; then, if any payments, severed
186.11 mineral value tax revenue or recognized revenue under paragraph (2) remains, the
186.12 commissioner shall reduce any voter approved facilities down payment levies authorized
186.13 under section 123B.63 and then, if any payments, severed mineral value tax revenue or
186.14 recognized revenue under paragraph (2) remains, the commissioner shall reduce any
186.15 voter approved debt levies.

186.16 (4) Before computing the reduction pursuant to this subdivision of the health and
186.17 safety levy authorized by sections 123B.57 and 126C.40, subdivision 5, the commissioner
186.18 shall ascertain from each affected school district the amount it proposes to levy under
186.19 each section or subdivision. The reduction shall be computed on the basis of the amount
186.20 so ascertained.

186.21 (5) To the extent the levy reduction calculated under paragraph (2) exceeds the
186.22 limitation in paragraph (3), an amount equal to the excess must be distributed from the
186.23 school district's distribution under sections 298.225, 298.28, and 477A.15 in the following
186.24 year to the cities and townships within the school district in the proportion that their
186.25 taxable net tax capacity within the school district bears to the taxable net tax capacity of
186.26 the school district for property taxes payable in the year prior to distribution. No city or
186.27 township shall receive a distribution greater than its levy for taxes payable in the year prior
186.28 to distribution. The commissioner of revenue shall certify the distributions of cities and
186.29 towns under this paragraph to the county auditor by September 30 of the year preceding
186.30 distribution. The county auditor shall reduce the proposed and final levies of cities and
186.31 towns receiving distributions by the amount of their distribution. Distributions to the cities
186.32 and towns shall be made at the times provided under section 298.27.

186.33 **EFFECTIVE DATE.** This section is effective for levies certified in 2013 and later.

186.34 Sec. 3. **[297J.01] DEFINITIONS.**

187.1 Subdivision 1. **Scope.** Unless otherwise defined in this chapter, or unless the
187.2 context clearly indicates otherwise, the terms used in this chapter have the meaning given
187.3 them in this section. The definitions in this section are for tax administration purposes
187.4 and apply to this chapter.

187.5 Subd. 2. **Commissioner.** "Commissioner" means the commissioner of revenue or a
187.6 person to whom the commissioner has delegated functions.

187.7 Subd. 3. **Mining.** "Mining" means excavating and mining of silica sand by any
187.8 process, including digging, excavating, drilling, blasting, tunneling, dredging, stripping,
187.9 or by shaft.

187.10 Subd. 4. **Person.** "Person" means an individual, fiduciary, estate, trust, partnership,
187.11 or corporation.

187.12 Subd. 5. **Processing.** "Processing" means washing, cleaning, screening, crushing,
187.13 filtering, sorting, stockpiling, and storing silica sand at the mining site or at any other site.

187.14 Subd. 6. **Qualified processor.** "Qualified processor" means any person who
187.15 operates a mining and processing facility at the same location and uses means to
187.16 reasonably prevent silica sand particles from becoming airborne. These methods include,
187.17 but are not limited to, prohibiting outdoor storage piles, the use of a slurry pipeline to
187.18 carry aggregate material into the washing facility, completely enclosing the washing
187.19 facility, and any other means necessary or reasonable to significantly prevent silica sand
187.20 particles from becoming airborne.

187.21 Subd. 7. **Silica sand.** "Silica sand" means well-rounded, sand-sized grains of quartz
187.22 (silica dioxide) with very few impurities in terms of other minerals. Specifically, silica
187.23 sand for the purpose of this section is commercially valuable for use in the hydraulic
187.24 fracturing of shale to obtain oil and natural gas. Silica sand does not include common
187.25 rock, stone, aggregate, gravel, sand with a low quartz level, or silica compounds recovered
187.26 as a by-product of metallic mining.

187.27 Subd. 8. **Temporary storage.** "Temporary storage" means the storage of stockpiles
187.28 of silica sand that have been transported and are awaiting further transport or processing.

187.29 Subd. 9. **Ton.** "Ton" means 2,000 pounds.

187.30 Subd. 10. **Transporting.** "Transporting" means hauling silica sand, by any carrier:

187.31 (1) from the mining site to a processing or transfer site; or

187.32 (2) from a processing or storage site to a rail, barge, or transfer site for shipment.

187.33 Subd. 11. **Year.** "Year" means a calendar year.

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

187.35 Sec. 4. **[297J.02] TAX IMPOSED.**

188.1 Subdivision 1. **Mining and storage tax; rate.** A tax is hereby imposed on any
188.2 person who: (1) mines silica sand from within the state; or (2) transports silica sand into
188.3 and stores the sand in the state. The rate of tax imposed is 55 cents per cubic yard of silica
188.4 sand mined or stored. The volume includes any material removed from the extraction site
188.5 prior to washing. For any person mining silica sand in a county that imposes the aggregate
188.6 tax authorized under section 298.75, subdivisions 2 and 3, a credit equal to the amount of
188.7 aggregate tax paid to the county is applied against the tax due under this section.

188.8 Subd. 2. **Processing tax; rate.** (a) A tax is hereby imposed on any person engaged
188.9 in washing or processing silica sand within the state. The rate of tax imposed is three
188.10 percent of the market value of the silica sand processed. Market value is determined based
188.11 on the sale price of the processed silica sand.

188.12 (b) Notwithstanding paragraph (a), the rate of tax imposed on a qualified processor
188.13 is one percent of the market value of the silica sand processed in the state.

188.14 Subd. 3. **Exemption.** A person is exempt from the mining tax in subdivision 1 if the
188.15 person transports less than ten percent of the finished product on public roads.

188.16 Subd. 4. **Report and remittance.** Taxes imposed by this section are due and
188.17 payable to the commissioner when the fracturing sand return is required to be filed.
188.18 Persons mining or processing fracturing sand must file their monthly fracturing sand
188.19 reports showing the amount of fracturing sand extracted or processed during the month
188.20 reported on a form prescribed by the commissioner. Reports of extraction and processing
188.21 fracturing sand and taxes imposed under this section must be filed with the commissioner
188.22 on or before the 20th day of the month following the close of the previous calendar month.

188.23 Subd. 5. **Proceeds of taxes.** Revenue received from taxes under this chapter, as
188.24 well as all related penalties, interest, fees, and miscellaneous sources of revenue, must be
188.25 deposited by the commissioner in the state treasury and credited as follows:

188.26 (1) \$2,000,000 in fiscal year 2014, \$2,690,000 in fiscal year 2015, and \$2,000,000 in
188.27 each fiscal year thereafter must be credited to the silica sand mining account in the special
188.28 revenue fund under section 116C.992; and

188.29 (2) the balance of revenues derived from taxes, penalties, interest, fees, and
188.30 miscellaneous sources of income are credited to the general fund.

188.31 Subd. 6. **Personal debt.** The tax imposed by this section, and interest and penalties
188.32 imposed with respect to it, are a personal debt of the person required to file a return from
188.33 the time the liability for it arises, irrespective of when the time for payment of the liability
188.34 occurs. The debt must, in the case of the executor or administrator of the estate of a
188.35 decedent and in the case of a fiduciary, be that of the person in the person's official or
188.36 fiduciary capacity only unless the person has voluntarily distributed the assets held in that

189.1 capacity without reserving sufficient assets to pay the tax, interest, and penalties, in which
189.2 event the person is personally liable for any deficiency.

189.3 Subd. 7. Refunds; appropriation. A person who has, under this chapter, paid
189.4 to the commissioner an amount of tax for a period in excess of the amount legally due
189.5 for that period, may file with the commissioner a claim for a refund of the excess. The
189.6 amount necessary to pay the refunds under this subdivision is appropriated from the
189.7 general fund to the commissioner.

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

189.9 Sec. 5. [297J.03] REGISTRATION; REPORTING; FILING REQUIREMENTS.

189.10 Subdivision 1. Registration. A person who extracts or processes silica sand within
189.11 the state must register with the commissioner, on a form prescribed by the commissioner,
189.12 for a silica sand identification number. The commissioner shall issue the applicant a
189.13 registration number. A registration number is not assignable and is valid only for the
189.14 person in whose name it is issued.

189.15 Subd. 2. Reporting. (a) A person who extracts or processes silica sand in this state
189.16 must file a report showing the amount of silica sand extracted or processed monthly on or
189.17 before the 20th day of the month following the month in which the silica sand was extracted
189.18 or processed. The commissioner may inspect the premises, books, and records, of a person
189.19 subject to the silica sand tax during the normal business hours of the person extracting or
189.20 processing silica sand. A person violating this section is guilty of a misdemeanor.

189.21 (b) A person shall keep at each place of business complete and accurate records
189.22 for that place of business, including records of silica sand extracted or processed in the
189.23 state. Scale records, sales records, or any other records of tons of silica sand extracted
189.24 or processed in this state, produced or maintained by the person extracting or processing
189.25 silica sand, must be retained by the person extracting or processing silica sand in this
189.26 state. Books, records, invoices, and other papers and documents required by this section
189.27 must be kept for a period of at least 3-1/2 years after the date of the monthly silica sand
189.28 report unless the commissioner of revenue authorizes, in writing, their destruction or
189.29 disposal at an earlier date.

189.30 Subd. 3. Extensions. If, in the commissioner's judgment, good cause exists, the
189.31 commissioner may extend the time for filing reports under this section and silica sand
189.32 returns under section 297J.02 and for paying taxes under section 297J.02 for not more
189.33 than six months.

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

190.1 **Sec. 6. [297J.04] LIMITATIONS ON TIME FOR ASSESSMENT OF TAX.**

190.2 **Subdivision 1. Assessment.** Except as otherwise provided in this chapter, the
190.3 amount of taxes assessable must be assessed within 3-1/2 years after the date the return is
190.4 filed, whether or not the return is filed on or after the date prescribed. A return must not be
190.5 treated as filed until it is in processible form. A return is in processible form if it is filed
190.6 on a permitted form and contains sufficient data to identify the taxpayer and permit the
190.7 mathematical verification of the tax liability shown on the return. For purposes of this
190.8 section, a return filed before the last day prescribed by law for filing is considered to
190.9 be filed on the last day.

190.10 **Subd. 2. False or fraudulent return.** Notwithstanding subdivision 1, the tax may be
190.11 assessed at any time if a false or fraudulent return is filed or if a taxpayer fails to file a return.

190.12 **Subd. 3. Omission in excess of 25 percent.** Additional taxes may be assessed
190.13 within 6-1/2 years after the due date of the return or the date the return was filed,
190.14 whichever is later, if the taxpayer omits from a return taxes in excess of 25 percent of
190.15 the taxes reported in the return.

190.16 **Subd. 4. Time limit on refunds.** Unless otherwise provided in this chapter, a claim
190.17 for a refund of an overpayment of tax must be filed within 3-1/2 years from the date
190.18 prescribed for filing the silica sand tax return. Interest on refunds must be computed at
190.19 the rate specified in section 270C.405 from the date of payment to the date the refund is
190.20 paid or credited. For purposes of this subdivision, the date of payment is the later of the
190.21 date the tax was finally due or was paid.

190.22 **Subd. 5. Bankruptcy; suspension of time.** The time during which a tax must be
190.23 assessed or collection proceedings begun is suspended during the period from the date of a
190.24 filing of a petition in bankruptcy until 30 days after either: (1) notice to the commissioner
190.25 that the bankruptcy proceedings have been closed or dismissed; or (2) the automatic stay
190.26 has been ended or has expired, whichever occurs first. The suspension of the statute of
190.27 limitations under this subdivision applies to the person the petition in bankruptcy is filed
190.28 against, and all other persons who may also be wholly or partially liable for the tax.

190.29 **Subd. 6. Extension agreement.** If, before the expiration of time prescribed in
190.30 subdivisions 1 and 4 for the assessment of tax or the filing of a claim for refund, both the
190.31 commissioner and the taxpayer have consented in writing to the assessment or filing of a
190.32 claim for refund after that time, the tax may be assessed or the claim for refund filed at any
190.33 time before the expiration of the agreed upon period. The period may be extended by later
190.34 agreements in writing before the expiration of the period previously agreed upon.

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

191.1 Sec. 7. **[297J.05] CIVIL PENALTIES.**

191.2 Subdivision 1. **Penalty for failure to pay tax.** If a tax is not paid within the time
191.3 specified for payment, a penalty is added to the amount required to be shown as tax. The
191.4 penalty is five percent of the unpaid tax if the failure is for not more than 30 days, with
191.5 an additional penalty of five percent of the amount of tax remaining unpaid during each
191.6 additional 30 days or fraction of 30 days during which the failure continues, not exceeding
191.7 15 percent in the aggregate. For purposes of this subdivision, if the taxpayer has not filed
191.8 a return, the time specified for payment is the final date a return should have been filed.

191.9 Subd. 2. **Penalty for failure to make and file return.** If a taxpayer fails to make
191.10 and file a return within the time prescribed or an extension, a penalty is added to the tax.
191.11 The penalty is five percent of the amount of tax not paid on or before the date prescribed
191.12 for payment of the tax.

191.13 Subd. 3. **Penalty for intentional disregard of law or rules.** If part of an additional
191.14 assessment is due to negligence or intentional disregard of the provisions of this chapter or
191.15 rules of the commissioner of revenue (but without intent to defraud), there is added to the
191.16 tax an amount equal to ten percent of the additional assessment.

191.17 Subd. 4. **Penalty for false or fraudulent return; evasion.** If a person files a false
191.18 or fraudulent return, or attempts in any manner to evade or defeat a tax or payment of
191.19 tax, there is imposed on the person a penalty equal to 50 percent of the tax found due
191.20 for the period to which the return related, less amounts paid by the person on the basis
191.21 of the false or fraudulent return.

191.22 Subd. 5. **Penalty for repeated failures to file returns or pay taxes.** If there is a
191.23 pattern by a person of repeated failures to timely file returns or timely pay taxes, and
191.24 written notice is given that a penalty will be imposed if such failures continue, a penalty
191.25 of 25 percent of the amount of tax not timely paid as a result of each such subsequent
191.26 failure is added to the tax. The penalty can be abated under the abatement authority in
191.27 section 270C.34.

191.28 Subd. 6. **Payment of penalties.** The penalties imposed by this section must be
191.29 collected and paid in the same manner as taxes. These penalties are in addition to criminal
191.30 penalties imposed by this chapter.

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

191.32 Sec. 8. **[297J.07] INTEREST.**

191.33 Subdivision 1. **Rate.** If an interest assessment is required under this section, interest
191.34 is computed at the rate specified in section 270C.40.

192.1 Subd. 2. **Late payment.** If a tax is not paid within the time specified by law for
192.2 payment, the unpaid tax bears interest from the date the tax should have been paid until
192.3 the date the tax is paid.

192.4 Subd. 3. **Extensions.** If an extension of time for payment has been granted, interest
192.5 must be paid from the date the payment should have been made if no extension had been
192.6 granted, until the date the tax is paid.

192.7 Subd. 4. **Additional assessments.** If a taxpayer is liable for additional taxes because
192.8 of a redetermination by the commissioner, or for any other reason, the additional taxes
192.9 bear interest from the time the tax should have been paid, without regard to any extension
192.10 allowed, until the date the tax is paid.

192.11 Subd. 5. **Erroneous refunds.** In the case of an erroneous refund, interest accrues
192.12 from the date the refund was paid unless the erroneous refund results from a mistake of
192.13 the department, then no interest or penalty is imposed unless the deficiency assessment is
192.14 not satisfied within 60 days of the order.

192.15 Subd. 6. **Interest on judgments.** Notwithstanding section 549.09, if judgment is
192.16 entered in favor of the commissioner with regard to any tax, the judgment bears interest
192.17 at the rate specified in section 270C.40 from the date the judgment is entered until the
192.18 date of payment.

192.19 Subd. 7. **Interest on penalties.** A penalty imposed under section 297J.05,
192.20 subdivision 1, 2, 3, 4, or 5, bears interest from the date the return or payment was required
192.21 to be filed or paid, including any extensions, to the date of payment of the penalty.

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

192.23 Sec. 9. Minnesota Statutes 2012, section 298.01, subdivision 3, is amended to read:

192.24 Subd. 3. **Occupation tax; other ores.** Every person engaged in the business of
192.25 mining, refining, or producing ores, metals, or minerals in this state, except iron ore or
192.26 taconite concentrates, shall pay an occupation tax to the state of Minnesota as provided
192.27 in this subdivision. For purposes of this subdivision, mining includes the application
192.28 of hydrometallurgical processes. The tax is determined in the same manner as the tax
192.29 imposed by section 290.02, except that sections 290.05, subdivision 1, clause (a), 290.17,
192.30 subdivision 4, and 290.191, subdivision 2, do not apply, and the occupation tax must be
192.31 computed by applying to taxable income the rate of ~~2.45 percent~~ equal to one-half of
192.32 the rate that applies under section 290.06, subdivision 1, for the taxable year. A person
192.33 subject to occupation tax under this section shall apportion its net income on the basis of
192.34 the percentage obtained by taking the sum of:

193.1 (1) 75 percent of the percentage which the sales made within this state in connection
 193.2 with the trade or business during the tax period are of the total sales wherever made in
 193.3 connection with the trade or business during the tax period;

193.4 (2) 12.5 percent of the percentage which the total tangible property used by the
 193.5 taxpayer in this state in connection with the trade or business during the tax period is of
 193.6 the total tangible property, wherever located, used by the taxpayer in connection with the
 193.7 trade or business during the tax period; and

193.8 (3) 12.5 percent of the percentage which the taxpayer's total payrolls paid or incurred
 193.9 in this state or paid in respect to labor performed in this state in connection with the trade
 193.10 or business during the tax period are of the taxpayer's total payrolls paid or incurred in
 193.11 connection with the trade or business during the tax period.

193.12 The tax is in addition to all other taxes.

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

193.14 Sec. 10. Minnesota Statutes 2012, section 298.01, subdivision 4, is amended to read:

193.15 Subd. 4. **Occupation tax; iron ore; taconite concentrates.** A person engaged in
 193.16 the business of mining or producing of iron ore, taconite concentrates or direct reduced ore
 193.17 in this state shall pay an occupation tax to the state of Minnesota. The tax is determined
 193.18 in the same manner as the tax imposed by section 290.02, except that sections 290.05,
 193.19 subdivision 1, clause (a), 290.17, subdivision 4, and 290.191, subdivision 2, do not apply,
 193.20 and the occupation tax shall be computed by applying to taxable income the rate of ~~2.45~~
 193.21 ~~percent~~ equal to one-half of the rate that applies under section 290.06, subdivision 1, for
 193.22 the taxable year. A person subject to occupation tax under this section shall apportion its
 193.23 net income on the basis of the percentage obtained by taking the sum of:

193.24 (1) 75 percent of the percentage which the sales made within this state in connection
 193.25 with the trade or business during the tax period are of the total sales wherever made in
 193.26 connection with the trade or business during the tax period;

193.27 (2) 12.5 percent of the percentage which the total tangible property used by the
 193.28 taxpayer in this state in connection with the trade or business during the tax period is of
 193.29 the total tangible property, wherever located, used by the taxpayer in connection with the
 193.30 trade or business during the tax period; and

193.31 (3) 12.5 percent of the percentage which the taxpayer's total payrolls paid or incurred
 193.32 in this state or paid in respect to labor performed in this state in connection with the trade
 193.33 or business during the tax period are of the taxpayer's total payrolls paid or incurred in
 193.34 connection with the trade or business during the tax period.

193.35 The tax is in addition to all other taxes.

194.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
194.2 December 31, 2012.

194.3 Sec. 11. Minnesota Statutes 2012, section 298.227, as amended by Laws 2013, chapter
194.4 3, section 17, is amended to read:

194.5 **298.227 TACONITE ECONOMIC DEVELOPMENT FUND.**

194.6 (a) An amount equal to that distributed pursuant to each taconite producer's taxable
194.7 production and qualifying sales under section 298.28, subdivision 9a, shall be held by
194.8 the Iron Range Resources and Rehabilitation Board in a separate taconite economic
194.9 development fund for each taconite and direct reduced ore producer. Money from the
194.10 fund for each producer shall be released by the commissioner after review by a joint
194.11 committee consisting of an equal number of representatives of the salaried employees and
194.12 the nonsalaried production and maintenance employees of that producer. The District 11
194.13 director of the United States Steelworkers of America, on advice of each local employee
194.14 president, shall select the employee members. In nonorganized operations, the employee
194.15 committee shall be elected by the nonsalaried production and maintenance employees. The
194.16 review must be completed no later than six months after the producer presents a proposal
194.17 for expenditure of the funds to the committee. The funds held pursuant to this section may
194.18 be released only for workforce development and associated public facility improvement,
194.19 or for acquisition of plant and stationary mining equipment and facilities for the producer
194.20 or for research and development in Minnesota on new mining, or taconite, iron, or steel
194.21 production technology, but only if the producer provides a matching expenditure equal to
194.22 the amount of the distribution to be used for the same purpose ~~of at least 50 percent of~~
194.23 ~~the distribution based on 14.7 cents per ton~~ beginning with distributions in ~~2002~~ 2014.
194.24 Effective for proposals for expenditures of money from the fund beginning May 26, 2007,
194.25 the commissioner may not release the funds before the next scheduled meeting of the
194.26 board. If a proposed expenditure is not approved by the board, the funds must be deposited
194.27 in the Taconite Environmental Protection Fund under sections 298.222 to 298.225. If a
194.28 producer uses money which has been released from the fund prior to May 26, 2007 to
194.29 procure haulage trucks, mobile equipment, or mining shovels, and the producer removes
194.30 the piece of equipment from the taconite tax relief area defined in section 273.134 within
194.31 ten years from the date of receipt of the money from the fund, a portion of the money
194.32 granted from the fund must be repaid to the taconite economic development fund. The
194.33 portion of the money to be repaid is 100 percent of the grant if the equipment is removed
194.34 from the taconite tax relief area within 12 months after receipt of the money from the fund,
194.35 declining by ten percent for each of the subsequent nine years during which the equipment

195.1 remains within the taconite tax relief area. If a taconite production facility is sold after
195.2 operations at the facility had ceased, any money remaining in the fund for the former
195.3 producer may be released to the purchaser of the facility on the terms otherwise applicable
195.4 to the former producer under this section. If a producer fails to provide matching funds
195.5 for a proposed expenditure within six months after the commissioner approves release
195.6 of the funds, the funds are available for release to another producer in proportion to the
195.7 distribution provided and under the conditions of this section. Any portion of the fund
195.8 which is not released by the commissioner within one year of its deposit in the fund shall
195.9 be divided between the taconite environmental protection fund created in section 298.223
195.10 and the Douglas J. Johnson economic protection trust fund created in section 298.292 for
195.11 placement in their respective special accounts. Two-thirds of the unreleased funds shall be
195.12 distributed to the taconite environmental protection fund and one-third to the Douglas J.
195.13 Johnson economic protection trust fund.

195.14 (b)(i) Notwithstanding the requirements of paragraph (a), setting the amount of
195.15 distributions and the review process, an amount equal to ten cents per taxable ton of
195.16 production in 2007, for distribution in 2008 only, that would otherwise be distributed
195.17 under paragraph (a), may be used for a loan or grant for the cost of providing for a
195.18 value-added wood product facility located in the taconite tax relief area and in a county
195.19 that contains a city of the first class. This amount must be deducted from the distribution
195.20 under paragraph (a) for which a matching expenditure by the producer is not required. The
195.21 granting of the loan or grant is subject to approval by the board. If the money is provided
195.22 as a loan, interest must be payable on the loan at the rate prescribed in section 298.2213,
195.23 subdivision 3. (ii) Repayments of the loan and interest, if any, must be deposited in the
195.24 taconite environment protection fund under sections 298.222 to 298.225. If a loan or
195.25 grant is not made under this paragraph by July 1, 2012, the amount that had been made
195.26 available for the loan under this paragraph must be transferred to the taconite environment
195.27 protection fund under sections 298.222 to 298.225. (iii) Money distributed in 2008 to the
195.28 fund established under this section that exceeds ten cents per ton is available to qualifying
195.29 producers under paragraph (a) on a pro rata basis.

195.30 (c) Repayment or transfer of money to the taconite environmental protection fund
195.31 under paragraph (b), item (ii), must be allocated by the Iron Range Resources and
195.32 Rehabilitation Board for public works projects in house legislative districts in the same
195.33 proportion as taxable tonnage of production in 2007 in each house legislative district, for
195.34 distribution in 2008, bears to total taxable tonnage of production in 2007, for distribution
195.35 in 2008. Notwithstanding any other law to the contrary, expenditures under this paragraph

196.1 do not require approval by the governor. For purposes of this paragraph, "house legislative
196.2 districts" means the legislative districts in existence on May 15, 2009.

196.3 **EFFECTIVE DATE.** This section is effective beginning for the 2014 distribution.

196.4 Sec. 12. Minnesota Statutes 2012, section 298.24, subdivision 1, is amended to read:

196.5 Subdivision 1. **Imposed; calculation.** (a) For concentrate produced in ~~2001, 2002,~~
196.6 ~~and 2003~~ 2013, there is imposed upon taconite and iron sulphides, and upon the mining
196.7 and quarrying thereof, and upon the production of iron ore concentrate therefrom, and
196.8 upon the concentrate so produced, a tax of ~~\$2.103~~ \$2.56 per gross ton of merchantable
196.9 iron ore concentrate produced therefrom. ~~For concentrates produced in 2005, the tax rate~~
196.10 ~~is the same rate imposed for concentrates produced in 2004. For concentrates produced in~~
196.11 ~~2009 and subsequent years,~~ The tax is also imposed upon other iron-bearing material.

196.12 (b) For concentrates produced in ~~2006~~ 2014 and subsequent years, the tax rate shall
196.13 be equal to the preceding year's tax rate plus an amount equal to the preceding year's tax
196.14 rate multiplied by the percentage increase in the implicit price deflator from the fourth
196.15 quarter of the second preceding year to the fourth quarter of the preceding year. "Implicit
196.16 price deflator" means the implicit price deflator for the gross domestic product prepared by
196.17 the Bureau of Economic Analysis of the United States Department of Commerce.

196.18 (c) An additional tax is imposed equal to three cents per gross ton of merchantable
196.19 iron ore concentrate for each one percent that the iron content of the product exceeds 72
196.20 percent, when dried at 212 degrees Fahrenheit.

196.21 (d) The tax on taconite and iron sulphides shall be imposed on the average of the
196.22 production for the current year and the previous two years. The rate of the tax imposed
196.23 will be the current year's tax rate. This clause shall not apply in the case of the closing
196.24 of a taconite facility if the property taxes on the facility would be higher if this clause
196.25 and section 298.25 were not applicable. The tax on other iron-bearing material shall be
196.26 imposed on the current year production.

196.27 (e) If the tax or any part of the tax imposed by this subdivision is held to be
196.28 unconstitutional, a tax of ~~\$2.103~~ \$2.56 per gross ton of merchantable iron ore concentrate
196.29 produced shall be imposed.

196.30 (f) Consistent with the intent of this subdivision to impose a tax based upon the
196.31 weight of merchantable iron ore concentrate, the commissioner of revenue may indirectly
196.32 determine the weight of merchantable iron ore concentrate included in fluxed pellets by
196.33 subtracting the weight of the limestone, dolomite, or olivine derivatives or other basic
196.34 flux additives included in the pellets from the weight of the pellets. For purposes of this
196.35 paragraph, "fluxed pellets" are pellets produced in a process in which limestone, dolomite,

197.1 olivine, or other basic flux additives are combined with merchantable iron ore concentrate.
197.2 No subtraction from the weight of the pellets shall be allowed for binders, mineral and
197.3 chemical additives other than basic flux additives, or moisture.

197.4 (g)(1) Notwithstanding any other provision of this subdivision, for the first two years
197.5 of a plant's commercial production of direct reduced ore from ore mined in this state, no
197.6 tax is imposed under this section. As used in this paragraph, "commercial production" is
197.7 production of more than 50,000 tons of direct reduced ore in the current year or in any prior
197.8 year, "noncommercial production" is production of 50,000 tons or less of direct reduced ore
197.9 in any year, and "direct reduced ore" is ore that results in a product that has an iron content
197.10 of at least 75 percent. For the third year of a plant's commercial production of direct
197.11 reduced ore, the rate to be applied to direct reduced ore is 25 percent of the rate otherwise
197.12 determined under this subdivision. For the fourth commercial production year, the rate is
197.13 50 percent of the rate otherwise determined under this subdivision; for the fifth commercial
197.14 production year, the rate is 75 percent of the rate otherwise determined under this
197.15 subdivision; and for all subsequent commercial production years, the full rate is imposed.

197.16 (2) Subject to clause (1), production of direct reduced ore in this state is subject to
197.17 the tax imposed by this section, but if that production is not produced by a producer of
197.18 taconite, iron sulfides, or other iron-bearing material, the production of taconite, iron
197.19 sulfides, or other iron-bearing material, that is consumed in the production of direct
197.20 reduced iron in this state is not subject to the tax imposed by this section on taconite,
197.21 iron sulfides, or other iron-bearing material.

197.22 (3) Notwithstanding any other provision of this subdivision, no tax is imposed
197.23 on direct reduced ore under this section during the facility's noncommercial production
197.24 of direct reduced ore. The taconite or iron sulphides consumed in the noncommercial
197.25 production of direct reduced ore is subject to the tax imposed by this section on taconite
197.26 and iron sulphides. Three-year average production of direct reduced ore does not
197.27 include production of direct reduced ore in any noncommercial year. Three-year average
197.28 production for a direct reduced ore facility that has noncommercial production is the
197.29 average of the commercial production of direct reduced ore for the current year and the
197.30 previous two commercial years.

197.31 (4) This paragraph applies only to plants for which all environmental permits have
197.32 been obtained and construction has begun before July 1, 2008.

197.33 **EFFECTIVE DATE.** This section is effective beginning for the 2013 production
197.34 year.

197.35 Sec. 13. Minnesota Statutes 2012, section 298.28, subdivision 4, is amended to read:

198.1 Subd. 4. **School districts.** (a) ~~23.15~~ 32.15 cents per taxable ton, plus the increase
198.2 provided in paragraph (d), less the amount that would have been computed under
198.3 Minnesota Statutes 2008, section 126C.21, subdivision 4, for the current year for that
198.4 district, must be allocated to qualifying school districts to be distributed, based upon the
198.5 certification of the commissioner of revenue, under paragraphs (b), (c), and (f).

198.6 (b)(i) 3.43 cents per taxable ton must be distributed to the school districts in which
198.7 the lands from which taconite was mined or quarried were located or within which the
198.8 concentrate was produced. The distribution must be based on the apportionment formula
198.9 prescribed in subdivision 2.

198.10 (ii) Four cents per taxable ton from each taconite facility must be distributed to
198.11 each affected school district for deposit in a fund dedicated to building maintenance
198.12 and repairs, as follows:

198.13 (1) proceeds from Keewatin Taconite or its successor are distributed to Independent
198.14 School Districts Nos. 316, Coleraine, and 319, Nashwauk-Keewatin, or their successor
198.15 districts;

198.16 (2) proceeds from the Hibbing Taconite Company or its successor are distributed to
198.17 Independent School Districts Nos. 695, Chisholm, and 701, Hibbing, or their successor
198.18 districts;

198.19 (3) proceeds from the Mittal Steel Company and Minntac or their successors are
198.20 distributed to Independent School Districts Nos. 712, Mountain Iron-Buhl, 706, Virginia,
198.21 2711, Mesabi East, and 2154, Eveleth-Gilbert, or their successor districts;

198.22 (4) proceeds from the Northshore Mining Company or its successor are distributed
198.23 to Independent School Districts Nos. 2142, St. Louis County, and 381, Lake Superior,
198.24 or their successor districts; and

198.25 (5) proceeds from United Taconite or its successor are distributed to Independent
198.26 School Districts Nos. 2142, St. Louis County, and 2154, Eveleth-Gilbert, or their
198.27 successor districts.

198.28 Revenues that are required to be distributed to more than one district shall be
198.29 apportioned according to the number of pupil units identified in section 126C.05,
198.30 subdivision 1, enrolled in the second previous year.

198.31 (c)(i) ~~15.72~~ 24.72 cents per taxable ton, less any amount distributed under paragraph
198.32 (e), shall be distributed to a group of school districts comprised of those school districts
198.33 which qualify as a tax relief area under section 273.134, paragraph (b), or in which there is
198.34 a qualifying municipality as defined by section 273.134, paragraph (a), in direct proportion
198.35 to school district indexes as follows: for each school district, its pupil units determined
198.36 under section 126C.05 for the prior school year shall be multiplied by the ratio of the

199.1 average adjusted net tax capacity per pupil unit for school districts receiving aid under
 199.2 this clause as calculated pursuant to chapters 122A, 126C, and 127A for the school year
 199.3 ending prior to distribution to the adjusted net tax capacity per pupil unit of the district.
 199.4 Each district shall receive that portion of the distribution which its index bears to the sum
 199.5 of the indices for all school districts that receive the distributions.

199.6 (ii) Notwithstanding clause (i), each school district that receives a distribution
 199.7 under sections 298.018; 298.23 to 298.28, exclusive of any amount received under this
 199.8 clause; 298.34 to 298.39; 298.391 to 298.396; 298.405; or any law imposing a tax on
 199.9 severed mineral values after reduction for any portion distributed to cities and towns
 199.10 under section 126C.48, subdivision 8, paragraph (5), that is less than the amount of its
 199.11 levy reduction under section 126C.48, subdivision 8, for the second year prior to the
 199.12 year of the distribution shall receive a distribution equal to the difference; the amount
 199.13 necessary to make this payment shall be derived from proportionate reductions in the
 199.14 initial distribution to other school districts under clause (i). If there are insufficient tax
 199.15 proceeds to make the distribution provided under this paragraph in any year, money must
 199.16 be transferred from the taconite property tax relief account in subdivision 6, to the extent
 199.17 of the shortfall in the distribution.

199.18 (d)(1) Any school district described in paragraph (c) where a levy increase pursuant
 199.19 to section 126C.17, subdivision 9, was authorized by referendum for taxes payable in
 199.20 2001, shall receive a distribution of 21.3 cents per ton. Each district shall receive \$175
 199.21 times the pupil units identified in section 126C.05, subdivision 1, enrolled in the second
 199.22 previous year or the 1983-1984 school year, whichever is greater, less the product of 1.8
 199.23 percent times the district's taxable net tax capacity in ~~the second previous year~~ 2011.

199.24 (2) Districts qualifying under paragraph (c) must receive additional taconite aid each
 199.25 year equal to 22.5 percent of the amount obtained by subtracting:

199.26 (i) 1.8 percent of the district's net tax capacity for 2011, from:

199.27 (ii) the district's weighted average daily membership for fiscal year 2012 multiplied
 199.28 by the sum of:

199.29 (A) \$415, plus

199.30 (B) the district's referendum revenue allowance for fiscal year 2013.

199.31 If the total amount provided by paragraph (d) is insufficient to make the payments
 199.32 herein required then the entitlement of \$175 per pupil unit shall be reduced uniformly
 199.33 so as not to exceed the funds available. Any amounts received by a qualifying school
 199.34 district in any fiscal year pursuant to paragraph (d) shall not be applied to reduce general
 199.35 education aid which the district receives pursuant to section 126C.13 or the permissible
 199.36 levies of the district. Any amount remaining after the payments provided in this paragraph

200.1 shall be paid to the commissioner of Iron Range resources and rehabilitation who shall
 200.2 deposit the same in the taconite environmental protection fund and the Douglas J. Johnson
 200.3 economic protection trust fund as provided in subdivision 11.

200.4 Each district receiving money according to this paragraph shall reserve the lesser of
 200.5 the amount received under this paragraph or \$25 times the number of pupil units served
 200.6 in the district. It may use the money for early childhood programs ~~or for outcome-based~~
 200.7 ~~learning programs that enhance the academic quality of the district's curriculum. The~~
 200.8 ~~outcome-based learning programs must be approved by the commissioner of education.~~

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

200.11 (f) Four cents per taxable ton must be distributed to qualifying school districts
 200.12 according to the distribution specified in paragraph (b), clause (ii), and ~~two~~ 11 cents
 200.13 per taxable ton must be distributed according to the distribution specified in paragraph
 200.14 (c). These amounts are not subject to sections 126C.21, subdivision 4, and 126C.48,
 200.15 subdivision 8.

200.16 **EFFECTIVE DATE.** This section is effective beginning for the 2014 distribution.

200.17 Sec. 14. Minnesota Statutes 2012, section 298.28, subdivision 6, is amended to read:

200.18 Subd. 6. **Property tax relief.** (a) In ~~2002~~ 2014 and thereafter, ~~33.9~~ 34.8 cents per
 200.19 taxable ton, less any amount required to be distributed under paragraphs (b) and (c), or
 200.20 section 298.2961, subdivision 5, must be allocated to St. Louis County acting as the
 200.21 counties' fiscal agent, to be distributed as provided in sections 273.134 to 273.136.

200.22 (b) If an electric power plant owned by and providing the primary source of power
 200.23 for a taxpayer mining and concentrating taconite is located in a county other than the
 200.24 county in which the mining and the concentrating processes are conducted, .1875 cent per
 200.25 taxable ton of the tax imposed and collected from such taxpayer shall be paid to the county.

200.26 (c) If an electric power plant owned by and providing the primary source of power
 200.27 for a taxpayer mining and concentrating taconite is located in a school district other than
 200.28 a school district in which the mining and concentrating processes are conducted, .4541
 200.29 cent per taxable ton of the tax imposed and collected from the taxpayer shall be paid to
 200.30 the school district.

200.31 **EFFECTIVE DATE.** This section is effective beginning for the 2014 distribution.

200.32 Sec. 15. Minnesota Statutes 2012, section 298.28, subdivision 10, is amended to read:

201.1 Subd. 10. **Increase.** (a) Except as provided in paragraph (b), beginning with
201.2 distributions in 2000, the amount determined under subdivision 9 shall be increased in the
201.3 same proportion as the increase in the implicit price deflator as provided in section 298.24,
201.4 subdivision 1. Beginning with distributions in ~~2003~~ 2015, the amount determined under
201.5 subdivision 6, paragraph (a), shall be increased in the same proportion as the increase in
201.6 the implicit price deflator as provided in section 298.24, subdivision 1.

201.7 (b) For distributions in 2005 and subsequent years, an amount equal to the increased
201.8 tax proceeds attributable to the increase in the implicit price deflator as provided in
201.9 section 298.24, subdivision 1, for taxes paid in 2005, except for the amount of revenue
201.10 increases provided in subdivision 4, paragraph (d), is distributed to the grant and loan fund
201.11 established in section 298.2961, subdivision 4.

201.12 **EFFECTIVE DATE.** This section is effective beginning for the 2014 distribution.

201.13 Sec. 16. Minnesota Statutes 2012, section 298.75, subdivision 2, is amended to read:

201.14 Subd. 2. **Tax imposed.** (a) Except as provided in paragraph (e), a county that
201.15 imposes the aggregate production tax shall impose upon every operator a production tax
201.16 of 21.5 cents per cubic yard or 15 cents per ton of aggregate material excavated in the
201.17 county except that the county board may decide not to impose this tax if it determines
201.18 that in the previous year operators removed less than 20,000 tons or 14,000 cubic yards of
201.19 aggregate material from that county. A county board may authorize an additional tax on
201.20 aggregate material excavated in the county of up to 43 cents per cubic yard or 30 cents
201.21 per ton of aggregate material excavated in the county. The tax shall not be imposed on
201.22 aggregate material excavated in the county until the aggregate material is transported from
201.23 the extraction site or sold, whichever occurs first. When aggregate material is stored in a
201.24 stockpile within the state of Minnesota and a public highway, road or street is not used
201.25 for transporting the aggregate material, the tax shall not be imposed until either when the
201.26 aggregate material is sold, or when it is transported from the stockpile site, or when it is
201.27 used from the stockpile, whichever occurs first.

201.28 (b) Except as provided in paragraph (e), a county that imposes the aggregate
201.29 production tax under paragraph (a) shall impose upon every importer a production tax
201.30 of 21.5 cents per cubic yard or 15 cents per ton of aggregate material imported into the
201.31 county. A county board may authorize an additional tax on every importer of up to 43
201.32 cents per cubic yard or 30 cents per ton of aggregate material imported into the county.
201.33 The tax shall be imposed when the aggregate material is imported from the extraction site
201.34 or sold. When imported aggregate material is stored in a stockpile within the state of
201.35 Minnesota and a public highway, road, or street is not used for transporting the aggregate

202.1 material, the tax shall be imposed either when the aggregate material is sold, when it is
202.2 transported from the stockpile site, or when it is used from the stockpile, whichever occurs
202.3 first. The tax shall be imposed on an importer when the aggregate material is imported
202.4 into the county that imposes the tax.

202.5 (c) If the aggregate material is transported directly from the extraction site to a
202.6 waterway, railway, or another mode of transportation other than a highway, road or street,
202.7 the tax imposed by this section shall be apportioned equally between the county where the
202.8 aggregate material is extracted and the county to which the aggregate material is originally
202.9 transported. If that destination is not located in Minnesota, then the county where the
202.10 aggregate material was extracted shall receive all of the proceeds of the tax.

202.11 (d) A county, city, or town that receives revenue under this section is prohibited
202.12 from imposing any additional host community fees on aggregate production within that
202.13 county, city, or town.

202.14 (e) A county that borders two other states and that is not contiguous to a county
202.15 that imposes a tax under this section may impose the taxes under paragraphs (a) and (b)
202.16 at the rate of ten cents per cubic yard or seven cents per ton. This paragraph expires
202.17 December 31, 2014.

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

202.19 Sec. 17. **2013 DISTRIBUTION ONLY.**

202.20 For the 2013 distribution, a special fund is established to receive \$4,700,000 of the
202.21 amount that otherwise would be distributed under Minnesota Statutes, section 298.28,
202.22 subdivision 6, and this amount must be paid as follows:

202.23 (1) \$2,000,000 to the city of Hibbing for improvements to the city's water supply
202.24 system;

202.25 (2) \$1,700,000 to the city of Mountain Iron for the cost of moving utilities required
202.26 as a result of actions undertaken by United States Steel Corporation; and

202.27 (3) \$1,000,000 to the city of Tower for improvements to a marina.

202.28 **EFFECTIVE DATE.** This section is effective for the 2013 distribution, all of which
202.29 must be made in the August 2013 payment.

202.30 Sec. 18. **IRON RANGE RESOURCES AND REHABILITATION**
202.31 **COMMISSIONER; BONDS AUTHORIZED.**

202.32 Subdivision 1. **Issuance; purpose.** Notwithstanding any provision of Minnesota
202.33 Statutes, chapter 298, to the contrary, the commissioner of Iron Range resources and

203.1 rehabilitation may issue revenue bonds in a principal amount of \$38,000,000 in one or more
203.2 series, and bonds to refund those bonds. The proceeds of the bonds must be used to make
203.3 grants to school districts located in the taconite tax relief area defined in Minnesota Statutes,
203.4 section 273.134, or the taconite assistance area defined in Minnesota Statutes, section
203.5 273.1341, to be used by the school districts to pay for building projects, such as energy
203.6 efficiency, technology, infrastructure, health, safety, and maintenance improvements.

203.7 Subd. 2. **Appropriation.** (a) There is annually appropriated from the distribution of
203.8 taconite production tax revenues under Minnesota Statutes, section 298.28, prior to the
203.9 calculation of the amount of the remainder under Minnesota Statutes, section 298.28,
203.10 subdivision 11, an amount sufficient to pay when due the principal and interest on the
203.11 bonds issued pursuant to subdivision 1. The appropriation under this section must not
203.12 exceed an amount equal to ten cents per taxable ton.

203.13 (b) If in any year the amount available under paragraph (a) is insufficient to pay
203.14 principal and interest due on the bonds in that year, an additional amount is appropriated
203.15 from the Douglas J. Johnson fund to make up the deficiency.

203.16 (c) The appropriation under this subdivision terminates upon payment or maturity of
203.17 the last of the bonds issued under this section.

203.18 Subd. 3. **Credit enhancement.** The bonds issued under this section are "debt
203.19 obligations" and the commissioner of Iron Range resources and rehabilitation is a "district"
203.20 for purposes of Minnesota Statutes, section 126C.55, provided that advances made under
203.21 Minnesota Statutes, section 126C.55, subdivision 2, are not subject to Minnesota Statutes,
203.22 section 126C.55, subdivisions 4 to 7.

203.23 **EFFECTIVE DATE.** This section is effective the day following final enactment and
203.24 applies beginning with the 2014 distribution under Minnesota Statutes, section 298.28.

203.25 **ARTICLE 12**

203.26 **PUBLIC FINANCE**

203.27 Section 1. Minnesota Statutes 2012, section 118A.04, subdivision 3, is amended to read:

203.28 Subd. 3. **State and local securities.** Funds may be invested in the following:

203.29 (1) any security which is a general obligation of any state or local government with
203.30 taxing powers which is rated "A" or better by a national bond rating service;

203.31 (2) any security which is a revenue obligation of any state or local government with
203.32 ~~taxing powers~~ which is rated "AA" or better by a national bond rating service; ~~and~~

204.1 (3) a general obligation of the Minnesota housing finance agency which is a moral
204.2 obligation of the state of Minnesota and is rated "A" or better by a national bond rating
204.3 agency; and

204.4 (4) any security which is an obligation of a school district with an original maturity
204.5 not exceeding 13 months and (i) rated in the highest category by a national bond rating
204.6 service or (ii) enrolled in the credit enhancement program pursuant to section 126C.55.

204.7 Sec. 2. Minnesota Statutes 2012, section 118A.05, subdivision 5, is amended to read:

204.8 Subd. 5. **Guaranteed investment contracts.** Agreements or contracts for
204.9 guaranteed investment contracts may be entered into if they are issued or guaranteed
204.10 by United States commercial banks, domestic branches of foreign banks, United States
204.11 insurance companies, or their Canadian subsidiaries, or the domestic affiliates of any
204.12 of the foregoing. The credit quality of the issuer's or guarantor's short- and long-term
204.13 unsecured debt must be rated in one of the two highest categories by a nationally
204.14 recognized rating agency. Agreements or contracts for guaranteed investment contracts
204.15 with a term of 18 months or less may be entered into regardless of the credit quality of
204.16 the issuer's or guarantor's long-term unsecured debt, provided that the credit quality of
204.17 the issuer's short-term unsecured debt is rated in the highest category by a nationally
204.18 recognized rating agency. Should the issuer's or guarantor's credit quality be downgraded
204.19 below "A", the government entity must have withdrawal rights.

204.20 Sec. 3. Minnesota Statutes 2012, section 216C.436, subdivision 7, is amended to read:

204.21 Subd. 7. **Repayment.** An implementing entity that finances an energy improvement
204.22 under this section must:

204.23 (1) secure payment with a lien against the ~~benefited~~ qualifying real property; and
204.24 (2) collect repayments as a special assessment as provided for in section 429.101
204.25 or by charter, provided that special assessments may be made payable in up to 20 equal
204.26 annual installments.

204.27 If the implementing entity is an authority, the local government that authorized
204.28 the authority to act as implementing entity shall impose and collect special assessments
204.29 necessary to pay debt service on bonds issued by the implementing entity under subdivision
204.30 8, and shall transfer all collections of the assessments upon receipt to the authority.

204.31 Sec. 4. Minnesota Statutes 2012, section 373.01, subdivision 3, is amended to read:

204.32 Subd. 3. **Capital notes.** (a) A county board may, by resolution and without
204.33 referendum, issue capital notes subject to the county debt limit to purchase capital

205.1 equipment useful for county purposes that has an expected useful life at least equal to the
205.2 term of the notes. The notes shall be payable in not more than ten years and shall be
205.3 issued on terms and in a manner the board determines. A tax levy shall be made for
205.4 payment of the principal and interest on the notes, in accordance with section 475.61,
205.5 as in the case of bonds.

205.6 (b) For purposes of this subdivision, "capital equipment" means:

205.7 (1) public safety, ambulance, road construction or maintenance, and medical
205.8 equipment; and

205.9 (2) computer hardware and software, without regard to its expected useful life,
205.10 whether bundled with machinery or equipment or unbundled-, together with application
205.11 development services and training related to the use of the computer hardware or software.

205.12 Sec. 5. Minnesota Statutes 2012, section 373.40, subdivision 1, is amended to read:

205.13 Subdivision 1. **Definitions.** For purposes of this section, the following terms have
205.14 the meanings given.

205.15 (a) "Bonds" means an obligation as defined under section 475.51.

205.16 (b) "Capital improvement" means acquisition or betterment of public lands,
205.17 buildings, or other improvements within the county for the purpose of a county courthouse,
205.18 administrative building, health or social service facility, correctional facility, jail, law
205.19 enforcement center, hospital, morgue, library, park, qualified indoor ice arena, roads
205.20 and bridges, public works facilities, fairground buildings, and records and data storage
205.21 facilities, and the acquisition of development rights in the form of conservation easements
205.22 under chapter 84C. An improvement must have an expected useful life of five years or more
205.23 to qualify. "Capital improvement" does not include a recreation or sports facility building
205.24 (such as, but not limited to, a gymnasium, ice arena, racquet sports facility, swimming
205.25 pool, exercise room or health spa), unless the building is part of an outdoor park facility
205.26 and is incidental to the primary purpose of outdoor recreation. For purposes of this section,
205.27 "capital improvement" includes expenditures for purposes described in this paragraph that
205.28 have been incurred by a county before approval of a capital improvement plan, if such
205.29 expenditures are included in a capital improvement plan approved on or before the date of
205.30 the public hearing under subdivision 2 regarding issuance of bonds for such expenditures.

205.31 (c) "Metropolitan county" means a county located in the seven-county metropolitan
205.32 area as defined in section 473.121 or a county with a population of 90,000 or more.

205.33 (d) "Population" means the population established by the most recent of the
205.34 following (determined as of the date the resolution authorizing the bonds was adopted):

205.35 (1) the federal decennial census,

206.1 (2) a special census conducted under contract by the United States Bureau of the
206.2 Census, or

206.3 (3) a population estimate made either by the Metropolitan Council or by the state
206.4 demographer under section 4A.02.

206.5 (e) "Qualified indoor ice arena" means a facility that meets the requirements of
206.6 section 373.43.

206.7 (f) "Tax capacity" means total taxable market value, but does not include captured
206.8 market value.

206.9 Sec. 6. Minnesota Statutes 2012, section 373.40, subdivision 2, is amended to read:

206.10 Subd. 2. **Application of election requirement.** (a) Bonds issued by a county
206.11 to finance capital improvements under an approved capital improvement plan are not
206.12 subject to the election requirements of section 375.18 or 475.58. The bonds must be
206.13 approved by vote of at least three-fifths of the members of the county board. In the case
206.14 of a metropolitan county, the bonds must be approved by vote of at least two-thirds of
206.15 the members of the county board.

206.16 (b) Before issuance of bonds qualifying under this section, the county must publish
206.17 a notice of its intention to issue the bonds and the date and time of a hearing to obtain
206.18 public comment on the matter. The notice must be published in the official newspaper
206.19 of the county or in a newspaper of general circulation in the county. The notice must be
206.20 published at least 14, but not more than 28, days before the date of the hearing.

206.21 (c) A county may issue the bonds only upon obtaining the approval of a majority of
206.22 the voters voting on the question of issuing the obligations, if a petition requesting a vote
206.23 on the issuance is signed by voters equal to five percent of the votes cast in the county in
206.24 the last county general election and is filed with the county auditor within 30 days after
206.25 the public hearing. ~~The commissioner of revenue shall prepare a suggested form of the~~
206.26 ~~question to be presented at the election.~~ If the county elects not to submit the question to
206.27 the voters, the county shall not propose the issuance of bonds under this section for the
206.28 same purpose and in the same amount for a period of 365 days from the date of receipt
206.29 of the petition. If the question of issuing the bonds is submitted and not approved by the
206.30 voters, the provisions of section 475.58, subdivision 1a, shall apply.

206.31 Sec. 7. Minnesota Statutes 2012, section 383D.41, is amended by adding a subdivision
206.32 to read:

206.33 Subd. 10. **Housing improvement areas.** (a) The Dakota County Community
206.34 Development Agency has all powers of a city, in addition to its existing powers as an

207.1 implementing entity, under sections 428A.11 to 428A.21, in connection with housing
207.2 improvement areas in Dakota County. For purposes of the Dakota County Community
207.3 Development Agency's exercise of those powers the provisions of this subdivision apply.

207.4 (b) References in sections 428A.11 to 428A.21 to:

207.5 (1) a "mayor" are references to the executive director of the Dakota County
207.6 Community Development Agency;

207.7 (2) a "council" are references to the board of commissioners of the Dakota County
207.8 Community Development Agency; and

207.9 (3) a "city clerk" are references to an official of the Dakota County Community
207.10 Development Agency designated from time to time by the executive director of the Dakota
207.11 County Community Development Agency.

207.12 (c) Notwithstanding section 428A.11, subdivision 3, and 428A.13, subdivision 1,
207.13 the governing body of the Dakota County Community Development Agency may adopt
207.14 a resolution, rather than an ordinance, establishing one or more housing improvement
207.15 areas, and "enabling ordinance" means a resolution so adopted for purposes of sections
207.16 428A.11 to 428A.21.

207.17 (d) As long as the governing body of the Dakota County Community Development
207.18 Agency and the Dakota County Board of Commissioners consists of identical membership,
207.19 the Dakota County Community Development Agency may pledge the full faith, credit and
207.20 taxing power of Dakota County to obligations issued by the Dakota County Community
207.21 Development Agency under section 428A.16.

207.22 (e) Notwithstanding the provisions of section 428A.21, the establishment by the
207.23 Dakota County Community Development Agency of a new housing improvement area
207.24 after June 30, 2016, requires enactment of a special law authorizing establishment of the
207.25 area. Any extensions of the deadline for housing improvement districts under general law
207.26 beyond that date or repeal of the deadline also applies to housing improvement areas
207.27 established by the Dakota County Community Development Agency.

207.28 Sec. 8. Minnesota Statutes 2012, section 410.32, is amended to read:

207.29 **410.32 CITIES MAY ISSUE CAPITAL NOTES FOR CAPITAL EQUIPMENT.**

207.30 (a) Notwithstanding any contrary provision of other law or charter, a home rule
207.31 charter city may, by resolution and without public referendum, issue capital notes subject
207.32 to the city debt limit to purchase capital equipment.

207.33 (b) For purposes of this section, "capital equipment" means:

207.34 (1) public safety equipment, ambulance and other medical equipment, road
207.35 construction and maintenance equipment, and other capital equipment; and

208.1 (2) computer hardware and software, without regard to its expected useful life,
208.2 whether bundled with machinery or equipment or unbundled-, together with application
208.3 development services and training related to the use of the computer hardware and software.

208.4 (c) The equipment or software must have an expected useful life at least as long
208.5 as the term of the notes.

208.6 (d) The notes shall be payable in not more than ten years and be issued on terms and
208.7 in the manner the city determines. The total principal amount of the capital notes issued
208.8 in a fiscal year shall not exceed 0.03 percent of the market value of taxable property
208.9 in the city for that year.

208.10 (e) A tax levy shall be made for the payment of the principal and interest on the
208.11 notes, in accordance with section 475.61, as in the case of bonds.

208.12 (f) Notes issued under this section shall require an affirmative vote of two-thirds of
208.13 the governing body of the city.

208.14 (g) Notwithstanding a contrary provision of other law or charter, a home rule charter
208.15 city may also issue capital notes subject to its debt limit in the manner and subject to the
208.16 limitations applicable to statutory cities pursuant to section 412.301.

208.17 Sec. 9. Minnesota Statutes 2012, section 412.301, is amended to read:

208.18 **412.301 FINANCING PURCHASE OF CERTAIN EQUIPMENT.**

208.19 (a) The council may issue certificates of indebtedness or capital notes subject to the
208.20 city debt limits to purchase capital equipment.

208.21 (b) For purposes of this section, "capital equipment" means:

208.22 (1) public safety equipment, ambulance and other medical equipment, road
208.23 construction and maintenance equipment, and other capital equipment; and

208.24 (2) computer hardware and software, without regard to its expected useful life,
208.25 whether bundled with machinery or equipment or unbundled-, together with application
208.26 development services and training related to the use of the computer hardware or software.

208.27 (c) The equipment or software must have an expected useful life at least as long as
208.28 the terms of the certificates or notes.

208.29 (d) Such certificates or notes shall be payable in not more than ten years and shall be
208.30 issued on such terms and in such manner as the council may determine.

208.31 (e) If the amount of the certificates or notes to be issued to finance any such purchase
208.32 exceeds 0.25 percent of the market value of taxable property in the city, they shall not
208.33 be issued for at least ten days after publication in the official newspaper of a council
208.34 resolution determining to issue them; and if before the end of that time, a petition asking
208.35 for an election on the proposition signed by voters equal to ten percent of the number of

209.1 voters at the last regular municipal election is filed with the clerk, such certificates or notes
209.2 shall not be issued until the proposition of their issuance has been approved by a majority
209.3 of the votes cast on the question at a regular or special election.

209.4 (f) A tax levy shall be made for the payment of the principal and interest on such
209.5 certificates or notes, in accordance with section 475.61, as in the case of bonds.

209.6 Sec. 10. **[435.39] MUNICIPAL STREET IMPROVEMENT DISTRICTS.**

209.7 Subdivision 1. Definitions. (a) For the purposes of this section, the following terms
209.8 have the meanings given them.

209.9 (b) "Governing body" means the city council of a municipality.

209.10 (c) "Improvements" means construction, reconstruction, and facility upgrades
209.11 involving: right-of-way acquisition; paving; curbs and gutters; bridges and culverts and
209.12 their repair; milling; overlaying; drainage and storm sewers; excavation; base work;
209.13 subgrade corrections; street lighting; traffic signals; signage; sidewalks; pavement
209.14 markings; boulevard and easement restoration; impact mitigation; connection and
209.15 reconnection of utilities; turn lanes; medians; street and alley returns; retaining walls;
209.16 fences; lane additions; and fixed transit infrastructure, trails, or pathways. "Fixed transit
209.17 infrastructure" does not include commuter rail rolling stock, light rail vehicles, or
209.18 transit way buses; capital costs for park-and-ride facilities; feasibility studies, planning,
209.19 alternative analyses, environmental studies, engineering, or construction of transit ways;
209.20 or operating assistance for transit ways.

209.21 (d) "Maintenance" means striping, seal coating, crack sealing, pavement repair,
209.22 sidewalk maintenance, signal maintenance, street light maintenance, and signage.

209.23 (e) "Municipal street" means a street, alley, or public way in which the municipality
209.24 is the road authority with powers conferred by section 429.021.

209.25 (f) "Municipality" means a home rule charter or statutory city.

209.26 (g) "Street improvement district" means a geographic area designated by a
209.27 municipality and located within the municipality within which street improvements and
209.28 maintenance may be undertaken and financed according to this section.

209.29 (h) "Unimproved parcel" means a parcel of land that abuts an:

209.30 (1) unimproved municipal street and that is not served by municipal sewer or water
209.31 utilities; or

209.32 (2) improved municipal street and served by municipal sewer or water utilities
209.33 and that:

209.34 (i) is not improved by construction of an authorized structure; or

209.35 (ii) contains a structure that has not previously been occupied.

210.1 Subd. 2. **Authorization.** A municipality may establish by ordinance municipal
210.2 street improvement districts and may defray all or part of the total costs of municipal street
210.3 improvements and maintenance by apportioning street improvement fees to all of the
210.4 developed parcels located in the district. A street improvement district must not include
210.5 any property already located in another street improvement district.

210.6 Subd. 3. **Uniformity.** (a) The total costs of municipal street improvements and
210.7 maintenance must be apportioned to all developed parcels or developed tracts of land
210.8 located in the established street improvement district on a uniform basis within each
210.9 classification of real estate. Apportionment must be made on the basis of one of the
210.10 following:

- 210.11 (1) estimated market value;
210.12 (2) tax capacity;
210.13 (3) front footage;
210.14 (4) land or building area; or
210.15 (5) some combination of clauses (1) to (4).

210.16 (b) Costs must not be apportioned in such a way that the cost borne by any
210.17 classification of property is more than twice the cost that would be borne by that
210.18 classification if costs were apportioned uniformly to all classifications of property under
210.19 the method selected in paragraph (a), clauses (1) to (5).

210.20 Subd. 4. **Adoption of plan.** Before establishing a municipal street improvement
210.21 district or authorizing a street improvement fee, a municipality must propose and adopt a
210.22 street improvement plan that identifies the location of the municipal street improvement
210.23 district and identifies and estimates the costs of the proposed improvements during the
210.24 proposed period of collection of municipal street improvement fees, which must be for
210.25 a period of at least five years and at most 20 years. Notice of a public hearing on the
210.26 proposed plan must be given by mail to all affected landowners at least 30 days before
210.27 the hearing and posted for at least 30 days before the hearing. At the public hearing, the
210.28 governing body must present the plan and all affected landowners in attendance must have
210.29 the opportunity to comment before the governing body considers adoption of the plan.

210.30 Subd. 5. **Use of fees.** Revenues from street improvement fees must be placed in
210.31 a separate account and used only for projects located within the district and identified
210.32 in the municipal street improvement plan.

210.33 Subd. 6. **Collection; up to 20 years.** (a) An ordinance adopted under this section
210.34 must provide for billing and payment of the fee on a monthly, quarterly, or other basis
210.35 as directed by the governing body. The governing body may collect municipal street
210.36 improvement fees within a street improvement district for a maximum of 20 years.

211.1 (b) Fees that, as of October 15 of each year, have remained unpaid for at least 30
211.2 days may be certified to the county auditor for collection as a special assessment payable
211.3 in the following calendar year against the affected property.

211.4 Subd. 7. **Improvement fee.** A municipality may impose a municipal street
211.5 improvement fee by ordinance. The ordinance must not be voted on or adopted until after
211.6 public notice is provided and a public hearing is held in the same manner as provided in
211.7 subdivision 4.

211.8 Subd. 8. **Not exclusive means of financing improvements.** The use of the
211.9 municipal street improvement fee by a municipality does not restrict the municipality from
211.10 imposing other measures to pay the costs of local street improvements or maintenance,
211.11 except that a municipality must not impose special assessments for projects funded with
211.12 street improvement fees.

211.13 Subd. 9. **Unimproved parcels; fees.** A municipality may not impose a street
211.14 improvement fee on any unimproved parcel located within an established street
211.15 improvement district until at least three years after either the date of substantial completion
211.16 of the paving of the previous unimproved municipal street or the date which a structure is
211.17 built and first occupied pursuant to a certificate of occupancy, whichever is later.

211.18 Subd. 10. **Exempt property.** A municipality must not impose a municipal street
211.19 improvement fee on property that is exempt from taxation under the provisions of the
211.20 Minnesota Constitution, article X, section 1.

211.21 **EFFECTIVE DATE.** This section is effective July 1, 2013.

211.22 Sec. 11. Minnesota Statutes 2012, section 473.39, is amended by adding a subdivision
211.23 to read:

211.24 Subd. 1s. **Obligations.** After July 1, 2013, in addition to other authority in this
211.25 section, the council may issue certificates of indebtedness, bonds, or other obligations
211.26 under this section in an amount not exceeding \$35,800,000 for capital expenditures as
211.27 prescribed in the council's transit capital improvement program and for related costs,
211.28 including the costs of issuance and sale of the obligations.

211.29 **EFFECTIVE DATE.** This section is effective the day following final enactment
211.30 and applies in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and
211.31 Washington.

211.32 Sec. 12. Minnesota Statutes 2012, section 474A.04, subdivision 1a, is amended to read:

212.1 Subd. 1a. **Entitlement reservations; carryforward; deduction.** Any amount
212.2 returned by an entitlement issuer before July 15 shall be reallocated through the housing
212.3 pool. Any amount returned on or after July 15 shall be reallocated through the unified
212.4 pool. An amount returned after the last Monday in November shall be reallocated to the
212.5 Minnesota Housing Finance Agency. ~~Any amount of bonding authority that an entitlement~~
212.6 ~~issuer carries forward under federal tax law that is not permanently issued or for which~~
212.7 ~~the governing body of the entitlement issuer has not enacted a resolution electing to use~~
212.8 ~~the authority for mortgage credit certificates and has not provided a notice of issue to the~~
212.9 ~~commissioner before 4:30 p.m. on the last business day in December of the succeeding~~
212.10 ~~calendar year shall be deducted from the entitlement allocation for that entitlement issuer~~
212.11 ~~in the next succeeding calendar year. Any amount deducted from an entitlement issuer's~~
212.12 ~~allocation under this subdivision shall be reallocated to other entitlement issuers, the~~
212.13 ~~housing pool, the small issue pool, and the public facilities pool on a proportional basis~~
212.14 ~~consistent with section 474A.03.~~

212.15 **EFFECTIVE DATE.** This section is effective the day following final enactment
212.16 and applies to any bonding authority allocated in 2012 and subsequent years.

212.17 Sec. 13. Minnesota Statutes 2012, section 474A.062, is amended to read:

212.18 **474A.062 MINNESOTA OFFICE OF HIGHER EDUCATION 120-DAY**
212.19 **ISSUANCE EXEMPTION.**

212.20 The Minnesota Office of Higher Education is exempt from the 120-day issuance
212.21 requirements in this chapter and may carry forward allocations for student loan bonds ~~into~~
212.22 ~~one successive calendar year~~, subject to carryforward notice requirements of section
212.23 474A.131, subdivision 2.

212.24 **EFFECTIVE DATE.** This section is effective the day following final enactment
212.25 and applies to any bonding authority allocated in 2012 and subsequent years.

212.26 Sec. 14. Minnesota Statutes 2012, section 474A.091, subdivision 3a, is amended to read:

212.27 Subd. 3a. **Mortgage bonds.** (a) Bonding authority remaining in the unified pool on
212.28 October 1 is available for single-family housing programs for cities that applied in January
212.29 and received an allocation under section 474A.061, subdivision 2a, in the same calendar
212.30 year. The Minnesota Housing Finance Agency shall receive an allocation for mortgage
212.31 bonds pursuant to this section, minus any amounts for a city or consortium that intends to
212.32 issue bonds on its own behalf under paragraph (c).

213.1 (b) The agency may issue bonds on behalf of participating cities. The agency shall
213.2 request an allocation from the commissioner for all applicants who choose to have the
213.3 agency issue bonds on their behalf and the commissioner shall allocate the requested
213.4 amount to the agency. Allocations shall be awarded by the commissioner each Monday
213.5 commencing on the first Monday in October through the last Monday in November for
213.6 applications received by 4:30 p.m. on the Monday of the week preceding an allocation.

213.7 For cities who choose to have the agency issue bonds on their behalf, allocations
213.8 will be made loan by loan, on a first-come, first-served basis among the cities. The
213.9 agency shall submit an application fee pursuant to section 474A.03, subdivision 4, and an
213.10 application deposit equal to two percent of the requested allocation to the commissioner
213.11 when requesting an allocation from the unified pool. After awarding an allocation and
213.12 receiving a notice of issuance for mortgage bonds issued on behalf of the participating
213.13 cities, the commissioner shall transfer the application deposit to the Minnesota Housing
213.14 Finance Agency.

213.15 For purposes of paragraphs (a) to (d), "city" means a county or a consortium of
213.16 local government units that agree through a joint powers agreement to apply together
213.17 for single-family housing programs, and has the meaning given it in section 462C.02,
213.18 subdivision 6. "Agency" means the Minnesota Housing Finance Agency.

213.19 (c) Any city that received an allocation pursuant to section 474A.061, subdivision
213.20 2a, paragraph (f), in the current year that wishes to receive an additional allocation from
213.21 the unified pool and issue bonds on its own behalf or pursuant to a joint powers agreement
213.22 shall notify the Minnesota Housing Finance Agency by the third Monday in September.
213.23 The total amount of allocation for mortgage bonds for a city choosing to issue bonds on its
213.24 own behalf or through a joint powers agreement is limited to the lesser of: (i) the amount
213.25 requested, or (ii) the product of the total amount available for mortgage bonds from the
213.26 unified pool, multiplied by the ratio of the population of each city that applied in January
213.27 and received an allocation under section 474A.061, subdivision 2a, in the same calendar
213.28 year, as determined by the most recent estimate of the city's population released by the
213.29 state demographer's office to the total of the population of all the cities that applied in
213.30 January and received an allocation under section 474A.061, subdivision 2a, in the same
213.31 calendar year. If a city choosing to issue bonds on its own behalf or through a joint powers
213.32 agreement is located within a county that has also chosen to issue bonds on its own behalf
213.33 or through a joint powers agreement, the city's population will be deducted from the
213.34 county's population in calculating the amount of allocations under this paragraph.

213.35 The Minnesota Housing Finance Agency shall notify each city choosing to issue
213.36 bonds on its own behalf or pursuant to a joint powers agreement of the amount of its

214.1 allocation by October 15. Upon determining the amount of the allocation of each choosing
214.2 to issue bonds on its own behalf or through a joint powers agreement, the agency shall
214.3 forward a list specifying the amounts allotted to each city.

214.4 A city that chooses to issue bonds on its own behalf or through a joint powers
214.5 agreement may request an allocation from the commissioner by forwarding an application
214.6 with an application fee pursuant to section 474A.03, subdivision 4, and an application
214.7 deposit equal to two percent of the requested amount to the commissioner no later than
214.8 4:30 p.m. on the Monday of the week preceding an allocation. Allocations to cities that
214.9 choose to issue bonds on their own behalf shall be awarded by the commissioner on
214.10 the first Monday after October 15 through the last Monday in November. No city may
214.11 receive an allocation from the commissioner after the last Monday in November. The
214.12 commissioner shall allocate the requested amount to the city or cities subject to the
214.13 limitations under this subdivision.

214.14 If a city issues mortgage bonds from an allocation received under this paragraph,
214.15 the issuer must provide for the recycling of funds into new loans. If the issuer is not
214.16 able to provide for recycling, the issuer must notify the commissioner in writing of the
214.17 reason that recycling was not possible and the reason the issuer elected not to have the
214.18 Minnesota Housing Finance Agency issue the bonds. "Recycling" means the use of money
214.19 generated from the repayment and prepayment of loans for further eligible loans or for the
214.20 redemption of bonds and the issuance of current refunding bonds.

214.21 (d) No entitlement city or county or city in an entitlement county may apply for or
214.22 be allocated authority to issue mortgage bonds or use mortgage credit certificates from
214.23 the unified pool.

214.24 (e) An allocation awarded to the agency for mortgage bonds under this section
214.25 may be carried forward by the agency ~~into the next succeeding calendar year~~ subject to
214.26 notice requirements under section 474A.131 ~~and is available until the last business day in~~
214.27 ~~December of that succeeding calendar year.~~

214.28 **EFFECTIVE DATE.** This section is effective the day following final enactment
214.29 and applies to any bonding authority allocated in 2012 and subsequent years.

214.30 Sec. 15. Minnesota Statutes 2012, section 475.521, subdivision 1, is amended to read:

214.31 Subdivision 1. **Definitions.** For purposes of this section, the following terms have
214.32 the meanings given.

214.33 (a) "Bonds" mean an obligation defined under section 475.51.

214.34 (b) "Capital improvement" means acquisition or betterment of public lands,
214.35 buildings or other improvements for the purpose of a city hall, town hall, library, public

215.1 safety facility, and public works facility. An improvement must have an expected useful
215.2 life of five years or more to qualify. Capital improvement does not include light rail transit
215.3 or any activity related to it, or a park, road, bridge, administrative building other than a
215.4 city or town hall, or land for any of those facilities. For purposes of this section, "capital
215.5 improvement" includes expenditures for purposes described in this paragraph that have
215.6 been incurred by a municipality before approval of a capital improvement plan, if such
215.7 expenditures are included in a capital improvement plan approved on or before the date of
215.8 the public hearing under subdivision 2 regarding issuance of bonds for such expenditures.

215.9 (c) "Municipality" means a home rule charter or statutory city or a town described in
215.10 section 368.01, subdivision 1 or 1a.

215.11 Sec. 16. Minnesota Statutes 2012, section 475.521, subdivision 2, is amended to read:

215.12 Subd. 2. **Election requirement.** (a) Bonds issued by a municipality to finance
215.13 capital improvements under an approved capital improvements plan are not subject to the
215.14 election requirements of section 475.58. The bonds must be approved by an affirmative
215.15 vote of three-fifths of the members of a five-member governing body. In the case of a
215.16 governing body having more or less than five members, the bonds must be approved by a
215.17 vote of at least two-thirds of the members of the governing body.

215.18 (b) Before the issuance of bonds qualifying under this section, the municipality
215.19 must publish a notice of its intention to issue the bonds and the date and time of the
215.20 hearing to obtain public comment on the matter. The notice must be published in the
215.21 official newspaper of the municipality or in a newspaper of general circulation in the
215.22 municipality. Additionally, the notice may be posted on the official Web site, if any, of the
215.23 municipality. The notice must be published at least 14 but not more than 28 days before
215.24 the date of the hearing.

215.25 (c) A municipality may issue the bonds only after obtaining the approval of a
215.26 majority of the voters voting on the question of issuing the obligations, if a petition
215.27 requesting a vote on the issuance is signed by voters equal to five percent of the votes cast
215.28 in the municipality in the last municipal general election and is filed with the clerk within
215.29 30 days after the public hearing. ~~The commissioner of revenue shall prepare a suggested~~
215.30 ~~form of the question to be presented at the election.~~ If the municipality elects not to submit
215.31 the question to the voters, the municipality shall not propose the issuance of bonds under
215.32 this section for the same purpose and in the same amount for a period of 365 days from the
215.33 date of receipt of the petition. If the question of issuing the bonds is submitted and not
215.34 approved by the voters, the provisions of section 475.58, subdivision 1a, shall apply.

216.1 Sec. 17. Minnesota Statutes 2012, section 475.58, subdivision 3b, is amended to read:

216.2 Subd. 3b. **Street reconstruction and bituminous overlays.** (a) A municipality may,
216.3 without regard to the election requirement under subdivision 1, issue and sell obligations
216.4 for street reconstruction or bituminous overlays, if the following conditions are met:

216.5 (1) the streets are reconstructed or overlaid under a street reconstruction or overlay
216.6 plan that describes the street reconstruction or overlay to be financed, the estimated costs,
216.7 and any planned reconstruction or overlay of other streets in the municipality over the
216.8 next five years, and the plan and issuance of the obligations has been approved by a vote
216.9 of all of the members of the governing body present at the meeting following a public
216.10 hearing for which notice has been published in the official newspaper at least ten days but
216.11 not more than 28 days prior to the hearing; and

216.12 (2) if a petition requesting a vote on the issuance is signed by voters equal to
216.13 five percent of the votes cast in the last municipal general election and is filed with the
216.14 municipal clerk within 30 days of the public hearing, the municipality may issue the bonds
216.15 only after obtaining the approval of a majority of the voters voting on the question of the
216.16 issuance of the obligations. If the municipality elects not to submit the question to the
216.17 voters, the municipality shall not propose the issuance of bonds under this section for the
216.18 same purpose and in the same amount for a period of 365 days from the date of receipt
216.19 of the petition. If the question of issuing the bonds is submitted and not approved by the
216.20 voters, the provisions of section 475.58, subdivision 1a, shall apply.

216.21 (b) Obligations issued under this subdivision are subject to the debt limit of the
216.22 municipality and are not excluded from net debt under section 475.51, subdivision 4.

216.23 (c) For purposes of this subdivision, street reconstruction and bituminous overlays
216.24 includes utility replacement and relocation and other activities incidental to the street
216.25 reconstruction, turn lanes and other improvements having a substantial public safety
216.26 function, realignments, other modifications to intersect with state and county roads, and
216.27 the local share of state and county road projects. For purposes of this subdivision, "street
216.28 reconstruction" includes expenditures for street reconstruction that have been incurred
216.29 by a municipality before approval of a street reconstruction plan, if such expenditures
216.30 are included in a street reconstruction plan approved on or before the date of the public
216.31 hearing under paragraph (a), clause (1) regarding issuance of bonds for such expenditures.

216.32 (d) Except in the case of turn lanes, safety improvements, realignments, intersection
216.33 modifications, and the local share of state and county road projects, street reconstruction
216.34 and bituminous overlays does not include the portion of project cost allocable to widening
216.35 a street or adding curbs and gutters where none previously existed.

217.1 Sec. 18. Laws 1971, chapter 773, section 1, subdivision 2, as amended by Laws 1974,
 217.2 chapter 351, section 5, Laws 1976, chapter 234, sections 1 and 7, Laws 1978, chapter 788,
 217.3 section 1, Laws 1981, chapter 369, section 1, Laws 1983, chapter 302, section 1, Laws
 217.4 1988, chapter 513, section 1, Laws 1992, chapter 511, article 9, section 23, Laws 1998,
 217.5 chapter 389, article 3, section 27, and Laws 2002, chapter 390, section 23, is amended to
 217.6 read:

217.7 Subd. 2. For each of the years ~~2003 to~~ 2013 to 2024, the city of St. Paul is
 217.8 authorized to issue bonds in the aggregate principal amount of \$20,000,000 for each year.

217.9 **EFFECTIVE DATE.** This section is effective the day after compliance by the
 217.10 governing body of the city of St. Paul with Minnesota Statutes, section 645.021,
 217.11 subdivisions 2 and 3.

217.12 Sec. 19. **CARRYFORWARD OF BONDING AUTHORITY FOR 2011; NO**
 217.13 **DEDUCTION FROM ENTITLEMENT ALLOCATION.**

217.14 Notwithstanding Minnesota Statutes, section 474A.04, subdivision 1a, bonding
 217.15 authority that was allocated to an entitlement issuer in 2011 and that was carried forward
 217.16 under federal tax law, but for which the entitlement issuer did not provide a notice of issue
 217.17 to the commissioner of management and budget before 4:30 p.m. on the last business
 217.18 day of December 2012 must not be deducted from the entitlement allocation for that
 217.19 entitlement issuer in 2013.

217.20 **EFFECTIVE DATE.** This section is effective the day following final enactment
 217.21 and applies retroactively to rescind any reallocation by the commissioner of management
 217.22 and budget under Minnesota Statutes, section 474A.04, subdivision 1a, of any amounts so
 217.23 deducted.

217.24 ARTICLE 13

217.25 MISCELLANEOUS PROVISIONS

217.26 Section 1. Minnesota Statutes 2012, section 163.051, is amended to read:

217.27 **163.051 METROPOLITAN COUNTY WHEELAGE TAX.**

217.28 Subdivision 1. **Tax authorized.** (a) Except as provided in paragraph ~~(b)~~ (c), the
 217.29 board of commissioners of each ~~metropolitan~~ county is authorized to levy by resolution a
 217.30 wheelage tax of ~~\$5 for the year 1972 and each subsequent year thereafter by resolution~~
 217.31 at the rate specified in paragraph (b), on each motor vehicle that is kept in such county
 217.32 when not in operation and that is subject to annual registration and taxation under chapter

218.1 168. The board may provide by resolution for collection of the wheelage tax by county
 218.2 officials or it may request that the tax be collected by the state registrar of motor vehicles;
 218.3 ~~and~~. The state registrar of motor vehicles shall collect such tax on behalf of the county if
 218.4 requested, as provided in subdivision 2.

218.5 (b) The wheelage tax under this section is at the rate of:

218.6 (1) from January 1, 2014, through December 31, 2017, \$10 per year for each county
 218.7 that authorizes the tax; and

218.8 (2) on and after January 1, 2018, up to \$20 per year, in any increment of a whole
 218.9 dollar, as specified by each county that authorizes the tax.

218.10 (c) The following vehicles are exempt from the wheelage tax:

218.11 (1) motorcycles, as defined in section 169.011, subdivision 44;

218.12 (2) motorized bicycles, as defined in section 169.011, subdivision 45; and

218.13 ~~(3) electric-assisted bicycles, as defined in section 169.011, subdivision 27; and~~

218.14 ~~(4)~~ (3) motorized foot scooters, as defined in section 169.011, subdivision 46.

218.15 (d) For any county that authorized the tax prior to the effective date of this section,
 218.16 the wheelage tax continues at the rate provided under paragraph (b).

218.17 Subd. 2. **Collection by registrar of motor vehicles.** The wheelage tax levied by
 218.18 any ~~metropolitan~~ county, if made collectible by the state registrar of motor vehicles,
 218.19 shall be certified by the county auditor to the registrar not later than August 1 in the year
 218.20 before the calendar year or years for which the tax is levied, and the registrar shall collect
 218.21 such tax with the motor vehicle taxes on the affected vehicles for such year or years.
 218.22 Every owner and every operator of such a motor vehicle shall furnish to the registrar all
 218.23 information requested by the registrar. No state motor vehicle tax on any such motor
 218.24 vehicle for any such year shall be received or deemed paid unless the applicable wheelage
 218.25 tax is paid therewith. ~~The proceeds of the wheelage tax levied by any metropolitan county,~~
 218.26 ~~less any amount retained by the registrar to pay costs of collection of the wheelage tax,~~
 218.27 ~~shall be paid to the commissioner of management and budget and deposited in the state~~
 218.28 ~~treasury to the credit of the county wheelage tax fund of each metropolitan county.~~

218.29 Subd. 2a. **Tax proceeds deposited; costs of collection; appropriation.**

218.30 Notwithstanding the provisions of any other law, the state registrar of motor vehicles shall
 218.31 deposit the proceeds of the wheelage tax imposed by subdivision 2, to the credit of the
 218.32 county wheelage tax fund account of each ~~metropolitan~~ county. The amount necessary to
 218.33 pay the costs of collection of said tax is appropriated from the county wheelage tax fund
 218.34 account of each ~~metropolitan~~ county to the state registrar of motor vehicles.

218.35 Subd. 3. **Distribution to ~~metropolitan~~ county; appropriation.** ~~On or before~~
 218.36 ~~April 1 in 1972 and each subsequent year, the commissioner of management and budget~~

219.1 On a monthly basis, the registrar of motor vehicles shall issue a warrant in favor of the
219.2 treasurer of each ~~metropolitan~~ county for which the registrar has collected a wheelage tax
219.3 in the amount of such tax then on hand in the county wheelage tax ~~fund~~ account. There
219.4 is hereby appropriated from the county wheelage tax ~~fund~~ account each year, to each
219.5 ~~metropolitan~~ county entitled to payments authorized by this section, sufficient moneys
219.6 to make such payments.

219.7 Subd. 4. **Use of tax.** The treasurer of each ~~metropolitan~~ county receiving ~~moneys~~
219.8 payments under subdivision 3 shall deposit such ~~moneys~~ payments in the county road and
219.9 bridge fund. The moneys shall be used for purposes authorized by law which are highway
219.10 purposes within the meaning of the Minnesota Constitution, article 14.

219.11 ~~Subd. 6. **Metropolitan county defined.** "Metropolitan county" means any of the~~
219.12 ~~counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.~~

219.13 Subd. 7. **Offenses; penalties; application of other laws.** (a) Any owner or operator
219.14 of a motor vehicle who ~~shall~~ willfully ~~give~~ gives any false information relative to the tax
219.15 ~~herein~~ authorized by this section to the registrar of motor vehicles or any ~~metropolitan~~
219.16 county, or who ~~shall~~ willfully ~~fail or refuse~~ fails or refuses to furnish any such information,
219.17 ~~shall be~~ is guilty of a misdemeanor.

219.18 (b) Except as otherwise ~~herein~~ provided in this section, the collection and payment
219.19 of a wheelage tax and all matters relating thereto ~~shall be~~ are subject to all provisions of
219.20 law relating to collection and payment of motor vehicle taxes so far as applicable.

219.21 **EFFECTIVE DATE.** This section is effective the day following final enactment
219.22 and applies to a registration period under Minnesota Statutes, chapter 168, starting on
219.23 or after January 1, 2014.

219.24 Sec. 2. Minnesota Statutes 2012, section 237.52, subdivision 3, is amended to read:

219.25 Subd. 3. **Collection.** Every provider of services capable of originating a TRS call,
219.26 including cellular communications and other nonwire access services, in this state shall,
219.27 except as provided in subdivision 3a, collect the charges established by the commission
219.28 under subdivision 2 and transfer amounts collected to the commissioner of public
219.29 safety in the same manner as provided in section 403.11, subdivision 1, paragraph (d).
219.30 The commissioner of public safety must deposit the receipts in the fund established in
219.31 subdivision 1.

219.32 **EFFECTIVE DATE.** This section is effective January 1, 2014.

220.1 Sec. 3. Minnesota Statutes 2012, section 237.52, is amended by adding a subdivision
220.2 to read:

220.3 Subd. 3a. **Fee for prepaid wireless telecommunications service.** The fee
220.4 established in subdivision 2 does not apply to prepaid wireless telecommunications
220.5 services as defined in section 403.02, subdivision 17b, which are instead subject to the
220.6 prepaid wireless telecommunications access Minnesota fee established in section 403.161,
220.7 subdivision 1, paragraph (b). Collection, remittance, and deposit of prepaid wireless
220.8 telecommunications access Minnesota fees are governed by sections 403.161 and 403.162.

220.9 **EFFECTIVE DATE.** This section is effective January 1, 2014.

220.10 Sec. 4. Minnesota Statutes 2012, section 270B.01, subdivision 8, is amended to read:

220.11 Subd. 8. **Minnesota tax laws.** For purposes of this chapter only, unless expressly
220.12 stated otherwise, "Minnesota tax laws" means:

220.13 (1) the taxes, refunds, and fees administered by or paid to the commissioner under
220.14 chapters 115B, 289A (except taxes imposed under sections 298.01, 298.015, and 298.24),
220.15 290, 290A, 291, 295, 297A, 297B, ~~and~~ 297H, and 403, or any similar Indian tribal tax
220.16 administered by the commissioner pursuant to any tax agreement between the state and
220.17 the Indian tribal government, and includes any laws for the assessment, collection, and
220.18 enforcement of those taxes, refunds, and fees; and

220.19 (2) section 273.1315.

220.20 **EFFECTIVE DATE.** This section is effective January 1, 2014.

220.21 Sec. 5. Minnesota Statutes 2012, section 270B.12, subdivision 4, is amended to read:

220.22 Subd. 4. **Department of Public Safety.** The commissioner may disclose return
220.23 information to the Department of Public Safety for the purpose of and to the extent
220.24 necessary to administer ~~section~~ sections 270C.725 and 403.16 to 403.162.

220.25 **EFFECTIVE DATE.** This section is effective January 1, 2014.

220.26 Sec. 6. Minnesota Statutes 2012, section 271.06, is amended by adding a subdivision
220.27 to read:

220.28 Subd. 2a. **Timely mailing treated as timely filing.** (a) If, after the period prescribed
220.29 by subdivision 2, the original notice of appeal, proof of service upon the commissioner,
220.30 and filing fee are delivered by mail in the United States to the Tax Court administrator
220.31 or the court administrator of district court acting as court administrator of the Tax Court,
220.32 then the date of filing is the date of the United States postmark stamped on the envelope

221.1 or other appropriate wrapper in which the notice of appeal, proof of service upon the
221.2 commissioner, and filing fee are mailed.

221.3 (b) This subdivision applies only if the postmark date falls within the period
221.4 prescribed by subdivision 2 and the original notice of appeal, proof of service upon the
221.5 commissioner, and filing fee are deposited in the mail in the United States in an envelope
221.6 or other appropriate wrapper, postage prepaid, properly addressed to the Tax Court
221.7 administrator or the court administrator of district court acting as court administrator of
221.8 the Tax Court.

221.9 (c) Only the postmark of the United States Postal Service qualifies as proof of
221.10 timely mailing under this subdivision. Private postage meters do not qualify as proof of
221.11 timely filing under this subdivision. If the original notice of appeal, proof of service
221.12 upon the commissioner, and filing fee are sent by United States registered mail, the date
221.13 of registration is the postmark date. If the original notice of appeal, proof of service
221.14 upon the commissioner, and filing fee are sent by United States certified mail and the
221.15 sender's receipt is postmarked by the postal employee to whom the envelope containing
221.16 the original notice of appeal, proof of service upon the commissioner, and filing fee is
221.17 presented, the date of the United States postmark on the receipt is the postmark date.

221.18 (d) A reference in this section to mail in the United States must be treated as
221.19 including a reference to any designated delivery service and a reference in this section to
221.20 a postmark by the United States Postal Service must be treated as including a reference
221.21 to any date recorded or marked by any designated delivery service in accordance with
221.22 section 7502(f) of the Internal Revenue Code.

221.23 **EFFECTIVE DATE.** This section is effective for filings delivered by the United
221.24 States Postal Service with a postmark date after August 1, 2013.

221.25 Sec. 7. Minnesota Statutes 2012, section 297E.021, subdivision 2, is amended to read:

221.26 Subd. 2. **Determination of revenue increase.** By March 15 of each fiscal year, the
221.27 commissioner of management and budget, in consultation with the commissioner, shall
221.28 determine the estimated increase in revenues received from (1) taxes imposed under this
221.29 chapter, and (2) the taxes imposed under section 295.61 and the amendments to section
221.30 297A.61, subdivision 3, under article 8, section 1, of this act, over (3) the estimated
221.31 revenues under the February 2012 state budget forecast from the taxes imposed under this
221.32 chapter for that fiscal year. For fiscal years after fiscal year 2015, the commissioner of
221.33 management and budget shall use the February 2012 state budget forecast for fiscal year
221.34 2015 for the amount of taxes collected under this chapter as the baseline. All calculations

222.1 under this subdivision must be made net of estimated refunds of the taxes required to be
222.2 paid.

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

222.4 Sec. 8. Minnesota Statutes 2012, section 403.02, is amended by adding a subdivision
222.5 to read:

222.6 **Subd. 17b. Prepaid wireless telecommunications service.** "Prepaid wireless
222.7 telecommunications service" means a wireless telecommunications service that allows the
222.8 caller to dial 911 to access the 911 system, which service must be paid for in advance and is:

222.9 (1) sold in predetermined units or dollars of which the number declines with use in a
222.10 known amount; or

222.11 (2) provides unlimited use for a predetermined time period.

222.12 The inclusion of nontelecommunications services, including the download of digital
222.13 products delivered electronically, content, and ancillary services, with a prepaid wireless
222.14 telecommunications service does not preclude that service from being considered a
222.15 prepaid wireless telecommunications service under this chapter.

222.16 **EFFECTIVE DATE.** This section is effective January 1, 2014.

222.17 Sec. 9. Minnesota Statutes 2012, section 403.02, is amended by adding a subdivision
222.18 to read:

222.19 **Subd. 20a. Wireless telecommunications service.** Wireless telecommunications
222.20 service means a commercial mobile radio service, as that term is defined in United
222.21 States Code, title 47, section 332, subsection (d), including all broadband personal
222.22 communication services, wireless radio telephone services, and geographic area
222.23 specialized mobile radio licensees, that offer real-time, two-way voice service
222.24 interconnected with the public switched telephone network.

222.25 **EFFECTIVE DATE.** This section is effective January 1, 2014.

222.26 Sec. 10. Minnesota Statutes 2012, section 403.02, subdivision 21, is amended to read:

222.27 **Subd. 21. Wireless telecommunications service provider.** "Wireless
222.28 telecommunications service provider" means a provider of ~~commercial mobile radio~~
222.29 ~~services, as that term is defined in United States Code, title 47, section 332, subsection~~
222.30 ~~(d), including all broadband personal communications services, wireless radio telephone~~
222.31 ~~services, geographic area specialized and enhanced specialized mobile radio services, and~~
222.32 ~~incumbent wide area specialized mobile radio licensees, that offers real-time, two-way~~

223.1 ~~voice service interconnected with the public-switched telephone network and that is doing~~
223.2 ~~business in the state of Minnesota~~ wireless telecommunications service.

223.3 **EFFECTIVE DATE.** This section is effective January 1, 2014.

223.4 Sec. 11. Minnesota Statutes 2012, section 403.06, subdivision 1a, is amended to read:

223.5 Subd. 1a. **Biennial budget; annual financial report.** The commissioner shall
223.6 prepare a biennial budget for maintaining the 911 system. By December 15 of each year,
223.7 the commissioner shall submit a report to the legislature detailing the expenditures for
223.8 maintaining the 911 system, the 911 fees collected, the balance of the 911 fund, ~~and the~~
223.9 911-related administrative expenses of the commissioner, and the most recent forecast of
223.10 revenues and expenditures for the 911 emergency telecommunications service account,
223.11 including a separate projection of E911 fees from prepaid wireless customers and
223.12 projections of year-end fund balances. The commissioner is authorized to expend money
223.13 that has been appropriated to pay for the maintenance, enhancements, and expansion
223.14 of the 911 system.

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

223.16 Sec. 12. Minnesota Statutes 2012, section 403.11, subdivision 1, is amended to read:

223.17 Subdivision 1. **Emergency telecommunications service fee; account.** (a) Each
223.18 customer of a wireless or wire-line switched or packet-based telecommunications service
223.19 provider connected to the public switched telephone network that furnishes service capable
223.20 of originating a 911 emergency telephone call is assessed a fee based upon the number
223.21 of wired or wireless telephone lines, or their equivalent, to cover the costs of ongoing
223.22 maintenance and related improvements for trunking and central office switching equipment
223.23 for 911 emergency telecommunications service, to offset administrative and staffing costs
223.24 of the commissioner related to managing the 911 emergency telecommunications service
223.25 program, to make distributions provided for in section 403.113, and to offset the costs,
223.26 including administrative and staffing costs, incurred by the State Patrol Division of the
223.27 Department of Public Safety in handling 911 emergency calls made from wireless phones.

223.28 (b) Money remaining in the 911 emergency telecommunications service account
223.29 after all other obligations are paid must not cancel and is carried forward to subsequent
223.30 years and may be appropriated from time to time to the commissioner to provide financial
223.31 assistance to counties for the improvement of local emergency telecommunications
223.32 services. The improvements may include providing access to 911 service for
223.33 telecommunications service subscribers currently without access and upgrading existing

224.1 911 service to include automatic number identification, local location identification,
224.2 automatic location identification, and other improvements specified in revised county
224.3 911 plans approved by the commissioner.

224.4 (c) The fee may not be less than eight cents nor more than 65 cents a month until
224.5 June 30, 2008, not less than eight cents nor more than 75 cents a month until June 30,
224.6 2009, not less than eight cents nor more than 85 cents a month until June 30, 2010, and
224.7 not less than eight cents nor more than 95 cents a month on or after July 1, 2010, for
224.8 each customer access line or other basic access service, including trunk equivalents as
224.9 designated by the Public Utilities Commission for access charge purposes and including
224.10 wireless telecommunications services. With the approval of the commissioner of
224.11 management and budget, the commissioner of public safety shall establish the amount of
224.12 the fee within the limits specified and inform the companies and carriers of the amount to
224.13 be collected. When the revenue bonds authorized under section 403.27, subdivision 1,
224.14 have been fully paid or defeased, the commissioner shall reduce the fee to reflect that debt
224.15 service on the bonds is no longer needed. The commissioner shall provide companies and
224.16 carriers a minimum of 45 days' notice of each fee change. The fee must be the same for all
224.17 customers, except that the fee imposed under this subdivision does not apply to prepaid
224.18 wireless telecommunications service, which is instead subject to the fee imposed under
224.19 section 403.161, subdivision 1, paragraph (a).

224.20 (d) The fee must be collected by each wireless or wire-line telecommunications
224.21 service provider subject to the fee. Fees are payable to and must be submitted to the
224.22 commissioner monthly before the 25th of each month following the month of collection,
224.23 except that fees may be submitted quarterly if less than \$250 a month is due, or annually if
224.24 less than \$25 a month is due. Receipts must be deposited in the state treasury and credited
224.25 to a 911 emergency telecommunications service account in the special revenue fund. The
224.26 money in the account may only be used for 911 telecommunications services.

224.27 (e) This subdivision does not apply to customers of interexchange carriers.

224.28 (f) The installation and recurring charges for integrating wireless 911 calls into
224.29 enhanced 911 systems are eligible for payment by the commissioner if the 911 service
224.30 provider is included in the statewide design plan and the charges are made pursuant to
224.31 contract.

224.32 (g) Competitive local exchanges carriers holding certificates of authority from the
224.33 Public Utilities Commission are eligible to receive payment for recurring 911 services.

224.34 **EFFECTIVE DATE.** This section is effective January 1, 2014.

225.1 Sec. 13. Minnesota Statutes 2012, section 403.11, is amended by adding a subdivision
225.2 to read:

225.3 Subd. 6. **Report.** (a) Beginning September 1, 2013, and continuing semiannually
225.4 thereafter, each wireless telecommunications service provider shall report to the
225.5 commissioner, based on the mobile telephone number, both the total number of prepaid
225.6 wireless telecommunications subscribers sourced to Minnesota and the total number of
225.7 wireless telecommunications subscribers sourced to Minnesota. The report must be filed
225.8 on the same schedule as Federal Communications Commission Form 477.

225.9 (b) The commissioner shall make a standard form available to all wireless
225.10 telecommunications service providers for submitting information required to compile
225.11 the report required under this subdivision.

225.12 (c) The information provided to the commissioner under this subdivision is
225.13 considered trade secret information under section 13.37 and may only be used for purposes
225.14 of administering this chapter.

225.15 **EFFECTIVE DATE.** This section is effective January 1, 2014.

225.16 Sec. 14. **[403.16] DEFINITIONS.**

225.17 Subdivision 1. **Scope.** For the purposes of sections 403.16 to 403.164, the terms
225.18 defined in this section have the meanings given them.

225.19 Subd. 2. **Consumer.** "Consumer" means a person who purchases prepaid wireless
225.20 telecommunications service in a retail transaction.

225.21 Subd. 3. **Department.** "Department" means the Department of Revenue.

225.22 Subd. 4. **Prepaid wireless E911 fee.** "Prepaid wireless E911 fee" means the fee that
225.23 is required to be collected by a seller from a consumer as established in section 403.161,
225.24 subdivision 1, paragraph (a).

225.25 Subd. 5. **Prepaid wireless telecommunications access Minnesota fee.** "Prepaid
225.26 wireless telecommunications access Minnesota fee" means the fee that is required to be
225.27 collected by a seller from a consumer as established in section 403.161, subdivision 1,
225.28 paragraph (b).

225.29 Subd. 6. **Provider.** "Provider" means a person that provides prepaid wireless
225.30 telecommunications service under a license issued by the Federal Communications
225.31 Commission.

225.32 Subd. 7. **Retail transaction.** "Retail transaction" means the purchase of prepaid
225.33 wireless telecommunications service from a seller for any purpose other than resale.

225.34 Subd. 8. **Seller.** "Seller" means a person who sells prepaid wireless
225.35 telecommunications service to another person.

226.1 **EFFECTIVE DATE.** This section is effective January 1, 2014.

226.2 Sec. 15. **[403.161] PREPAID WIRELESS FEES IMPOSED; COLLECTION;**
226.3 **REMITTANCE.**

226.4 Subdivision 1. **Fees imposed.** (a) A prepaid wireless E911 fee of 80 cents per retail
226.5 transaction is imposed on prepaid wireless telecommunications service until the fee is
226.6 adjusted as an amount per retail transaction under subdivision 7.

226.7 (b) A prepaid wireless telecommunications access Minnesota fee, in the amount of
226.8 the monthly charge provided for in section 237.52, subdivision 2, is imposed on each
226.9 retail transaction for prepaid wireless telecommunications service until the fee is adjusted
226.10 as an amount per retail transaction under subdivision 7.

226.11 Subd. 2. **Exemption.** The fees established under subdivision 1 are not imposed on a
226.12 minimal amount of prepaid wireless telecommunications service that is sold with a prepaid
226.13 wireless device and is charged a single nonitemized price, and a seller may not apply the
226.14 fees to such a transaction. For purposes of this subdivision, a minimal amount of service
226.15 means an amount of service denominated as either ten minutes or less or \$5 or less.

226.16 Subd. 3. **Fee collected.** The prepaid wireless E911 and telecommunications
226.17 access Minnesota fees must be collected by the seller from the consumer for each retail
226.18 transaction occurring in this state. The amount of each fee must be combined into one
226.19 amount, which must be separately stated on an invoice, receipt, or other similar document
226.20 that is provided to the consumer by the seller, or otherwise disclosed to the consumer.

226.21 Subd. 4. **Sales and use tax treatment.** For purposes of this section, a retail
226.22 transaction conducted in person by a consumer at a business location of the seller must
226.23 be treated as occurring in this state if that business location is in this state, and any other
226.24 retail transaction must be treated as occurring in this state if the retail transaction is treated
226.25 as occurring in this state for purposes of the sales and use tax as specified in section
226.26 297A.669, subdivision 3, paragraph (c).

226.27 Subd. 5. **Remittance.** The prepaid wireless E911 and telecommunications access
226.28 Minnesota fees are the liability of the consumer and not of the seller or of any provider,
226.29 except that the seller is liable to remit all fees that the seller collects from consumers as
226.30 provided in section 403.162, including all fees that the seller is deemed to collect in which
226.31 the amount of the fee has not been separately stated on an invoice, receipt, or other similar
226.32 document provided to the consumer by the seller.

226.33 Subd. 6. **Exclusion for calculating other charges.** The combined amount of the
226.34 prepaid wireless E911 and telecommunications access Minnesota fees collected by a seller
226.35 from a consumer must not be included in the base for measuring any tax, fee, surcharge,

227.1 or other charge that is imposed by this state, any political subdivision of this state, or
227.2 any intergovernmental agency.

227.3 Subd. 7. **Fee changes.** (a) The prepaid wireless E911 and telecommunications
227.4 access Minnesota fee must be proportionately increased or reduced upon any change to
227.5 the fee imposed under section 403.11, subdivision 1, paragraph (c), after July 1, 2013, or
227.6 the fee imposed under section 237.52, subdivision 2, as applicable.

227.7 (b) The department shall post notice of any fee changes on its Web site at least 30
227.8 days in advance of the effective date of the fee changes. It is the responsibility of sellers to
227.9 monitor the department's Web site for notice of fee changes.

227.10 (c) Fee changes are effective 60 days after the first day of the first calendar month
227.11 after the commissioner of public safety or the Public Utilities Commission, as applicable,
227.12 changes the fee.

227.13 **EFFECTIVE DATE.** This section is effective January 1, 2014.

227.14 Sec. 16. **[403.162] ADMINISTRATION OF PREPAID WIRELESS E911 FEES.**

227.15 Subdivision 1. **Remittance.** Prepaid wireless E911 and telecommunications access
227.16 Minnesota fees collected by sellers must be remitted to the commissioner of revenue
227.17 at the times and in the manner provided by chapter 297A with respect to the general
227.18 sales and use tax. The commissioner of revenue shall establish registration and payment
227.19 procedures that substantially coincide with the registration and payment procedures that
227.20 apply in chapter 297A.

227.21 Subd. 2. **Seller's fee retention.** A seller may deduct and retain three percent of
227.22 prepaid wireless E911 and telecommunications access Minnesota fees collected by the
227.23 seller from consumers.

227.24 Subd. 3. **Department of Revenue provisions.** The audit, assessment, appeal,
227.25 collection, refund, penalty, interest, enforcement, and administrative provisions of
227.26 chapters 270C and 289A that are applicable to the taxes imposed by chapter 297A apply
227.27 to any fee imposed under section 403.161.

227.28 Subd. 4. **Procedures for resale transactions.** The commissioner of revenue shall
227.29 establish procedures by which a seller of prepaid wireless telecommunications service
227.30 may document that a sale is not a retail transaction. These procedures must substantially
227.31 coincide with the procedures for documenting sale for resale transactions as provided in
227.32 chapter 297A.

227.33 Subd. 5. **Fees deposited.** (a) The commissioner of revenue shall, based on
227.34 the relative proportion of the prepaid wireless E911 fee and the prepaid wireless
227.35 telecommunications access Minnesota fee imposed per retail transaction, divide the fees

228.1 collected in corresponding proportions. Within 30 days of receipt of the collected fees,
228.2 the commissioner shall:

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

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

228.9 (b) The department may deduct and retain an amount, not to exceed two percent of
228.10 collected fees, to reimburse its direct costs of administering the collection and remittance
228.11 of prepaid wireless E911 fees and prepaid wireless telecommunications access Minnesota
228.12 fees.

228.13 **EFFECTIVE DATE.** This section is effective January 1, 2014.

228.14 Sec. 17. **[403.163] LIABILITY PROTECTION FOR SELLERS AND**
228.15 **PROVIDERS.**

228.16 (a) A provider or seller of prepaid wireless telecommunications service is not liable
228.17 for damages to any person resulting from or incurred in connection with providing any
228.18 lawful assistance in good faith to any investigative or law enforcement officer of the
228.19 United States, this or any other state, or any political subdivision of this or any other state.

228.20 (b) In addition to the protection from liability provided by paragraph (a), section
228.21 403.08, subdivision 11, applies to sellers and providers.

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

228.23 Sec. 18. **[403.164] EXCLUSIVITY OF PREPAID WIRELESS E911 FEE.**

228.24 The prepaid wireless E911 fee imposed by section 403.161 is the only E911 funding
228.25 obligation imposed with respect to prepaid wireless telecommunications service in this
228.26 state, and no tax, fee, surcharge, or other charge may be imposed by this state, any political
228.27 subdivision of this state, or any intergovernmental agency, for E911 funding purposes,
228.28 upon any provider, seller, or consumer with respect to the sale, purchase, use, or provision
228.29 of prepaid wireless telecommunications service.

228.30 **EFFECTIVE DATE.** This section is effective January 1, 2014.

229.1 Sec. 19. Laws 2010, First Special Session chapter 1, article 13, section 4, subdivision
229.2 1, as amended by Laws 2011, First Special Session chapter 7, article 6, section 22, is
229.3 amended to read:

229.4 Subdivision 1. **Political contribution credit.** Notwithstanding the provisions of
229.5 Minnesota Statutes, section 290.06, subdivision 23, or any other law to the contrary, the
229.6 political contribution refund does not apply to contributions made after June 30, 2009, and
229.7 before July 1, ~~2013~~ 2017.

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

229.9 Sec. 20. **REPORT; RECOMMENDATIONS.**

229.10 (a) By March 1, 2014, the commissioner of public safety shall submit a report to
229.11 the chairs and ranking minority members of the legislative committees with primary
229.12 jurisdiction over public safety and telecommunications that assesses the amount of
229.13 revenue collected from the fees imposed under Minnesota Statutes, section 403.161,
229.14 and recommends any adjustment of those fees that the commissioner of public safety
229.15 determines is necessary in order to:

229.16 (1) fund legislative appropriations from the 911 emergency telecommunications
229.17 service account and to maintain a reasonable fund reserve; and

229.18 (2) maintain fairness with respect to the amount of fees paid by customers of
229.19 prepaid wireless telecommunications service as compared with customers of other
229.20 telecommunications services.

229.21 (b) A wireless telecommunications service provider shall provide any information
229.22 requested by the commissioner of public safety for the purposes of the report.

229.23 **EFFECTIVE DATE.** This section is effective January 1, 2014.

229.24 Sec. 21. **PURPOSE STATEMENTS; TAX EXPENDITURES.**

229.25 Subdivision 1. **Authority.** This section is intended to fulfill the requirement under
229.26 Minnesota Statutes, section 3.192, that a bill creating, renewing, or continuing a tax
229.27 expenditure provide a purpose for the tax expenditure and a standard or goal against
229.28 which its effectiveness may be measured.

229.29 Subd. 2. **Federal conformity.** The provisions of article 6 conforming Minnesota
229.30 individual income tax to changes in federal law are intended to simplify compliance with
229.31 and administration of the individual income tax.

229.32 Subd. 3. **Employment of qualified veterans tax credit.** The provisions of article 6,
229.33 section 30, providing a tax credit for the employment of qualified veterans, are intended to

230.1 give an incentive to employers to hire unemployed and disabled veterans. The standard
230.2 against which the effectiveness of the credit is to be measured is the additional number of
230.3 veterans who are hired as a result of the tax credit.

230.4 Subd. 4. **Railroad track maintenance subtraction.** The provisions of article 6,
230.5 sections 10 and 12, allowing an individual income and corporate franchise tax subtraction
230.6 for the amount allowed under the federal credit for railroad maintenance expenses, are
230.7 intended to increase the combined federal and state tax incentives available to Class II
230.8 and Class III railroads for maintaining and upgrading track in Minnesota. The standard
230.9 against which effectiveness is to be measured is the additional miles of track maintained
230.10 or upgraded following allowance of the state tax subtraction in addition to the existing
230.11 federal tax credit.

230.12 Subd. 5. **Sales tax exemption of coin-operated amusement devices.** The
230.13 provisions of article 8, section 2, exempting certain sales of coin-operated entertainment
230.14 and amusement devices is intended to reduce tax pyramiding by eliminating the tax on an
230.15 input used in providing a taxable service.

230.16 Subd. 6. **Motor vehicle rental tax exemption for car sharing.** The provisions of
230.17 article 8, section 4, exempting nonprofit car sharing companies from the extra tax on short
230.18 term car rentals is intended to provide a similar tax treatment between motor vehicle
230.19 ownership and motor vehicle sharing.

230.20 Subd. 7. **Expansion of the sales tax exemption on durable medical products and**
230.21 **prosthetics.** The provisions of article 8, section 8, expanding the definition of items
230.22 included in repair and replacement parts of durable medical equipment and prosthetics
230.23 and exempting Medicare and medicaid purchases is intended to simplify sales tax
230.24 administration in this area and provide relief for sellers who cannot collect the tax under
230.25 these programs.

230.26 Subd. 8. **Exemption for public safety radio communication systems.** The
230.27 provisions of article 8, section 10, expanding the existing sales tax exemption for certain
230.28 types of public safety radio systems in certain counties to all types of systems in all
230.29 counties is intended to provide equal tax treatment to all local governments in the state
230.30 on these purchases.

230.31 Subd. 9. **Sales tax exemption for established religious orders.** The provisions of
230.32 article 8, section 11, exempting certain sales between a religious order and an affiliated
230.33 institute of higher education, is intended to retain an existing sales tax exemption that
230.34 exists between St. John's Abbey and St. John's University after a governing restructure
230.35 between the two entities.

231.1 Subd. 10. Sales tax exemption for nursing homes and boarding care homes.

231.2 The provisions of article 8, section 12, exempting certain nursing homes and boarding
 231.3 care homes is intended to clarify that an existing exemption for these facilities is not
 231.4 affected by a recent property tax case related to defining nonprofit organizations engaged
 231.5 in charitable activities.

231.6 Subd. 11. Construction sales tax exemptions. The provisions of article 8, sections
 231.7 13, 14, and 15, exempting from sales tax construction materials for various entities, are
 231.8 intended to increase jobs and reduce tax pyramiding by reducing the tax on inputs used to
 231.9 provide taxable goods and services.

231.10 Subd. 12. Sales tax exemption on certain public infrastructure. The provisions
 231.11 of article 10, section 1, exempting construction materials used in public infrastructure
 231.12 projects related to the destination medical center plan is intended to reduce city costs
 231.13 for those projects.

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

231.15 **ARTICLE 14**

231.16 **MARKET VALUE DEFINITIONS**

231.17 Section 1. Minnesota Statutes 2012, section 38.18, is amended to read:

231.18 **38.18 COUNTY FAIRGROUNDS; IMPROVEMENT AIDED.**

231.19 ~~Any~~ Each town, statutory city, or school district in this state, ~~now or hereafter~~ at any
 231.20 time having a an estimated market value of all its taxable property, ~~exclusive of money and~~
 231.21 ~~credits~~, of more than \$105,000,000, and having a county fair located within its corporate
 231.22 limits, ~~is hereby authorized to aid in defraying~~ may pay part of the expense of improving
 231.23 ~~any such~~ the fairground, ~~by appropriating and paying over~~ to the treasurer of the county
 231.24 owning the fairground ~~such sum of money~~, not exceeding \$10,000, ~~for each of the political~~
 231.25 ~~subdivisions~~, as ~~the~~ its governing body of the town, statutory city, or school district ~~may~~,
 231.26 by resolution, ~~determine~~ determines to be for the best interest of the political subdivision.
 231.27 ~~The sums so appropriated to~~ amounts paid to the county must be used solely ~~for the purpose~~
 231.28 ~~of aiding in the improvement of~~ to improve the fairground in ~~such~~ the manner as the county
 231.29 board ~~of the county shall determine~~ determines to be for the best interest of the county.

231.30 Sec. 2. Minnesota Statutes 2012, section 40A.15, subdivision 2, is amended to read:

231.31 Subd. 2. **Eligible recipients.** All counties within the state, municipalities that prepare
 231.32 plans and official controls instead of a county, and districts are eligible for assistance
 231.33 under the program. Counties and districts may apply for assistance on behalf of other

232.1 municipalities. In order to be eligible for financial assistance a county or municipality must
232.2 agree to levy at least 0.01209 percent of taxable estimated market value for agricultural
232.3 land preservation and conservation activities or otherwise spend the equivalent amount of
232.4 local money on those activities, or spend \$15,000 of local money, whichever is less.

232.5 Sec. 3. Minnesota Statutes 2012, section 69.011, subdivision 1, is amended to read:

232.6 Subdivision 1. **Definitions.** Unless the language or context clearly indicates that
232.7 a different meaning is intended, the following words and terms, for the purposes of this
232.8 chapter and chapters 423, 423A, 424 and 424A, have the meanings ascribed to them:

232.9 (a) "Commissioner" means the commissioner of revenue.

232.10 (b) "Municipality" means:

232.11 (1) a home rule charter or statutory city;

232.12 (2) an organized town;

232.13 (3) a park district subject to chapter 398;

232.14 (4) the University of Minnesota;

232.15 (5) for purposes of the fire state aid program only, an American Indian tribal
232.16 government entity located within a federally recognized American Indian reservation;

232.17 (6) for purposes of the police state aid program only, an American Indian tribal
232.18 government with a tribal police department which exercises state arrest powers under
232.19 section 626.90, 626.91, 626.92, or 626.93;

232.20 (7) for purposes of the police state aid program only, the Metropolitan Airports
232.21 Commission; and

232.22 (8) for purposes of the police state aid program only, the Department of Natural
232.23 Resources and the Department of Public Safety with respect to peace officers covered
232.24 under chapter 352B.

232.25 (c) "Minnesota Firetown Premium Report" means a form prescribed by the
232.26 commissioner containing space for reporting by insurers of fire, lightning, sprinkler
232.27 leakage and extended coverage premiums received upon risks located or to be performed
232.28 in this state less return premiums and dividends.

232.29 (d) "Firetown" means the area serviced by any municipality having a qualified fire
232.30 department or a qualified incorporated fire department having a subsidiary volunteer
232.31 firefighters' relief association.

232.32 (e) "Estimated market value" means latest available estimated market value of all
232.33 property in a taxing jurisdiction, whether the property is subject to taxation, or exempt
232.34 from ad valorem taxation obtained from information which appears on abstracts filed with
232.35 the commissioner of revenue or equalized by the State Board of Equalization.

233.1 (f) "Minnesota Aid to Police Premium Report" means a form prescribed by the
233.2 commissioner for reporting by each fire and casualty insurer of all premiums received
233.3 upon direct business received by it in this state, or by its agents for it, in cash or otherwise,
233.4 during the preceding calendar year, with reference to insurance written for insuring against
233.5 the perils contained in auto insurance coverages as reported in the Minnesota business
233.6 schedule of the annual financial statement which each insurer is required to file with
233.7 the commissioner in accordance with the governing laws or rules less return premiums
233.8 and dividends.

233.9 (g) "Peace officer" means any person:

233.10 (1) whose primary source of income derived from wages is from direct employment
233.11 by a municipality or county as a law enforcement officer on a full-time basis of not less
233.12 than 30 hours per week;

233.13 (2) who has been employed for a minimum of six months prior to December 31
233.14 preceding the date of the current year's certification under subdivision 2, clause (b);

233.15 (3) who is sworn to enforce the general criminal laws of the state and local ordinances;

233.16 (4) who is licensed by the Peace Officers Standards and Training Board and is
233.17 authorized to arrest with a warrant; and

233.18 (5) who is a member of the State Patrol retirement plan or the public employees
233.19 police and fire fund.

233.20 (h) "Full-time equivalent number of peace officers providing contract service" means
233.21 the integral or fractional number of peace officers which would be necessary to provide
233.22 the contract service if all peace officers providing service were employed on a full-time
233.23 basis as defined by the employing unit and the municipality receiving the contract service.

233.24 (i) "Retirement benefits other than a service pension" means any disbursement
233.25 authorized under section 424A.05, subdivision 3, clauses (3) and (4).

233.26 (j) "Municipal clerk, municipal clerk-treasurer, or county auditor" means:

233.27 (1) for the police state aid program and police relief association financial reports:

233.28 (i) the person who was elected or appointed to the specified position or, in the
233.29 absence of the person, another person who is designated by the applicable governing body;

233.30 (ii) in a park district, the secretary of the board of park district commissioners;

233.31 (iii) in the case of the University of Minnesota, the official designated by the Board
233.32 of Regents;

233.33 (iv) for the Metropolitan Airports Commission, the person designated by the
233.34 commission;

233.35 (v) for the Department of Natural Resources or the Department of Public Safety, the
233.36 respective commissioner;

234.1 (vi) for a tribal police department which exercises state arrest powers under section
234.2 626.90, 626.91, 626.92, or 626.93, the person designated by the applicable American
234.3 Indian tribal government; and

234.4 (2) for the fire state aid program and fire relief association financial reports, the
234.5 person who was elected or appointed to the specified position, or, for governmental
234.6 entities other than counties, if the governing body of the governmental entity designates
234.7 the position to perform the function, the chief financial official of the governmental entity
234.8 or the chief administrative official of the governmental entity.

234.9 (k) "Voluntary statewide lump-sum volunteer firefighter retirement plan" means the
234.10 retirement plan established by chapter 353G.

234.11 Sec. 4. Minnesota Statutes 2012, section 69.021, subdivision 7, is amended to read:

234.12 Subd. 7. **Apportionment of fire state aid to municipalities and relief associations.**

234.13 (a) The commissioner shall apportion the fire state aid relative to the premiums reported
234.14 on the Minnesota Firetown Premium Reports filed under this chapter to each municipality
234.15 and/or firefighters relief association.

234.16 (b) The commissioner shall calculate an initial fire state aid allocation amount for
234.17 each municipality or fire department under paragraph (c) and a minimum fire state aid
234.18 allocation amount for each municipality or fire department under paragraph (d). The
234.19 municipality or fire department must receive the larger fire state aid amount.

234.20 (c) The initial fire state aid allocation amount is the amount available for
234.21 apportionment as fire state aid under subdivision 5, without inclusion of any additional
234.22 funding amount to support a minimum fire state aid amount under section 423A.02,
234.23 subdivision 3, allocated one-half in proportion to the population as shown in the last official
234.24 statewide federal census for each fire town and one-half in proportion to the estimated
234.25 market value of each fire town, including (1) the estimated market value of tax-exempt
234.26 property and (2) the estimated market value of natural resources lands receiving in lieu
234.27 payments under sections 477A.11 to 477A.14, but excluding the estimated market value
234.28 of minerals. In the case of incorporated or municipal fire departments furnishing fire
234.29 protection to other cities, towns, or townships as evidenced by valid fire service contracts
234.30 filed with the commissioner, the distribution must be adjusted proportionately to take
234.31 into consideration the crossover fire protection service. Necessary adjustments must be
234.32 made to subsequent apportionments. In the case of municipalities or independent fire
234.33 departments qualifying for the aid, the commissioner shall calculate the state aid for the
234.34 municipality or relief association on the basis of the population and the estimated market
234.35 value of the area furnished fire protection service by the fire department as evidenced by

235.1 duly executed and valid fire service agreements filed with the commissioner. If one or
235.2 more fire departments are furnishing contracted fire service to a city, town, or township,
235.3 only the population and estimated market value of the area served by each fire department
235.4 may be considered in calculating the state aid and the fire departments furnishing service
235.5 shall enter into an agreement apportioning among themselves the percent of the population
235.6 and the estimated market value of each service area. The agreement must be in writing
235.7 and must be filed with the commissioner.

235.8 (d) The minimum fire state aid allocation amount is the amount in addition to the
235.9 initial fire state allocation amount that is derived from any additional funding amount
235.10 to support a minimum fire state aid amount under section 423A.02, subdivision 3, and
235.11 allocated to municipalities with volunteer firefighters relief associations or covered by the
235.12 voluntary statewide lump-sum volunteer firefighter retirement plan based on the number
235.13 of active volunteer firefighters who are members of the relief association as reported
235.14 in the annual financial reporting for the calendar year 1993 to the Office of the State
235.15 Auditor, but not to exceed 30 active volunteer firefighters, so that all municipalities or
235.16 fire departments with volunteer firefighters relief associations receive in total at least a
235.17 minimum fire state aid amount per 1993 active volunteer firefighter to a maximum of
235.18 30 firefighters. If a relief association is established after calendar year 1993 and before
235.19 calendar year 2000, the number of active volunteer firefighters who are members of the
235.20 relief association as reported in the annual financial reporting for calendar year 1998
235.21 to the Office of the State Auditor, but not to exceed 30 active volunteer firefighters,
235.22 shall be used in this determination. If a relief association is established after calendar
235.23 year 1999, the number of active volunteer firefighters who are members of the relief
235.24 association as reported in the first annual financial reporting submitted to the Office of
235.25 the State Auditor, but not to exceed 20 active volunteer firefighters, must be used in this
235.26 determination. If a relief association is terminated as a result of providing retirement
235.27 coverage for volunteer firefighters by the voluntary statewide lump-sum volunteer
235.28 firefighter retirement plan under chapter 353G, the number of active volunteer firefighters
235.29 of the municipality covered by the statewide plan as certified by the executive director of
235.30 the Public Employees Retirement Association to the commissioner and the state auditor,
235.31 but not to exceed 30 active firefighters, must be used in this determination.

235.32 (e) Unless the firefighters of the applicable fire department are members of the
235.33 voluntary statewide lump-sum volunteer firefighter retirement plan, the fire state aid must
235.34 be paid to the treasurer of the municipality where the fire department is located and the
235.35 treasurer of the municipality shall, within 30 days of receipt of the fire state aid, transmit
235.36 the aid to the relief association if the relief association has filed a financial report with the

236.1 treasurer of the municipality and has met all other statutory provisions pertaining to the
236.2 aid apportionment. If the firefighters of the applicable fire department are members of
236.3 the voluntary statewide lump-sum volunteer firefighter retirement plan, the fire state aid
236.4 must be paid to the executive director of the Public Employees Retirement Association
236.5 and deposited in the voluntary statewide lump-sum volunteer firefighter retirement fund.

236.6 (f) The commissioner may make rules to permit the administration of the provisions
236.7 of this section.

236.8 (g) Any adjustments needed to correct prior misallocations must be made to
236.9 subsequent apportionments.

236.10 Sec. 5. Minnesota Statutes 2012, section 69.021, subdivision 8, is amended to read:

236.11 Subd. 8. **Population and estimated market value.** (a) In computations relating to
236.12 fire state aid requiring the use of population figures, only official statewide federal census
236.13 figures are to be used. Increases or decreases in population disclosed by reason of any
236.14 special census must not be taken into consideration.

236.15 (b) In calculations relating to fire state aid requiring the use of estimated market
236.16 value property figures, only the latest available estimated market value property figures
236.17 may be used.

236.18 Sec. 6. Minnesota Statutes 2012, section 88.51, subdivision 3, is amended to read:

236.19 Subd. 3. **Determination of estimated market value.** In determining the net tax
236.20 capacity of property within any taxing district the value of the surface of lands within any
236.21 auxiliary forest therein, as determined by the county board under the provisions of section
236.22 88.48, subdivision 3, shall, for all purposes except the levying of taxes on lands within any
236.23 such forest, be deemed the estimated market value thereof.

236.24 Sec. 7. Minnesota Statutes 2012, section 103B.245, subdivision 3, is amended to read:

236.25 Subd. 3. **Tax.** After adoption of the ordinance under subdivision 2, a local
236.26 government unit may annually levy a tax on all taxable property in the district for the
236.27 purposes for which the tax district is established. The tax may not exceed 0.02418 percent
236.28 of estimated market value on taxable property located in rural towns other than urban
236.29 towns, unless allowed by resolution of the town electors. The proceeds of the tax shall
236.30 be paid into a fund reserved for these purposes. Any proceeds remaining in the reserve
236.31 fund at the time the tax is terminated or the district is dissolved shall be transferred and
236.32 irrevocably pledged to the debt service fund of the local unit to be used solely to reduce
236.33 tax levies for bonded indebtedness of taxable property in the district.

237.1 Sec. 8. Minnesota Statutes 2012, section 103B.251, subdivision 8, is amended to read:

237.2 Subd. 8. **Tax.** (a) For the payment of principal and interest on the bonds issued
237.3 under subdivision 7 and the payment required under subdivision 6, the county shall
237.4 irrevocably pledge and appropriate the proceeds of a tax levied on all taxable property
237.5 located within the territory of the watershed management organization or subwatershed
237.6 unit for which the bonds are issued. Each year until the reserve for payment of the bonds
237.7 is sufficient to retire the bonds, the county shall levy on all taxable property in the territory
237.8 of the organization or unit, without respect to any statutory or other limitation on taxes, an
237.9 amount of taxes sufficient to pay principal and interest on the bonds and to restore any
237.10 deficiencies in reserves required to be maintained for payment of the bonds.

237.11 (b) The tax levied on rural towns other than urban towns may not exceed 0.02418
237.12 percent of ~~taxable~~ estimated market value, unless approved by resolution of the town
237.13 electors.

237.14 (c) If at any time the amounts available from the levy on property in the territory of
237.15 the organization are insufficient to pay principal and interest on the bonds when due, the
237.16 county shall make payment from any available funds in the county treasury.

237.17 (d) The amount of any taxes which are required to be levied outside of the territory
237.18 of the watershed management organization or unit or taken from the general funds of the
237.19 county to pay principal or interest on the bonds shall be reimbursed to the county from
237.20 taxes levied within the territory of the watershed management organization or unit.

237.21 Sec. 9. Minnesota Statutes 2012, section 103B.635, subdivision 2, is amended to read:

237.22 Subd. 2. **Municipal funding of district.** (a) The governing body or board of
237.23 supervisors of each municipality in the district must provide the funds necessary to meet
237.24 its proportion of the total cost determined by the board, provided the total funding from
237.25 all municipalities in the district for the costs shall not exceed an amount equal to .00242
237.26 percent of the total ~~taxable~~ estimated market value within the district, unless three-fourths
237.27 of the municipalities in the district pass a resolution concurring to the additional costs.

237.28 (b) The funds must be deposited in the treasury of the district in amounts and at
237.29 times as the treasurer of the district requires.

237.30 Sec. 10. Minnesota Statutes 2012, section 103B.691, subdivision 2, is amended to read:

237.31 Subd. 2. **Municipal funding of district.** (a) The governing body or board of
237.32 supervisors of each municipality in the district shall provide the funds necessary to meet its
237.33 proportion of the total cost to be borne by the municipalities as finally certified by the board.

238.1 (b) The municipality's funds may be raised by any means within the authority of
238.2 the municipality. The municipalities may each levy a tax not to exceed .02418 percent of
238.3 ~~taxable~~ estimated market value on the taxable property located in the district to provide
238.4 the funds. The levy shall be within all other limitations provided by law.

238.5 (c) The funds must be deposited into the treasury of the district in amounts and at
238.6 times as the treasurer of the district requires.

238.7 Sec. 11. Minnesota Statutes 2012, section 103D.905, subdivision 2, is amended to read:

238.8 Subd. 2. **Organizational expense fund.** (a) An organizational expense fund,
238.9 consisting of an ad valorem tax levy, shall not exceed 0.01596 percent of ~~taxable~~ estimated
238.10 market value, or \$60,000, whichever is less. The money in the fund shall be used for
238.11 organizational expenses and preparation of the watershed management plan for projects.

238.12 (b) The managers may borrow from the affected counties up to 75 percent of the
238.13 anticipated funds to be collected from the organizational expense fund levy and the
238.14 counties affected may make the advancements.

238.15 (c) The advancement of anticipated funds shall be apportioned among affected
238.16 counties in the same ratio as the net tax capacity of the area of the counties within
238.17 the watershed district bears to the net tax capacity of the entire watershed district. If a
238.18 watershed district is enlarged, an organizational expense fund may be levied against the
238.19 area added to the watershed district in the same manner as provided in this subdivision.

238.20 (d) Unexpended funds collected for the organizational expense may be transferred to
238.21 the administrative fund and used for the purposes of the administrative fund.

238.22 Sec. 12. Minnesota Statutes 2012, section 103D.905, subdivision 3, is amended to read:

238.23 Subd. 3. **General fund.** A general fund, consisting of an ad valorem tax levy, may
238.24 not exceed 0.048 percent of ~~taxable~~ estimated market value, or \$250,000, whichever is
238.25 less. The money in the fund shall be used for general administrative expenses and for
238.26 the construction or implementation and maintenance of projects of common benefit to
238.27 the watershed district. The managers may make an annual levy for the general fund as
238.28 provided in section 103D.911. In addition to the annual general levy, the managers may
238.29 annually levy a tax not to exceed 0.00798 percent of ~~taxable~~ estimated market value
238.30 for a period not to exceed 15 consecutive years to pay the cost attributable to the basic
238.31 water management features of projects initiated by petition of a political subdivision
238.32 within the watershed district or by petition of at least 50 resident owners whose property
238.33 is within the watershed district.

239.1 Sec. 13. Minnesota Statutes 2012, section 103D.905, subdivision 8, is amended to read:

239.2 Subd. 8. **Survey and data acquisition fund.** (a) A survey and data acquisition fund
239.3 is established and used only if other funds are not available to the watershed district to pay
239.4 for making necessary surveys and acquiring data.

239.5 (b) The survey and data acquisition fund consists of the proceeds of a property tax
239.6 that can be levied only once every five years. The levy may not exceed 0.02418 percent of
239.7 ~~taxable~~ estimated market value.

239.8 (c) The balance of the survey and data acquisition fund may not exceed \$50,000.

239.9 (d) In a subsequent proceeding for a project where a survey has been made, the
239.10 attributable cost of the survey as determined by the managers shall be included as a part of
239.11 the cost of the work and the sum shall be repaid to the survey and data acquisition fund.

239.12 Sec. 14. Minnesota Statutes 2012, section 117.025, subdivision 7, is amended to read:

239.13 Subd. 7. **Structurally substandard.** "Structurally substandard" means a building:

239.14 (1) that was inspected by the appropriate local government and cited for one or more
239.15 enforceable housing, maintenance, or building code violations;

239.16 (2) in which the cited building code violations involve one or more of the following:

239.17 (i) a roof and roof framing element;

239.18 (ii) support walls, beams, and headers;

239.19 (iii) foundation, footings, and subgrade conditions;

239.20 (iv) light and ventilation;

239.21 (v) fire protection, including egress;

239.22 (vi) internal utilities, including electricity, gas, and water;

239.23 (vii) flooring and flooring elements; or

239.24 (viii) walls, insulation, and exterior envelope;

239.25 (3) in which the cited housing, maintenance, or building code violations have not
239.26 been remedied after two notices to cure the noncompliance; and

239.27 (4) has uncured housing, maintenance, and building code violations, satisfaction of
239.28 which would cost more than 50 percent of the ~~assessor's taxable~~ estimated market value
239.29 for the building, excluding land value, as determined under section 273.11 for property
239.30 taxes payable in the year in which the condemnation is commenced.

239.31 A local government is authorized to seek from a judge or magistrate an administrative
239.32 warrant to gain access to inspect a specific building in a proposed development or
239.33 redevelopment area upon showing of probable cause that a specific code violation has
239.34 occurred and that the violation has not been cured, and that the owner has denied the local
239.35 government access to the property. Items of evidence that may support a conclusion of

240.1 probable cause may include recent fire or police inspections, housing inspection, exterior
240.2 evidence of deterioration, or other similar reliable evidence of deterioration in the specific
240.3 building.

240.4 Sec. 15. Minnesota Statutes 2012, section 127A.48, subdivision 1, is amended to read:

240.5 Subdivision 1. **Computation.** The Department of Revenue must annually conduct
240.6 an assessment/sales ratio study of the taxable property in each county, city, town, and
240.7 school district in accordance with the procedures in subdivisions 2 and 3. Based upon the
240.8 results of this assessment/sales ratio study, the Department of Revenue must determine an
240.9 ~~aggregate~~ equalized net tax capacity for the various classes of taxable property in each
240.10 taxing district, the aggregate of which tax capacity shall be is designated as the adjusted net
240.11 tax capacity. The adjusted net tax capacity must be reduced by the captured tax capacity of
240.12 tax increment districts under section 469.177, subdivision 2, fiscal disparities contribution
240.13 tax capacities under sections 276A.06 and 473F.08, and the tax capacity of transmission
240.14 lines required to be subtracted from the local tax base under section 273.425; and increased
240.15 by fiscal disparities distribution tax capacities under sections 276A.06 and 473F.08. The
240.16 adjusted net tax capacities shall be determined using the net tax capacity percentages in
240.17 effect for the assessment year following the assessment year of the study. The Department
240.18 of Revenue must make whatever estimates are necessary to account for changes in the
240.19 classification system. The Department of Revenue may incur the expense necessary to
240.20 make the determinations. The commissioner of revenue may reimburse any county or
240.21 governmental official for requested services performed in ascertaining the adjusted net tax
240.22 capacity. On or before March 15 annually, the Department of Revenue shall file with the
240.23 chair of the Tax Committee of the house of representatives and the chair of the Committee
240.24 on Taxes and Tax laws of the senate a report of adjusted net tax capacities for school
240.25 districts. On or before June 15 annually, the Department of Revenue shall file its final report
240.26 on the adjusted net tax capacities for school districts established by the previous year's
240.27 assessments and the current year's net tax capacity percentages with the commissioner of
240.28 education and each county auditor for those school districts for which the auditor has the
240.29 responsibility for determination of local tax rates. A copy of the report so filed shall be
240.30 mailed to the clerk of each school district involved and to the county assessor or supervisor
240.31 of assessments of the county or counties in which each school district is located.

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

241.1 Sec. 16. Minnesota Statutes 2012, section 138.053, is amended to read:

241.2 **138.053 COUNTY HISTORICAL SOCIETY; TAX LEVY; CITIES OR**
241.3 **TOWNS.**

241.4 The governing body of any home rule charter or statutory city or town may annually
241.5 appropriate from its general fund an amount not to exceed 0.02418 percent of ~~taxable~~
241.6 estimated market value, derived from ad valorem taxes on property or other revenues, to
241.7 be paid to the historical society of its respective county to be used for the promotion of
241.8 historical work and to aid in defraying the expenses of carrying on the historical work in the
241.9 county. No city or town may appropriate any funds for the benefit of any historical society
241.10 unless the society is affiliated with and approved by the Minnesota Historical Society.

241.11 Sec. 17. Minnesota Statutes 2012, section 144F.01, subdivision 4, is amended to read:

241.12 Subd. 4. **Property tax levy authority.** The district's board may levy a tax on the
241.13 taxable real and personal property in the district. The ad valorem tax levy may not exceed
241.14 0.048 percent of the ~~taxable~~ estimated market value of the district or \$400,000, whichever
241.15 is less. The proceeds of the levy must be used as provided in subdivision 5. The board shall
241.16 certify the levy at the times as provided under section 275.07. The board shall provide the
241.17 county with whatever information is necessary to identify the property that is located within
241.18 the district. If the boundaries include a part of a parcel, the entire parcel shall be included
241.19 in the district. The county auditors must spread, collect, and distribute the proceeds of the
241.20 tax at the same time and in the same manner as provided by law for all other property taxes.

241.21 Sec. 18. Minnesota Statutes 2012, section 162.07, subdivision 3, is amended to read:

241.22 Subd. 3. **Computation for rural counties.** An amount equal to a levy of 0.01596
241.23 percent on each rural county's total ~~taxable~~ estimated market value for the last preceding
241.24 calendar year shall be computed and shall be subtracted from the county's total estimated
241.25 construction costs. The result thereof shall be the money needs of the county. For the
241.26 purpose of this section, "rural counties" means all counties having a population of less
241.27 than 175,000.

241.28 Sec. 19. Minnesota Statutes 2012, section 162.07, subdivision 4, is amended to read:

241.29 Subd. 4. **Computation for urban counties.** An amount equal to a levy of 0.00967
241.30 percent on each urban county's total ~~taxable~~ estimated market value for the last preceding
241.31 calendar year shall be computed and shall be subtracted from the county's total estimated
241.32 construction costs. The result thereof shall be the money needs of the county. For

242.1 the purpose of this section, "urban counties" means all counties having a population
242.2 of 175,000 or more.

242.3 Sec. 20. Minnesota Statutes 2012, section 163.04, subdivision 3, is amended to read:

242.4 Subd. 3. **Bridges within certain cities.** When the council of any statutory city or
242.5 city of the third or fourth class may determine that it is necessary to build or improve any
242.6 bridge or bridges, including approaches thereto, and any dam or retaining works connected
242.7 therewith, upon or forming a part of streets or highways either wholly or partly within
242.8 its limits, the county board shall appropriate one-half of the money as may be necessary
242.9 therefor from the county road and bridge fund, not exceeding during any year one-half
242.10 the amount of taxes paid into the county road and bridge fund during the preceding year,
242.11 on property within the corporate limits of the city. The appropriation shall be made upon
242.12 the petition of the council, which petition shall be filed by the council with the county
242.13 board prior to the fixing by the board of the annual county tax levy. The county board
242.14 shall determine the plans and specifications, shall let all necessary contracts, shall have
242.15 charge of construction, and upon its request, warrants in payment thereof shall be issued
242.16 by the county auditor, from time to time, as the construction work proceeds. Any unpaid
242.17 balance may be paid or advanced by the city. On petition of the council, the appropriations
242.18 of the county board, during not to exceed three successive years, may be made to apply
242.19 on the construction of the same items and to repay any money advanced by the city in
242.20 the construction thereof. None of the provisions of this section shall be construed to
242.21 be mandatory as applied to any city whose estimated market value exceeds \$2,100 per
242.22 capita of its population.

242.23 Sec. 21. Minnesota Statutes 2012, section 163.06, subdivision 6, is amended to read:

242.24 Subd. 6. **Expenditure in certain counties.** In any county having not less than 95
242.25 nor more than 105 full and fractional townships, and having a an estimated market value
242.26 of not less than \$12,000,000 nor more than \$21,000,000, ~~exclusive of money and credits,~~
242.27 the county board, by resolution, may expend the funds provided in subdivision 4 in any
242.28 ~~organized or unorganized township~~ town or unorganized territory or portion thereof in
242.29 such county.

242.30 Sec. 22. Minnesota Statutes 2012, section 165.10, subdivision 1, is amended to read:

242.31 Subdivision 1. **Certain counties may issue and sell.** The county board of any
242.32 county having no outstanding road and bridge bonds may issue and sell county road bonds
242.33 in an amount not exceeding 0.12089 percent of the estimated market value of the taxable

243.1 property within the county ~~exclusive of money and credits~~, for the purpose of constructing,
 243.2 reconstructing, improving, or maintaining any bridge or bridges on any highway under its
 243.3 jurisdiction, without submitting the matter to a vote of the electors of the county.

243.4 Sec. 23. Minnesota Statutes 2012, section 272.03, is amended by adding a subdivision
 243.5 to read:

243.6 Subd. 14. **Estimated market value.** "Estimated market value" means the assessor's
 243.7 determination of market value, including the effects of any orders made under section
 243.8 270.12 or chapter 274, for the parcel. The provisions of section 273.032 apply for certain
 243.9 uses in determining the total estimated market value for the taxing jurisdiction.

243.10 Sec. 24. Minnesota Statutes 2012, section 272.03, is amended by adding a subdivision
 243.11 to read:

243.12 Subd. 15. **Taxable market value.** "Taxable market value" means estimated market
 243.13 value for the parcel as reduced by market value exclusions, deferrals of value, or other
 243.14 adjustments required by law, that reduce market value before the application of class rates.

243.15 Sec. 25. Minnesota Statutes 2012, section 273.032, is amended to read:

243.16 **273.032 MARKET VALUE DEFINITION.**

243.17 (a) Unless otherwise provided, for the purpose of determining any property tax
 243.18 levy limitation based on market value or any limit on net debt, the issuance of bonds,
 243.19 certificates of indebtedness, or capital notes based on market value, any qualification to
 243.20 receive state aid based on market value, or any state aid amount based on market value, the
 243.21 terms "market value," "~~taxable~~ estimated market value," and "market valuation," whether
 243.22 equalized or unequalized, mean the ~~total taxable~~ estimated market value of taxable property
 243.23 within the local unit of government before any of the following or similar adjustments for:

243.24 (1) the market value exclusions under:

243.25 (i) section 273.11, subdivisions 14a and 14c (vacant platted land);

243.26 (ii) section 273.11, subdivision 16 (certain improvements to homestead property);

243.27 (iii) section 273.11, subdivisions 19 and 20 (certain improvements to business
 243.28 properties);

243.29 (iv) section 273.11, subdivision 21 (homestead property damaged by mold);

243.30 (v) section 273.11, subdivision 22 (qualifying lead hazardous reduction projects);

243.31 (vi) section 273.13, subdivision 34 (homestead of a disabled veteran or family
 243.32 caregiver);

243.33 (vii) section 273.13, subdivision 35 (homestead market value exclusion); or

244.1 (2) the deferment of value under:

244.2 (i) the Minnesota Agricultural Property Tax Law, section 273.111;

244.3 (ii) the Aggregate Resource Preservation Law, section 273.1115;

244.4 (iii) the Minnesota Open Space Property Tax Law, section 273.112;

244.5 (iv) the rural preserves property tax program, section 273.114; or

244.6 (v) the Metropolitan Agricultural Preserves Act, section 473H.10; or

244.7 (3) the adjustments to tax capacity for:

244.8 (i) tax increment; financing under sections 469.174 to 469.1794;

244.9 (ii) fiscal disparity; disparities under chapter 276A or 473F; or

244.10 (iii) powerline credit, or wind energy values, but after the limited market adjustments
 244.11 under section 273.11, subdivision 1a, and after the market value exclusions of certain
 244.12 improvements to homestead property under section 273.11, subdivision 16 under section
 244.13 273.425.

244.14 (b) Estimated market value under paragraph (a) also includes the market value
 244.15 of tax-exempt property if the applicable law specifically provides that the limitation,
 244.16 qualification, or aid calculation includes tax-exempt property.

244.17 (c) Unless otherwise provided, "market value," "taxable estimated market value,"
 244.18 and "market valuation" for purposes of this paragraph property tax levy limitations and
 244.19 calculation of state aid, refer to the taxable estimated market value for the previous
 244.20 assessment year and for purposes of limits on net debt, the issuance of bonds, certificates of
 244.21 indebtedness, or capital notes refer to the estimated market value as last finally equalized.

244.22 For the purpose of determining any net debt limit based on market value, or any limit
 244.23 on the issuance of bonds, certificates of indebtedness, or capital notes based on market
 244.24 value, the terms "market value," "taxable market value," and "market valuation," whether
 244.25 equalized or unequalized, mean the total taxable market value of property within the local
 244.26 unit of government before any adjustments for tax increment, fiscal disparity, powerline
 244.27 credit, or wind energy values, but after the limited market value adjustments under section
 244.28 273.11, subdivision 1a, and after the market value exclusions of certain improvements to
 244.29 homestead property under section 273.11, subdivision 16. Unless otherwise provided,
 244.30 "market value," "taxable market value," and "market valuation" for purposes of this
 244.31 paragraph, mean the taxable market value as last finally equalized.

244.32 (d) For purposes of a provision of a home rule charter or of any special law that is not
 244.33 codified in the statutes and that imposes a levy limitation based on market value or any limit
 244.34 on debt, the issuance of bonds, certificates of indebtedness, or capital notes based on market
 244.35 value, the terms "market value," "taxable market value," and "market valuation," whether
 244.36 equalized or unequalized, mean "estimated market value" as defined in paragraph (a).

245.1 Sec. 26. Minnesota Statutes 2012, section 273.11, subdivision 1, is amended to read:

245.2 Subdivision 1. **Generally.** Except as provided in this section or section 273.17,
245.3 subdivision 1, all property shall be valued at its market value. The market value as
245.4 determined pursuant to this section shall be stated such that any amount under \$100 is
245.5 rounded up to \$100 and any amount exceeding \$100 shall be rounded to the nearest \$100.
245.6 In estimating and determining such value, the assessor shall not adopt a lower or different
245.7 standard of value because the same is to serve as a basis of taxation, nor shall the assessor
245.8 adopt as a criterion of value the price for which such property would sell at a forced sale,
245.9 or in the aggregate with all the property in the town or district; but the assessor shall value
245.10 each article or description of property by itself, and at such sum or price as the assessor
245.11 believes the same to be fairly worth in money. The assessor shall take into account the
245.12 effect on the market value of property of environmental factors in the vicinity of the
245.13 property. In assessing any tract or lot of real property, the value of the land, exclusive of
245.14 structures and improvements, shall be determined, and also the value of all structures and
245.15 improvements thereon, and the aggregate value of the property, including all structures
245.16 and improvements, excluding the value of crops growing upon cultivated land. In valuing
245.17 real property upon which there is a mine or quarry, it shall be valued at such price as such
245.18 property, including the mine or quarry, would sell for at a fair, voluntary sale, for cash,
245.19 if the material being mined or quarried is not subject to taxation under section 298.015
245.20 and the mine or quarry is not exempt from the general property tax under section 298.25.
245.21 In valuing real property which is vacant, platted property shall be assessed as provided
245.22 in ~~subdivision 14~~ subdivisions 14a and 14c. All property, or the use thereof, which is
245.23 taxable under section 272.01, subdivision 2, or 273.19, shall be valued at the market
245.24 value of such property and not at the value of a leasehold estate in such property, or at
245.25 some lesser value than its market value.

245.26 Sec. 27. Minnesota Statutes 2012, section 273.124, subdivision 3a, is amended to read:

245.27 Subd. 3a. **Manufactured home park cooperative.** (a) When a manufactured home
245.28 park is owned by a corporation or association organized under chapter 308A or 308B,
245.29 and each person who owns a share or shares in the corporation or association is entitled
245.30 to occupy a lot within the park, the corporation or association may claim homestead
245.31 treatment for the park. Each lot must be designated by legal description or number, and
245.32 each lot is limited to not more than one-half acre of land.

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

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

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

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

246.11 (d) "Homestead treatment" under this subdivision means the class rate provided for
 246.12 class 4c property classified under section 273.13, subdivision 25, paragraph (d), clause (5),
 246.13 item (ii). The homestead market value ~~credit~~ exclusion under section ~~273.1384~~ 273.13,
 246.14 subdivision 35, does not apply and the property taxes assessed against the park shall not
 246.15 be included in the determination of taxes payable for rent paid under section 290A.03.

246.16 **EFFECTIVE DATE.** This section is effective for taxes payable in 2013 and
 246.17 thereafter.

246.18 Sec. 28. Minnesota Statutes 2012, section 273.124, subdivision 13, is amended to read:

246.19 Subd. 13. **Homestead application.** (a) A person who meets the homestead
 246.20 requirements under subdivision 1 must file a homestead application with the county
 246.21 assessor to initially obtain homestead classification.

246.22 (b) The format and contents of a uniform homestead application shall be prescribed
 246.23 by the commissioner of revenue. The application must clearly inform the taxpayer that
 246.24 this application must be signed by all owners who occupy the property or by the qualifying
 246.25 relative and returned to the county assessor in order for the property to receive homestead
 246.26 treatment.

246.27 (c) Every property owner applying for homestead classification must furnish to the
 246.28 county assessor the Social Security number of each occupant who is listed as an owner
 246.29 of the property on the deed of record, the name and address of each owner who does not
 246.30 occupy the property, and the name and Social Security number of each owner's spouse who
 246.31 occupies the property. The application must be signed by each owner who occupies the
 246.32 property and by each owner's spouse who occupies the property, or, in the case of property
 246.33 that qualifies as a homestead under subdivision 1, paragraph (c), by the qualifying relative.

246.34 If a property owner occupies a homestead, the property owner's spouse may not
 246.35 claim another property as a homestead unless the property owner and the property owner's

247.1 spouse file with the assessor an affidavit or other proof required by the assessor stating that
247.2 the property qualifies as a homestead under subdivision 1, paragraph (e).

247.3 Owners or spouses occupying residences owned by their spouses and previously
247.4 occupied with the other spouse, either of whom fail to include the other spouse's name
247.5 and Social Security number on the homestead application or provide the affidavits or
247.6 other proof requested, will be deemed to have elected to receive only partial homestead
247.7 treatment of their residence. The remainder of the residence will be classified as
247.8 nonhomestead residential. When an owner or spouse's name and Social Security number
247.9 appear on homestead applications for two separate residences and only one application is
247.10 signed, the owner or spouse will be deemed to have elected to homestead the residence for
247.11 which the application was signed.

247.12 The Social Security numbers, state or federal tax returns or tax return information,
247.13 including the federal income tax schedule F required by this section, or affidavits or other
247.14 proofs of the property owners and spouses submitted under this or another section to
247.15 support a claim for a property tax homestead classification are private data on individuals as
247.16 defined by section 13.02, subdivision 12, but, notwithstanding that section, the private data
247.17 may be disclosed to the commissioner of revenue, or, for purposes of proceeding under the
247.18 Revenue Recapture Act to recover personal property taxes owing, to the county treasurer.

247.19 (d) If residential real estate is occupied and used for purposes of a homestead by a
247.20 relative of the owner and qualifies for a homestead under subdivision 1, paragraph (c), in
247.21 order for the property to receive homestead status, a homestead application must be filed
247.22 with the assessor. The Social Security number of each relative and spouse of a relative
247.23 occupying the property shall be required on the homestead application filed under this
247.24 subdivision. If a different relative of the owner subsequently occupies the property, the
247.25 owner of the property must notify the assessor within 30 days of the change in occupancy.
247.26 The Social Security number of a relative or relative's spouse occupying the property
247.27 is private data on individuals as defined by section 13.02, subdivision 12, but may be
247.28 disclosed to the commissioner of revenue, or, for the purposes of proceeding under the
247.29 Revenue Recapture Act to recover personal property taxes owing, to the county treasurer.

247.30 (e) The homestead application shall also notify the property owners that the
247.31 application filed under this section will not be mailed annually and that if the property
247.32 is granted homestead status for any assessment year, that same property shall remain
247.33 classified as homestead until the property is sold or transferred to another person, or
247.34 the owners, the spouse of the owner, or the relatives no longer use the property as their
247.35 homestead. Upon the sale or transfer of the homestead property, a certificate of value must
247.36 be timely filed with the county auditor as provided under section 272.115. Failure to

248.1 notify the assessor within 30 days that the property has been sold, transferred, or that the
248.2 owner, the spouse of the owner, or the relative is no longer occupying the property as a
248.3 homestead, shall result in the penalty provided under this subdivision and the property
248.4 will lose its current homestead status.

248.5 (f) If the homestead application is not returned within 30 days, the county will send a
248.6 second application to the present owners of record. The notice of proposed property taxes
248.7 prepared under section 275.065, subdivision 3, shall reflect the property's classification. If
248.8 a homestead application has not been filed with the county by December 15, the assessor
248.9 shall classify the property as nonhomestead for the current assessment year for taxes
248.10 payable in the following year, provided that the owner may be entitled to receive the
248.11 homestead classification by proper application under section 375.192.

248.12 (g) At the request of the commissioner, each county must give the commissioner a
248.13 list that includes the name and Social Security number of each occupant of homestead
248.14 property who is the property owner, property owner's spouse, qualifying relative of a
248.15 property owner, or a spouse of a qualifying relative. The commissioner shall use the
248.16 information provided on the lists as appropriate under the law, including for the detection
248.17 of improper claims by owners, or relatives of owners, under chapter 290A.

248.18 (h) If the commissioner finds that a property owner may be claiming a fraudulent
248.19 homestead, the commissioner shall notify the appropriate counties. Within 90 days of
248.20 the notification, the county assessor shall investigate to determine if the homestead
248.21 classification was properly claimed. If the property owner does not qualify, the county
248.22 assessor shall notify the county auditor who will determine the amount of homestead
248.23 benefits that had been improperly allowed. For the purpose of this section, "homestead
248.24 benefits" means the tax reduction resulting from the classification as a homestead and the
248.25 homestead market value exclusion under section 273.13, the taconite homestead credit
248.26 under section 273.135, the ~~residential homestead~~ and agricultural homestead ~~credits~~ credit
248.27 under section 273.1384, and the supplemental homestead credit under section 273.1391.

248.28 The county auditor shall send a notice to the person who owned the affected property
248.29 at the time the homestead application related to the improper homestead was filed,
248.30 demanding reimbursement of the homestead benefits plus a penalty equal to 100 percent
248.31 of the homestead benefits. The person notified may appeal the county's determination
248.32 by serving copies of a petition for review with county officials as provided in section
248.33 278.01 and filing proof of service as provided in section 278.01 with the Minnesota Tax
248.34 Court within 60 days of the date of the notice from the county. Procedurally, the appeal
248.35 is governed by the provisions in chapter 271 which apply to the appeal of a property tax
248.36 assessment or levy, but without requiring any prepayment of the amount in controversy. If

249.1 the amount of homestead benefits and penalty is not paid within 60 days, and if no appeal
249.2 has been filed, the county auditor shall certify the amount of taxes and penalty to the county
249.3 treasurer. The county treasurer will add interest to the unpaid homestead benefits and
249.4 penalty amounts at the rate provided in section 279.03 for real property taxes becoming
249.5 delinquent in the calendar year during which the amount remains unpaid. Interest may be
249.6 assessed for the period beginning 60 days after demand for payment was made.

249.7 If the person notified is the current owner of the property, the treasurer may add the
249.8 total amount of homestead benefits, penalty, interest, and costs to the ad valorem taxes
249.9 otherwise payable on the property by including the amounts on the property tax statements
249.10 under section 276.04, subdivision 3. The amounts added under this paragraph to the ad
249.11 valorem taxes shall include interest accrued through December 31 of the year preceding
249.12 the taxes payable year for which the amounts are first added. These amounts, when added
249.13 to the property tax statement, become subject to all the laws for the enforcement of real or
249.14 personal property taxes for that year, and for any subsequent year.

249.15 If the person notified is not the current owner of the property, the treasurer may
249.16 collect the amounts due under the Revenue Recapture Act in chapter 270A, or use any of
249.17 the powers granted in sections 277.20 and 277.21 without exclusion, to enforce payment
249.18 of the homestead benefits, penalty, interest, and costs, as if those amounts were delinquent
249.19 tax obligations of the person who owned the property at the time the application related to
249.20 the improperly allowed homestead was filed. The treasurer may relieve a prior owner of
249.21 personal liability for the homestead benefits, penalty, interest, and costs, and instead extend
249.22 those amounts on the tax lists against the property as provided in this paragraph to the extent
249.23 that the current owner agrees in writing. On all demands, billings, property tax statements,
249.24 and related correspondence, the county must list and state separately the amounts of
249.25 homestead benefits, penalty, interest and costs being demanded, billed or assessed.

249.26 (i) Any amount of homestead benefits recovered by the county from the property
249.27 owner shall be distributed to the county, city or town, and school district where the
249.28 property is located in the same proportion that each taxing district's levy was to the total
249.29 of the three taxing districts' levy for the current year. Any amount recovered attributable
249.30 to taconite homestead credit shall be transmitted to the St. Louis County auditor to be
249.31 deposited in the taconite property tax relief account. Any amount recovered that is
249.32 attributable to supplemental homestead credit is to be transmitted to the commissioner of
249.33 revenue for deposit in the general fund of the state treasury. The total amount of penalty
249.34 collected must be deposited in the county general fund.

249.35 (j) If a property owner has applied for more than one homestead and the county
249.36 assessors cannot determine which property should be classified as homestead, the county

250.1 assessors will refer the information to the commissioner. The commissioner shall make
250.2 the determination and notify the counties within 60 days.

250.3 (k) In addition to lists of homestead properties, the commissioner may ask the
250.4 counties to furnish lists of all properties and the record owners. The Social Security
250.5 numbers and federal identification numbers that are maintained by a county or city
250.6 assessor for property tax administration purposes, and that may appear on the lists retain
250.7 their classification as private or nonpublic data; but may be viewed, accessed, and used by
250.8 the county auditor or treasurer of the same county for the limited purpose of assisting the
250.9 commissioner in the preparation of microdata samples under section 270C.12.

250.10 (l) On or before April 30 each year beginning in 2007, each county must provide the
250.11 commissioner with the following data for each parcel of homestead property by electronic
250.12 means as defined in section 289A.02, subdivision 8:

250.13 (i) the property identification number assigned to the parcel for purposes of taxes
250.14 payable in the current year;

250.15 (ii) the name and Social Security number of each occupant of homestead property
250.16 who is the property owner, property owner's spouse, qualifying relative of a property
250.17 owner, or spouse of a qualifying relative;

250.18 (iii) the classification of the property under section 273.13 for taxes payable in the
250.19 current year and in the prior year;

250.20 (iv) an indication of whether the property was classified as a homestead for taxes
250.21 payable in the current year because of occupancy by a relative of the owner or by a
250.22 spouse of a relative;

250.23 (v) the property taxes payable as defined in section 290A.03, subdivision 13, for the
250.24 current year and the prior year;

250.25 (vi) the market value of improvements to the property first assessed for tax purposes
250.26 for taxes payable in the current year;

250.27 (vii) the assessor's estimated market value assigned to the property for taxes payable
250.28 in the current year and the prior year;

250.29 (viii) the taxable market value assigned to the property for taxes payable in the
250.30 current year and the prior year;

250.31 (ix) whether there are delinquent property taxes owing on the homestead;

250.32 (x) the unique taxing district in which the property is located; and

250.33 (xi) such other information as the commissioner decides is necessary.

250.34 The commissioner shall use the information provided on the lists as appropriate
250.35 under the law, including for the detection of improper claims by owners, or relatives
250.36 of owners, under chapter 290A.

251.1 **EFFECTIVE DATE.** This section is effective for taxes payable in 2013 and
251.2 thereafter.

251.3 Sec. 29. Minnesota Statutes 2012, section 273.13, subdivision 21b, is amended to read:

251.4 Subd. 21b. **Net tax capacity.** ~~(a) Gross tax capacity means the product of the~~
251.5 ~~appropriate gross class rates in this section and market values.~~

251.6 ~~(b)~~ Net tax capacity means the product of the appropriate net class rates in this
251.7 section and taxable market values.

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

251.9 Sec. 30. Minnesota Statutes 2012, section 273.1398, subdivision 3, is amended to read:

251.10 Subd. 3. **Disparity reduction aid.** The amount of disparity aid certified for each
251.11 taxing district within each unique taxing jurisdiction for taxes payable in the prior year
251.12 shall be multiplied by the ratio of (1) the jurisdiction's tax capacity using the class rates for
251.13 taxes payable in the year for which aid is being computed, to (2) its tax capacity using
251.14 the class rates for taxes payable in the year prior to that for which aid is being computed,
251.15 both based upon taxable market values for taxes payable in the year prior to that for which
251.16 aid is being computed. If the commissioner determines that insufficient information is
251.17 available to reasonably and timely calculate the numerator in this ratio for the first taxes
251.18 payable year that a class rate change or new class rate is effective, the commissioner shall
251.19 omit the effects of that class rate change or new class rate when calculating this ratio for
251.20 aid payable in that taxes payable year. For aid payable in the year following a year for
251.21 which such omission was made, the commissioner shall use in the denominator for the
251.22 class that was changed or created, the tax capacity for taxes payable two years prior to that
251.23 in which the aid is payable, based on taxable market values for taxes payable in the year
251.24 prior to that for which aid is being computed.

251.25 Sec. 31. Minnesota Statutes 2012, section 273.1398, subdivision 4, is amended to read:

251.26 Subd. 4. **Disparity reduction credit.** (a) Beginning with taxes payable in 1989,
251.27 class 4a and class 3a property qualifies for a disparity reduction credit if: (1) the property
251.28 is located in a border city that has an enterprise zone, as defined in section 469.166; (2)
251.29 the property is located in a city with a population greater than 2,500 and less than 35,000
251.30 according to the 1980 decennial census; (3) the city is adjacent to a city in another state or
251.31 immediately adjacent to a city adjacent to a city in another state; and (4) the adjacent city
251.32 in the other state has a population of greater than 5,000 and less than 75,000 according to
251.33 the 1980 decennial census.

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

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

252.7 Sec. 32. Minnesota Statutes 2012, section 275.011, subdivision 1, is amended to read:

252.8 Subdivision 1. **Determination of levy limit.** The property tax levied for any
252.9 purpose under a special law that is not codified in Minnesota Statutes or a city charter
252.10 provision and that is subject to a mill rate limitation imposed by the special law or city
252.11 charter provision, excluding levies subject to mill rate limitations that use adjusted
252.12 assessed values determined by the commissioner of revenue under section 124.2131, must
252.13 not exceed the following amount for the years specified:

252.14 (a) for taxes payable in 1988, the product of the applicable mill rate limitation
252.15 imposed by special law or city charter provision multiplied by the total assessed valuation
252.16 of all taxable property subject to the tax as adjusted by the provisions of Minnesota
252.17 Statutes 1986, sections 272.64; 273.13, subdivision 7a; and 275.49;

252.18 (b) for taxes payable in 1989, the product of (1) the property tax levy limitation for
252.19 the taxes payable year 1988 determined under clause (a) multiplied by (2) an index for
252.20 market valuation changes equal to the assessment year 1988 total market valuation of all
252.21 taxable property subject to the tax divided by the assessment year 1987 total market
252.22 valuation of all taxable property subject to the tax; and

252.23 (c) for taxes payable in 1990 and subsequent years, the product of (1) the property
252.24 tax levy limitation for the previous year determined pursuant to this subdivision multiplied
252.25 by (2) an index for market valuation changes equal to the total market valuation of all
252.26 taxable property subject to the tax for the current assessment year divided by the total
252.27 market valuation of all taxable property subject to the tax for the previous assessment year.

252.28 For the purpose of determining the property tax levy limitation for the taxes payable
252.29 year ~~1988~~ 2014 and subsequent years under this subdivision, "total market valuation"
252.30 means the ~~total~~ estimated market ~~valuation~~ value of all taxable property subject to the
252.31 tax ~~without valuation adjustments for fiscal disparities (chapters 276A and 473F), tax~~
252.32 ~~increment financing (sections 469.174 to 469.179), or powerline credit (section 273.425)~~
252.33 as provided under section 273.032.

252.34 Sec. 33. Minnesota Statutes 2012, section 275.077, subdivision 2, is amended to read:

253.1 Subd. 2. **Correction of levy amount.** The difference between the correct levy and
253.2 the erroneous levy shall be added to the township levy for the subsequent levy year;
253.3 provided that if the amount of the difference exceeds 0.12089 percent of ~~taxable~~ estimated
253.4 market value, the excess shall be added to the township levy for the second and later
253.5 subsequent levy years, not to exceed an additional levy of 0.12089 percent of ~~taxable~~
253.6 estimated market value in any year, until the full amount of the difference has been levied.
253.7 The funds collected from the corrected levies shall be used to reimburse the county for the
253.8 payment required by subdivision 1.

253.9 Sec. 34. Minnesota Statutes 2012, section 275.71, subdivision 4, is amended to read:

253.10 Subd. 4. **Adjusted levy limit base.** For taxes levied in 2008 through 2010, the
253.11 adjusted levy limit base is equal to the levy limit base computed under subdivision 2
253.12 or section 275.72, multiplied by:

253.13 (1) one plus the percentage growth in the implicit price deflator, but the percentage
253.14 shall not be less than zero or exceed 3.9 percent;

253.15 (2) one plus a percentage equal to 50 percent of the percentage increase in the number
253.16 of households, if any, for the most recent 12-month period for which data is available; and

253.17 (3) one plus a percentage equal to 50 percent of the percentage increase in the
253.18 ~~taxable~~ estimated market value of the jurisdiction due to new construction of class 3
253.19 property, as defined in section 273.13, subdivision 4, except for state-assessed utility and
253.20 railroad property, for the most recent year for which data is available.

253.21 Sec. 35. Minnesota Statutes 2012, section 276.04, subdivision 2, is amended to read:

253.22 Subd. 2. **Contents of tax statements.** (a) The treasurer shall provide for the printing
253.23 of the tax statements. The commissioner of revenue shall prescribe the form of the property
253.24 tax statement and its contents. The tax statement must not state or imply that property tax
253.25 credits are paid by the state of Minnesota. The statement must contain a tabulated statement
253.26 of the dollar amount due to each taxing authority and the amount of the state tax from the
253.27 parcel of real property for which a particular tax statement is prepared. The dollar amounts
253.28 attributable to the county, the state tax, the voter approved school tax, the other local school
253.29 tax, the township or municipality, and the total of the metropolitan special taxing districts
253.30 as defined in section 275.065, subdivision 3, paragraph (i), must be separately stated.
253.31 The amounts due all other special taxing districts, if any, may be aggregated except that
253.32 any levies made by the regional rail authorities in the county of Anoka, Carver, Dakota,
253.33 Hennepin, Ramsey, Scott, or Washington under chapter 398A shall be listed on a separate
253.34 line directly under the appropriate county's levy. If the county levy under this paragraph

254.1 includes an amount for a lake improvement district as defined under sections 103B.501
254.2 to 103B.581, the amount attributable for that purpose must be separately stated from the
254.3 remaining county levy amount. In the case of Ramsey County, if the county levy under this
254.4 paragraph includes an amount for public library service under section 134.07, the amount
254.5 attributable for that purpose may be separated from the remaining county levy amount.
254.6 The amount of the tax on homesteads qualifying under the senior citizens' property tax
254.7 deferral program under chapter 290B is the total amount of property tax before subtraction
254.8 of the deferred property tax amount. The amount of the tax on contamination value
254.9 imposed under sections 270.91 to 270.98, if any, must also be separately stated. The dollar
254.10 amounts, including the dollar amount of any special assessments, may be rounded to the
254.11 nearest even whole dollar. For purposes of this section whole odd-numbered dollars may
254.12 be adjusted to the next higher even-numbered dollar. The amount of market value excluded
254.13 under section 273.11, subdivision 16, if any, must also be listed on the tax statement.

254.14 (b) The property tax statements for manufactured homes and sectional structures
254.15 taxed as personal property shall contain the same information that is required on the
254.16 tax statements for real property.

254.17 (c) Real and personal property tax statements must contain the following information
254.18 in the order given in this paragraph. The information must contain the current year tax
254.19 information in the right column with the corresponding information for the previous year
254.20 in a column on the left:

254.21 (1) the property's estimated market value under section 273.11, subdivision 1;

254.22 (2) the property's homestead market value exclusion under section 273.13,
254.23 subdivision 35;

254.24 (3) the property's taxable market value ~~after reductions under sections 273.11,~~
254.25 ~~subdivisions 1a and 16, and 273.13, subdivision 35~~ section 272.03, subdivision 15;

254.26 (4) the property's gross tax, before credits;

254.27 (5) for homestead agricultural properties, the credit under section 273.1384;

254.28 (6) any credits received under sections 273.119; 273.1234 or 273.1235; 273.135;
254.29 273.1391; 273.1398, subdivision 4; 469.171; and 473H.10, except that the amount of
254.30 credit received under section 273.135 must be separately stated and identified as "taconite
254.31 tax relief"; and

254.32 (7) the net tax payable in the manner required in paragraph (a).

254.33 (d) If the county uses envelopes for mailing property tax statements and if the county
254.34 agrees, a taxing district may include a notice with the property tax statement notifying
254.35 taxpayers when the taxing district will begin its budget deliberations for the current
254.36 year, and encouraging taxpayers to attend the hearings. If the county allows notices to

255.1 be included in the envelope containing the property tax statement, and if more than
 255.2 one taxing district relative to a given property decides to include a notice with the tax
 255.3 statement, the county treasurer or auditor must coordinate the process and may combine
 255.4 the information on a single announcement.

255.5 Sec. 36. Minnesota Statutes 2012, section 276A.01, subdivision 10, is amended to read:

255.6 Subd. 10. **Adjusted market value.** "Adjusted market value" of real and personal
 255.7 property within a municipality means the assessor's estimated taxable market value,
 255.8 as defined in section 272.03, of all real and personal property, including the value of
 255.9 manufactured housing, within the municipality. ~~For purposes of sections 276A.01 to~~
 255.10 ~~276A.09, the commissioner of revenue shall annually make determinations and reports~~
 255.11 ~~with respect to each municipality which are comparable to those it makes for school~~
 255.12 ~~districts, adjusted for sales ratios in a manner similar to the adjustments made to city and~~
 255.13 ~~town net tax capacities under section 127A.48, subdivisions 1 to 6, in the same manner~~
 255.14 ~~and at the same times prescribed by the subdivision. The commissioner of revenue shall~~
 255.15 ~~annually determine, for each municipality, information comparable to that required by~~
 255.16 ~~section 475.53, subdivision 4, for school districts, as soon as practicable after it becomes~~
 255.17 ~~available. The commissioner of revenue shall then compute the equalized market value of~~
 255.18 ~~property within each municipality.~~

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

255.20 Sec. 37. Minnesota Statutes 2012, section 276A.01, subdivision 12, is amended to read:

255.21 Subd. 12. **Fiscal capacity.** "Fiscal capacity" of a municipality means its ~~valuation~~
 255.22 adjusted market value, determined as of January 2 of any year, divided by its population,
 255.23 determined as of a date in the same year.

255.24 Sec. 38. Minnesota Statutes 2012, section 276A.01, subdivision 13, is amended to read:

255.25 Subd. 13. **Average fiscal capacity.** "Average fiscal capacity" of municipalities
 255.26 means the sum of the ~~valuations~~ adjusted market values of all municipalities, determined
 255.27 as of January 2 of any year, divided by the sum of their populations, determined as of
 255.28 a date in the same year.

255.29 Sec. 39. Minnesota Statutes 2012, section 276A.01, subdivision 15, is amended to read:

255.30 Subd. 15. **Net tax capacity.** "Net tax capacity" means the taxable market value of
 255.31 real and personal property multiplied by its net tax capacity rates in section 273.13.

256.1 Sec. 40. Minnesota Statutes 2012, section 276A.06, subdivision 10, is amended to read:

256.2 Subd. 10. **Adjustment of values for other computations.** For the purpose of
 256.3 computing the amount or rate of any salary, aid, tax, or debt authorized, required, or
 256.4 limited by any provision of any law or charter, where the authorization, requirement, or
 256.5 limitation is related to any value or valuation of taxable property within any governmental
 256.6 unit, the value or net tax capacity fiscal capacity under section 276A.01, subdivision 12, a
 256.7 municipality's taxable market value must be adjusted to reflect the adjustments reductions
 256.8 to net tax capacity effected by subdivision 2, clause (a), provided that: ~~(1)~~ in determining
 256.9 the taxable market value of commercial-industrial property or any class thereof within
 256.10 a ~~governmental unit for any purpose other than section 276A.05~~ municipality, ~~(a)~~ the
 256.11 reduction required by this subdivision is that amount which bears the same proportion to
 256.12 the amount subtracted from the ~~governmental unit's~~ municipality's net tax capacity pursuant
 256.13 to subdivision 2, clause (a), as the taxable market value of commercial-industrial property,
 256.14 or such class thereof, located within the ~~governmental unit~~ municipality bears to the net
 256.15 tax capacity of commercial-industrial property, or such class thereof, located within the
 256.16 ~~governmental unit~~, and ~~(b)~~ the increase required by this subdivision is that amount which
 256.17 bears the same proportion to the amount added to the ~~governmental unit's~~ net tax capacity
 256.18 pursuant to subdivision 2, clause (b), as the market value of ~~commercial-industrial property,~~
 256.19 ~~or such class thereof, located within the governmental unit~~ bears to the net tax capacity of
 256.20 ~~commercial-industrial property, or such class thereof, located within the governmental unit;~~
 256.21 ~~and (2) in determining the market value of real property within a municipality for purposes~~
 256.22 ~~of section 276A.05, the adjustment prescribed by clause (1)(a) must be made and that~~
 256.23 ~~prescribed by clause (1)(b) must not be made~~ municipality. No adjustment shall be made
 256.24 to taxable market value for the increase in net tax capacity under subdivision 2, clause (b).

256.25 Sec. 41. Minnesota Statutes 2012, section 287.08, is amended to read:

256.26 **287.08 TAX, HOW PAYABLE; RECEIPTS.**

256.27 (a) The tax imposed by sections 287.01 to 287.12 must be paid to the treasurer of
 256.28 any county in this state in which the real property or some part is located at or before
 256.29 the time of filing the mortgage for record. The treasurer shall endorse receipt on the
 256.30 mortgage and the receipt is conclusive proof that the tax has been paid in the amount
 256.31 stated and authorizes any county recorder or registrar of titles to record the mortgage. Its
 256.32 form, in substance, shall be "registration tax hereon of dollars paid." If the
 256.33 mortgage is exempt from taxation the endorsement shall, in substance, be "exempt from
 256.34 registration tax." In either case the receipt must be signed by the treasurer. In case the
 256.35 treasurer is unable to determine whether a claim of exemption should be allowed, the tax

257.1 must be paid as in the case of a taxable mortgage. For documents submitted electronically,
257.2 the endorsements and tax amount shall be affixed electronically and no signature by the
257.3 treasurer will be required. The actual payment method must be arranged in advance
257.4 between the submitter and the receiving county.

257.5 (b) The county treasurer may refund in whole or in part any mortgage registry tax
257.6 overpayment if a written application by the taxpayer is submitted to the county treasurer
257.7 within 3-1/2 years from the date of the overpayment. If the county has not issued a denial
257.8 of the application, the taxpayer may bring an action in Tax Court in the county in which
257.9 the tax was paid at any time after the expiration of six months from the time that the
257.10 application was submitted. A denial of refund may be appealed within 60 days from
257.11 the date of the denial by bringing an action in Tax Court in the county in which the tax
257.12 was paid. The action is commenced by the serving of a petition for relief on the county
257.13 treasurer, and by filing a copy with the court. The county attorney shall defend the action.
257.14 The county treasurer shall notify the treasurer of each county that has or would receive a
257.15 portion of the tax as paid.

257.16 (c) If the county treasurer determines a refund should be paid, or if a refund is
257.17 ordered by the court, the county treasurer of each county that actually received a portion
257.18 of the tax shall immediately pay a proportionate share of three percent of the refund
257.19 using any available county funds. The county treasurer of each county that received, or
257.20 would have received, a portion of the tax shall also pay their county's proportionate share
257.21 of the remaining 97 percent of the court-ordered refund on or before the 20th day of the
257.22 following month using solely the mortgage registry tax funds that would be paid to the
257.23 commissioner of revenue on that date under section 287.12. If the funds on hand under
257.24 this procedure are insufficient to fully fund 97 percent of the court-ordered refund, the
257.25 county treasurer of the county in which the action was brought shall file a claim with the
257.26 commissioner of revenue under section 16A.48 for the remaining portion of 97 percent of
257.27 the refund, and shall pay over the remaining portion upon receipt of a warrant from the
257.28 state issued pursuant to the claim.

257.29 (d) When any mortgage covers real property located in more than one county in this
257.30 state the total tax must be paid to the treasurer of the county where the mortgage is first
257.31 presented for recording, and the payment must be receipted as provided in paragraph
257.32 (a). If the principal debt or obligation secured by such a multiple county mortgage
257.33 exceeds \$10,000,000, the nonstate portion of the tax must be divided and paid over by
257.34 the county treasurer receiving it, on or before the 20th day of each month after receipt,
257.35 to the county or counties entitled in the ratio that the estimated market value of the real
257.36 property covered by the mortgage in each county bears to the estimated market value of

258.1 all the real property in this state described in the mortgage. In making the division and
258.2 payment the county treasurer shall send a statement giving the description of the real
258.3 property described in the mortgage and the estimated market value of the part located in
258.4 each county. For this purpose, the treasurer of any county may require the treasurer of
258.5 any other county to certify to the former the estimated market ~~valuation~~ value of any tract
258.6 of real property in any mortgage.

258.7 (e) The mortgagor must pay the tax imposed by sections 287.01 to 287.12. The
258.8 mortgagee may undertake to collect and remit the tax on behalf of the mortgagor. If the
258.9 mortgagee collects money from the mortgagor to remit the tax on behalf of the mortgagor,
258.10 the mortgagee has a fiduciary duty to remit the tax on behalf of the mortgagor as to the
258.11 amount of the tax collected for that purpose and the mortgagor is relieved of any further
258.12 obligation to pay the tax as to the amount collected by the mortgagee for this purpose.

258.13 Sec. 42. Minnesota Statutes 2012, section 287.23, subdivision 1, is amended to read:

258.14 Subdivision 1. **Real property outside county.** If any taxable deed or instrument
258.15 describes any real property located in more than one county in this state, the total tax must
258.16 be paid to the treasurer of the county where the document is first presented for recording,
258.17 and the payment must be receipted as provided in section 287.08. If the net consideration
258.18 exceeds \$700,000, the nonstate portion of the tax must be divided and paid over by the
258.19 county treasurer receiving it, on or before the 20th day of each month after receipt, to
258.20 the county or counties entitled in the ratio which the estimated market value of the real
258.21 property covered by the document in each county bears to the estimated market value of
258.22 all the real property in this state described in the document. In making the division and
258.23 payment the county treasurer shall send a statement to the other involved counties giving
258.24 the description of the real property described in the document and the estimated market
258.25 value of the part located in each county. The treasurer of any county may require the
258.26 treasurer of any other county to certify to the former the estimated market ~~valuation~~ value
258.27 of any parcel of real property for this purpose.

258.28 Sec. 43. Minnesota Statutes 2012, section 353G.08, subdivision 2, is amended to read:

258.29 Subd. 2. **Cash flow funding requirement.** If the executive director determines that
258.30 an account in the voluntary statewide lump-sum volunteer firefighter retirement plan has
258.31 insufficient assets to meet the service pensions determined payable from the account,
258.32 the executive director shall certify the amount of the potential service pension shortfall
258.33 to the municipality or municipalities and the municipality or municipalities shall make
258.34 an additional employer contribution to the account within ten days of the certification.

259.1 If more than one municipality is associated with the account, unless the municipalities
259.2 agree to a different allocation, the municipalities shall allocate the additional employer
259.3 contribution one-half in proportion to the population of each municipality and one-half in
259.4 proportion to the estimated market value of the property of each municipality.

259.5 Sec. 44. Minnesota Statutes 2012, section 365.025, subdivision 4, is amended to read:

259.6 Subd. 4. **Major purchases: notice, petition, election.** Before buying anything
259.7 under subdivision 2 that costs more than 0.24177 percent of the estimated market value of
259.8 the town, the town must follow this subdivision.

259.9 The town must publish in its official newspaper the board's resolution to pay for the
259.10 property over time. Then a petition for an election on the contract may be filed with the
259.11 clerk. The petition must be filed within ten days after the resolution is published. To require
259.12 the election the petition must be signed by a number of voters equal to ten percent of the
259.13 voters at the last regular town election. The contract then must be approved by a majority of
259.14 those voting on the question. The question may be voted on at a regular or special election.

259.15 Sec. 45. Minnesota Statutes 2012, section 366.095, subdivision 1, is amended to read:

259.16 Subdivision 1. **Certificates of indebtedness.** The town board may issue certificates
259.17 of indebtedness within the debt limits for a town purpose otherwise authorized by law.
259.18 The certificates shall be payable in not more than ten years and be issued on the terms and
259.19 in the manner as the board may determine. If the amount of the certificates to be issued
259.20 exceeds 0.25 percent of the estimated market value of the town, they shall not be issued
259.21 for at least ten days after publication in a newspaper of general circulation in the town of
259.22 the board's resolution determining to issue them. If within that time, a petition asking for
259.23 an election on the proposition signed by voters equal to ten percent of the number of voters
259.24 at the last regular town election is filed with the clerk, the certificates shall not be issued
259.25 until their issuance has been approved by a majority of the votes cast on the question at
259.26 a regular or special election. A tax levy shall be made to pay the principal and interest
259.27 on the certificates as in the case of bonds.

259.28 Sec. 46. Minnesota Statutes 2012, section 366.27, is amended to read:

259.29 **366.27 FIREFIGHTERS' RELIEF; TAX LEVY.**

259.30 The town board of any town in this state having therein a platted portion on
259.31 which resides 1,200 or more people, and wherein a duly incorporated firefighters' relief
259.32 association is located may each year levy a tax not to exceed 0.00806 percent of ~~taxable~~
259.33 estimated market value for the benefit of the relief association.

260.1 Sec. 47. Minnesota Statutes 2012, section 368.01, subdivision 23, is amended to read:

260.2 Subd. 23. **Financing purchase of certain equipment.** The town board may issue
260.3 certificates of indebtedness within debt limits to purchase fire or police equipment or
260.4 ambulance equipment or street construction or maintenance equipment. The certificates
260.5 shall be payable in not more than five years and be issued on terms and in the manner as the
260.6 board may determine. If the amount of the certificates to be issued to finance a purchase
260.7 exceeds 0.24177 percent of the estimated market value of the town, ~~excluding money~~
260.8 ~~and credits~~; they shall not be issued for at least ten days after publication in the official
260.9 newspaper of a town board resolution determining to issue them. If before the end of that
260.10 time, a petition asking for an election on the proposition signed by voters equal to ten
260.11 percent of the number of voters at the last regular town election is filed with the clerk, the
260.12 certificates shall not be issued until the proposition of their issuance has been approved by a
260.13 majority of the votes cast on the question at a regular or special election. A tax levy shall be
260.14 made for the payment of the principal and interest on the certificates as in the case of bonds.

260.15 Sec. 48. Minnesota Statutes 2012, section 368.47, is amended to read:

260.16 **368.47 TOWNS MAY BE DISSOLVED.**

260.17 (1) When the voters residing within a town have failed to elect any town officials for
260.18 more than ten years continuously;

260.19 (2) when a town has failed for a period of ten years to exercise any of the powers
260.20 and functions of a town;

260.21 (3) when the estimated market value of a town drops to less than \$165,000;

260.22 (4) when the tax delinquency of a town, exclusive of taxes that are delinquent or
260.23 unpaid because they are contested in proceedings for the enforcement of taxes, amounts to
260.24 12 percent of its market value; or

260.25 (5) when the state or federal government has acquired title to 50 percent of the
260.26 real estate of a town,

260.27 which facts, or any of them, may be found and determined by the resolution of the county
260.28 board of the county in which the town is located, according to the official records in the
260.29 office of the county auditor, the county board by resolution may declare the town, naming
260.30 it, dissolved and no longer entitled to exercise any of the powers or functions of a town.

260.31 In Cass, Itasca, and St. Louis Counties, before the dissolution is effective the voters
260.32 of the town shall express their approval or disapproval. The town clerk shall, upon a
260.33 petition signed by a majority of the registered voters of the town, filed with the clerk at
260.34 least 60 days before a regular or special town election, give notice at the same time and
260.35 in the same manner of the election that the question of dissolution of the town will be

261.1 submitted for determination at the election. At the election the question shall be voted
261.2 upon by a separate ballot, the terms of which shall be either "for dissolution" or "against
261.3 dissolution." The ballot shall be deposited in a separate ballot box and the result of the
261.4 voting canvassed, certified, and returned in the same manner and at the same time as
261.5 other facts and returns of the election. If a majority of the votes cast at the election are
261.6 for dissolution, the town shall be dissolved. If a majority of the votes cast at the election
261.7 are against dissolution, the town shall not be dissolved.

261.8 When a town is dissolved under sections 368.47 to 368.49 the county shall acquire
261.9 title to any telephone company or other business conducted by the town. The business
261.10 shall be operated by the board of county commissioners until it can be sold. The
261.11 subscribers or patrons of the business shall have the first opportunity of purchase. If the
261.12 town has any outstanding indebtedness chargeable to the business, the county auditor shall
261.13 levy a tax against the property situated in the dissolved town to pay the indebtedness
261.14 as it becomes due.

261.15 Sec. 49. Minnesota Statutes 2012, section 370.01, is amended to read:

261.16 **370.01 CHANGE OF BOUNDARIES; CREATION OF NEW COUNTIES.**

261.17 The boundaries of counties may be changed by taking territory from a county and
261.18 attaching it to an adjoining county, and new counties may be established out of territory of
261.19 one or more existing counties. A new county shall contain at least 400 square miles and
261.20 have at least 4,000 inhabitants. A proposed new county must have a total ~~taxable~~ estimated
261.21 market value of at least 35 percent of (i) the total ~~taxable~~ estimated market value of the
261.22 existing county, or (ii) the average total ~~taxable~~ estimated market value of the existing
261.23 counties, included in the proposition. The determination of the ~~taxable~~ estimated market
261.24 value of a county must be made by the commissioner of revenue. An existing county shall
261.25 not be reduced in area below 400 square miles, have less than 4,000 inhabitants, or have a
261.26 total ~~taxable~~ estimated market value of less than that required of a new county.

261.27 No change in the boundaries of any county having an area of more than 2,500 square
261.28 miles, whether by the creation of a new county, or otherwise, shall detach from the existing
261.29 county any territory within 12 miles of the county seat.

261.30 Sec. 50. Minnesota Statutes 2012, section 373.40, subdivision 1, is amended to read:

261.31 Subdivision 1. **Definitions.** For purposes of this section, the following terms have
261.32 the meanings given.

261.33 (a) "Bonds" means an obligation as defined under section 475.51.

262.1 (b) "Capital improvement" means acquisition or betterment of public lands,
 262.2 buildings, or other improvements within the county for the purpose of a county courthouse,
 262.3 administrative building, health or social service facility, correctional facility, jail, law
 262.4 enforcement center, hospital, morgue, library, park, qualified indoor ice arena, roads and
 262.5 bridges, and the acquisition of development rights in the form of conservation easements
 262.6 under chapter 84C. An improvement must have an expected useful life of five years or
 262.7 more to qualify. "Capital improvement" does not include a recreation or sports facility
 262.8 building (such as, but not limited to, a gymnasium, ice arena, racquet sports facility,
 262.9 swimming pool, exercise room or health spa), unless the building is part of an outdoor
 262.10 park facility and is incidental to the primary purpose of outdoor recreation.

262.11 (c) "Metropolitan county" means a county located in the seven-county metropolitan
 262.12 area as defined in section 473.121 or a county with a population of 90,000 or more.

262.13 (d) "Population" means the population established by the most recent of the
 262.14 following (determined as of the date the resolution authorizing the bonds was adopted):

262.15 (1) the federal decennial census,

262.16 (2) a special census conducted under contract by the United States Bureau of the
 262.17 Census, or

262.18 (3) a population estimate made either by the Metropolitan Council or by the state
 262.19 demographer under section 4A.02.

262.20 (e) "Qualified indoor ice arena" means a facility that meets the requirements of
 262.21 section 373.43.

262.22 (f) ~~"Tax capacity" means total taxable market value, but does not include captured~~
 262.23 ~~market value.~~

262.24 Sec. 51. Minnesota Statutes 2012, section 373.40, subdivision 4, is amended to read:

262.25 Subd. 4. **Limitations on amount.** A county may not issue bonds under this section
 262.26 if the maximum amount of principal and interest to become due in any year on all the
 262.27 outstanding bonds issued pursuant to this section (including the bonds to be issued) will
 262.28 equal or exceed 0.12 percent of ~~taxable~~ the estimated market value of property in the
 262.29 county. Calculation of the limit must be made using the ~~taxable~~ estimated market value for
 262.30 the taxes payable year in which the obligations are issued and sold. This section does not
 262.31 limit the authority to issue bonds under any other special or general law.

262.32 Sec. 52. Minnesota Statutes 2012, section 375.167, subdivision 1, is amended to read:

262.33 Subdivision 1. **Appropriations.** Notwithstanding any contrary law, a county board
 262.34 may appropriate from the general revenue fund to any nonprofit corporation a sum not

263.1 to exceed 0.00604 percent of ~~taxable~~ estimated market value to provide legal assistance
263.2 to persons who are unable to afford private legal counsel.

263.3 Sec. 53. Minnesota Statutes 2012, section 375.18, subdivision 3, is amended to read:

263.4 Subd. 3. **Courthouse.** Each county board may erect, furnish, and maintain a
263.5 suitable courthouse. No indebtedness shall be created for a courthouse in excess of an
263.6 amount equal to a levy of 0.04030 percent of ~~taxable~~ estimated market value without the
263.7 approval of a majority of the voters of the county voting on the question of issuing the
263.8 obligation at an election.

263.9 Sec. 54. Minnesota Statutes 2012, section 375.555, is amended to read:

263.10 **375.555 FUNDING.**

263.11 To implement the county emergency jobs program, the county board may expend
263.12 an amount equal to what would be generated by a levy of 0.01209 percent of ~~taxable~~
263.13 estimated market value. The money to be expended may be from any available funds
263.14 not otherwise earmarked.

263.15 Sec. 55. Minnesota Statutes 2012, section 383B.152, is amended to read:

263.16 **383B.152 BUILDING AND MAINTENANCE FUND.**

263.17 The county board may by resolution levy a tax to provide money which shall be kept
263.18 in a fund known as the county reserve building and maintenance fund. Money in the fund
263.19 shall be used solely for the construction, maintenance, and equipping of county buildings
263.20 that are constructed or maintained by the board. The levy shall not be subject to any limit
263.21 fixed by any other law or by any board of tax levy or other corresponding body, but shall
263.22 not exceed 0.02215 percent of ~~taxable~~ estimated market value, less the amount required by
263.23 chapter 475 to be levied in the year for the payment of the principal of and interest on all
263.24 bonds issued pursuant to Extra Session Laws 1967, chapter 47, section 1.

263.25 Sec. 56. Minnesota Statutes 2012, section 383B.245, is amended to read:

263.26 **383B.245 LIBRARY LEVY.**

263.27 (a) The county board may levy a tax on the taxable property within the county to
263.28 acquire, better, and construct county library buildings and branches and to pay principal
263.29 and interest on bonds issued for that purpose.

263.30 (b) The county board may by resolution adopted by a five-sevenths vote issue and
263.31 sell general obligation bonds of the county in the manner provided in sections 475.60 to

264.1 475.73. The bonds shall not be subject to the limitations of sections 475.51 to 475.59,
264.2 but the maturity years and amounts and interest rates of each series of bonds shall be
264.3 fixed so that the maximum amount of principal and interest to become due in any year,
264.4 on the bonds of that series and of all outstanding series issued by or for the purposes of
264.5 libraries, shall not exceed an amount equal to 0.01612 percent of estimated market value
264.6 of all taxable property in the county as last finally equalized before the issuance of the new
264.7 series. When the tax levy authorized in this section is collected it shall be appropriated
264.8 and credited to a debt service fund for the bonds in amounts required each year in lieu of a
264.9 countywide tax levy for the debt service fund under section 475.61.

264.10 Sec. 57. Minnesota Statutes 2012, section 383B.73, subdivision 1, is amended to read:

264.11 Subdivision 1. **Levy.** To provide funds for the purposes of the Three Rivers Park
264.12 District as set forth in its annual budget, in lieu of the levies authorized by any other
264.13 special law for such purposes, the Board of Park District Commissioners may levy taxes
264.14 on all the taxable property in the county and park district at a rate not exceeding 0.03224
264.15 percent of estimated market value. Notwithstanding section 398.16, on or before October
264.16 1 of each year, after public hearing, the Board of Park District Commissioners shall adopt
264.17 a budget for the ensuing year and shall determine the total amount necessary to be raised
264.18 from ad valorem tax levies to meet its budget. The Board of Park District Commissioners
264.19 shall submit the budget to the county board. The county board may veto or modify an item
264.20 contained in the budget. If the county board determines to veto or to modify an item in the
264.21 budget, it must, within 15 days after the budget was submitted by the district board, state
264.22 in writing the specific reasons for its objection to the item vetoed or the reason for the
264.23 modification. The Park District Board, after consideration of the county board's objections
264.24 and proposed modifications, may reapprove a vetoed item or the original version of an item
264.25 with respect to which a modification has been proposed, by a two-thirds majority. If the
264.26 district board does not reapprove a vetoed item, the item shall be deleted from the budget.
264.27 If the district board does not reapprove the original version of a modified item, the item
264.28 shall be included in the budget as modified by the county board. After adoption of the final
264.29 budget and no later than October 1, the superintendent of the park district shall certify to the
264.30 office of the Hennepin County director of tax and public records exercising the functions
264.31 of the county auditor the total amount to be raised from ad valorem tax levies to meet its
264.32 budget for the ensuing year. The director of tax and public records shall add the amount of
264.33 any levy certified by the district to other tax levies on the property of the county within the
264.34 district for collection by the director of tax and public records with other taxes. When

265.1 collected, the director shall make settlement of such taxes with the district in the same
265.2 manner as other taxes are distributed to the other political subdivisions in Hennepin County.

265.3 Sec. 58. Minnesota Statutes 2012, section 383E.20, is amended to read:

265.4 **383E.20 BONDING FOR COUNTY LIBRARY BUILDINGS.**

265.5 The Anoka County Board may, by resolution adopted by a four-sevenths vote, issue
265.6 and sell general obligation bonds of the county in the manner provided in chapter 475 to
265.7 acquire, better, and construct county library buildings. The bonds shall not be subject to the
265.8 requirements of sections 475.57 to 475.59. The maturity years and amounts and interest
265.9 rates of each series of bonds shall be fixed so that the maximum amount of principal and
265.10 interest to become due in any year, on the bonds of that series and of all outstanding series
265.11 issued by or for the purposes of libraries, shall not exceed an amount equal to .01 percent
265.12 of the ~~taxable~~ estimated market value of all taxable property in the county, excluding any
265.13 taxable property taxed by any city for the support of any free public library. When the tax
265.14 levy authorized in this section is collected, it shall be appropriated and credited to a debt
265.15 service fund for the bonds. The tax levy for the debt service fund under section 475.61
265.16 shall be reduced by the amount available or reasonably anticipated to be available in the
265.17 fund to make payments otherwise payable from the levy pursuant to section 475.61.

265.18 Sec. 59. Minnesota Statutes 2012, section 383E.23, is amended to read:

265.19 **383E.23 LIBRARY TAX.**

265.20 The Anoka County Board may levy a tax of not more than .01 percent of the ~~taxable~~
265.21 estimated market value of taxable property located within the county excluding any
265.22 taxable property taxed by any city for the support of any free public library, to acquire,
265.23 better, and construct county library buildings and to pay principal and interest on bonds
265.24 issued for that purpose. The tax shall be disregarded in the calculation of levies or limits
265.25 on levies provided by section 373.40, or other law.

265.26 Sec. 60. Minnesota Statutes 2012, section 385.31, is amended to read:

265.27 **385.31 PAYMENT OF COUNTY ORDERS OR WARRANTS.**

265.28 When any order or warrant drawn on the treasurer is presented for payment, if there
265.29 is money in the treasury for that purpose, the county treasurer shall redeem the same, and
265.30 write across the entire face thereof the word "redeemed," the date of the redemption, and
265.31 the treasurer's official signature. If there is not sufficient funds in the proper accounts to
265.32 pay such orders they shall be numbered and registered in their order of presentation,

266.1 and proper endorsement thereof shall be made on such orders and they shall be entitled
266.2 to payment in like order. Such orders shall bear interest at not to exceed the rate of six
266.3 percent per annum from such date of presentment. The treasurer, as soon as there is
266.4 sufficient money in the treasury, shall appropriate and set apart a sum sufficient for the
266.5 payment of the orders so presented and registered, and, if entitled to interest, issue to the
266.6 original holder a notice that interest will cease in 30 days from the date of such notice; and,
266.7 if orders thus entitled to priority of payment are not then presented, the next in order of
266.8 registry may be paid until such orders are presented. No interest shall be paid on any order,
266.9 except upon a warrant drawn by the county auditor for that purpose, giving the number
266.10 and the date of the order on account of which the interest warrant is drawn. In any county
266.11 in this state now or hereafter having a an estimated market value of all taxable property;
266.12 ~~exclusive of money and credits~~, of not less than \$1,033,000,000, the county treasurer, in
266.13 order to save payment of interest on county warrants drawn upon a fund in which there
266.14 shall be temporarily insufficient money in the treasury to redeem the same, may borrow
266.15 temporarily from any other fund in the county treasury in which there is a sufficient balance
266.16 to care for the needs of such fund and allow a temporary loan or transfer to any other fund,
266.17 and may pay such warrants out of such funds. Any such money so transferred and used in
266.18 redeeming such county warrants shall be returned to the fund from which drawn as soon
266.19 as money shall come in to the credit of such fund on which any such warrant was drawn
266.20 and paid as aforesaid. Any county operating on a cash basis may use a combined form of
266.21 warrant or order and check, which, when signed by the chair of the county board and by
266.22 the auditor, is an order or warrant for the payment of the claim, and, when countersigned
266.23 by the county treasurer, is a check for the payment of the amount thereof.

266.24 Sec. 61. Minnesota Statutes 2012, section 394.36, subdivision 1, is amended to read:

266.25 Subdivision 1. **Continuation of nonconformity; limitations.** Except as provided in
266.26 subdivision 2, 3, or 4, any nonconformity, including the lawful use or occupation of land
266.27 or premises existing at the time of the adoption of an official control under this chapter,
266.28 may be continued, although the use or occupation does not conform to the official control.
266.29 If the nonconformity or occupancy is discontinued for a period of more than one year, or
266.30 any nonconforming building or structure is destroyed by fire or other peril to the extent of
266.31 50 percent of its estimated market value, any subsequent use or occupancy of the land or
266.32 premises shall be a conforming use or occupancy.

266.33 Sec. 62. Minnesota Statutes 2012, section 398A.04, subdivision 8, is amended to read:

267.1 Subd. 8. **Taxation.** Before deciding to exercise the power to tax, the authority shall
 267.2 give six weeks' published notice in all municipalities in the region. If a number of voters
 267.3 in the region equal to five percent of those who voted for candidates for governor at the
 267.4 last gubernatorial election present a petition within nine weeks of the first published notice
 267.5 to the secretary of state requesting that the matter be submitted to popular vote, it shall be
 267.6 submitted at the next general election. The question prepared shall be:

267.7 "Shall the regional rail authority have the power to impose a property tax?

267.8 Yes

267.9 No"

267.10 If a majority of those voting on the question approve or if no petition is presented
 267.11 within the prescribed time the authority may levy a tax at any annual rate not exceeding
 267.12 0.04835 percent of estimated market value of all taxable property situated within the
 267.13 municipality or municipalities named in its organization resolution. Its recording officer
 267.14 shall file, on or before September 15, in the office of the county auditor of each county
 267.15 in which territory under the jurisdiction of the authority is located a certified copy of the
 267.16 board of commissioners' resolution levying the tax, and each county auditor shall assess
 267.17 and extend upon the tax rolls of each municipality named in the organization resolution the
 267.18 portion of the tax that bears the same ratio to the whole amount that the net tax capacity of
 267.19 taxable property in that municipality bears to the net tax capacity of taxable property in
 267.20 all municipalities named in the organization resolution. Collections of the tax shall be
 267.21 remitted by each county treasurer to the treasurer of the authority. For taxes levied in 1991,
 267.22 the amount levied for light rail transit purposes under this subdivision shall not exceed 75
 267.23 percent of the amount levied in 1990 for light rail transit purposes under this subdivision.

267.24 Sec. 63. Minnesota Statutes 2012, section 401.05, subdivision 3, is amended to read:

267.25 Subd. 3. **Leasing.** (a) A county or joint powers board of a group of counties
 267.26 which acquires or constructs and equips or improves facilities under this chapter may,
 267.27 with the approval of the board of county commissioners of each county, enter into a
 267.28 lease agreement with a city situated within any of the counties, or a county housing and
 267.29 redevelopment authority established under chapter 469 or any special law. Under the lease
 267.30 agreement, the city or county housing and redevelopment authority shall:

267.31 (1) construct or acquire and equip or improve a facility in accordance with plans
 267.32 prepared by or at the request of a county or joint powers board of the group of counties
 267.33 and approved by the commissioner of corrections; and

267.34 (2) finance the facility by the issuance of revenue bonds.

268.1 (b) The county or joint powers board of a group of counties may lease the facility
268.2 site, improvements, and equipment for a term upon rental sufficient to produce revenue
268.3 for the prompt payment of the revenue bonds and all interest accruing on them. Upon
268.4 completion of payment, the lessee shall acquire title. The real and personal property
268.5 acquired for the facility constitutes a project and the lease agreement constitutes a revenue
268.6 agreement as provided in sections 469.152 to 469.165. All proceedings by the city or
268.7 county housing and redevelopment authority and the county or joint powers board shall be
268.8 as provided in sections 469.152 to 469.165, with the following adjustments:

268.9 (1) no tax may be imposed upon the property;

268.10 (2) the approval of the project by the commissioner of employment and economic
268.11 development is not required;

268.12 (3) the Department of Corrections shall be furnished and shall record information
268.13 concerning each project as it may prescribe, in lieu of reports required on other projects to
268.14 the commissioner of employment and economic development;

268.15 (4) the rentals required to be paid under the lease agreement shall not exceed in any
268.16 year one-tenth of one percent of the estimated market value of property within the county
268.17 or group of counties as last equalized before the execution of the lease agreement;

268.18 (5) the county or group of counties shall provide for payment of all rentals due
268.19 during the term of the lease agreement in the manner required in subdivision 4;

268.20 (6) no mortgage on the facilities shall be granted for the security of the bonds, but
268.21 compliance with clause (5) may be enforced as a nondiscretionary duty of the county
268.22 or group of counties; and

268.23 (7) the county or the joint powers board of the group of counties may sublease any
268.24 part of the facilities for purposes consistent with their maintenance and operation.

268.25 Sec. 64. Minnesota Statutes 2012, section 410.32, is amended to read:

268.26 **410.32 CITIES MAY ISSUE CAPITAL NOTES FOR CAPITAL EQUIPMENT.**

268.27 (a) Notwithstanding any contrary provision of other law or charter, a home rule
268.28 charter city may, by resolution and without public referendum, issue capital notes subject
268.29 to the city debt limit to purchase capital equipment.

268.30 (b) For purposes of this section, "capital equipment" means:

268.31 (1) public safety equipment, ambulance and other medical equipment, road
268.32 construction and maintenance equipment, and other capital equipment; and

268.33 (2) computer hardware and software, whether bundled with machinery or equipment
268.34 or unbundled.

269.1 (c) The equipment or software must have an expected useful life at least as long
269.2 as the term of the notes.

269.3 (d) The notes shall be payable in not more than ten years and be issued on terms
269.4 and in the manner the city determines. The total principal amount of the capital notes
269.5 issued in a fiscal year shall not exceed 0.03 percent of the estimated market value of
269.6 taxable property in the city for that year.

269.7 (e) A tax levy shall be made for the payment of the principal and interest on the
269.8 notes, in accordance with section 475.61, as in the case of bonds.

269.9 (f) Notes issued under this section shall require an affirmative vote of two-thirds of
269.10 the governing body of the city.

269.11 (g) Notwithstanding a contrary provision of other law or charter, a home rule charter
269.12 city may also issue capital notes subject to its debt limit in the manner and subject to the
269.13 limitations applicable to statutory cities pursuant to section 412.301.

269.14 Sec. 65. Minnesota Statutes 2012, section 412.221, subdivision 2, is amended to read:

269.15 Subd. 2. **Contracts.** The council shall have power to make such contracts as may
269.16 be deemed necessary or desirable to make effective any power possessed by the council.
269.17 The city may purchase personal property through a conditional sales contract and real
269.18 property through a contract for deed under which contracts the seller is confined to the
269.19 remedy of recovery of the property in case of nonpayment of all or part of the purchase
269.20 price, which shall be payable over a period of not to exceed five years. When the contract
269.21 price of property to be purchased by contract for deed or conditional sales contract
269.22 exceeds 0.24177 percent of the estimated market value of the city, the city may not enter
269.23 into such a contract for at least ten days after publication in the official newspaper of a
269.24 council resolution determining to purchase property by such a contract; and, if before the
269.25 end of that time a petition asking for an election on the proposition signed by voters equal
269.26 to ten percent of the number of voters at the last regular city election is filed with the clerk,
269.27 the city may not enter into such a contract until the proposition has been approved by a
269.28 majority of the votes cast on the question at a regular or special election.

269.29 Sec. 66. Minnesota Statutes 2012, section 412.301, is amended to read:

269.30 **412.301 FINANCING PURCHASE OF CERTAIN EQUIPMENT.**

269.31 (a) The council may issue certificates of indebtedness or capital notes subject to the
269.32 city debt limits to purchase capital equipment.

269.33 (b) For purposes of this section, "capital equipment" means:

270.1 (1) public safety equipment, ambulance and other medical equipment, road
270.2 construction and maintenance equipment, and other capital equipment; and

270.3 (2) computer hardware and software, whether bundled with machinery or equipment
270.4 or unbundled.

270.5 (c) The equipment or software must have an expected useful life at least as long as
270.6 the terms of the certificates or notes.

270.7 (d) Such certificates or notes shall be payable in not more than ten years and shall be
270.8 issued on such terms and in such manner as the council may determine.

270.9 (e) If the amount of the certificates or notes to be issued to finance any such purchase
270.10 exceeds 0.25 percent of the estimated market value of taxable property in the city, they
270.11 shall not be issued for at least ten days after publication in the official newspaper of
270.12 a council resolution determining to issue them; and if before the end of that time, a
270.13 petition asking for an election on the proposition signed by voters equal to ten percent
270.14 of the number of voters at the last regular municipal election is filed with the clerk, such
270.15 certificates or notes shall not be issued until the proposition of their issuance has been
270.16 approved by a majority of the votes cast on the question at a regular or special election.

270.17 (f) A tax levy shall be made for the payment of the principal and interest on such
270.18 certificates or notes, in accordance with section 475.61, as in the case of bonds.

270.19 Sec. 67. Minnesota Statutes 2012, section 428A.02, subdivision 1, is amended to read:

270.20 Subdivision 1. **Ordinance.** The governing body of a city may adopt an ordinance
270.21 establishing a special service district. Only property that is classified under section 273.13
270.22 and used for commercial, industrial, or public utility purposes, or is vacant land zoned or
270.23 designated on a land use plan for commercial or industrial use and located in the special
270.24 service district, may be subject to the charges imposed by the city on the special service
270.25 district. Other types of property may be included within the boundaries of the special
270.26 service district but are not subject to the levies or charges imposed by the city on the
270.27 special service district. If 50 percent or more of the estimated market value of a parcel of
270.28 property is classified under section 273.13 as commercial, industrial, or vacant land zoned
270.29 or designated on a land use plan for commercial or industrial use, or public utility for the
270.30 current assessment year, then the entire taxable market value of the property is subject to a
270.31 service charge based on net tax capacity for purposes of sections 428A.01 to 428A.10.
270.32 The ordinance shall describe with particularity the area within the city to be included in
270.33 the district and the special services to be furnished in the district. The ordinance may not
270.34 be adopted until after a public hearing has been held on the question. Notice of the hearing
270.35 shall include the time and place of hearing, a map showing the boundaries of the proposed

271.1 district, and a statement that all persons owning property in the proposed district that
271.2 would be subject to a service charge will be given opportunity to be heard at the hearing.
271.3 Within 30 days after adoption of the ordinance under this subdivision, the governing body
271.4 shall send a copy of the ordinance to the commissioner of revenue.

271.5 Sec. 68. Minnesota Statutes 2012, section 430.102, subdivision 2, is amended to read:

271.6 Subd. 2. **Council approval; special tax levy limitation.** The council shall receive
271.7 and consider the estimate required in subdivision 1 and the items of cost after notice and
271.8 hearing before it or its appropriate committee as it considers necessary or expedient, and
271.9 shall approve the estimate, with necessary amendments. The amounts of each item of cost
271.10 estimated are then appropriated to operate, maintain, and improve the pedestrian mall
271.11 during the next fiscal year. The amount of the special tax to be charged under subdivision
271.12 1, clause (3), must not, however, exceed 0.12089 percent of estimated market value of
271.13 taxable property in the district. The council shall make any necessary adjustment in costs of
271.14 operating and maintaining the district to keep the amount of the tax within this limitation.

271.15 Sec. 69. Minnesota Statutes 2012, section 447.10, is amended to read:

271.16 **447.10 TAX LEVY FOR OPERATING AND MAINTAINING HOSPITAL.**

271.17 The governing body of a city of the first class owning a hospital may annually levy
271.18 a tax to operate and maintain the hospital. The tax must not exceed 0.00806 percent of
271.19 ~~taxable~~ estimated market value.

271.20 Sec. 70. Minnesota Statutes 2012, section 450.19, is amended to read:

271.21 **450.19 TOURIST CAMPING GROUNDS.**

271.22 A home rule charter or statutory city or town may establish and maintain public
271.23 tourist camping grounds. The governing body thereof may acquire by lease, purchase, or
271.24 gift, suitable lands located either within or without the corporate limits for use as public
271.25 tourist camping grounds and provide for the equipment, operation, and maintenance
271.26 of the same. The amount that may be expended for the maintenance, improvement, or
271.27 operation of tourist camping grounds shall not exceed, in any year, a sum equal to 0.00806
271.28 percent of ~~taxable~~ estimated market value.

271.29 Sec. 71. Minnesota Statutes 2012, section 450.25, is amended to read:

271.30 **450.25 MUSEUM, GALLERY, OR SCHOOL OF ARTS OR CRAFTS; TAX**
271.31 **LEVY.**

272.1 After the acquisition of any museum, gallery, or school of arts or crafts, the board
272.2 of park commissioners of the city in which it is located shall cause to be included in the
272.3 annual tax levy upon all the taxable property of the county in which the museum, gallery,
272.4 or school of arts or crafts is located, a tax of 0.00846 percent of estimated market value.
272.5 The board shall certify the levy to the county auditor and it shall be added to, and collected
272.6 with and as part of, the general, real, and personal property taxes, with like penalties and
272.7 interest, in case of nonpayment and default, and all provisions of law in respect to the
272.8 levy, collection, and enforcement of other taxes shall, so far as applicable, be followed in
272.9 respect of these taxes. All of these taxes, penalties, and interest, when collected, shall be
272.10 paid to the city treasurer of the city in which is located the museum, gallery, or school
272.11 of arts or crafts and credited to a fund to be known as the park museum fund, and shall
272.12 be used only for the purposes specified in sections 450.23 to 450.25. Any part of the
272.13 proceeds of the levy not expended for the purposes specified in section 450.24 may be
272.14 used for the erection of new buildings for the same purposes.

272.15 Sec. 72. Minnesota Statutes 2012, section 458A.10, is amended to read:

272.16 **458A.10 PROPERTY TAX.**

272.17 The commission shall annually levy a tax not to exceed 0.12089 percent of estimated
272.18 market value on all the taxable property in the transit area at a rate sufficient to produce
272.19 an amount necessary for the purposes of sections 458A.01 to 458A.15, other than the
272.20 payment of principal and interest due on any revenue bonds issued pursuant to section
272.21 458A.05. Property taxes levied under this section shall be certified by the commission to
272.22 the county auditors of the transit area, extended, assessed, and collected in the manner
272.23 provided by law for the property taxes levied by the governing bodies of cities. The
272.24 proceeds of the taxes levied under this section shall be remitted by the respective county
272.25 treasurers to the treasurer of the commission, who shall credit the same to the funds of
272.26 the commission for use for the purposes of sections 458A.01 to 458A.15 subject to any
272.27 applicable pledges or limitations on account of tax anticipation certificates or other
272.28 specific purposes. At any time after making a tax levy under this section and certifying
272.29 it to the county auditors, the commission may issue general obligation certificates of
272.30 indebtedness in anticipation of the collection of the taxes as provided by section 412.261.

272.31 Sec. 73. Minnesota Statutes 2012, section 458A.31, subdivision 1, is amended to read:

272.32 Subdivision 1. **Levy limit.** Notwithstanding anything to the contrary contained in
272.33 the charter of the city of Duluth, any ordinance thereof, or any statute applicable thereto,
272.34 limiting the amount levied in any one year for general or special purposes, the city council

273.1 of the city of Duluth shall each year levy a tax in an amount not to exceed 0.07253
273.2 percent of ~~taxable~~ estimated market value, by ordinance. An ordinance fixing the levy
273.3 shall take effect immediately upon its passage and approval. The proceeds of the levy
273.4 shall be paid into the city treasury and deposited in the operating fund provided for in
273.5 section 458A.24, subdivision 3.

273.6 Sec. 74. Minnesota Statutes 2012, section 465.04, is amended to read:

273.7 **465.04 ACCEPTANCE OF GIFTS.**

273.8 Cities of the second, third, or fourth class, having at any time ~~a~~ an estimated
273.9 market value of not more than \$41,000,000, ~~exclusive of money and credits~~, as officially
273.10 equalized by the commissioner of revenue, either under home rule charter or under the
273.11 laws of this state, in addition to all other powers possessed by them, hereby are authorized
273.12 and empowered to receive and accept gifts and donations for the use and benefit of
273.13 such cities and the inhabitants thereof upon terms and conditions to be approved by the
273.14 governing bodies of such cities; and such cities are authorized to comply with and perform
273.15 such terms and conditions, which may include payment to the donor or donors of interest
273.16 on the value of the gift at not exceeding five percent per annum payable annually or
273.17 semiannually, during the remainder of the natural life or lives of such donor or donors.

273.18 Sec. 75. Minnesota Statutes 2012, section 469.033, subdivision 6, is amended to read:

273.19 Subd. 6. **Operation area as taxing district, special tax.** All of the territory included
273.20 within the area of operation of any authority shall constitute a taxing district for the
273.21 purpose of levying and collecting special benefit taxes as provided in this subdivision. All
273.22 of the taxable property, both real and personal, within that taxing district shall be deemed
273.23 to be benefited by projects to the extent of the special taxes levied under this subdivision.
273.24 Subject to the consent by resolution of the governing body of the city in and for which
273.25 it was created, an authority may levy a tax upon all taxable property within that taxing
273.26 district. The tax shall be extended, spread, and included with and as a part of the general
273.27 taxes for state, county, and municipal purposes by the county auditor, to be collected and
273.28 enforced therewith, together with the penalty, interest, and costs. As the tax, including any
273.29 penalties, interest, and costs, is collected by the county treasurer it shall be accumulated
273.30 and kept in a separate fund to be known as the "housing and redevelopment project fund."
273.31 The money in the fund shall be turned over to the authority at the same time and in the same
273.32 manner that the tax collections for the city are turned over to the city, and shall be expended
273.33 only for the purposes of sections 469.001 to 469.047. It shall be paid out upon vouchers
273.34 signed by the chair of the authority or an authorized representative. The amount of the

274.1 levy shall be an amount approved by the governing body of the city, but shall not exceed
274.2 0.0185 percent of ~~taxable~~ estimated market value. The authority shall each year formulate
274.3 and file a budget in accordance with the budget procedure of the city in the same manner as
274.4 required of executive departments of the city or, if no budgets are required to be filed, by
274.5 August 1. The amount of the tax levy for the following year shall be based on that budget.

274.6 Sec. 76. Minnesota Statutes 2012, section 469.034, subdivision 2, is amended to read:

274.7 Subd. 2. **General obligation revenue bonds.** (a) An authority may pledge the
274.8 general obligation of the general jurisdiction governmental unit as additional security for
274.9 bonds payable from income or revenues of the project or the authority. The authority
274.10 must find that the pledged revenues will equal or exceed 110 percent of the principal and
274.11 interest due on the bonds for each year. The proceeds of the bonds must be used for a
274.12 qualified housing development project or projects. The obligations must be issued and
274.13 sold in the manner and following the procedures provided by chapter 475, except the
274.14 obligations are not subject to approval by the electors, and the maturities may extend to
274.15 not more than 35 years for obligations sold to finance housing for the elderly and 40 years
274.16 for other obligations issued under this subdivision. The authority is the municipality for
274.17 purposes of chapter 475.

274.18 (b) The principal amount of the issue must be approved by the governing body of
274.19 the general jurisdiction governmental unit whose general obligation is pledged. Public
274.20 hearings must be held on issuance of the obligations by both the authority and the general
274.21 jurisdiction governmental unit. The hearings must be held at least 15 days, but not more
274.22 than 120 days, before the sale of the obligations.

274.23 (c) The maximum amount of general obligation bonds that may be issued and
274.24 outstanding under this section equals the greater of (1) one-half of one percent of the
274.25 ~~taxable~~ estimated market value of the general jurisdiction governmental unit whose
274.26 general obligation is pledged, or (2) \$3,000,000. In the case of county or multicounty
274.27 general obligation bonds, the outstanding general obligation bonds of all cities in the
274.28 county or counties issued under this subdivision must be added in calculating the limit
274.29 under clause (1).

274.30 (d) "General jurisdiction governmental unit" means the city in which the housing
274.31 development project is located. In the case of a county or multicounty authority, the
274.32 county or counties may act as the general jurisdiction governmental unit. In the case of
274.33 a multicounty authority, the pledge of the general obligation is a pledge of a tax on the
274.34 taxable property in each of the counties.

275.1 (e) "Qualified housing development project" means a housing development project
275.2 providing housing either for the elderly or for individuals and families with incomes not
275.3 greater than 80 percent of the median family income as estimated by the United States
275.4 Department of Housing and Urban Development for the standard metropolitan statistical
275.5 area or the nonmetropolitan county in which the project is located. The project must be
275.6 owned for the term of the bonds either by the authority or by a limited partnership or other
275.7 entity in which the authority or another entity under the sole control of the authority is
275.8 the sole general partner and the partnership or other entity must receive (1) an allocation
275.9 from the Department of Management and Budget or an entitlement issuer of tax-exempt
275.10 bonding authority for the project and a preliminary determination by the Minnesota
275.11 Housing Finance Agency or the applicable suballocator of tax credits that the project
275.12 will qualify for four percent low-income housing tax credits or (2) a reservation of nine
275.13 percent low-income housing tax credits from the Minnesota Housing Finance Agency or a
275.14 suballocator of tax credits for the project. A qualified housing development project may
275.15 admit nonelderly individuals and families with higher incomes if:

275.16 (1) three years have passed since initial occupancy;

275.17 (2) the authority finds the project is experiencing unanticipated vacancies resulting in
275.18 insufficient revenues, because of changes in population or other unforeseen circumstances
275.19 that occurred after the initial finding of adequate revenues; and

275.20 (3) the authority finds a tax levy or payment from general assets of the general
275.21 jurisdiction governmental unit will be necessary to pay debt service on the bonds if higher
275.22 income individuals or families are not admitted.

275.23 (f) The authority may issue bonds to refund bonds issued under this subdivision in
275.24 accordance with section 475.67. The finding of the adequacy of pledged revenues required
275.25 by paragraph (a) and the public hearing required by paragraph (b) shall not apply to the
275.26 issuance of refunding bonds. This paragraph applies to refunding bonds issued on and
275.27 after July 1, 1992.

275.28 Sec. 77. Minnesota Statutes 2012, section 469.053, subdivision 4, is amended to read:

275.29 Subd. 4. **Mandatory city levy.** A city shall, at the request of the port authority, levy
275.30 a tax in any year for the benefit of the port authority. The tax must not exceed 0.01813
275.31 percent of ~~taxable~~ estimated market value. The amount levied must be paid by the city
275.32 treasurer to the treasurer of the port authority, to be spent by the authority.

275.33 Sec. 78. Minnesota Statutes 2012, section 469.053, subdivision 4a, is amended to read:

276.1 Subd. 4a. **Seaway port authority levy.** A levy made under this subdivision shall
 276.2 replace the mandatory city levy under subdivision 4. A seaway port authority is a special
 276.3 taxing district under section 275.066 and may levy a tax in any year for the benefit of the
 276.4 seaway port authority. The tax must not exceed 0.01813 percent of ~~taxable~~ estimated
 276.5 market value. The county auditor shall distribute the proceeds of the property tax levy to
 276.6 the seaway port authority.

276.7 Sec. 79. Minnesota Statutes 2012, section 469.053, subdivision 6, is amended to read:

276.8 Subd. 6. **Discretionary city levy.** Upon request of a port authority, the port
 276.9 authority's city may levy a tax to be spent by and for its port authority. The tax must
 276.10 enable the port authority to carry out efficiently and in the public interest sections 469.048
 276.11 to 469.068 to create and develop industrial development districts. The levy must not be
 276.12 more than 0.00282 percent of ~~taxable~~ estimated market value. The county treasurer shall
 276.13 pay the proceeds of the tax to the port authority treasurer. The money may be spent by
 276.14 the authority in performance of its duties to create and develop industrial development
 276.15 districts. In spending the money the authority must judge what best serves the public
 276.16 interest. The levy in this subdivision is in addition to the levy in subdivision 4.

276.17 Sec. 80. Minnesota Statutes 2012, section 469.107, subdivision 1, is amended to read:

276.18 Subdivision 1. **City tax levy.** A city may, at the request of the authority, levy a tax in
 276.19 any year for the benefit of the authority. The tax must be not more than 0.01813 percent of
 276.20 ~~taxable~~ estimated market value. The amount levied must be paid by the city treasurer to
 276.21 the treasurer of the authority, to be spent by the authority.

276.22 Sec. 81. Minnesota Statutes 2012, section 469.180, subdivision 2, is amended to read:

276.23 Subd. 2. **Tax levies.** Notwithstanding any law, the county board of any county may
 276.24 appropriate from the general revenue fund a sum not to exceed a county levy of 0.00080
 276.25 percent of ~~taxable~~ estimated market value to carry out the purposes of this section.

276.26 Sec. 82. Minnesota Statutes 2012, section 469.187, is amended to read:

276.27 **469.187 FIRST CLASS CITY SPENDING FOR PUBLICITY; PUBLICITY**
 276.28 **BOARD.**

276.29 Any city of the first class may expend money for city publicity purposes. The city may
 276.30 levy a tax, not exceeding 0.00080 percent of ~~taxable~~ estimated market value. The proceeds
 276.31 of the levy shall be expended in the manner and for the city publicity purposes the council

277.1 directs. The council may establish and provide for a publicity board or bureau to administer
277.2 the fund, subject to the conditions and limitations the council prescribes by ordinance.

277.3 Sec. 83. Minnesota Statutes 2012, section 469.206, is amended to read:

277.4 **469.206 HAZARDOUS PROPERTY PENALTY.**

277.5 A city may assess a penalty up to one percent of the estimated market value of
277.6 real property, including any building located within the city that the city determines to
277.7 be hazardous as defined in section 463.15, subdivision 3. The city shall send a written
277.8 notice to the address to which the property tax statement is sent at least 90 days before it
277.9 may assess the penalty. If the owner of the property has not paid the penalty or fixed the
277.10 property within 90 days after receiving notice of the penalty, the penalty is considered
277.11 delinquent and is increased by 25 percent each 60 days the penalty is not paid and the
277.12 property remains hazardous. For the purposes of this section, a penalty that is delinquent
277.13 is considered a delinquent property tax and subject to chapters 279, 280, and 281, in the
277.14 same manner as delinquent property taxes.

277.15 Sec. 84. Minnesota Statutes 2012, section 471.24, is amended to read:

277.16 **471.24 TOWNS, STATUTORY CITIES; JOINT MAINTENANCE OF**
277.17 **CEMETERY.**

277.18 Where a statutory city or town owns and maintains an established cemetery or burial
277.19 ground, either within or without the municipal limits, the statutory city or town may, by
277.20 mutual agreement with contiguous statutory cities and towns, each having a an estimated
277.21 market value of not less than \$2,000,000, join together in the maintenance of such public
277.22 cemetery or burial ground for the use of the inhabitants of each of such municipalities; and
277.23 each such municipality is hereby authorized, by action of its council or governing body,
277.24 to levy a tax or make an appropriation for the annual support and maintenance of such
277.25 cemetery or burial ground; provided, the amount thus appropriated by each municipality
277.26 shall not exceed a total of \$10,000 in any one year.

277.27 Sec. 85. Minnesota Statutes 2012, section 471.571, subdivision 1, is amended to read:

277.28 Subdivision 1. **Application.** This section applies to each city in which the net tax
277.29 capacity of real and personal property consists in part of iron ore or lands containing
277.30 taconite or semitaconite and in which the total ~~taxable~~ estimated market value of real
277.31 and personal property exceeds \$2,500,000.

277.32 Sec. 86. Minnesota Statutes 2012, section 471.571, subdivision 2, is amended to read:

278.1 Subd. 2. **Creation of fund, tax levy.** The governing body of the city may create a
 278.2 permanent improvement and replacement fund to be maintained by an annual tax levy.
 278.3 The governing body may levy a tax in excess of any charter limitation for the support of
 278.4 the permanent improvement and replacement fund, but not exceeding the following:

278.5 (a) in cities having a population of not more than 500 inhabitants, the lesser of \$20
 278.6 per capita or 0.08059 percent of ~~taxable~~ estimated market value;

278.7 (b) in cities having a population of more than 500 and less than ~~2500~~ 2,500, the
 278.8 greater of \$12.50 per capita or \$10,000 but not exceeding 0.08059 percent of ~~taxable~~
 278.9 estimated market value;

278.10 (c) in cities having a population of ~~more than 2500~~ 2,500 or more inhabitants,
 278.11 the greater of \$10 per capita or \$31,500 but not exceeding 0.08059 percent of ~~taxable~~
 278.12 estimated market value.

278.13 Sec. 87. Minnesota Statutes 2012, section 471.73, is amended to read:

278.14 **471.73 ACCEPTANCE OF PROVISIONS.**

278.15 In the case of any city within the class specified in section 471.72 having a an
 278.16 estimated market value, ~~as defined in section 471.72~~, in excess of \$37,000,000; and in the
 278.17 case of any statutory city within such class having a an estimated market value, ~~as defined~~
 278.18 ~~in section 471.72~~, of less than \$5,000,000; and in the case of any statutory city within such
 278.19 class which is governed by Laws 1933, chapter 211, or Laws 1937, chapter 356; and in
 278.20 the case of any statutory city within such class which is governed by Laws 1929, chapter
 278.21 208, and has a an estimated market value of less than \$83,000,000; and in the case of
 278.22 any school district within such class having a an estimated market value, ~~as defined in~~
 278.23 ~~section 471.72~~, of more than \$54,000,000; and in the case of all towns within said class;
 278.24 sections 471.71 to 471.83 apply only if the governing body of the city or statutory city, the
 278.25 board of the school district, or the town board of the town shall have adopted a resolution
 278.26 determining to issue bonds under the provisions of sections 471.71 to 471.83 or to go
 278.27 upon a cash basis in accordance with the provisions thereof.

278.28 Sec. 88. Minnesota Statutes 2012, section 473.325, subdivision 2, is amended to read:

278.29 Subd. 2. **Chapter 475 applies; exceptions.** The Metropolitan Council shall sell and
 278.30 issue the bonds in the manner provided in chapter 475, and shall have the same powers
 278.31 and duties as a municipality issuing bonds under that law, except that the approval of a
 278.32 majority of the electors shall not be required and the net debt limitations shall not apply.
 278.33 The terms of each series of bonds shall be fixed so that the amount of principal and interest
 278.34 on all outstanding and undischarged bonds, together with the bonds proposed to be issued,

279.1 due in any year shall not exceed 0.01209 percent of estimated market value of all taxable
 279.2 property in the metropolitan area as last finally equalized prior to a proposed issue. The
 279.3 bonds shall be secured in accordance with section 475.61, subdivision 1, and any taxes
 279.4 required for their payment shall be levied by the council, shall not affect the amount or rate
 279.5 of taxes which may be levied by the council for other purposes, shall be spread against all
 279.6 taxable property in the metropolitan area and shall not be subject to limitation as to rate or
 279.7 amount. Any taxes certified by the council to the county auditors for collection shall be
 279.8 reduced by the amount received by the council from the commissioner of management and
 279.9 budget or the federal government for the purpose of paying the principal and interest on
 279.10 bonds to which the levy relates. The council shall certify the fact and amount of all money
 279.11 so received to the county auditors, and the auditors shall reduce the levies previously made
 279.12 for the bonds in the manner and to the extent provided in section 475.61, subdivision 3.

279.13 Sec. 89. Minnesota Statutes 2012, section 473.629, is amended to read:

279.14 **473.629 VALUE OF PROPERTY FOR BOND ISSUES BY SCHOOL**
 279.15 **DISTRICTS.**

279.16 As to any lands ~~to be~~ detached from any school district under ~~the provisions hereof~~
 279.17 section 473.625, notwithstanding ~~such prospective~~ the detachment, the estimated market
 279.18 value of ~~such~~ the detached lands and ~~the net tax capacity~~ of taxable properties ~~now~~ located
 279.19 ~~therein or thereon shall be and~~ on the lands on the date of the detachment constitute
 279.20 ~~from and after the date of the enactment hereof~~ a part of the estimated market value of
 279.21 properties ~~upon the basis of which such~~ used to calculate the net debt limit of the school
 279.22 ~~district may issue its bonds~~. The value of ~~such~~ the lands for such purpose to be and other
 279.23 taxable properties for purposes of the school district's net debt limit are 33-1/3 percent of
 279.24 the estimated market value thereof as determined and certified by said the assessor to said
 279.25 the school district, and it shall be the duty of such the assessor annually on or before the
 279.26 tenth day of October from and after the passage hereof, to so of each year, shall determine
 279.27 and certify that value; provided, however, that the value of ~~such~~ the detached lands and
 279.28 ~~such~~ taxable properties shall never exceed 20 percent of the estimated market value of
 279.29 all properties ~~constituting and making up the basis aforesaid~~ used to calculate the net
 279.30 debt limit of the school district.

279.31 Sec. 90. Minnesota Statutes 2012, section 473.661, subdivision 3, is amended to read:

279.32 Subd. 3. **Levy limit.** In any budget certified by the commissioners under this section,
 279.33 the amount included for operation and maintenance shall not exceed an amount which,
 279.34 when extended against the property taxable therefor under section 473.621, subdivision 5,

280.1 will require a levy at a rate of 0.00806 percent of estimated market value. Taxes levied by
280.2 the corporation shall not affect the amount or rate of taxes which may be levied by any other
280.3 local government unit within the metropolitan area under the provisions of any charter.

280.4 Sec. 91. Minnesota Statutes 2012, section 473.667, subdivision 9, is amended to read:

280.5 Subd. 9. **Additional taxes.** Nothing herein shall prevent the commission from
280.6 levying a tax not to exceed 0.00121 percent of estimated market value on taxable property
280.7 within its taxing jurisdiction, in addition to any levies found necessary for the debt
280.8 service fund authorized by section 473.671. Nothing herein shall prevent the levy and
280.9 appropriation for purposes of the commission of any other tax on property or on any
280.10 income, transaction, or privilege, when and if authorized by law. All collections of any
280.11 taxes so levied shall be included in the revenues appropriated for the purposes referred
280.12 to in this section, unless otherwise provided in the law authorizing the levies; but no
280.13 covenant as to the continuance or as to the rate and amount of any such levy shall be made
280.14 with the holders of the commission's bonds unless specifically authorized by law.

280.15 Sec. 92. Minnesota Statutes 2012, section 473.671, is amended to read:

280.16 **473.671 LIMIT OF TAX LEVY.**

280.17 The taxes levied against the property of the metropolitan area in any one year shall
280.18 not exceed 0.00806 percent of ~~taxable~~ estimated market value, exclusive of taxes levied
280.19 to pay the principal or interest on any bonds or indebtedness of the city issued under
280.20 Laws 1943, chapter 500, and exclusive of any taxes levied to pay the share of the city for
280.21 payments on bonded indebtedness of the corporation provided for in Laws 1943, chapter
280.22 500. The levy of taxes authorized in Laws 1943, chapter 500, shall be in addition to the
280.23 maximum rate allowed to be levied to defray the cost of government under the provisions
280.24 of the charter of any city affected by Laws 1943, chapter 500.

280.25 Sec. 93. Minnesota Statutes 2012, section 473.711, subdivision 2a, is amended to read:

280.26 Subd. 2a. **Tax levy.** (a) The commission may levy a tax on all taxable property in the
280.27 district as defined in section 473.702 to provide funds for the purposes of sections 473.701
280.28 to 473.716. The tax shall not exceed the property tax levy limitation determined in this
280.29 subdivision. A participating county may agree to levy an additional tax to be used by the
280.30 commission for the purposes of sections 473.701 to 473.716 but the sum of the county's and
280.31 commission's taxes may not exceed the county's proportionate share of the property tax levy
280.32 limitation determined under this subdivision based on the ratio of its total net tax capacity
280.33 to the total net tax capacity of the entire district as adjusted by section 270.12, subdivision

281.1 3. The auditor of each county in the district shall add the amount of the levy made by the
 281.2 district to other taxes of the county for collection by the county treasurer with other taxes.
 281.3 When collected, the county treasurer shall make settlement of the tax with the district in
 281.4 the same manner as other taxes are distributed to political subdivisions. No county shall
 281.5 levy any tax for mosquito, disease vectoring tick, and black gnat (*Simuliidae*) control
 281.6 except under this section. The levy shall be in addition to other taxes authorized by law.

281.7 (b) The property tax levied by the Metropolitan Mosquito Control Commission shall
 281.8 not exceed the product of (i) the commission's property tax levy limitation for the previous
 281.9 year determined under this subdivision multiplied by (ii) an index for market valuation
 281.10 changes equal to the total estimated market valuation value of all taxable property for the
 281.11 current tax payable year located within the district plus any area that has been added to the
 281.12 district since the previous year, divided by the total estimated market valuation value of all
 281.13 taxable property located within the district for the previous taxes payable year.

281.14 (c) ~~For the purpose of determining the commission's property tax levy limitation~~
 281.15 ~~under this subdivision, "total market valuation" means the total market valuation of all~~
 281.16 ~~taxable property within the district without valuation adjustments for fiscal disparities~~
 281.17 ~~(chapter 473F), tax increment financing (sections 469.174 to 469.179), and high voltage~~
 281.18 ~~transmission lines (section 273.425).~~

281.19 Sec. 94. Minnesota Statutes 2012, section 473F.02, subdivision 12, is amended to read:

281.20 Subd. 12. **Adjusted market value.** "Adjusted market value" of real and personal
 281.21 property within a municipality means the assessor's estimated taxable market value,
 281.22 as defined in section 272.03, of all real and personal property, including the value of
 281.23 manufactured housing, within the municipality, adjusted for sales ratios in a manner
 281.24 similar to the adjustments made to city and town net tax capacities. ~~For purposes~~
 281.25 ~~of sections 473F.01 to 473F.13, the commissioner of revenue shall annually make~~
 281.26 ~~determinations and reports with respect to each municipality which are comparable to~~
 281.27 ~~those it makes for school districts under section 127A.48, subdivisions 1 to 6, in the same~~
 281.28 ~~manner and at the same times as are prescribed by the subdivisions. The commissioner~~
 281.29 ~~of revenue shall annually determine, for each municipality, information comparable to~~
 281.30 ~~that required by section 475.53, subdivision 4, for school districts, as soon as practicable~~
 281.31 ~~after it becomes available. The commissioner of revenue shall then compute the equalized~~
 281.32 ~~market value of property within each municipality using the aggregate sales ratios from~~
 281.33 ~~the Department of Revenue's sales ratio study.~~

281.34 Sec. 95. Minnesota Statutes 2012, section 473F.02, subdivision 14, is amended to read:

282.1 Subd. 14. **Fiscal capacity.** "Fiscal capacity" of a municipality means its ~~valuation~~
282.2 adjusted market value, determined as of January 2 of any year, divided by its population,
282.3 determined as of a date in the same year.

282.4 Sec. 96. Minnesota Statutes 2012, section 473F.02, subdivision 15, is amended to read:

282.5 Subd. 15. **Average fiscal capacity.** "Average fiscal capacity" of municipalities
282.6 means the sum of the ~~valuations~~ adjusted market values of all municipalities, determined
282.7 as of January 2 of any year, divided by the sum of their populations, determined as of
282.8 a date in the same year.

282.9 Sec. 97. Minnesota Statutes 2012, section 473F.02, subdivision 23, is amended to read:

282.10 Subd. 23. **Net tax capacity.** "Net tax capacity" means the taxable market value of
282.11 real and personal property multiplied by its net tax capacity rates in section 273.13.

282.12 Sec. 98. Minnesota Statutes 2012, section 473F.08, subdivision 10, is amended to read:

282.13 Subd. 10. **Adjustment of value or net tax capacity.** For the purpose of computing
282.14 ~~the amount or rate of any salary, aid, tax, or debt authorized, required, or limited by any~~
282.15 ~~provision of any law or charter, where such authorization, requirement, or limitation~~
282.16 ~~is related in any manner to any value or valuation of taxable property within any~~
282.17 ~~governmental unit, such value or net tax capacity~~ fiscal capacity under section 473F.02,
282.18 subdivision 14, a municipality's taxable market value shall be adjusted to reflect the
282.19 adjustments reductions to net tax capacity effected by subdivision 2, clause (a), provided
282.20 that: ~~(1) in determining the taxable market value of commercial-industrial property~~
282.21 ~~or any class thereof within a governmental unit for any purpose other than section~~
282.22 ~~473F.07~~ municipality, (a) the reduction required by this subdivision shall be that amount
282.23 which bears the same proportion to the amount subtracted from the governmental unit's
282.24 municipality's net tax capacity pursuant to subdivision 2, clause (a), as the taxable
282.25 market value of commercial-industrial property, or such class thereof, located within the
282.26 governmental unit municipality bears to the net tax capacity of commercial-industrial
282.27 property, or such class thereof, located within the governmental unit, and (b) the increase
282.28 required by this subdivision shall be that amount which bears the same proportion to
282.29 the amount added to the governmental unit's net tax capacity pursuant to subdivision 2,
282.30 clause (b), as the market value of commercial-industrial property, or such class thereof,
282.31 located within the governmental unit bears to the net tax capacity of commercial-industrial
282.32 property, or such class thereof, located within the governmental unit; and (2) in determining
282.33 the market value of real property within a municipality for purposes of section 473F.07,

283.1 ~~the adjustment prescribed by clause (1)(a) hereof shall be made and that prescribed by~~
283.2 ~~clause (1)(b) hereof shall not be made~~ municipality. No adjustment shall be made to
283.3 taxable market value for the increase in net tax capacity under subdivision 2, clause (b).

283.4 Sec. 99. Minnesota Statutes 2012, section 475.521, subdivision 4, is amended to read:

283.5 Subd. 4. **Limitations on amount.** A municipality may not issue bonds under this
283.6 section if the maximum amount of principal and interest to become due in any year on
283.7 all the outstanding bonds issued under this section, including the bonds to be issued,
283.8 will equal or exceed 0.16 percent of the ~~taxable~~ estimated market value of property
283.9 in the municipality. Calculation of the limit must be made using the ~~taxable~~ estimated
283.10 market value for the taxes payable year in which the obligations are issued and sold. In
283.11 the case of a municipality with a population of 2,500 or more, the bonds are subject to
283.12 the net debt limits under section 475.53. In the case of a shared facility in which more
283.13 than one municipality participates, upon compliance by each participating municipality
283.14 with the requirements of subdivision 2, the limitations in this subdivision and the net debt
283.15 represented by the bonds shall be allocated to each participating municipality in proportion
283.16 to its required financial contribution to the financing of the shared facility, as set forth in
283.17 the joint powers agreement relating to the shared facility. This section does not limit the
283.18 authority to issue bonds under any other special or general law.

283.19 Sec. 100. Minnesota Statutes 2012, section 475.53, subdivision 1, is amended to read:

283.20 Subdivision 1. **Generally.** Except as otherwise provided in sections 475.51 to
283.21 475.74, no municipality, except a school district or a city of the first class, shall incur or be
283.22 subject to a net debt in excess of three percent of the estimated market value of taxable
283.23 property in the municipality.

283.24 Sec. 101. Minnesota Statutes 2012, section 475.53, subdivision 3, is amended to read:

283.25 Subd. 3. **Cities first class.** Unless its charter permits a greater net debt a city of
283.26 the first class may not incur a net debt in excess of two percent of the estimated market
283.27 value of all taxable property therein. If the charter of the city permits a net debt of the city
283.28 in excess of two percent of its valuation, it may not incur a net debt in excess of 3-2/3
283.29 percent of the estimated market value of the taxable property therein.

283.30 The county auditor, at the time of preparing the tax list of the city, shall compile a
283.31 statement setting forth the total net tax capacity and the total estimated market value of
283.32 each class of taxable property in such city for such year.

284.1 Sec. 102. Minnesota Statutes 2012, section 475.53, subdivision 4, is amended to read:

284.2 Subd. 4. **School districts.** Except as otherwise provided by law, no school district
 284.3 shall be subject to a net debt in excess of 15 percent of the ~~actual~~ estimated market value of
 284.4 all taxable property situated within its corporate limits, as computed in accordance with this
 284.5 subdivision. The county auditor of each county containing taxable real or personal property
 284.6 situated within any school district shall certify to the district upon request the estimated
 284.7 market value of all such property. Whenever the commissioner of revenue, in accordance
 284.8 with section 127A.48, subdivisions 1 to 6, has determined that the ~~net tax capacity of any~~
 284.9 ~~district furnished by county auditors is not based upon the~~ adjusted market value of taxable
 284.10 property in the district exceeds the estimated market value of property within the district,
 284.11 the commissioner of revenue shall certify to the district upon request the ratio most recently
 284.12 ascertained to exist between ~~such~~ the estimated market value and the actual adjusted
 284.13 market value of property within the district, and the ~~actual market value of property~~
 284.14 ~~within a district, on which its debt limit under this subdivision is~~ will be based, ~~is (a) the~~
 284.15 ~~value certified by the county auditors, or (b) this~~ on the estimated market value divided by
 284.16 the ratio certified by the commissioner of revenue, ~~whichever results in a higher value.~~

284.17 Sec. 103. Minnesota Statutes 2012, section 475.58, subdivision 2, is amended to read:

284.18 Subd. 2. **Funding, refunding.** Any county, city, town, or school district whose
 284.19 outstanding gross debt, including all items referred to in section 475.51, subdivision
 284.20 4, exceed in amount 1.62 percent of its estimated market value may issue bonds under
 284.21 this subdivision for the purpose of funding or refunding such indebtedness or any part
 284.22 thereof. A list of the items of indebtedness to be funded or refunded shall be made by the
 284.23 recording officer and treasurer and filed in the office of the recording officer. The initial
 284.24 resolution of the governing body shall refer to this subdivision as authority for the issue,
 284.25 state the amount of bonds to be issued and refer to the list of indebtedness to be funded or
 284.26 refunded. This resolution shall be published once each week for two successive weeks
 284.27 in a legal newspaper published in the municipality or if there be no such newspaper, in
 284.28 a legal newspaper published in the county seat. Such bonds may be issued without the
 284.29 submission of the question of their issue to the electors unless within ten days after the
 284.30 second publication of the resolution a petition requesting such election signed by ten or
 284.31 more voters who are taxpayers of the municipality, shall be filed with the recording officer.
 284.32 In event such petition is filed, no bonds shall be issued hereunder unless authorized by a
 284.33 majority of the electors voting on the question.

284.34 Sec. 104. Minnesota Statutes 2012, section 475.73, subdivision 1, is amended to read:

285.1 Subdivision 1. **May purchase these bonds; conditions.** Obligations sold under the
285.2 provisions of section 475.60 may be purchased by the State Board of Investment if the
285.3 obligations meet the requirements of section 11A.24, subdivision 2, upon the approval of
285.4 the attorney general as to form and execution of the application therefor, and under rules
285.5 as the board may specify, and the state board shall have authority to purchase the same
285.6 to an amount not exceeding 3.63 percent of the estimated market value of the taxable
285.7 property of the municipality, according to the last preceding assessment. The obligations
285.8 shall not run for a shorter period than one year, nor for a longer period than 30 years and
285.9 shall bear interest at a rate to be fixed by the state board but not less than two percent per
285.10 annum. Forthwith upon the delivery to the state of Minnesota of any obligations issued by
285.11 virtue thereof, the commissioner of management and budget shall certify to the respective
285.12 auditors of the various counties wherein are situated the municipalities issuing the same,
285.13 the number, denomination, amount, rate of interest and date of maturity of each obligation.

285.14 Sec. 105. Minnesota Statutes 2012, section 477A.011, subdivision 20, is amended to
285.15 read:

285.16 Subd. 20. **City net tax capacity.** "City net tax capacity" means ~~(1) the net tax~~
285.17 ~~capacity computed using the net tax capacity rates in section 273.13 for taxes payable~~
285.18 ~~in the year of the aid distribution, and the market values, after the exclusion in section~~
285.19 ~~273.13, subdivision 35, for taxes payable in the year prior to the aid distribution plus (2)~~
285.20 ~~a city's fiscal disparities distribution tax capacity under section 276A.06, subdivision 2,~~
285.21 ~~paragraph (b), or 473F.08, subdivision 2, paragraph (b), for taxes payable in the year prior~~
285.22 ~~to that for which aids are being calculated. The market value utilized in computing city~~
285.23 ~~net tax capacity shall be reduced by the sum of (1) a city's market value of commercial~~
285.24 ~~industrial property as defined in section 276A.01, subdivision 3, or 473F.02, subdivision 3,~~
285.25 ~~multiplied by the ratio determined pursuant to section 276A.06, subdivision 2, paragraph~~
285.26 ~~(a), or 473F.08, subdivision 2, paragraph (a), (2) the market value of the captured value~~
285.27 ~~of tax increment financing districts as defined in section 469.177, subdivision 2, and (3)~~
285.28 ~~the market value of transmission lines deducted from a city's total net tax capacity under~~
285.29 ~~section 273.425. The city net tax capacity will be computed using equalized market values~~
285.30 the city's adjusted net tax capacity under section 273.1325.

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

285.32 Sec. 106. Minnesota Statutes 2012, section 477A.011, subdivision 32, is amended to
285.33 read:

286.1 Subd. 32. **Commercial industrial percentage.** "Commercial industrial percentage"
286.2 for a city is 100 times the sum of the estimated market values of all real property in the
286.3 city classified as class 3 under section 273.13, subdivision 24, excluding public utility
286.4 property, to the total estimated market value of all taxable real and personal property in
286.5 the city. The estimated market values are the amounts computed before any adjustments
286.6 for fiscal disparities under section 276A.06 or 473F.08. The estimated market values
286.7 used for this subdivision are not equalized.

286.8 **EFFECTIVE DATE.** This section is effective for aids payable in 2014 and thereafter.

286.9 Sec. 107. Minnesota Statutes 2012, section 477A.0124, subdivision 2, is amended to
286.10 read:

286.11 Subd. 2. **Definitions.** (a) For the purposes of this section, the following terms
286.12 have the meanings given them.

286.13 (b) "County program aid" means the sum of "county need aid," "county tax base
286.14 equalization aid," and "county transition aid."

286.15 (c) "Age-adjusted population" means a county's population multiplied by the county
286.16 age index.

286.17 (d) "County age index" means the percentage of the population over age 65 within
286.18 the county divided by the percentage of the population over age 65 within the state, except
286.19 that the age index for any county may not be greater than 1.8 nor less than 0.8.

286.20 (e) "Population over age 65" means the population over age 65 established as of
286.21 July 15 in an aid calculation year by the most recent federal census, by a special census
286.22 conducted under contract with the United States Bureau of the Census, by a population
286.23 estimate made by the Metropolitan Council, or by a population estimate of the state
286.24 demographer made pursuant to section 4A.02, whichever is the most recent as to the stated
286.25 date of the count or estimate for the preceding calendar year and which has been certified
286.26 to the commissioner of revenue on or before July 15 of the aid calculation year. A revision
286.27 to an estimate or count is effective for these purposes only if certified to the commissioner
286.28 on or before July 15 of the aid calculation year. Clerical errors in the certification or use of
286.29 estimates and counts established as of July 15 in the aid calculation year are subject to
286.30 correction within the time periods allowed under section 477A.014.

286.31 (f) "Part I crimes" means the three-year average annual number of Part I crimes
286.32 reported for each county by the Department of Public Safety for the most recent years
286.33 available. By July 1 of each year, the commissioner of public safety shall certify to the
286.34 commissioner of revenue the number of Part I crimes reported for each county for the
286.35 three most recent calendar years available.

287.1 (g) "Households receiving food stamps" means the average monthly number of
287.2 households receiving food stamps for the three most recent years for which data is
287.3 available. By July 1 of each year, the commissioner of human services must certify to the
287.4 commissioner of revenue the average monthly number of households in the state and in
287.5 each county that receive food stamps, for the three most recent calendar years available.

287.6 (h) "County net tax capacity" means the ~~net tax capacity of the county, computed~~
287.7 ~~analogously to city net tax capacity under section 477A.011, subdivision 20~~ county's
287.8 adjusted net tax capacity under section 273.1325.

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

287.10 Sec. 108. Minnesota Statutes 2012, section 641.23, is amended to read:

287.11 **641.23 FUNDS; HOW PROVIDED.**

287.12 Before any contract is made for the erection of a county jail, sheriff's residence, or
287.13 both, the county board shall either levy a sufficient tax to provide the necessary funds, or
287.14 issue county bonds therefor in accordance with the provisions of chapter 475, provided
287.15 that no election is required if the amount of all bonds issued for this purpose and interest
287.16 on them which are due and payable in any year does not exceed an amount equal to
287.17 0.09671 percent of estimated market value of taxable property within the county, as last
287.18 determined before the bonds are issued.

287.19 Sec. 109. Minnesota Statutes 2012, section 641.24, is amended to read:

287.20 **641.24 LEASING.**

287.21 The county may, by resolution of the county board, enter into a lease agreement with
287.22 any statutory or home rule charter city situated within the county, or a county housing and
287.23 redevelopment authority established pursuant to chapter 469 or any special law whereby
287.24 the city or county housing and redevelopment authority will construct a jail or other law
287.25 enforcement facilities for the county sheriff, deputy sheriffs, and other employees of the
287.26 sheriff and other law enforcement agencies, in accordance with plans prepared by or at
287.27 the request of the county board and, when required, approved by the commissioner of
287.28 corrections and will finance it by the issuance of revenue bonds, and the county may lease
287.29 the site and improvements for a term and upon rentals sufficient to produce revenue for the
287.30 prompt payment of the bonds and all interest accruing thereon and, upon completion of
287.31 payment, will acquire title thereto. The real and personal property acquired for the jail
287.32 shall constitute a project and the lease agreement shall constitute a revenue agreement
287.33 as contemplated in chapter 469, and all proceedings shall be taken by the city or county

288.1 housing and redevelopment authority and the county in the manner and with the force and
288.2 effect provided in chapter 469; provided that:

288.3 (1) no tax shall be imposed upon or in lieu of a tax upon the property;

288.4 (2) the approval of the project by the commissioner of commerce shall not be required;

288.5 (3) the Department of Corrections shall be furnished and shall record such
288.6 information concerning each project as it may prescribe;

288.7 (4) the rentals required to be paid under the lease agreement shall not exceed in any
288.8 year one-tenth of one percent of the estimated market value of property within the county,
288.9 as last finally equalized before the execution of the agreement;

288.10 (5) the county board shall provide for the payment of all rentals due during the term
288.11 of the lease, in the manner required in section 641.264, subdivision 2;

288.12 (6) no mortgage on the property shall be granted for the security of the bonds, but
288.13 compliance with clause (5) hereof may be enforced as a nondiscretionary duty of the
288.14 county board; and

288.15 (7) the county board may sublease any part of the jail property for purposes consistent
288.16 with the maintenance and operation of a county jail or other law enforcement facility.

288.17 Sec. 110. Minnesota Statutes 2012, section 645.44, is amended by adding a subdivision
288.18 to read:

288.19 Subd. 20. **Estimated market value.** When used in determining or calculating a
288.20 limit on taxation, spending, state aid amounts, or debt, bond, certificate of indebtedness, or
288.21 capital note issuance by or for a local government unit, "estimated market value" has the
288.22 meaning given in section 273.032.

288.23 Sec. 111. **REVISOR'S INSTRUCTION.**

288.24 The revisor of statutes shall recodify Minnesota Statutes, section 127.48,
288.25 subdivisions 1 to 6, as section 273.1325, subdivisions 1 to 6, and change all
288.26 cross-references to the affected subdivisions accordingly.

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

288.28 Sec. 112. **REPEALER.**

288.29 Minnesota Statutes 2012, sections 276A.01, subdivision 11; 473F.02, subdivision
288.30 13; and 477A.011, subdivision 21, are repealed.

288.31 Sec. 113. **EFFECTIVE DATE.**

289.1 Unless otherwise specifically provided, this article is effective the day following
289.2 final enactment for purposes of limits on net debt, the issuance of bonds, certificates of
289.3 indebtedness, and capital notes and is effective beginning for taxes payable in 2014 for
289.4 all other purposes.

289.5 **ARTICLE 15**

289.6 **DEPARTMENT OF REVENUE INCOME AND FRANCHISE** 289.7 **TAXES; ESTATE TAXES**

289.8 Section 1. Minnesota Statutes 2012, section 289A.10, is amended by adding a
289.9 subdivision to read:

289.10 Subd. 1a. **Recapture tax return required.** If a disposition or cessation as provided
289.11 by section 291.03, subdivision 11, paragraph (a), has occurred, the qualified heir, as
289.12 defined under section 291.03, subdivision 8, paragraph (c), or personal representative of
289.13 the decedent's estate must submit a recapture tax return to the commissioner.

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

289.16 Sec. 2. Minnesota Statutes 2012, section 289A.12, subdivision 14, is amended to read:

289.17 Subd. 14. **Regulated investment companies; reporting exempt-interest**
289.18 **dividends.** (a) A regulated investment company paying \$10 or more in exempt-interest
289.19 dividends to an individual who is a resident of Minnesota must make a return indicating
289.20 the amount of the exempt-interest dividends, the name, address, and Social Security
289.21 number of the recipient, and any other information that the commissioner specifies. The
289.22 return must be provided to the shareholder by February 15 of the year following the year
289.23 of the payment. The return provided to the shareholder must include a clear statement,
289.24 in the form prescribed by the commissioner, that the exempt-interest dividends must be
289.25 included in the computation of Minnesota taxable income. By June 1 of each year, the
289.26 regulated investment company must file a copy of the return with the commissioner.

289.27 ~~(b) This subdivision applies to regulated investment companies required to register~~
289.28 ~~under chapter 80A.~~

289.29 ~~(e)~~ (b) For purposes of this subdivision, the following definitions apply.

289.30 (1) "Exempt-interest dividends" mean exempt-interest dividends as defined in
289.31 section 852(b)(5) of the Internal Revenue Code, but does not include the portion of
289.32 exempt-interest dividends that are not required to be added to federal taxable income
289.33 under section 290.01, subdivision 19a, clause (1)(ii).

290.1 (2) "Regulated investment company" means regulated investment company as
290.2 defined in section 851(a) of the Internal Revenue Code or a fund of the regulated
290.3 investment company as defined in section 851(g) of the Internal Revenue Code.

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

290.5 Sec. 3. Minnesota Statutes 2012, section 289A.12, is amended by adding a subdivision
290.6 to read:

290.7 **Subd. 18. Returns by qualified heirs.** A qualified heir, as defined in section 291.03,
290.8 subdivision 8, paragraph (c), must file two returns with the commissioner attesting that
290.9 no disposition or cessation as provided by section 291.03, subdivision 11, paragraph
290.10 (a), occurred. The first return must be filed no earlier than 24 months and no later than
290.11 26 months after the decedent's death. The second return must be filed no earlier than 36
290.12 months and no later than 39 months after the decedent's death.

290.13 **EFFECTIVE DATE.** This section is effective for returns required to be filed after
290.14 December 31, 2013.

290.15 Sec. 4. Minnesota Statutes 2012, section 289A.18, is amended by adding a subdivision
290.16 to read:

290.17 **Subd. 3a. Recapture tax return.** A recapture tax return must be filed with the
290.18 commissioner within six months after the date of the disposition or cessation as provided
290.19 by section 291.03, subdivision 11, paragraph (a).

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

290.22 Sec. 5. Minnesota Statutes 2012, section 289A.20, subdivision 3, is amended to read:

290.23 **Subd. 3. Estate tax.** Taxes imposed by ~~chapter 291~~ section 291.03, subdivision 1,
290.24 take effect at and upon the death of the person whose estate is subject to taxation and are
290.25 due and payable on or before the expiration of nine months from that death.

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

290.28 Sec. 6. Minnesota Statutes 2012, section 289A.20, is amended by adding a subdivision
290.29 to read:

291.1 Subd. 3a. **Recapture tax.** The additional estate tax imposed by section 291.03,
291.2 subdivision 11, paragraph (b), is due and payable on or before the expiration of the date
291.3 provided by section 291.03, subdivision 11, paragraph (c).

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

291.6 Sec. 7. Minnesota Statutes 2012, section 289A.26, subdivision 3, is amended to read:

291.7 **Subd. 3. Short taxable year.** (a) A corporation or an entity with a short taxable year
291.8 of less than 12 months, but at least four months, must pay estimated tax in equal installments
291.9 on or before the 15th day of the third, sixth, ninth, and final month of the short taxable
291.10 year, to the extent applicable based on the number of months in the short taxable year.

291.11 (b) A corporation or an entity is not required to make estimated tax payments for a
291.12 short taxable year unless its tax liability before the first day of the last month of the taxable
291.13 year can reasonably be expected to exceed \$500.

291.14 (c) No payment is required for a short taxable year of less than four months.

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

291.16 Sec. 8. Minnesota Statutes 2012, section 289A.26, subdivision 4, is amended to read:

291.17 **Subd. 4. Underpayment of estimated tax.** If there is an underpayment of estimated
291.18 tax by a corporation or an entity, there shall be added to the tax for the taxable year an
291.19 amount determined at the rate in section 270C.40 on the amount of the underpayment,
291.20 determined under subdivision 5, for the period of the underpayment determined under
291.21 subdivision 6. This subdivision does not apply in the first taxable year that a corporation is
291.22 subject to the tax imposed under section 290.02 or an entity is subject to the tax imposed
291.23 under section 290.05, subdivision 3.

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

291.25 Sec. 9. Minnesota Statutes 2012, section 289A.26, subdivision 7, is amended to read:

291.26 **Subd. 7. Required installments.** (a) Except as otherwise provided in this
291.27 subdivision, the amount of a required installment is 25 percent of the required annual
291.28 payment.

291.29 (b) Except as otherwise provided in this subdivision, the term "required annual
291.30 payment" means the lesser of:

291.31 (1) 100 percent of the tax shown on the return for the taxable year, or, if no return is
291.32 filed, 100 percent of the tax for that year; or

292.1 (2) 100 percent of the tax shown on the return of the corporation or entity for the
292.2 preceding taxable year provided the return was for a full 12-month period, showed a
292.3 liability, and was filed by the corporation or entity.

292.4 (c) Except for determining the first required installment for any taxable year,
292.5 paragraph (b), clause (2), does not apply in the case of a large corporation. The term
292.6 "large corporation" means a corporation or any predecessor corporation that had taxable
292.7 net income of \$1,000,000 or more for any taxable year during the testing period. The
292.8 term "testing period" means the three taxable years immediately preceding the taxable
292.9 year involved. A reduction allowed to a large corporation for the first installment that is
292.10 allowed by applying paragraph (b), clause (2), must be recaptured by increasing the next
292.11 required installment by the amount of the reduction.

292.12 (d) In the case of a required installment, if the corporation or entity establishes that
292.13 the annualized income installment is less than the amount determined in paragraph (a), the
292.14 amount of the required installment is the annualized income installment and the recapture
292.15 of previous quarters' reductions allowed by this paragraph must be recovered by increasing
292.16 later required installments to the extent the reductions have not previously been recovered.

292.17 (e) The "annualized income installment" is the excess, if any, of:

292.18 (1) an amount equal to the applicable percentage of the tax for the taxable year
292.19 computed by placing on an annualized basis the taxable income:

292.20 (i) for the first two months of the taxable year, in the case of the first required
292.21 installment;

292.22 (ii) for the first two months or for the first five months of the taxable year, in the
292.23 case of the second required installment;

292.24 (iii) for the first six months or for the first eight months of the taxable year, in the
292.25 case of the third required installment; and

292.26 (iv) for the first nine months or for the first 11 months of the taxable year, in the
292.27 case of the fourth required installment, over

292.28 (2) the aggregate amount of any prior required installments for the taxable year.

292.29 (3) For the purpose of this paragraph, the annualized income shall be computed
292.30 by placing on an annualized basis the taxable income for the year up to the end of the
292.31 month preceding the due date for the quarterly payment multiplied by 12 and dividing
292.32 the resulting amount by the number of months in the taxable year (2, 5, 6, 8, 9, or 11 as
292.33 the case may be) referred to in clause (1).

292.34 (4) The "applicable percentage" used in clause (1) is:

293.1	For the following	
293.2	required	The applicable
293.3	installments:	percentage is:
293.4	1st	25
293.5	2nd	50
293.6	3rd	75
293.7	4th	100

293.8 (f)(1) If this paragraph applies, the amount determined for any installment must
293.9 be determined in the following manner:

293.10 (i) take the taxable income for the months during the taxable year preceding the
293.11 filing month;

293.12 (ii) divide that amount by the base period percentage for the months during the
293.13 taxable year preceding the filing month;

293.14 (iii) determine the tax on the amount determined under item (ii); and

293.15 (iv) multiply the tax computed under item (iii) by the base period percentage for the
293.16 filing month and the months during the taxable year preceding the filing month.

293.17 (2) For purposes of this paragraph:

293.18 (i) the "base period percentage" for a period of months is the average percent that the
293.19 taxable income for the corresponding months in each of the three preceding taxable years
293.20 bears to the taxable income for the three preceding taxable years;

293.21 (ii) the term "filing month" means the month in which the installment is required
293.22 to be paid;

293.23 (iii) this paragraph only applies if the base period percentage for any six consecutive
293.24 months of the taxable year equals or exceeds 70 percent; and

293.25 (iv) the commissioner may provide by rule for the determination of the base period
293.26 percentage in the case of reorganizations, new corporations or entities, and other similar
293.27 circumstances.

293.28 (3) In the case of a required installment determined under this paragraph, if the
293.29 corporation or entity determines that the installment is less than the amount determined in
293.30 paragraph (a), the amount of the required installment is the amount determined under this
293.31 paragraph and the recapture of previous quarters' reductions allowed by this paragraph
293.32 must be recovered by increasing later required installments to the extent the reductions
293.33 have not previously been recovered.

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

293.35 Sec. 10. Minnesota Statutes 2012, section 289A.26, subdivision 9, is amended to read:

294.1 Subd. 9. **Failure to file an estimate.** In the case of a corporation or an entity
294.2 that fails to file an estimated tax for a taxable year when one is required, the period of
294.3 the underpayment runs from the four installment dates in subdivision 2 or 3, whichever
294.4 applies, to the earlier of the periods in subdivision 6, clauses (1) and (2).

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

294.6 Sec. 11. Minnesota Statutes 2012, section 290.9705, subdivision 1, is amended to read:

294.7 Subdivision 1. **Withholding of payments to out-of-state contractors.** (a) In this
294.8 section, "person" means a person, corporation, or cooperative, the state of Minnesota and
294.9 its political subdivisions, and a city, county, and school district in Minnesota.

294.10 (b) A person who in the regular course of business is hiring, contracting, or having a
294.11 contract with a nonresident person or foreign corporation, ~~as defined in Minnesota Statutes~~
294.12 ~~1986, section 290.01, subdivision 5,~~ to perform construction work in Minnesota, shall
294.13 deduct and withhold eight percent of ~~cumulative calendar year~~ payments made to the
294.14 contractor ~~which exceed~~ if the value of the contract exceeds \$50,000.

294.15 **EFFECTIVE DATE.** This section is effective for payments made to contractors
294.16 after December 31, 2013.

294.17 ARTICLE 16

294.18 DEPARTMENT OF REVENUE SALES AND USE TAXES; SPECIAL TAXES

294.19 Section 1. Minnesota Statutes 2012, section 287.20, is amended by adding a
294.20 subdivision to read:

294.21 Subd. 11. **Partition.** "Partition" means the division by conveyance of real property
294.22 that is held jointly or in common by two or more persons into individually owned interests.
294.23 If one of the co-owners gives consideration for all or a part of the individually owned
294.24 interest conveyed to them, that portion of the conveyance is not a part of the partition.

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

294.26 Sec. 2. Minnesota Statutes 2012, section 289A.20, subdivision 4, is amended to read:

294.27 Subd. 4. **Sales and use tax.** (a) The taxes imposed by chapter 297A are due and
294.28 payable to the commissioner monthly on or before the 20th day of the month following
294.29 the month in which the taxable event occurred, or following another reporting period
294.30 as the commissioner prescribes or as allowed under section 289A.18, subdivision 4,
294.31 paragraph (f) or (g), except that:

295.1 (1) use taxes due on an annual use tax return as provided under section 289A.11,
295.2 subdivision 1, are payable by April 15 following the close of the calendar year; and.

295.3 (2) ~~except as provided in paragraph (f), for a vendor having a liability of \$120,000~~
295.4 ~~or more during a fiscal year ending June 30, 2009, and fiscal years thereafter, the taxes~~
295.5 ~~imposed by chapter 297A, except as provided in paragraph (b), are due and payable to the~~
295.6 ~~commissioner monthly in the following manner:~~

295.7 (i) ~~On or before the 14th day of the month following the month in which the taxable~~
295.8 ~~event occurred, the vendor must remit to the commissioner 90 percent of the estimated~~
295.9 ~~liability for the month in which the taxable event occurred.~~

295.10 (ii) ~~On or before the 20th day of the month in which the taxable event occurs, the~~
295.11 ~~vendor must remit to the commissioner a prepayment for the month in which the taxable~~
295.12 ~~event occurs equal to 67 percent of the liability for the previous month.~~

295.13 (iii) ~~On or before the 20th day of the month following the month in which the taxable~~
295.14 ~~event occurred, the vendor must pay any additional amount of tax not previously remitted~~
295.15 ~~under either item (i) or (ii) or, if the payment made under item (i) or (ii) was greater than~~
295.16 ~~the vendor's liability for the month in which the taxable event occurred, the vendor may~~
295.17 ~~take a credit against the next month's liability in a manner prescribed by the commissioner.~~

295.18 (iv) ~~Once the vendor first pays under either item (i) or (ii), the vendor is required to~~
295.19 ~~continue to make payments in the same manner, as long as the vendor continues having a~~
295.20 ~~liability of \$120,000 or more during the most recent fiscal year ending June 30.~~

295.21 (v) ~~Notwithstanding items (i), (ii), and (iv), if a vendor fails to make the required~~
295.22 ~~payment in the first month that the vendor is required to make a payment under either item~~
295.23 ~~(i) or (ii), then the vendor is deemed to have elected to pay under item (ii) and must make~~
295.24 ~~subsequent monthly payments in the manner provided in item (ii).~~

295.25 (vi) ~~For vendors making an accelerated payment under item (ii), for the first month~~
295.26 ~~that the vendor is required to make the accelerated payment, on the 20th of that month, the~~
295.27 ~~vendor will pay 100 percent of the liability for the previous month and a prepayment for~~
295.28 ~~the first month equal to 67 percent of the liability for the previous month.~~

295.29 (b) ~~Notwithstanding paragraph (a),~~ A vendor having a liability of \$120,000 or more
295.30 during a fiscal year ending June 30 must remit the June liability for the next year in the
295.31 following manner:

295.32 (1) Two business days before June 30 of the year, the vendor must remit 90 percent
295.33 of the estimated June liability to the commissioner.

295.34 (2) On or before August 20 of the year, the vendor must pay any additional amount
295.35 of tax not remitted in June.

295.36 (c) A vendor having a liability of:

296.1 (1) \$10,000 or more, but less than \$120,000 during a fiscal year ending June 30,
296.2 2009, and fiscal years thereafter, must remit by electronic means all liabilities on returns
296.3 due for periods beginning in the subsequent calendar year on or before the 20th day of
296.4 the month following the month in which the taxable event occurred, or on or before the
296.5 20th day of the month following the month in which the sale is reported under section
296.6 289A.18, subdivision 4; or

296.7 (2) \$120,000 or more, during a fiscal year ending June 30, 2009, and fiscal years
296.8 thereafter, must remit by electronic means all liabilities in the manner provided in
296.9 paragraph (a), ~~clause (2)~~, on returns due for periods beginning in the subsequent calendar
296.10 year, except for 90 percent of the estimated June liability, which is due two business days
296.11 before June 30. The remaining amount of the June liability is due on August 20.

296.12 (d) Notwithstanding paragraph (b) or (c), a person prohibited by the person's
296.13 religious beliefs from paying electronically shall be allowed to remit the payment by mail.
296.14 The filer must notify the commissioner of revenue of the intent to pay by mail before
296.15 doing so on a form prescribed by the commissioner. No extra fee may be charged to a
296.16 person making payment by mail under this paragraph. The payment must be postmarked
296.17 at least two business days before the due date for making the payment in order to be
296.18 considered paid on a timely basis.

296.19 ~~(e) Whenever the liability is \$120,000 or more separately for: (1) the tax imposed~~
296.20 ~~under chapter 297A; (2) a fee that is to be reported on the same return as and paid with the~~
296.21 ~~chapter 297A taxes; or (3) any other tax that is to be reported on the same return as and~~
296.22 ~~paid with the chapter 297A taxes, then the payment of all the liabilities on the return must~~
296.23 ~~be accelerated as provided in this subdivision.~~

296.24 ~~(f) At the start of the first calendar quarter at least 90 days after the cash flow account~~
296.25 ~~established in section 16A.152, subdivision 1, and the budget reserve account established in~~
296.26 ~~section 16A.152, subdivision 1a, reach the amounts listed in section 16A.152, subdivision~~
296.27 ~~2, paragraph (a), the remittance of the accelerated payments required under paragraph (a),~~
296.28 ~~clause (2), must be suspended. The commissioner of management and budget shall notify~~
296.29 ~~the commissioner of revenue when the accounts have reached the required amounts.~~
296.30 ~~Beginning with the suspension of paragraph (a), clause (2), for a vendor with a liability of~~
296.31 ~~\$120,000 or more during a fiscal year ending June 30, 2009, and fiscal years thereafter, the~~
296.32 ~~taxes imposed by chapter 297A are due and payable to the commissioner on the 20th day~~
296.33 ~~of the month following the month in which the taxable event occurred. Payments of tax~~
296.34 ~~liabilities for taxable events occurring in June under paragraph (b) are not changed.~~

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

297.1 Sec. 3. Minnesota Statutes 2012, section 297A.665, is amended to read:

297.2 **297A.665 PRESUMPTION OF TAX; BURDEN OF PROOF.**

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

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

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

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

297.9 However, a seller is relieved of liability if:

297.10 (1) the seller obtains a fully completed exemption certificate or all the relevant
297.11 information required by section 297A.72, subdivision 2, at the time of the sale or within
297.12 90 days after the date of the sale; or

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

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

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

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

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

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

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

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

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

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

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

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

298.8 **EFFECTIVE DATE.** This section is effective retroactively from January 1, 2013.

298.9 Sec. 4. Minnesota Statutes 2012, section 297F.01, subdivision 23, is amended to read:

298.10 Subd. 23. **Wholesale sales price.** "Wholesale sales price" means the price stated
 298.11 ~~on the price list in effect at the time of sale for which a manufacturer or person sells a~~
 298.12 ~~tobacco product to a distributor, exclusive of any discount, promotional offer, or other~~
 298.13 ~~reduction. For purposes of this subdivision, "price list" means the manufacturer's price at~~
 298.14 ~~which tobacco products are made available for sale to all distributors on an ongoing basis~~
 298.15 at which a distributor purchases a tobacco product. Wholesale sales price includes the
 298.16 applicable federal excise tax, freight charges, or packaging costs, regardless of whether
 298.17 they were included in the purchase price.

298.18 **EFFECTIVE DATE.** This section is effective for purchases made after December
 298.19 31, 2013.

298.20 Sec. 5. Minnesota Statutes 2012, section 297G.04, subdivision 2, is amended to read:

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

- 298.26 (1) the liability for tax; or
 298.27 (2) \$115,000.

298.28 For purposes of this subdivision, a "qualified brewer" means a brewer, whether
 298.29 or not located in this state, manufacturing less than 100,000 barrels of fermented malt
 298.30 beverages in the calendar year immediately preceding the ~~calendar~~ fiscal year for which
 298.31 the credit under this subdivision is claimed. In determining the number of barrels, all
 298.32 brands or labels of a brewer must be combined. All facilities for the manufacture of

299.1 fermented malt beverages owned or controlled by the same person, corporation, or other
299.2 entity must be treated as a single brewer.

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

299.4 Sec. 6. Minnesota Statutes 2012, section 297I.05, subdivision 7, is amended to read:

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

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

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

299.17 **EFFECTIVE DATE.** This section is effective for premiums received after
299.18 December 31, 2013.

299.19 Sec. 7. Minnesota Statutes 2012, section 297I.05, subdivision 11, is amended to read:

299.20 Subd. 11. **Retaliatory provisions.** (a) If any other state or country imposes any
299.21 taxes, fines, deposits, penalties, licenses, or fees upon any insurance companies of this
299.22 state and their agents doing business in another state or country that are in addition to or in
299.23 excess of those imposed by the laws of this state upon foreign insurance companies and
299.24 their agents doing business in this state, the same taxes, fines, deposits, penalties, licenses,
299.25 and fees are imposed upon every similar insurance company of that state or country and
299.26 their agents doing or applying to do business in this state.

299.27 (b) If any conditions precedent to the right to do business in any other state or
299.28 country are imposed by the laws of that state or country, beyond those imposed upon
299.29 foreign companies by the laws of this state, the same conditions precedent are imposed
299.30 upon every similar insurance company of that state or country and their agents doing or
299.31 applying to do business in that state.

299.32 (c) For purposes of this subdivision, "taxes, fines, deposits, penalties, licenses, or
299.33 fees" means an amount of money that is deposited in the general revenue fund of the state

300.1 or other similar fund in another state or country and is not dedicated to a special purpose
 300.2 or use or money deposited in the general revenue fund of the state or other similar fund in
 300.3 another state or country and appropriated to the commissioner of commerce or insurance
 300.4 for the operation of the Department of Commerce or other similar agency with jurisdiction
 300.5 over insurance. Taxes, fines, deposits, penalties, licenses, or fees do not include:

300.6 (1) special purpose obligations or assessments imposed in connection with particular
 300.7 kinds of insurance, including but not limited to assessments imposed in connection with
 300.8 residual market mechanisms; or

300.9 (2) assessments made by the insurance guaranty association, life and health
 300.10 guarantee association, or similar association.

300.11 (d) This subdivision applies to taxes imposed under subdivisions 1_; 3_; 4_; ~~6~~_; and 12,
 300.12 paragraph (a), clauses (1) and (2); and 14.

300.13 (e) This subdivision does not apply to insurance companies organized or domiciled
 300.14 in a state or country, the laws of which do not impose retaliatory taxes, fines, deposits,
 300.15 penalties, licenses, or fees or which grant, on a reciprocal basis, exemptions from
 300.16 retaliatory taxes, fines, deposits, penalties, licenses, or fees to insurance companies
 300.17 domiciled in this state.

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

300.19 Sec. 8. Minnesota Statutes 2012, section 297I.05, subdivision 12, is amended to read:

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

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

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

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

300.27 (4) the direct funded premium received by the reinsurance association under section
 300.28 79.34 from self-insurers approved under section 176.181 and political subdivisions that
 300.29 self-insure; and

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

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

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

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

301.12 **EFFECTIVE DATE.** This section is effective for premiums received after
301.13 December 31, 2013.

301.14 Sec. 9. Minnesota Statutes 2012, section 297I.30, subdivision 1, is amended to read:

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

301.19 **EFFECTIVE DATE.** This section is effective for premiums received after
301.20 December 31, 2013.

301.21 Sec. 10. Minnesota Statutes 2012, section 297I.30, subdivision 2, is amended to read:

301.22 Subd. 2. **Surplus lines brokers and purchasing groups.** On or before February
301.23 15 and August 15 of each year, every surplus lines broker subject to taxation under
301.24 section 297I.05, subdivision 7, paragraph (a), ~~and every purchasing group or member of~~
301.25 ~~a purchasing group subject to tax under section 297I.05, subdivision 12, paragraph (a),~~
301.26 ~~clause (5)~~; shall file a return with the commissioner for the preceding six-month period
301.27 ending December 31, or June 30, in the form prescribed by the commissioner.

301.28 **EFFECTIVE DATE.** This section is effective for premiums received after
301.29 December 31, 2013.

301.30 Sec. 11. **REPEALER.**

301.31 Minnesota Statutes 2012, section 289A.60, subdivision 31, is repealed.

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

302.2 **ARTICLE 17**

302.3 **DEPARTMENT OF REVENUE PROPERTY AND MINERALS PROVISIONS**

302.4 Section 1. Minnesota Statutes 2012, section 123A.455, subdivision 1, is amended to
302.5 read:

302.6 Subdivision 1. **Definitions.** "Split residential property parcel" means a parcel of
302.7 real estate that is located within the boundaries of more than one school district and that
302.8 is classified as residential property under:

302.9 (1) section 273.13, subdivision 22, paragraph (a) or (b);

302.10 (2) section 273.13, subdivision 25, paragraph (b), clause (1); or

302.11 (3) section 273.13, subdivision 25, paragraph (c); ~~clause (1).~~

302.12 **EFFECTIVE DATE.** This section is effective for taxes payable in 2014 and
302.13 thereafter.

302.14 Sec. 2. Minnesota Statutes 2012, section 270.077, is amended to read:

302.15 **270.077 TAXES CREDITED TO STATE AIRPORTS FUND.**

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

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

302.19 Sec. 3. Minnesota Statutes 2012, section 270.41, subdivision 5, is amended to read:

302.20 Subd. 5. **Prohibited activity.** A licensed assessor or other person employed by an
302.21 assessment jurisdiction or contracting with an assessment jurisdiction for the purpose
302.22 of valuing or classifying property for property tax purposes is prohibited from making
302.23 appraisals or analyses, accepting an appraisal assignment, or preparing an appraisal report
302.24 as defined in section 82B.021, subdivisions 2, 4, 6, and 7, on any property within the
302.25 assessment jurisdiction where the individual is employed or performing the duties of the
302.26 assessor under contract. Violation of this prohibition shall result in immediate revocation
302.27 of the individual's license to assess property for property tax purposes. This prohibition
302.28 must not be construed to prohibit an individual from carrying out any duties required
302.29 for the proper assessment of property for property tax purposes or performing duties
302.30 enumerated in section 273.061, subdivision 7 or 8. If a formal resolution has been adopted
302.31 by the governing body of a governmental unit, which specifies the purposes for which

303.1 such work will be done, this prohibition does not apply to appraisal activities undertaken
303.2 on behalf of and at the request of the governmental unit that has employed or contracted
303.3 with the individual. The resolution may only allow appraisal activities which are related to
303.4 condemnations, right-of-way acquisitions, land exchanges, or special assessments.

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

303.6 Sec. 4. Minnesota Statutes 2012, section 270C.34, subdivision 1, is amended to read:

303.7 Subdivision 1. **Authority.** (a) The commissioner may abate, reduce, or refund any
303.8 penalty or interest that is imposed by a law administered by the commissioner, or imposed
303.9 by section 270.0725, subdivision 1 or 2, or 270.075, subdivision 2, as a result of the late
303.10 payment of tax or late filing of a return, or any part of an additional tax charge under
303.11 section 289A.25, subdivision 2, or 289A.26, subdivision 4, if the failure to timely pay the
303.12 tax or failure to timely file the return is due to reasonable cause, or if the taxpayer is located
303.13 in a presidentially declared disaster or in a presidentially declared state of emergency area
303.14 or in an area declared to be in a state of emergency by the governor under section 12.31.

303.15 (b) The commissioner shall abate any part of a penalty or additional tax charge
303.16 under section 289A.25, subdivision 2, or 289A.26, subdivision 4, attributable to erroneous
303.17 advice given to the taxpayer in writing by an employee of the department acting in
303.18 an official capacity, if the advice:

303.19 (1) was reasonably relied on and was in response to a specific written request of the
303.20 taxpayer; and

303.21 (2) was not the result of failure by the taxpayer to provide adequate or accurate
303.22 information.

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

303.24 Sec. 5. Minnesota Statutes 2012, section 272.01, subdivision 2, is amended to read:

303.25 Subd. 2. **Exempt property used by private entity for profit.** (a) When any real or
303.26 personal property which is exempt from ad valorem taxes, and taxes in lieu thereof, is
303.27 leased, loaned, or otherwise made available and used by a private individual, association,
303.28 or corporation in connection with a business conducted for profit, there shall be imposed a
303.29 tax, for the privilege of so using or possessing such real or personal property, in the same
303.30 amount and to the same extent as though the lessee or user was the owner of such property.

303.31 (b) The tax imposed by this subdivision shall not apply to:

303.32 (1) property leased or used as a concession in or relative to the use in whole
303.33 or part of a public park, market, fairgrounds, port authority, economic development

304.1 authority established under chapter 469, municipal auditorium, municipal parking facility,
304.2 municipal museum, or municipal stadium;

304.3 (2) property of an airport owned by a city, town, county, or group thereof which is:

304.4 (i) leased to or used by any person or entity including a fixed base operator; and

304.5 (ii) used as a hangar for the storage or repair of aircraft or to provide aviation goods,
304.6 services, or facilities to the airport or general public;

304.7 the exception from taxation provided in this clause does not apply to:

304.8 (i) property located at an airport owned or operated by the Metropolitan Airports
304.9 Commission or by a city of over 50,000 population according to the most recent federal
304.10 census or such a city's airport authority; or

304.11 (ii) hangars leased by a private individual, association, or corporation in connection
304.12 with a business conducted for profit other than an aviation-related business;

304.13 (3) property constituting or used as a public pedestrian ramp or concourse in
304.14 connection with a public airport;

304.15 (4) property constituting or used as a passenger check-in area or ticket sale counter,
304.16 boarding area, or luggage claim area in connection with a public airport but not the
304.17 airports owned or operated by the Metropolitan Airports Commission or cities of over
304.18 50,000 population or an airport authority therein. Real estate owned by a municipality
304.19 in connection with the operation of a public airport and leased or used for agricultural
304.20 purposes is not exempt;

304.21 (5) property leased, loaned, or otherwise made available to a private individual,
304.22 corporation, or association under a cooperative farming agreement made pursuant to
304.23 section 97A.135; or

304.24 (6) property leased, loaned, or otherwise made available to a private individual,
304.25 corporation, or association under section 272.68, subdivision 4.

304.26 (c) Taxes imposed by this subdivision are payable as in the case of personal property
304.27 taxes and shall be assessed to the lessees or users of real or personal property in the same
304.28 manner as taxes assessed to owners of real or personal property, except that such taxes
304.29 shall not become a lien against the property. When due, the taxes shall constitute a debt due
304.30 from the lessee or user to the state, township, city, county, and school district for which the
304.31 taxes were assessed and shall be collected in the same manner as personal property taxes.

304.32 If property subject to the tax imposed by this subdivision is leased or used jointly by two or
304.33 more persons, each lessee or user shall be jointly and severally liable for payment of the tax.

304.34 (d) The tax on real property of the federal government, the state or any of its political
304.35 subdivisions that is leased by, loaned, or otherwise made available to a private individual,
304.36 association, or corporation and becomes taxable under this subdivision or other provision

305.1 of law must be assessed and collected as a personal property assessment. The taxes do
305.2 not become a lien against the real property.

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

305.4 Sec. 6. Minnesota Statutes 2012, section 272.02, subdivision 97, is amended to read:

305.5 Subd. 97. **Property used in business of mining subject to net proceeds tax.** The
305.6 following property used in the business of mining that is subject to the net proceeds tax
305.7 under section 298.015 is exempt:

305.8 (1) deposits of ores, metals, and minerals and the lands in which they are contained;

305.9 (2) all real and personal property used in mining, quarrying, producing, or refining
305.10 ores, minerals, or metals, including lands occupied by or used in connection with the
305.11 mining, quarrying, production, or ore refining facilities; and

305.12 (3) concentrate ~~or direct reduced ore~~.

305.13 This exemption applies for each year that a person subject to tax under section
305.14 298.015 uses the property for mining, quarrying, producing, or refining ores, metals, or
305.15 minerals.

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

305.17 Sec. 7. Minnesota Statutes 2012, section 272.03, subdivision 9, is amended to read:

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

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

305.21 Sec. 8. Minnesota Statutes 2012, section 273.114, subdivision 6, is amended to read:

305.22 Subd. 6. **Additional taxes.** (a) When real property which is being, or has been
305.23 valued and assessed under this section is sold, transferred, or no longer qualifies under
305.24 subdivision 2, the portion sold, transferred, or no longer qualifying shall be subject to
305.25 additional taxes in the amount equal to the difference between the taxes determined in
305.26 accordance with subdivision 3 and the amount determined under subdivision 4, provided
305.27 that the amount determined under subdivision 4 shall not be greater than it would have
305.28 been had the actual bona fide sale price of the real property at an arm's-length transaction
305.29 been used in lieu of the market value determined under subdivision 4. The additional taxes
305.30 shall be extended against the property on the tax list for taxes payable in the current year,
305.31 provided that no interest or penalties shall be levied on the additional taxes if timely paid

306.1 and provided that the additional taxes shall only be levied with respect to the current year
306.2 plus two prior years that the property has been valued and assessed under this section.

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

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

306.8 (1) death of a property owner when the surviving owners retain ownership of the
306.9 property;

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

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

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

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

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

306.21 Sec. 9. Minnesota Statutes 2012, section 273.13, subdivision 23, is amended to read:

306.22 Subd. 23. **Class 2.** (a) An agricultural homestead consists of class 2a agricultural
306.23 land that is homesteaded, along with any class 2b rural vacant land that is contiguous to
306.24 the class 2a land under the same ownership. The market value of the house and garage
306.25 and immediately surrounding one acre of land has the same class rates as class 1a or 1b
306.26 property under subdivision 22. The value of the remaining land including improvements
306.27 up to the first tier valuation limit of agricultural homestead property has a net class rate
306.28 of 0.5 percent of market value. The remaining property over the first tier has a class rate
306.29 of one percent of market value. For purposes of this subdivision, the "first tier valuation
306.30 limit of agricultural homestead property" and "first tier" means the limit certified under
306.31 section 273.11, subdivision 23.

306.32 (b) Class 2a agricultural land consists of parcels of property, or portions thereof, that
306.33 are agricultural land and buildings. Class 2a property has a net class rate of one percent of
306.34 market value, unless it is part of an agricultural homestead under paragraph (a). Class 2a
306.35 property must also include any property that would otherwise be classified as 2b, but is

307.1 interspersed with class 2a property, including but not limited to sloughs, wooded wind
307.2 shelters, acreage abutting ditches, ravines, rock piles, land subject to a setback requirement,
307.3 and other similar land that is impractical for the assessor to value separately from the rest of
307.4 the property or that is unlikely to be able to be sold separately from the rest of the property.

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

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

307.17 (d) Class 2c managed forest land consists of no less than 20 and no more than 1,920
307.18 acres statewide per taxpayer that is being managed under a forest management plan that
307.19 meets the requirements of chapter 290C, but is not enrolled in the sustainable forest
307.20 resource management incentive program. It has a class rate of .65 percent, provided that
307.21 the owner of the property must apply to the assessor in order for the property to initially
307.22 qualify for the reduced rate and provide the information required by the assessor to verify
307.23 that the property qualifies for the reduced rate. If the assessor receives the application
307.24 and information before May 1 in an assessment year, the property qualifies beginning
307.25 with that assessment year. If the assessor receives the application and information after
307.26 April 30 in an assessment year, the property may not qualify until the next assessment
307.27 year. The commissioner of natural resources must concur that the land is qualified. The
307.28 commissioner of natural resources shall annually provide county assessors verification
307.29 information on a timely basis. The presence of a minor, ancillary nonresidential structure
307.30 as defined by the commissioner of revenue does not disqualify the property from
307.31 classification under this paragraph.

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

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

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

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

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

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

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

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

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

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

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

308.35 ~~(iv) (iii) for intensive market farming; for purposes of this paragraph, "market~~
 308.36 ~~farming" means the cultivation of one or more fruits or vegetables or production of animal~~

309.1 or other agricultural products for sale to local markets by the farmer or an organization
309.2 with which the farmer is affiliated.

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

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

309.8 Classification under this subdivision is not determinative for qualifying under
309.9 section 273.111.

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

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

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

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

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

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

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

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

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

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

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

310.3 (1) wholesale and retail sales;

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

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

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

310.8 the assessor shall classify the part of the parcel used for agricultural purposes as class
310.9 1b, 2a, or 2b, whichever is appropriate, and the remainder in the class appropriate to its
310.10 use. The grading, sorting, and packaging of raw agricultural products for first sale is
310.11 considered an agricultural purpose. A greenhouse or other building where horticultural
310.12 or nursery products are grown that is also used for the conduct of retail sales must be
310.13 classified as agricultural if it is primarily used for the growing of horticultural or nursery
310.14 products from seed, cuttings, or roots and occasionally as a showroom for the retail sale of
310.15 those products. Use of a greenhouse or building only for the display of already grown
310.16 horticultural or nursery products does not qualify as an agricultural purpose.

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

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

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

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

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

310.35 The land contained in a landing area under this paragraph must be described and certified
310.36 by the commissioner of transportation. The certification is effective until it is modified,

311.1 or until the airport or landing area no longer meets the requirements of this paragraph.
311.2 For purposes of this paragraph, "public access area" means property used as an aircraft
311.3 parking ramp, apron, or storage hangar, or an arrival and departure building in connection
311.4 with the airport.

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

311.12 (1) a legal description of the property;

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

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

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

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

311.25 (n) When any portion of the property under this subdivision or subdivision 22 begins
311.26 to be actively mined, the owner must file a supplemental affidavit within 60 days from
311.27 the day any aggregate is removed stating the number of acres of the property that is
311.28 actively being mined. The acres actively being mined must be (1) valued and classified
311.29 under subdivision 24 in the next subsequent assessment year, and (2) removed from the
311.30 aggregate resource preservation property tax program under section 273.1115, if the
311.31 land was enrolled in that program. Copies of the original affidavit and all supplemental
311.32 affidavits must be filed with the county assessor, the local zoning administrator, and the
311.33 Department of Natural Resources, Division of Land and Minerals. A supplemental
311.34 affidavit must be filed each time a subsequent portion of the property is actively mined,
311.35 provided that the minimum acreage change is five acres, even if the actual mining activity
311.36 constitutes less than five acres.

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

312.4 **EFFECTIVE DATE.** This section is effective for taxes payable in 2014 and
 312.5 thereafter.

312.6 Sec. 10. Minnesota Statutes 2012, section 273.13, subdivision 25, is amended to read:

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

312.14 (b) Class 4b includes:

312.15 (1) residential real estate containing less than four units that does not qualify as class
 312.16 4bb, other than seasonal residential recreational property;

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

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

312.20 (4) unimproved property that is classified residential as determined under subdivision
 312.21 33.

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

312.23 (c) Class 4bb includes:

312.24 (1) nonhomestead residential real estate containing one unit, other than seasonal
 312.25 residential recreational property; and

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

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

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

312.32 (d) Class 4c property includes:

312.33 (1) except as provided in subdivision 22, paragraph (c), real and personal property
 312.34 devoted to commercial temporary and seasonal residential occupancy for recreation
 312.35 purposes, for not more than 250 days in the year preceding the year of assessment. For

313.1 purposes of this clause, property is devoted to a commercial purpose on a specific day
313.2 if any portion of the property is used for residential occupancy, and a fee is charged for
313.3 residential occupancy. Class 4c property under this clause must contain three or more
313.4 rental units. A "rental unit" is defined as a cabin, condominium, townhouse, sleeping room,
313.5 or individual camping site equipped with water and electrical hookups for recreational
313.6 vehicles. A camping pad offered for rent by a property that otherwise qualifies for class
313.7 4c under this clause is also class 4c under this clause regardless of the term of the rental
313.8 agreement, as long as the use of the camping pad does not exceed 250 days. In order for a
313.9 property to be classified under this clause, either (i) the business located on the property
313.10 must provide recreational activities, at least 40 percent of the annual gross lodging receipts
313.11 related to the property must be from business conducted during 90 consecutive days,
313.12 and either (A) at least 60 percent of all paid bookings by lodging guests during the year
313.13 must be for periods of at least two consecutive nights; or (B) at least 20 percent of the
313.14 annual gross receipts must be from charges for providing recreational activities, or (ii) the
313.15 business must contain 20 or fewer rental units, and must be located in a township or a city
313.16 with a population of 2,500 or less located outside the metropolitan area, as defined under
313.17 section 473.121, subdivision 2, that contains a portion of a state trail administered by the
313.18 Department of Natural Resources. For purposes of item (i)(A), a paid booking of five or
313.19 more nights shall be counted as two bookings. Class 4c property also includes commercial
313.20 use real property used exclusively for recreational purposes in conjunction with other class
313.21 4c property classified under this clause and devoted to temporary and seasonal residential
313.22 occupancy for recreational purposes, up to a total of two acres, provided the property is
313.23 not devoted to commercial recreational use for more than 250 days in the year preceding
313.24 the year of assessment and is located within two miles of the class 4c property with which
313.25 it is used. In order for a property to qualify for classification under this clause, the owner
313.26 must submit a declaration to the assessor designating the cabins or units occupied for 250
313.27 days or less in the year preceding the year of assessment by January 15 of the assessment
313.28 year. Those cabins or units and a proportionate share of the land on which they are located
313.29 must be designated class 4c under this clause as otherwise provided. The remainder of the
313.30 cabins or units and a proportionate share of the land on which they are located will be
313.31 designated as class 3a. The owner of property desiring designation as class 4c property
313.32 under this clause must provide guest registers or other records demonstrating that the units
313.33 for which class 4c designation is sought were not occupied for more than 250 days in the
313.34 year preceding the assessment if so requested. The portion of a property operated as a
313.35 (1) restaurant, (2) bar, (3) gift shop, (4) conference center or meeting room, and (5) other
313.36 nonresidential facility operated on a commercial basis not directly related to temporary and

314.1 seasonal residential occupancy for recreation purposes does not qualify for class 4c. For
314.2 the purposes of this paragraph, "recreational activities" means renting ice fishing houses,
314.3 boats and motors, snowmobiles, downhill or cross-country ski equipment; providing
314.4 marina services, launch services, or guide services; or selling bait and fishing tackle;

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

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

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

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

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

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

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

314.22 For purposes of this clause:

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

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

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

314.32 (D) "revenue-producing activities" shall include but not be limited to property or that
314.33 portion of the property that is used as an on-sale intoxicating liquor or 3.2 percent malt
314.34 liquor establishment licensed under chapter 340A, a restaurant open to the public, bowling
314.35 alley, a retail store, gambling conducted by organizations licensed under chapter 349, an

315.1 insurance business, or office or other space leased or rented to a lessee who conducts a
315.2 for-profit enterprise on the premises.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

316.29 (11) lakeshore and riparian property and adjacent land, not to exceed six acres, used
316.30 as a marina, as defined in section 86A.20, subdivision 5, which is made accessible to
316.31 the public and devoted to recreational use for marina services. The marina owner must
316.32 annually provide evidence to the assessor that it provides services, including lake or river
316.33 access to the public by means of an access ramp or other facility that is either located on
316.34 the property of the marina or at a publicly owned site that abuts the property of the marina.
316.35 No more than 800 feet of lakeshore may be included in this classification. Buildings used
316.36 in conjunction with a marina for marina services, including but not limited to buildings

317.1 used to provide food and beverage services, fuel, boat repairs, or the sale of bait or fishing
317.2 tackle, are classified as class 3a property; and

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

317.5 Class 4c property has a class rate of 1.5 percent of market value, except that (i) each
317.6 parcel of noncommercial seasonal residential recreational property under clause (12)
317.7 has the same class rates as class 4bb property, (ii) manufactured home parks assessed
317.8 under clause (5), item (i), have the same class rate as class 4b property, and the market
317.9 value of manufactured home parks assessed under clause (5), item (ii), has the same class
317.10 rate as class 4d property if more than 50 percent of the lots in the park are occupied by
317.11 shareholders in the cooperative corporation or association and a class rate of one percent if
317.12 50 percent or less of the lots are so occupied, (iii) commercial-use seasonal residential
317.13 recreational property and marina recreational land as described in clause (11), has a
317.14 class rate of one percent for the first \$500,000 of market value, and 1.25 percent for the
317.15 remaining market value, (iv) the market value of property described in clause (4) has a
317.16 class rate of one percent, (v) the market value of property described in clauses (2), (6), and
317.17 (10) has a class rate of 1.25 percent, and (vi) that portion of the market value of property
317.18 in clause (9) qualifying for class 4c property has a class rate of 1.25 percent.

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

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

317.29 **EFFECTIVE DATE.** This section is effective for taxes payable in 2014 and
317.30 thereafter.

317.31 Sec. 11. Minnesota Statutes 2012, section 273.19, subdivision 1, is amended to read:

317.32 Subdivision 1. **Tax-exempt property; lease.** Except as provided in subdivision 3 or
317.33 4, tax-exempt property held under a lease for a term of at least one year, and not taxable
317.34 under section 272.01, subdivision 2, or under a contract for the purchase thereof, shall be
317.35 considered, for all purposes of taxation, as the property of the person holding it. In this

318.1 subdivision, "tax-exempt property" means property owned by the United States, the state
318.2 or any of its political subdivisions, a school, or any religious, scientific, or benevolent
318.3 society or institution, incorporated or unincorporated, or any corporation whose property
318.4 is not taxed in the same manner as other property. This subdivision does not apply to
318.5 property exempt from taxation under section 272.01, subdivision 2, paragraph (b), clauses
318.6 (2), (3), and (4), or to property exempt from taxation under section 272.0213.

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

318.8 Sec. 12. Minnesota Statutes 2012, section 273.372, subdivision 4, is amended to read:

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

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

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

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

318.28 ~~(b)~~ (e) In addition to the opportunity for a conference under paragraph (a), the
318.29 commissioner shall also provide the railroad and utility companies the opportunity to
318.30 discuss any questions or concerns relating to the values established by the commissioner
318.31 through certification or notice in a less formal manner. This does not change or modify
318.32 the deadline for requesting a conference under paragraph (a), the deadline in section
318.33 271.06 for appealing an order of the commissioner, or the deadline in section 278.01 for
318.34 appealing property taxes in court.

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

319.2 Sec. 13. Minnesota Statutes 2012, section 273.39, is amended to read:

319.3 **273.39 RURAL AREA.**

319.4 As used in sections 273.39 to 273.41, the term "rural area" shall be deemed to mean
319.5 any area of the state not included within the boundaries of any ~~incorporated~~ statutory
319.6 city or home rule charter city, and such term shall be deemed to include both farm and
319.7 nonfarm population thereof.

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

319.9 Sec. 14. Minnesota Statutes 2012, section 279.06, subdivision 1, is amended to read:

319.10 Subdivision 1. **List and notice.** Within five days after the filing of such list, the
319.11 court administrator shall return a copy thereof to the county auditor, with a notice prepared
319.12 and signed by the court administrator, and attached thereto, which may be substantially in
319.13 the following form:

319.14 State of Minnesota)
319.15) ss.
319.16 County of)
319.17 District Court
319.18 Judicial District.

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

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

320.1 (a) ~~nonagricultural homesteaded land as defined in section 273.13, subdivision 22;~~

320.2 (b) ~~homesteaded agricultural land as defined in section 273.13, subdivision 23,~~
320.3 ~~paragraph (a);~~

320.4 (c) ~~seasonal residential recreational land as defined in section 273.13, subdivisions~~
320.5 ~~22, paragraph (c), and 25, paragraph (d), clause (1), in which event the period of~~
320.6 ~~redemption is five years from the date of sale to the state of Minnesota;~~

320.7 (d) ~~abandoned property and pursuant to section 281.173 a court order has been~~
320.8 ~~entered shortening the redemption period to five weeks; or~~

320.9 (e) ~~vacant property as described under section 281.174, subdivision 2, and for which~~
320.10 ~~a court order is entered shortening the redemption period under section 281.174.~~

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

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

320.15 (Signed),
320.16 Court Administrator of the District Court of the
320.17 County of
320.18 (Here insert list.)

320.19 The notice must contain a narrative description of the various periods to redeem
320.20 specified in sections 281.17, 281.173, and 281.174, in the manner prescribed by the
320.21 commissioner of revenue under subdivision 2.

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

320.23 List of real property for the county of, on which taxes remain
320.24 delinquent on the first Monday in January,

320.25 Town of (Fairfield),
320.26 Township (40), Range (20),

320.27 Names (and Current
320.28 Filed Addresses) for
320.29 the Taxpayers and Fee
320.30 Owners and in Addition
320.31 Those Parties Who Have
320.32 Filed Their Addresses

320.33 Pursuant to section Subdivision of Tax Parcel Total Tax
320.34 276.041 Section Section Number and Penalty
320.35 \$ cts.

320.36 John Jones (825 Fremont S.E. 1/4 of S.W. 1/4 10 23101 2.20
320.37 Fairfield, MN 55000)

321.1 Bruce Smith (2059 Hand That part of N.E. 1/4
 321.2 Fairfield, MN 55000) of S.W. 1/4 desc. as
 321.3 and Fairfield State follows: Beg. at the
 321.4 Bank (100 Main Street S.E. corner of said N.E.
 321.5 Fairfield, MN 55000) 1/4 of S.W. 1/4; thence
 321.6 N. along the E. line of
 321.7 said N.E. 1/4 of S.W.
 321.8 1/4 a distance of 600
 321.9 ft.; thence W. parallel
 321.10 with the S. line of said
 321.11 N.E. 1/4 of S.W. 1/4
 321.12 a distance of 600 ft.;
 321.13 thence S. parallel with
 321.14 said E. line a distance of
 321.15 600 ft. to S. line of said
 321.16 N.E. 1/4 of S.W. 1/4;
 321.17 thence E. along said S.
 321.18 line a distance of 600 ft.
 321.19 to the point of beg.

321.20 As to platted property, the form of heading shall conform to circumstances and be
 321.21 substantially in the following form:

321.22 City of (Smithtown)
 321.23 Brown's Addition, or Subdivision

321.24 Names (and Current
 321.25 Filed Addresses) for
 321.26 the Taxpayers and Fee
 321.27 Owners and in Addition
 321.28 Those Parties Who Have
 321.29 Filed Their Addresses

321.30 Pursuant to section
 321.31 276.041

Lot	Block	Tax Parcel Number	Total Tax and Penalty \$ cts.
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321.33 John Jones (825 Fremont 321.34 Fairfield, MN 55000)	15	9	58243	2.20
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321.35 Bruce Smith (2059 Hand 321.36 Fairfield, MN 55000) 321.37 and Fairfield State 321.38 Bank (100 Main Street 321.39 Fairfield, MN 55000)	16	9	58244	3.15
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321.40 The names, descriptions, and figures employed in parentheses in the above forms are
 321.41 merely for purposes of illustration.

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

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

322.1 **EFFECTIVE DATE.** This section is effective for lists and notices required after
322.2 December 31, 2013.

322.3 Sec. 15. Minnesota Statutes 2012, section 290B.04, subdivision 2, is amended to read:

322.4 Subd. 2. **Approval; recording.** The commissioner shall approve all initial
322.5 applications that qualify under this chapter and shall notify qualifying homeowners on or
322.6 before December 1. The commissioner may investigate the facts or require confirmation
322.7 in regard to an application. The commissioner shall record or file a notice of qualification
322.8 for deferral, including the names of the qualifying homeowners and a legal description
322.9 of the property, in the office of the county recorder, or registrar of titles, whichever is
322.10 applicable, in the county where the qualifying property is located. The notice must state
322.11 that it serves as a notice of lien and that it includes deferrals under this section for future
322.12 years. The commissioner shall prescribe the form of the notice. Execution of the notice
322.13 by the original or facsimile signature of the commissioner or a delegate entitles them to
322.14 be recorded, and no other attestation, certification, or acknowledgment is necessary. The
322.15 homeowner shall pay the recording or filing fees for the notice, which, notwithstanding
322.16 section 357.18, shall be paid by the homeowner at the time of satisfaction of the lien.

322.17 **EFFECTIVE DATE.** This section is effective for notices that are both executed
322.18 and recorded after June 30, 2013.

322.19 Sec. 16. Minnesota Statutes 2012, section 298.01, subdivision 3, is amended to read:

322.20 Subd. 3. **Occupation tax; other ores.** Every person engaged in the business of
322.21 mining, refining, or producing ores, metals, or minerals in this state, except iron ore or
322.22 taconite concentrates, shall pay an occupation tax to the state of Minnesota as provided
322.23 in this subdivision. For purposes of this subdivision, mining includes the application of
322.24 hydrometallurgical processes. Hydrometallurgical processes are processes that extract
322.25 the ores, metals, or minerals, by use of aqueous solutions that leach, concentrate, and
322.26 recover the ore, metal, or mineral. The tax is determined in the same manner as the tax
322.27 imposed by section 290.02, except that sections 290.05, subdivision 1, clause (a), 290.17,
322.28 subdivision 4, and 290.191, subdivision 2, do not apply, and the occupation tax must
322.29 be computed by applying to taxable income the rate of 2.45 percent. A person subject
322.30 to occupation tax under this section shall apportion its net income on the basis of the
322.31 percentage obtained by taking the sum of:

322.32 (1) 75 percent of the percentage which the sales made within this state in connection
322.33 with the trade or business during the tax period are of the total sales wherever made in
322.34 connection with the trade or business during the tax period;

323.1 (2) 12.5 percent of the percentage which the total tangible property used by the
323.2 taxpayer in this state in connection with the trade or business during the tax period is of
323.3 the total tangible property, wherever located, used by the taxpayer in connection with the
323.4 trade or business during the tax period; and

323.5 (3) 12.5 percent of the percentage which the taxpayer's total payrolls paid or incurred
323.6 in this state or paid in respect to labor performed in this state in connection with the trade
323.7 or business during the tax period are of the taxpayer's total payrolls paid or incurred in
323.8 connection with the trade or business during the tax period.

323.9 The tax is in addition to all other taxes.

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

323.11 Sec. 17. Minnesota Statutes 2012, section 298.018, is amended to read:

323.12 **298.018 DISTRIBUTION OF PROCEEDS.**

323.13 Subdivision 1. **Within taconite assistance area.** The proceeds of the tax paid
323.14 under sections 298.015 and 298.016 on ores, metals, or minerals ~~and energy resources~~
323.15 mined or extracted within the taconite assistance area defined in section 273.1341, shall
323.16 be allocated as follows:

323.17 (1) five percent to the city or town within which the minerals or energy resources
323.18 are mined or extracted;

323.19 (2) ten percent to the taconite municipal aid account to be distributed as provided
323.20 in section 298.282;

323.21 (3) ten percent to the school district within which the minerals or energy resources
323.22 are mined or extracted;

323.23 (4) 20 percent to a group of school districts comprised of those school districts
323.24 wherein the mineral or energy resource was mined or extracted or in which there is a
323.25 qualifying municipality as defined by section 273.134, paragraph (b), in direct proportion
323.26 to school district indexes as follows: for each school district, its pupil units determined
323.27 under section 126C.05 for the prior school year shall be multiplied by the ratio of the
323.28 average adjusted net tax capacity per pupil unit for school districts receiving aid under
323.29 this clause as calculated pursuant to chapters 122A, 126C, and 127A for the school year
323.30 ending prior to distribution to the adjusted net tax capacity per pupil unit of the district.

323.31 Each district shall receive that portion of the distribution which its index bears to the sum
323.32 of the indices for all school districts that receive the distributions;

323.33 (5) 20 percent to the county within which the minerals or energy resources are
323.34 mined or extracted;

324.1 (6) 20 percent to St. Louis County acting as the counties' fiscal agent to be
324.2 distributed as provided in sections 273.134 to 273.136;

324.3 (7) five percent to the Iron Range Resources and Rehabilitation Board for the
324.4 purposes of section 298.22;

324.5 (8) five percent to the Douglas J. Johnson economic protection trust fund; and

324.6 (9) five percent to the taconite environmental protection fund.

324.7 The proceeds of the tax shall be distributed on July 15 each year.

324.8 Subd. 2. **Outside taconite assistance area.** The proceeds of the tax paid under
324.9 sections 298.015 and 298.016 on ores, metals, or minerals ~~and energy resources~~ mined
324.10 or extracted outside of the taconite assistance area defined in section 273.1341, shall
324.11 be deposited in the general fund.

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

324.13 Sec. 18. Minnesota Statutes 2012, section 373.01, subdivision 1, is amended to read:

324.14 Subdivision 1. **Public corporation; listed powers.** (a) Each county is a body politic
324.15 and corporate and may:

324.16 (1) Sue and be sued.

324.17 (2) Acquire and hold real and personal property for the use of the county, and lands
324.18 sold for taxes as provided by law.

324.19 (3) Purchase and hold for the benefit of the county real estate sold by virtue of
324.20 judicial proceedings, to which the county is a party.

324.21 (4) Sell, lease, and convey real or personal estate owned by the county, and give
324.22 contracts or options to sell, lease, or convey it, and make orders respecting it as deemed
324.23 conducive to the interests of the county's inhabitants.

324.24 (5) Make all contracts and do all other acts in relation to the property and concerns
324.25 of the county necessary to the exercise of its corporate powers.

324.26 (b) No sale, lease, or conveyance of real estate owned by the county, except the lease
324.27 of a residence acquired for the furtherance of an approved capital improvement project, nor
324.28 any contract or option for it, shall be valid, without first advertising for bids or proposals in
324.29 the official newspaper of the county for three consecutive weeks and once in a newspaper
324.30 of general circulation in the area where the property is located. The notice shall state the
324.31 time and place of considering the proposals, contain a legal description of any real estate,
324.32 and a brief description of any personal property. Leases that do not exceed \$15,000 for any
324.33 one year may be negotiated and are not subject to the competitive bid procedures of this
324.34 section. All proposals estimated to exceed \$15,000 in any one year shall be considered at

325.1 the time set for the bid opening, and the one most favorable to the county accepted, but the
325.2 county board may, in the interest of the county, reject any or all proposals.

325.3 (c) Sales of personal property the value of which is estimated to be \$15,000 or
325.4 more shall be made only after advertising for bids or proposals in the county's official
325.5 newspaper, on the county's Web site, or in a recognized industry trade journal. At the same
325.6 time it posts on its Web site or publishes in a trade journal, the county must publish in the
325.7 official newspaper, either as part of the minutes of a regular meeting of the county board
325.8 or in a separate notice, a summary of all requests for bids or proposals that the county
325.9 advertises on its Web site or in a trade journal. After publication in the official newspaper,
325.10 on the Web site, or in a trade journal, bids or proposals may be solicited and accepted by
325.11 the electronic selling process authorized in section 471.345, subdivision 17. Sales of
325.12 personal property the value of which is estimated to be less than \$15,000 may be made
325.13 either on competitive bids or in the open market, in the discretion of the county board.
325.14 "Web site" means a specific, addressable location provided on a server connected to the
325.15 Internet and hosting World Wide Web pages and other files that are generally accessible
325.16 on the Internet all or most of a day.

325.17 (d) Notwithstanding anything to the contrary herein, the county may, when acquiring
325.18 real property for county highway right-of-way, exchange parcels of real property of
325.19 substantially similar or equal value without advertising for bids. The estimated values for
325.20 these parcels shall be determined by the county assessor.

325.21 (e) Notwithstanding anything in this section to the contrary, the county may, when
325.22 acquiring real property for purposes other than county highway right-of-way, exchange
325.23 parcels of real property of substantially similar or equal value without advertising for
325.24 bids. The estimated values for these parcels must be determined by the county assessor
325.25 or a private appraisal performed by a licensed Minnesota real estate appraiser. For the
325.26 purpose of determining for the county the estimated values of parcels proposed to be
325.27 exchanged, the county assessor need not be licensed under chapter 82B. Before giving
325.28 final approval to any exchange of land, the county board shall hold a public hearing on
325.29 the exchange. At least two weeks before the hearing, the county auditor shall post a
325.30 notice in the auditor's office and the official newspaper of the county of the hearing that
325.31 contains a description of the lands affected.

325.32 (f) If real estate or personal property remains unsold after advertising for and
325.33 consideration of bids or proposals the county may employ a broker to sell the property.
325.34 The broker may sell the property for not less than 90 percent of its appraised market value
325.35 as determined by the county. The broker's fee shall be set by agreement with the county but
325.36 may not exceed ten percent of the sale price and must be paid from the proceeds of the sale.

326.1 (g) A county or its agent may rent a county-owned residence acquired for the
326.2 furtherance of an approved capital improvement project subject to the conditions set
326.3 by the county board and not subject to the conditions for lease otherwise provided by
326.4 paragraph (a), clause (4), and paragraphs (b), (c), (d), (f), and (h).

326.5 (h) In no case shall lands be disposed of without there being reserved to the county
326.6 all iron ore and other valuable minerals in and upon the lands, with right to explore for,
326.7 mine and remove the iron ore and other valuable minerals, nor shall the minerals and
326.8 mineral rights be disposed of, either before or after disposition of the surface rights,
326.9 otherwise than by mining lease, in similar general form to that provided by section 93.20
326.10 for mining leases affecting state lands. The lease shall be for a term not exceeding 50
326.11 years, and be issued on a royalty basis, the royalty to be not less than 25 cents per ton of
326.12 2,240 pounds, and fix a minimum amount of royalty payable during each year, whether
326.13 mineral is removed or not. Prospecting options for mining leases may be granted for
326.14 periods not exceeding one year. The options shall require, among other things, periodical
326.15 showings to the county board of the results of exploration work done.

326.16 (i) Notwithstanding anything in this subdivision to the contrary, the county may,
326.17 when selling real property owned in fee simple that cannot be improved because of
326.18 noncompliance with local ordinances regarding minimum area, shape, frontage, or access,
326.19 proceed to sell the nonconforming parcel without advertising for bid. At the county's
326.20 discretion, the real property may be restricted to sale to adjoining landowners or may be
326.21 sold to any other interested party. The property shall be sold to the highest bidder, but in no
326.22 case shall the property be sold for less than 90 percent of its fair market value as determined
326.23 by the county assessor. All owners of land adjoining the land to be sold shall be given a
326.24 written notice at least 30 days before the sale. This paragraph shall be liberally construed to
326.25 encourage the sale of nonconforming real property and promote its return to the tax rolls.

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

326.27 Sec. 19. **REPEALER.**

326.28 Minnesota Statutes 2012, sections 272.69; and 273.11, subdivisions 1a and 22, are
326.29 repealed.

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

ARTICLE 18

DEPARTMENT OF REVENUE MISCELLANEOUS PROVISIONS

Section 1. Minnesota Statutes 2012, section 16A.46, is amended to read:

16A.46 LOST OR DESTROYED WARRANT DUPLICATE; INDEMNITY.

Subdivision 1. Duplicate warrant. The commissioner may issue a duplicate of an unpaid warrant to an owner if the owner certifies that the original was lost or destroyed. The commissioner may require certification be documented by affidavit. The commissioner may refuse to issue a duplicate of an unpaid state warrant. If the commissioner acts in good faith, the commissioner is not liable, whether the application is granted or denied.

Subd. 2. Original warrant is void. When the duplicate is issued, the original is void. The commissioner may require an indemnity bond from the applicant to the state for double the amount of the warrant for anyone damaged by the issuance of the duplicate. ~~The commissioner may refuse to issue a duplicate of an unpaid state warrant. If the commissioner acts in good faith the commissioner is not liable, whether the application is granted or denied~~ is not liable to any holder who took the void original warrant for value, whether or not the commissioner required an indemnity bond from the applicant.

Subd. 3. Unpaid refund or rebate. For an unpaid refund or rebate issued under a tax law administered by the commissioner of revenue that has been lost or destroyed, an affidavit is not required for the commissioner to issue a duplicate if the duplicate is issued to the same name and Social Security number as the original warrant and that information is verified on a tax return filed by the recipient.

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

Sec. 2. Minnesota Statutes 2012, section 270C.38, subdivision 1, is amended to read:

Subdivision 1. Sufficient notice. (a) If no method of notification of a written determination or action of the commissioner is otherwise specifically provided for by law, notice of the determination or action sent postage prepaid by United States mail to the taxpayer or other person affected by the determination or action at the taxpayer's or person's last known address, is sufficient. If the taxpayer or person being notified is deceased or is under a legal disability, or, in the case of a corporation being notified that has terminated its existence, notice to the last known address of the taxpayer, person, or corporation is sufficient, unless the department has been provided with a new address by a party authorized to receive notices from the commissioner.

328.1 (b) If a taxpayer or other person agrees to accept notification by electronic means,
328.2 notice of a determination or action of the commissioner sent by electronic mail to the
328.3 taxpayer's or person's last known electronic mailing address as provided for in section
328.4 325L.08 is sufficient.

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

328.6 Sec. 3. Minnesota Statutes 2012, section 270C.42, subdivision 2, is amended to read:

328.7 Subd. 2. **Penalty for failure to pay electronically.** In addition to other applicable
328.8 penalties imposed by law, after notification from the commissioner to the taxpayer that
328.9 payments for a tax payable to the commissioner are required to be made by electronic
328.10 means, and the payments are remitted by some other means, there is a penalty in the
328.11 amount of five percent of each payment that should have been remitted electronically.
328.12 After the commissioner's initial notification to the taxpayer that payments are required to
328.13 be made by electronic means, the commissioner is not required to notify the taxpayer in
328.14 subsequent periods if the initial notification specified the amount of tax liability at which a
328.15 taxpayer is required to remit payments by electronic means. The penalty can be abated
328.16 under the abatement procedures prescribed in section 270C.34 if the failure to remit the
328.17 payment electronically is due to reasonable cause. The penalty bears interest at the rate
328.18 specified in section 270C.40 from the ~~due date of the payment of the tax~~ provided in
328.19 section 270C.40, subdivision 3, to the date of payment of the penalty.

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

328.21 Sec. 4. Minnesota Statutes 2012, section 287.385, subdivision 7, is amended to read:

328.22 Subd. 7. **Interest on penalties.** A penalty imposed under this chapter bears interest
328.23 from the date ~~payment was required to be paid, including any extensions,~~ provided in
328.24 section 270C.40, subdivision 3, to the date of payment of the penalty.

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

328.26 Sec. 5. Minnesota Statutes 2012, section 289A.55, subdivision 9, is amended to read:

328.27 Subd. 9. **Interest on penalties.** (a) A penalty imposed under section 289A.60,
328.28 subdivision 1, 2, 2a, 4, 5, 6, or 21 bears interest from the date ~~the return or payment~~
328.29 ~~was required to be filed or paid, including any extensions~~ provided in section 270C.40,
328.30 subdivision 3, to the date of payment of the penalty.

329.1 (b) A penalty not included in paragraph (a) bears interest only if it is not paid within
329.2 60 days from the date of notice. In that case interest is imposed from the date of notice
329.3 to the date of payment.

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

329.5 Sec. 6. Minnesota Statutes 2012, section 289A.60, subdivision 4, is amended to read:

329.6 Subd. 4. **Substantial understatement of liability; penalty.** (a) The commissioner
329.7 of revenue shall impose a penalty for substantial understatement of any tax payable to the
329.8 commissioner, except a tax imposed under chapter 297A.

329.9 (b) There must be added to the tax an amount equal to 20 percent of the amount of any
329.10 underpayment attributable to the understatement. There is a substantial understatement of
329.11 tax for the period if the amount of the understatement for the period exceeds the greater of:

329.12 (1) ten percent of the tax required to be shown on the return for the period; or

329.13 (2)(i) \$10,000 in the case of a mining company or a corporation, other than an S
329.14 corporation as defined in section 290.9725, when the tax is imposed by chapter 290 or
329.15 section 298.01 or 298.015, or

329.16 (ii) \$5,000 in the case of any other taxpayer, and in the case of a mining company or
329.17 a corporation any tax not imposed by chapter 290 or section 298.01 or 298.015.

329.18 (c) For a corporation, other than an S corporation, there is also a substantial
329.19 understatement of tax for any taxable year if the amount of the understatement for the
329.20 taxable year exceeds the lesser of:

329.21 (1) ten percent of the tax required to be shown on the return for the taxable year
329.22 (or, if greater, \$10,000); or

329.23 (2) \$10,000,000.

329.24 (d) The term "understatement" means the excess of the amount of the tax required
329.25 to be shown on the return for the period, over the amount of the tax imposed that is
329.26 shown on the return. The excess must be determined without regard to items to which
329.27 subdivision 27 applies. The amount of the understatement shall be reduced by that part of
329.28 the understatement that is attributable to the tax treatment of any item by the taxpayer if
329.29 (1) there is or was substantial authority for the treatment, or (2)(i) any item with respect to
329.30 which the relevant facts affecting the item's tax treatment are adequately disclosed in the
329.31 return or in a statement attached to the return and (ii) there is a reasonable basis for the tax
329.32 treatment of the item. The exception for substantial authority under clause (1) does not
329.33 apply to positions listed by the Secretary of the Treasury under section 6662(d)(3) of the
329.34 Internal Revenue Code. A corporation does not have a reasonable basis for its tax treatment
329.35 of an item attributable to a multiple-party financing transaction if the treatment does not

330.1 clearly reflect the income of the corporation within the meaning of section 6662(d)(2)(B)
330.2 of the Internal Revenue Code. The special rules in cases involving tax shelters provided in
330.3 section 6662(d)(2)(C) of the Internal Revenue Code shall apply and shall apply to a tax
330.4 shelter the principal purpose of which is the avoidance or evasion of state taxes.

330.5 (e) The commissioner may abate all or any part of the addition to the tax provided
330.6 by this section on a showing by the taxpayer that there was reasonable cause for the
330.7 understatement, or part of it, and that the taxpayer acted in good faith. The additional tax
330.8 and penalty shall bear interest ~~at the rate~~ as specified in section 270C.40 ~~from the time~~
330.9 ~~the tax should have been paid~~ until paid.

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

330.11 Sec. 7. Minnesota Statutes 2012, section 296A.01, is amended by adding a subdivision
330.12 to read:

330.13 Subd. 8b. **Biobutanol.** "Biobutanol" means isobutyl alcohol produced by
330.14 fermenting agriculturally generated organic material that is to be blended with gasoline
330.15 and meets either:

330.16 (1) the initial ASTM Standard Specification for Butanol for Blending with Gasoline
330.17 for use as an Automotive Spark-Ignition Engine Fuel once it has been released by ASTM
330.18 for general distribution; or

330.19 (2) in the absence of an ASTM Standard Specification, the following list of
330.20 requirements:

330.21 (i) visually free of sediment and suspended matter;

330.22 (ii) clear and bright at the ambient temperature of 21 degrees Celsius or the ambient
330.23 temperature whichever is higher;

330.24 (iii) free of any adulterant or contaminant that can render it unacceptable for its
330.25 commonly used applications;

330.26 (iv) contains not less than 96 volume percent isobutyl alcohol;

330.27 (v) contains not more than 0.4 volume percent methanol;

330.28 (vi) contains not more than 1.0 volume percent water as determined by ASTM
330.29 standard test method E203 or E1064;

330.30 (vii) acidity (as acetic acid) of not more than 0.007 mass percent as determined
330.31 by ASTM standard test method D1613;

330.32 (viii) solvent washed gum content of not more than 5.0 milligrams per 100 milliliters
330.33 as determined by ASTM standard test method D381;

330.34 (ix) sulfur content of not more than 30 parts per million as determined by ASTM
330.35 standard test method D2622 or D5453; and

331.1 (x) contains not more than 4 parts per million total inorganic sulfate.

331.2 Sec. 8. Minnesota Statutes 2012, section 296A.01, subdivision 19, is amended to read:

331.3 Subd. 19. **E85.** "E85" means a petroleum product that is a blend of agriculturally
331.4 derived denatured ethanol and gasoline or natural gasoline that typically contains not more
331.5 than 85 percent ethanol by volume, but at a minimum must contain 51 percent ethanol by
331.6 volume. For the purposes of this chapter, the energy content of E85 will be considered to be
331.7 82,000 BTUs per gallon. E85 produced for use as a motor fuel in alternative fuel vehicles
331.8 as defined in subdivision 5 must comply with ASTM specification ~~D5798-07~~ D5798-11.

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

331.10 Sec. 9. Minnesota Statutes 2012, section 296A.22, subdivision 1, is amended to read:

331.11 Subdivision 1. **Penalty for failure to pay tax, general rule.** Upon the failure of
331.12 any person to pay any tax or fee when due, a penalty of one percent per day for the first
331.13 ten days of delinquency shall accrue, and thereafter the tax, fees, and penalty shall bear
331.14 interest at the rate specified in section 270C.40 until paid.

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

331.16 Sec. 10. Minnesota Statutes 2012, section 296A.22, subdivision 3, is amended to read:

331.17 Subd. 3. **Operating without license.** If any person operates as a distributor, special
331.18 fuel dealer, bulk purchaser, or motor carrier without first securing the license required
331.19 under this chapter, any tax or fee imposed by this chapter shall become immediately due
331.20 and payable. A penalty of 25 percent is imposed upon the tax and fee due. The tax, and
331.21 fees, and penalty shall bear interest at the rate specified in section 270C.40. The penalty
331.22 imposed in this subdivision shall bear interest from the date provided in section 270C.40,
331.23 subdivision 3, to the date of payment of the penalty.

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

331.25 Sec. 11. Minnesota Statutes 2012, section 297B.11, is amended to read:

331.26 **297B.11 REGISTRAR AS AGENT OF COMMISSIONER OF REVENUE;**
331.27 **POWERS.**

331.28 The state commissioner of revenue is charged with the administration of the
331.29 sales tax on motor vehicles. The commissioner may prescribe all rules not inconsistent
331.30 with the provisions of this chapter, necessary and advisable for the proper and efficient

332.1 administration of the law. The collection of this sales tax on motor vehicles shall be
 332.2 carried out by the motor vehicle registrar who shall act as the agent of the commissioner
 332.3 and who shall be subject to all rules not inconsistent with the provisions of this chapter,
 332.4 that may be prescribed by the commissioner.

332.5 The provisions of chapters 270C, 289A, and 297A relating to the commissioner's
 332.6 authority to audit, assess, and collect the tax, and to issue refunds and to hear appeals,
 332.7 are applicable to the sales tax on motor vehicles. The commissioner may impose civil
 332.8 penalties as provided in chapters 289A and 297A, and the additional tax and penalties
 332.9 are subject to interest at the rate provided in section 270C.40 from the date provided in
 332.10 section 270C.40, subdivision 3, until paid.

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

332.12 Sec. 12. Minnesota Statutes 2012, section 297E.14, subdivision 7, is amended to read:

332.13 Subd. 7. **Interest on penalties.** (a) A penalty imposed under section 297E.12,
 332.14 subdivision 1, 2, 3, 4, or 5, bears interest from the date ~~the return or payment was required~~
 332.15 ~~to be filed or paid, including any extensions~~ provided in section 270C.40, subdivision
 332.16 3, to the date of payment of the penalty.

332.17 (b) A penalty not included in paragraph (a) bears interest only if it is not paid within
 332.18 ten days from the date of notice. In that case interest is imposed from the date of notice
 332.19 to the date of payment.

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

332.21 Sec. 13. Minnesota Statutes 2012, section 297F.09, subdivision 9, is amended to read:

332.22 Subd. 9. **Interest.** The amount of tax not timely paid, ~~together with any penalty~~
 332.23 ~~imposed in this section,~~ bears interest at the rate specified in section 270C.40 from the
 332.24 time such tax should have been paid until paid. The penalty imposed in this section bears
 332.25 interest at the rate specified in section 270C.40 from the date provided in section 270C.40,
 332.26 subdivision 3, to the date of payment of the penalty. Any interest and penalty is added to
 332.27 the tax and collected as a part of it.

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

332.29 Sec. 14. Minnesota Statutes 2012, section 297F.18, subdivision 7, is amended to read:

332.30 Subd. 7. **Interest on penalties.** (a) A penalty imposed under section 297F.19,
 332.31 subdivisions 2 to 7, bears interest from the date ~~the return or payment was required to be~~

333.1 ~~filed or paid, including any extensions~~ provided in section 270C.40, subdivision 3, to the
333.2 date of payment of the penalty.

333.3 (b) A penalty not included in paragraph (a) bears interest only if it is not paid within
333.4 ten days from the date of the notice. In that case interest is imposed from the date of notice
333.5 to the date of payment.

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

333.7 Sec. 15. Minnesota Statutes 2012, section 297G.09, subdivision 8, is amended to read:

333.8 Subd. 8. **Interest.** The amount of tax not timely paid, ~~together with any penalty~~
333.9 ~~imposed by this chapter,~~ bears interest at the rate specified in section 270C.40 from the
333.10 time the tax should have been paid until paid. Any penalty imposed by this chapter bears
333.11 interest from the date provided in section 270C.40, subdivision 3, to the date of payment
333.12 of the penalty. Any interest and penalty is added to the tax and collected as a part of it.

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

333.14 Sec. 16. Minnesota Statutes 2012, section 297G.17, subdivision 7, is amended to read:

333.15 Subd. 7. **Interest on penalties.** (a) A penalty imposed under section 297G.18,
333.16 subdivisions 2 to 7, bears interest from the date ~~the return or payment was required to be~~
333.17 ~~filed or paid, including any extensions~~ provided in section 270C.40, subdivision 3, to the
333.18 date of payment of the penalty.

333.19 (b) A penalty not included in paragraph (a) bears interest only if it is not paid within
333.20 ten days from the date of the notice. In that case interest is imposed from the date of notice
333.21 to the date of payment.

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

333.23 Sec. 17. Minnesota Statutes 2012, section 297I.80, subdivision 1, is amended to read:

333.24 Subdivision 1. **Payable to commissioner.** (a) When interest is required under this
333.25 section, interest is computed at the rate specified in section 270C.40.

333.26 (b) If a tax or surcharge is not paid within the time named by law for payment, the
333.27 unpaid tax or surcharge bears interest from the date the tax or surcharge should have been
333.28 paid until the date the tax or surcharge is paid.

333.29 (c) Whenever a taxpayer is liable for additional tax or surcharge because of a
333.30 redetermination by the commissioner or other reason, the additional tax or surcharge
333.31 bears interest from the time the tax or surcharge should have been paid until the date the
333.32 tax or surcharge is paid.

334.1 (d) A penalty bears interest from the date ~~the return or payment was required to be~~
334.2 ~~filed or paid~~ provided in section 270C.40, subdivision 3, to the date of payment of the
334.3 penalty.

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

334.5 Sec. 18. Minnesota Statutes 2012, section 469.319, subdivision 4, is amended to read:

334.6 Subd. 4. **Repayment procedures.** (a) For the repayment of taxes imposed under
334.7 chapter 290 or 297A or local taxes collected pursuant to section 297A.99, a business must
334.8 file an amended return with the commissioner of revenue and pay any taxes required
334.9 to be repaid within 30 days after becoming subject to repayment under this section.
334.10 The amount required to be repaid is determined by calculating the tax for the period or
334.11 periods for which repayment is required without regard to the exemptions and credits
334.12 allowed under section 469.315.

334.13 (b) For the repayment of taxes imposed under chapter 297B, a business must pay any
334.14 taxes required to be repaid to the motor vehicle registrar, as agent for the commissioner of
334.15 revenue, within 30 days after becoming subject to repayment under this section.

334.16 (c) For the repayment of property taxes, the county auditor shall prepare a tax
334.17 statement for the business, applying the applicable tax extension rates for each payable
334.18 year and provide a copy to the business and to the taxpayer of record. The business must
334.19 pay the taxes to the county treasurer within 30 days after receipt of the tax statement. The
334.20 business or the taxpayer of record may appeal the valuation and determination of the
334.21 property tax to the Tax Court within 30 days after receipt of the tax statement.

334.22 (d) The provisions of chapters 270C and 289A relating to the commissioner's
334.23 authority to audit, assess, and collect the tax and to hear appeals are applicable to the
334.24 repayment required under paragraphs (a) and (b). The commissioner may impose civil
334.25 penalties as provided in chapter 289A, and the additional tax and penalties are subject
334.26 to interest at the rate provided in section 270C.40⁵. The additional tax shall bear interest
334.27 from 30 days after becoming subject to repayment under this section until the date the
334.28 tax is paid. Any penalty imposed pursuant to this section shall bear interest from the date
334.29 provided in section 270C.40, subdivision 3, to the date of payment of the penalty.

334.30 (e) If a property tax is not repaid under paragraph (c), the county treasurer shall
334.31 add the amount required to be repaid to the property taxes assessed against the property
334.32 for payment in the year following the year in which the auditor provided the statement
334.33 under paragraph (c).

334.34 (f) For determining the tax required to be repaid, a reduction of a state or local sales or
334.35 use tax is deemed to have been received on the date that the good or service was purchased

335.1 or first put to a taxable use. In the case of an income tax or franchise tax, including the
335.2 credit payable under section 469.318, a reduction of tax is deemed to have been received
335.3 for the two most recent tax years that have ended prior to the date that the business became
335.4 subject to repayment under this section. In the case of a property tax, a reduction of tax is
335.5 deemed to have been received for the taxes payable in the year that the business became
335.6 subject to repayment under this section and for the taxes payable in the prior year.

335.7 (g) The commissioner may assess the repayment of taxes under paragraph (d) any
335.8 time within two years after the business becomes subject to repayment under subdivision
335.9 1, or within any period of limitations for the assessment of tax under section 289A.38,
335.10 whichever period is later. The county auditor may send the statement under paragraph
335.11 (c) any time within three years after the business becomes subject to repayment under
335.12 subdivision 1.

335.13 (h) A business is not entitled to any income tax or franchise tax benefits, including
335.14 refundable credits, for any part of the year in which the business becomes subject to
335.15 repayment under this section nor for any year thereafter. Property is not exempt from tax
335.16 under section 272.02, subdivision 64, for any taxes payable in the year following the year
335.17 in which the property became subject to repayment under this section nor for any year
335.18 thereafter. A business is not eligible for any sales tax benefits beginning with goods
335.19 or services purchased or first put to a taxable use on the day that the business becomes
335.20 subject to repayment under this section.

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

335.22 Sec. 19. Minnesota Statutes 2012, section 469.340, subdivision 4, is amended to read:

335.23 Subd. 4. **Repayment procedures.** (a) For the repayment of taxes imposed under
335.24 chapter 290 or 297A or local taxes collected pursuant to section 297A.99, a business must
335.25 file an amended return with the commissioner of revenue and pay any taxes required to be
335.26 repaid within 30 days after ceasing to do business in the zone. The amount required to be
335.27 repaid is determined by calculating the tax for the period or periods for which repayment
335.28 is required without regard to the exemptions and credits allowed under section 469.336.

335.29 (b) For the repayment of property taxes, the county auditor shall prepare a tax
335.30 statement for the business, applying the applicable tax extension rates for each payable
335.31 year and provide a copy to the business. The business must pay the taxes to the county
335.32 treasurer within 30 days after receipt of the tax statement. The taxpayer may appeal the
335.33 valuation and determination of the property tax to the Tax Court within 30 days after
335.34 receipt of the tax statement.

336.1 (c) The provisions of chapters 270C and 289A relating to the commissioner's
336.2 authority to audit, assess, and collect the tax and to hear appeals are applicable to the
336.3 repayment required under paragraph (a). The commissioner may impose civil penalties as
336.4 provided in chapter 289A, and the additional tax and penalties are subject to interest at the
336.5 rate provided in section 270C.40~~5~~. The additional tax shall bear interest from 30 days after
336.6 ceasing to do business in the biotechnology and health sciences industry zone until the
336.7 date the tax is paid. Any penalty imposed pursuant to this section shall bear interest from
336.8 the date provided in section 270C.40, subdivision 3, to the date of payment of the penalty.

336.9 (d) If a property tax is not repaid under paragraph (b), the county treasurer shall add
336.10 the amount required to be repaid to the property taxes assessed against the property for
336.11 payment in the year following the year in which the treasurer discovers that the business
336.12 ceased to operate in the biotechnology and health sciences industry zone.

336.13 (e) For determining the tax required to be repaid, a tax reduction is deemed to have
336.14 been received on the date that the tax would have been due if the taxpayer had not been
336.15 entitled to the exemption, or on the date a refund was issued for a refundable credit.

336.16 (f) The commissioner may assess the repayment of taxes under paragraph (c) any
336.17 time within two years after the business ceases to operate in the biotechnology and health
336.18 sciences industry zone, or within any period of limitations for the assessment of tax under
336.19 section 289A.38, whichever period is later.

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

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16A.725 HEALTH IMPACT FUND AND FUND REIMBURSEMENTS.

Subdivision 1. **Health impact fund.** There is created in the state treasury a health impact fund to which must be credited all revenue from the health impact fee under section 256.9658 and any floor stocks fee enacted into law.

Subd. 2. **Certified tobacco expenditures.** By April 30 of each year, the commissioner of human services shall certify to the commissioner of management and budget the state share, by fund, of tobacco use attributable costs for the previous fiscal year in Minnesota health care programs, including medical assistance, general assistance medical care, and MinnesotaCare, or other applicable expenditures.

Subd. 3. **Fund reimbursements.** (a) Each fiscal year, the commissioner of management and budget shall first transfer from the health impact fund to the general fund an amount sufficient to offset the general fund cost of the certified expenditures under subdivision 2 or the balance of the fund, whichever is less.

(b) If any balance remains in the health impact fund after the transfer in paragraph (a), the commissioner of management and budget shall transfer to the health care access fund the amount sufficient to offset the health care access fund cost of the certified expenditures in subdivision 2, or the balance of the fund, whichever is less.

256.9658 TOBACCO HEALTH IMPACT FEE.

Subdivision 1. **Purpose.** A tobacco use health impact fee is imposed on and collected from cigarette distributors and tobacco products distributors to recover for the state health costs related to or caused by tobacco use and to reduce tobacco use, particularly by youths.

Subd. 2. **Definitions.** The definitions under section 297F.01 apply to this section.

Subd. 3. **Fee imposed.** (a) A fee is imposed upon the sale of cigarettes in this state, upon having cigarettes in possession in this state with intent to sell, upon any person engaged in business as a distributor, and upon the use or storage by consumers of cigarettes. The fee is imposed at the following rates:

(1) on cigarettes weighing not more than three pounds per thousand, 37.5 mills on each cigarette; and

(2) on cigarettes weighing more than three pounds per thousand, 75 mills on each cigarette.

(b) A fee is imposed upon all tobacco products in this state and upon any person engaged in business as a distributor in an amount equal to the liability for tax under section 297F.05, subdivision 3, or on a consumer of tobacco products equal to the tax under section 297F.05, subdivision 4. Liability for the fee is in addition to the tax under section 297F.05, subdivision 3 or 4.

Subd. 4. **Payment.** A distributor must pay the fee at the same time and in the same manner as provided for payment of tax under chapter 297F.

Subd. 5. **Fee on use of unstamped cigarettes.** Any person, other than a distributor, that purchases or possesses cigarettes that have not been stamped and on which the fee imposed under this section has not been paid is liable for the fee under this section on the possession or use of those cigarettes.

Subd. 6. **Administration.** The audit, assessment, interest, appeal, refund, penalty, enforcement, administrative, and collection provisions of chapters 270C and 297F apply to the fee imposed under this section.

Subd. 7. **Cigarette stamp.** (a) The stamp in section 297F.08 must be affixed to each package and is prima facie evidence that the fee imposed by this section has been paid.

(b) Notwithstanding any other provisions of this section, the fee due on the return is based upon actual stamps purchased during the reporting period.

Subd. 8. **License revocation.** The commissioner of revenue may revoke or suspend the license of a distributor for failure to pay the fee or otherwise comply with the requirements under this section. The provisions and procedures under section 297F.04 apply to a suspension or revocation under this subdivision.

Subd. 9. **Deposit of revenues.** The commissioner of revenue shall deposit the revenues from the fee under this section in the state treasury and credit them to the health impact fund.

272.69 LISTING LEASED PERSONAL PROPERTY; PENALTY.

Subdivision 1. **Filing of list with commissioner.** Any person, firm, or corporation engaged in the business of leasing items of tangible personal property which are subject to personal property taxation shall file with the commissioner of revenue not later than February 15 of each

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year a listing of all items of personal property owned by the lessor and in possession of a lessee under a lease, rental purchase option, or similar type of agreement as of the January 2 immediately preceding. The listing shall be made on forms provided by the commissioner and shall contain a brief description of each item including the serial number, if any, the location thereof, the date of manufacture, and the manufacturer's list selling price. The commissioner may grant an extension of the filing date herein prescribed for good cause shown.

Subd. 2. **List to county assessor.** Upon receipt of the listings required by subdivision 1, the commissioner of revenue shall compile a listing of all property thus located in each county and shall forward a copy of the listing together with other pertinent data to the county assessor of the county in which the property is, or was as of January 2, located in order to aid in the proper listing and assessment thereof.

Subd. 3. **Intent; agreements between lessors and lessees.** It is the intent of this section that leased personal property which is subject to personal property taxation be assessed to and the tax paid by the lessor, notwithstanding any agreement between lessor and lessee to the contrary. Any such agreement may, however, be construed as an agreement by the lessee to indemnify the lessor for the amount of personal property taxes paid. The listing required by this section shall be in lieu of any other property tax listing required by law for property required to be listed.

Subd. 4. **Penalty.** Any person, firm, or corporation, or agent, officer, or employee thereof required by this section to file a listing of personal property who shall willfully fail to file such listing or who shall willfully or knowingly omit therefrom any item or items of personal property required to be listed is guilty of a gross misdemeanor. In addition, items omitted from a listing shall be treated as omitted property subject to the provisions of section 273.02.

273.11 VALUATION OF PROPERTY.

Subd. 1a. **Limited market value.** In the case of all property classified as agricultural homestead or nonhomestead, residential homestead or nonhomestead, timber, or noncommercial seasonal residential recreational, the assessor shall compare the value with the taxable portion of the value determined in the preceding assessment.

For assessment years 2004, 2005, and 2006, the amount of the increase shall not exceed the greater of (1) 15 percent of the value in the preceding assessment, or (2) 25 percent of the difference between the current assessment and the preceding assessment.

For assessment year 2007, the amount of the increase shall not exceed the greater of (1) 15 percent of the value in the preceding assessment, or (2) 33 percent of the difference between the current assessment and the preceding assessment.

For assessment year 2008, the amount of the increase shall not exceed the greater of (1) 15 percent of the value in the preceding assessment, or (2) 50 percent of the difference between the current assessment and the preceding assessment.

This limitation shall not apply to increases in value due to improvements. For purposes of this subdivision, the term "assessment" means the value prior to any exclusion under subdivision 16.

The provisions of this subdivision shall be in effect through assessment year 2008 as provided in this subdivision.

For purposes of the assessment/sales ratio study conducted under section 127A.48, and the computation of state aids paid under chapters 122A, 123A, 123B, 124D, 125A, 126C, 127A, and 477A, market values and net tax capacities determined under this subdivision and subdivision 16, shall be used.

Subd. 22. **Lead hazard market value reduction.** Owners of property classified as class 1a, 1b, 1c, 2a, 4b, 4bb, or 4d under section 273.13 may apply for a lead hazard valuation reduction, provided that the property is located in a city which has authorized valuation reductions under this subdivision. A city that authorizes reductions under this subdivision must establish guidelines for qualifying lead hazard reduction projects and must designate an agency within the city to issue certificates of completion of qualifying projects. For purposes of this subdivision, "lead hazard reduction" has the same meaning as in section 144.9501, subdivision 17.

The property owner must obtain a certificate from the agency stating (1) that the project has been completed and (2) the total cost incurred by the owner, which must be at least \$3,000. Only projects originating after July 1, 2005, and completed before July 1, 2010, qualify for a reduction under this subdivision. The property owner shall apply for the valuation reduction to the assessor on a form prescribed by the assessor accompanied by a copy of the certificate of completion from the agency.

A qualifying property is eligible for a one-year valuation reduction equal to the actual cost incurred, to a maximum of \$20,000. If a property owner applies to the assessor for the valuation

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reduction under this subdivision between January 1 and June 30 of any year, the reduction applies for taxes payable in the following year. If a property owner applies to the assessor for the valuation reduction under this subdivision between July 1 and December 31, the reduction applies for taxes payable in the second following year. For purposes of subdivision 1a, any additional market value resulting from the lead hazard removal must be considered an increase in value due to new construction.

276A.01 DEFINITIONS.

Subd. 11. **Valuation.** "Valuation" means the market value of real and personal property within a municipality as defined in subdivision 10.

289A.60 CIVIL PENALTIES.

Subd. 31. **Accelerated payment of monthly sales tax liability; penalty for underpayment.** For payments made after September 1, 2010, if a vendor is required by section 289A.20, subdivision 4, paragraph (a), clause (2), item (i) or (ii), to make accelerated payments, then the penalty for underpayment is as follows:

(a) For those vendors that must remit a 90 percent payment by the 14th day of the month following the month in which the taxable event occurred, as an estimation of the monthly sales tax liability, including the liability of any fee or other tax that is to be reported on the same return as and paid with the chapter 297A taxes, for the month in which the taxable event occurred, the vendor shall pay a penalty equal to ten percent of the amount of liability that was required to be paid by the 14th day of the month, less the amount remitted by the 14th day of the month. The penalty must not be imposed, however, if the amount remitted by the 14th day of the month equals the least of: (1) 90 percent of the liability for the month preceding the month in which the taxable event occurred; (2) 90 percent of the liability for the same month in the previous calendar year as the month in which the taxable event occurred; or (3) 90 percent of the average monthly liability for the previous calendar year.

(b) For those vendors that, on or before the 20th day of the month in which the taxable event occurs, must remit to the commissioner a prepayment of the sales tax liability for the month in which the taxable event occurs equal to 67 percent of the liability for the previous month, including the liability of any fee or other tax that is to be reported on the same return as and paid with the chapter 297A taxes, for the month in which the taxable event occurred, the vendor shall pay a penalty equal to ten percent of the amount of liability that was required to be paid by the 20th of the month, less the amount remitted by the 20th of the month. The penalty must not be imposed, however, if the amount remitted by the 20th of the month equals the lesser of: (1) 67 percent of the liability of the same month in the previous calendar year as the month in which the taxable event occurred; or (2) an amount equal to the liability for the month in which the taxable event occurred.

290.01 DEFINITIONS.

Subd. 6b. **Foreign operating corporation.** The term "foreign operating corporation," when applied to a corporation, means a domestic corporation with the following characteristics:

- (1) it is part of a unitary business at least one member of which is taxable in this state;
- (2) it is not a foreign sales corporation under section 922 of the Internal Revenue Code, as amended through December 31, 1999, for the taxable year;
- (3) it is not an interest charge domestic international sales corporation under sections 992, 993, 994, and 995 of the Internal Revenue Code;
- (4) either (i) it has in effect a valid election under section 936 of the Internal Revenue Code; or (ii) at least 80 percent of the gross income from all sources of the corporation in the tax year is active foreign business income; and
- (5) for purposes of this subdivision, active foreign business income means gross income that is (i) derived from sources without the United States, as defined in subtitle A, chapter 1, subchapter N, part 1, of the Internal Revenue Code; and (ii) attributable to the active conduct of a trade or business in a foreign country.

290.06 RATES OF TAX; CREDITS.

Subd. 22a. **Nonresident's credit for taxes paid to state of domicile.** (a) Notwithstanding subdivision 22, a nonresident who is subject to tax in this state on the gain on the sale of a partnership interest, which is allocable to this state under section 290.17, subdivision 2, paragraph (c), is allowed a credit for the tax paid to the state of the individual's domicile upon the gain in

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the taxable year or a subsequent taxable year. This credit is only allowed if the state of domicile does not allow a credit for the tax paid to Minnesota on the gain.

(b) For purposes of this subdivision, the credit equals the tax paid to the state of domicile multiplied by the ratio derived by dividing the amount of gain on the sale of the partnership interest subject to tax in the other state that is also subject to tax in Minnesota by the taxpayer's federal adjusted gross income, as defined in section 62 of the Internal Revenue Code. The credit allowed may not reduce the taxes paid under this chapter to an amount less than the tax that would apply if the gain were excluded from taxable net income.

(c) If a nonresident taxpayer reported the gain to Minnesota and is assessed tax in the state of domicile on that same income after the Minnesota statute of limitations has expired, the taxpayer is allowed a credit for that year, notwithstanding any statute of limitations to the contrary. The claim for the credit must be submitted within one year from the date the taxes were paid to the state of domicile and the taxpayer must submit sufficient proof to show entitlement to a credit.

(d) For the purposes of this subdivision, "another state" includes the District of Columbia, but does not include Puerto Rico or the several territories organized by Congress.

290.0672 LONG-TERM CARE INSURANCE CREDIT.

Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms have the meanings given.

(b) "Long-term care insurance" means a policy that:

(1) qualifies for a deduction under section 213 of the Internal Revenue Code, disregarding the 7.5 percent income test; or meets the requirements given in section 62A.46; or provides similar coverage issued under the laws of another jurisdiction; and

(2) has a lifetime long-term care benefit limit of not less than \$100,000; and

(3) has been offered in compliance with the inflation protection requirements of section 62S.23.

(c) "Qualified beneficiary" means the taxpayer or the taxpayer's spouse.

(d) "Premiums deducted in determining federal taxable income" means the lesser of (1) long-term care insurance premiums that qualify as deductions under section 213 of the Internal Revenue Code; and (2) the total amount deductible for medical care under section 213 of the Internal Revenue Code.

Subd. 2. **Credit.** A taxpayer is allowed a credit against the tax imposed by this chapter for long-term care insurance policy premiums paid during the tax year. The credit for each policy equals 25 percent of premiums paid to the extent not deducted in determining federal taxable income. A taxpayer may claim a credit for only one policy for each qualified beneficiary. A maximum of \$100 applies to each qualified beneficiary. The maximum total credit allowed per year is \$200 for married couples filing joint returns and \$100 for all other filers. For a nonresident or part-year resident, the credit determined under this section must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

290.0921 CORPORATE ALTERNATIVE MINIMUM TAX AFTER 1989.

Subd. 7. **Foreign operating companies.** The income and deductions related to foreign operating companies, as defined in section 290.01, subdivision 6b, that are used to calculate Minnesota alternative minimum taxable income, are limited to the amounts included for purposes of calculating taxable income under section 290.01, subdivision 29.

383A.80 RAMSEY COUNTY DEED AND MORTGAGE TAX.

Subd. 4. **Expiration.** The authority to impose the tax under this section expires January 1, 2013.

383B.80 HENNEPIN COUNTY DEED AND MORTGAGE TAX.

Subd. 4. **Expiration.** The authority to impose the tax under this section expires January 1, 2013.

428A.101 DEADLINE FOR SPECIAL SERVICE DISTRICT UNDER GENERAL LAW.

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The establishment of a new special service district after June 30, 2013, requires enactment of a special law authorizing the establishment.

428A.21 DEADLINE FOR HOUSING IMPROVEMENT DISTRICTS UNDER GENERAL LAW.

The establishment of a new housing improvement area after June 30, 2013, requires enactment of a special law authorizing the establishment of the area.

473F.02 DEFINITIONS.

Subd. 13. **Valuation.** "Valuation" means the market value of real and personal property within a municipality as defined in subdivision 12.

477A.011 DEFINITIONS.

Subd. 2a. **Special taxing district.** "Special taxing district" means a political subdivision with the authority to levy property taxes, other than a city, county, town, or school district.

Subd. 19. **Metropolitan area.** "Metropolitan area" is the metropolitan area as defined in section 473.121, subdivision 2.

Subd. 21. **Equalized market values.** "Equalized market values" means market values that have been equalized by dividing the assessor's estimated market value for the second year prior to that in which the aid is payable by the assessment sales ratios determined by class in the assessment sales ratio study conducted by the Department of Revenue pursuant to section 127A.48 in the second year prior to that in which the aid is payable. The equalized market values equal the unequalized market values divided by the assessment sales ratio.

Subd. 29. **Adjusted revenue base.** "Adjusted revenue base" means revenue base as defined in subdivision 27 less the levy reported under section 275.62, subdivision 1, clause (2).

Subd. 31. **Population decline percentage.** "Population decline percentage" for a city is the percent decline in a city's population for the last ten years, based on the most recently available population estimate from the state demographer or a federal census. A city's population decline percentage cannot be less than zero.

Subd. 32. **Commercial industrial percentage.** "Commercial industrial percentage" for a city is 100 times the sum of the estimated market values of all real property in the city classified as class 3 under section 273.13, subdivision 24, excluding public utility property, to the total market value of all taxable real and personal property in the city. The market values are the amounts computed before any adjustments for fiscal disparities under section 276A.06 or 473F.08. The market values used for this subdivision are not equalized.

Subd. 33. **Transformed population.** "Transformed population" for a city is the city population raised to the .3308 power, times 30.5485.

Subd. 36. **City aid base.** (a) Except as otherwise provided in this subdivision, "city aid base" is zero.

(b) The city aid base for any city with a population less than 500 is increased by \$40,000 for aids payable in calendar year 1995 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$40,000 for aids payable in calendar year 1995 only, provided that:

- (i) the average total tax capacity rate for taxes payable in 1995 exceeds 200 percent;
- (ii) the city portion of the tax capacity rate exceeds 100 percent; and
- (iii) its city aid base is less than \$60 per capita.

(c) The city aid base for a city is increased by \$20,000 in 1998 and thereafter and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$20,000 in calendar year 1998 only, provided that:

- (i) the city has a population in 1994 of 2,500 or more;
- (ii) the city is located in a county, outside of the metropolitan area, which contains a city of the first class;
- (iii) the city's net tax capacity used in calculating its 1996 aid under section 477A.013 is less than \$400 per capita; and

(iv) at least four percent of the total net tax capacity, for taxes payable in 1996, of property located in the city is classified as railroad property.

(d) The city aid base for a city is increased by \$200,000 in 1999 and thereafter and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$200,000 in calendar year 1999 only, provided that:

- (i) the city was incorporated as a statutory city after December 1, 1993;

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- (ii) its city aid base does not exceed \$5,600; and
- (iii) the city had a population in 1996 of 5,000 or more.

(e) The city aid base for a city is increased by \$150,000 for aids payable in 2000 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$150,000 in calendar year 2000 only, provided that:

- (1) the city has a population that is greater than 1,000 and less than 2,500;
- (2) its commercial and industrial percentage for aids payable in 1999 is greater than 45 percent; and
- (3) the total market value of all commercial and industrial property in the city for assessment year 1999 is at least 15 percent less than the total market value of all commercial and industrial property in the city for assessment year 1998.

(f) The city aid base for a city is increased by \$200,000 in 2000 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$200,000 in calendar year 2000 only, provided that:

- (1) the city had a population in 1997 of 2,500 or more;
- (2) the net tax capacity of the city used in calculating its 1999 aid under section 477A.013 is less than \$650 per capita;
- (3) the pre-1940 housing percentage of the city used in calculating 1999 aid under section 477A.013 is greater than 12 percent;
- (4) the 1999 local government aid of the city under section 477A.013 is less than 20 percent of the amount that the formula aid of the city would have been if the need increase percentage was 100 percent; and
- (5) the city aid base of the city used in calculating aid under section 477A.013 is less than \$7 per capita.

(g) The city aid base for a city is increased by \$102,000 in 2000 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$102,000 in calendar year 2000 only, provided that:

- (1) the city has a population in 1997 of 2,000 or more;
- (2) the net tax capacity of the city used in calculating its 1999 aid under section 477A.013 is less than \$455 per capita;
- (3) the net levy of the city used in calculating 1999 aid under section 477A.013 is greater than \$195 per capita; and
- (4) the 1999 local government aid of the city under section 477A.013 is less than 38 percent of the amount that the formula aid of the city would have been if the need increase percentage was 100 percent.

(h) The city aid base for a city is increased by \$32,000 in 2001 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$32,000 in calendar year 2001 only, provided that:

- (1) the city has a population in 1998 that is greater than 200 but less than 500;
- (2) the city's revenue need used in calculating aids payable in 2000 was greater than \$200 per capita;
- (3) the city net tax capacity for the city used in calculating aids available in 2000 was equal to or less than \$200 per capita;
- (4) the city aid base of the city used in calculating aid under section 477A.013 is less than \$65 per capita; and
- (5) the city's formula aid for aids payable in 2000 was greater than zero.

(i) The city aid base for a city is increased by \$7,200 in 2001 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$7,200 in calendar year 2001 only, provided that:

- (1) the city had a population in 1998 that is greater than 200 but less than 500;
- (2) the city's commercial industrial percentage used in calculating aids payable in 2000 was less than ten percent;
- (3) more than 25 percent of the city's population was 60 years old or older according to the 1990 census;
- (4) the city aid base of the city used in calculating aid under section 477A.013 is less than \$15 per capita; and
- (5) the city's formula aid for aids payable in 2000 was greater than zero.

(j) The city aid base for a city is increased by \$45,000 in 2001 and thereafter and by an additional \$50,000 in calendar years 2002 to 2011, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$45,000 in calendar year 2001 only, and by \$50,000 in calendar year 2002 only, provided that:

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- (1) the net tax capacity of the city used in calculating its 2000 aid under section 477A.013 is less than \$810 per capita;
 - (2) the population of the city declined more than two percent between 1988 and 1998;
 - (3) the net levy of the city used in calculating 2000 aid under section 477A.013 is greater than \$240 per capita; and
 - (4) the city received less than \$36 per capita in aid under section 477A.013, subdivision 9, for aids payable in 2000.
- (k) The city aid base for a city with a population of 10,000 or more which is located outside of the seven-county metropolitan area is increased in 2002 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (b) or (c), is also increased in calendar year 2002 only, by an amount equal to the lesser of:
- (1)(i) the total population of the city, as determined by the United States Bureau of the Census, in the 2000 census, (ii) minus 5,000, (iii) times 60; or
 - (2) \$2,500,000.
- (l) The city aid base is increased by \$50,000 in 2002 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$50,000 in calendar year 2002 only, provided that:
- (1) the city is located in the seven-county metropolitan area;
 - (2) its population in 2000 is between 10,000 and 20,000; and
 - (3) its commercial industrial percentage, as calculated for city aid payable in 2001, was greater than 25 percent.
- (m) The city aid base for a city is increased by \$150,000 in calendar years 2002 to 2011 and by an additional \$75,000 in calendar years 2009 to 2014 and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$150,000 in calendar year 2002 only and by \$75,000 in calendar year 2009 only, provided that:
- (1) the city had a population of at least 3,000 but no more than 4,000 in 1999;
 - (2) its home county is located within the seven-county metropolitan area;
 - (3) its pre-1940 housing percentage is less than 15 percent; and
 - (4) its city net tax capacity per capita for taxes payable in 2000 is less than \$900 per capita.
- (n) The city aid base for a city is increased by \$200,000 beginning in calendar year 2003 and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$200,000 in calendar year 2003 only, provided that the city qualified for an increase in homestead and agricultural credit aid under Laws 1995, chapter 264, article 8, section 18.
- (o) The city aid base for a city is increased by \$200,000 in 2004 only and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, is also increased by \$200,000 in calendar year 2004 only, if the city is the site of a nuclear dry cask storage facility.
- (p) The city aid base for a city is increased by \$10,000 in 2004 and thereafter and the maximum total aid it may receive under section 477A.013, subdivision 9, is also increased by \$10,000 in calendar year 2004 only, if the city was included in a federal major disaster designation issued on April 1, 1998, and its pre-1940 housing stock was decreased by more than 40 percent between 1990 and 2000.
- (q) The city aid base for a city is increased by \$30,000 in 2009 and thereafter and the maximum total aid it may receive under section 477A.013, subdivision 9, is also increased by \$25,000 in calendar year 2006 only if the city had a population in 2003 of at least 1,000 and has a state park for which the city provides rescue services and which comprised at least 14 percent of the total geographic area included within the city boundaries in 2000.
- (r) The city aid base for a city is increased by \$80,000 in 2009 and thereafter and the minimum and maximum amount of total aid it may receive under section 477A.013, subdivision 9, is also increased by \$80,000 in calendar year 2009 only, if:
- (1) as of May 1, 2006, at least 25 percent of the tax capacity of the city is proposed to be placed in trust status as tax-exempt Indian land;
 - (2) the placement of the land is being challenged administratively or in court; and
 - (3) due to the challenge, the land proposed to be placed in trust is still on the tax rolls as of May 1, 2006.
- (s) The city aid base for a city is increased by \$100,000 in 2007 and thereafter and the minimum and maximum total amount of aid it may receive under this section is also increased in calendar year 2007 only, provided that:
- (1) the city has a 2004 estimated population greater than 200 but less than 2,000;
 - (2) its city net tax capacity for aids payable in 2006 was less than \$300 per capita;
 - (3) the ratio of its pay 2005 tax levy compared to its city net tax capacity for aids payable in 2006 was greater than 110 percent; and

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(4) it is located in a county where at least 15,000 acres of land are classified as tax-exempt Indian reservations according to the 2004 abstract of tax-exempt property.

(t) The city aid base for a city is increased by \$30,000 in 2009 only, and the maximum total aid it may receive under section 477A.013, subdivision 9, is also increased by \$30,000 in calendar year 2009, only if the city had a population in 2005 of less than 3,000 and the city's boundaries as of 2007 were formed by the consolidation of two cities and one township in 2002.

(u) The city aid base for a city is increased by \$100,000 in 2009 and thereafter, and the maximum total aid it may receive under section 477A.013, subdivision 9, is also increased by \$100,000 in calendar year 2009 only, if the city had a city net tax capacity for aids payable in 2007 of less than \$150 per capita and the city experienced flooding on March 14, 2007, that resulted in evacuation of at least 40 homes.

(v) The city aid base for a city is increased by \$100,000 in 2009 to 2013, and the maximum total aid it may receive under section 477A.013, subdivision 9, is also increased by \$100,000 in calendar year 2009 only, if the city:

- (1) is located outside of the Minneapolis-St. Paul standard metropolitan statistical area;
- (2) has a 2005 population greater than 7,000 but less than 8,000; and
- (3) has a 2005 net tax capacity per capita of less than \$500.

(w) The city aid base is increased by \$25,000 in calendar years 2009 to 2013 and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, is increased by \$25,000 in calendar year 2009 only, provided that:

- (1) the city is located in the seven-county metropolitan area;
- (2) its population in 2006 is less than 200; and
- (3) the percentage of its housing stock built before 1940, according to the 2000 United States Census, is greater than 40 percent.

(x) The city aid base is increased by \$90,000 in calendar year 2009 only and the minimum and maximum total amount of aid it may receive under section 477A.013, subdivision 9, is also increased by \$90,000 in calendar year 2009 only, provided that the city is located in the seven-county metropolitan area, has a 2006 population between 5,000 and 7,000 and has a 1997 population of over 7,000.

(y) In calendar year 2010 only, the city aid base for a city is increased by \$225,000 if it was eligible for a \$450,000 payment in calendar year 2008 under Minnesota Statutes 2006, section 477A.011, subdivision 36, paragraph (e), and the second half of the payment under that paragraph in December 2008 was canceled due to the governor's unallotment. The payment under this paragraph is not subject to any aid reductions under section 477A.0134 or any future unallotment of the city aid under section 16A.152.

(z) In calendar year 2013 only, the total aid the city may receive under section 477A.013 is increased by \$12,000 if:

- (1) the city's 2010 population is less than 100 and its population growth between 2000 and 2010 was more than 55 percent; and
- (2) its commercial industrial percentage as defined in subdivision 32, based on assessments for calendar year 2010, payable in 2011, is greater than 15 percent.

Subd. 39. Road accidents factor. "Road accidents factor" means the average annual number of vehicular accidents occurring on public roads, streets, and alleys in the jurisdiction as reported to the commissioner of revenue by the commissioner of public safety by July 1 of the aid calculation year using the most recent three-year period for which the commissioner of public safety has complete information, divided by the jurisdiction's population.

Subd. 40. Metropolitan area factor. "Metropolitan area factor" means 35.20915 for cities located in the metropolitan area.

Subd. 41. Small city aid base. (a) "Small city aid base" for a city with a population less than 5,000 is equal to \$8.50 multiplied by its population. The small city aid base for all other cities is equal to zero.

(b) For calendar year 2010 and subsequent years, the small city aid base for a city, as determined in paragraph (a), is multiplied by the ratio of the appropriation under section 477A.03, subdivision 2a, for the year in which the aid is paid to the appropriation under that section for aids payable in 2009.

Subd. 42. City jobs base. (a) "City jobs base" for a city with a population of 5,000 or more is equal to the product of (1) \$25.20, (2) the number of jobs per capita in the city, and (3) its population. For cities with a population less than 5,000, the city jobs base is equal to zero. For a city receiving aid under subdivision 36, paragraph (k), its city jobs base is reduced by the lesser of 36 percent of the amount of aid received under that paragraph or \$1,000,000. No city's city jobs base may exceed \$4,725,000 under this paragraph.

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(b) For calendar year 2010 and subsequent years, the city jobs base for a city, as determined in paragraph (a), is multiplied by the ratio of the appropriation under section 477A.03, subdivision 2a, for the year in which the aid is paid to the appropriation under that section for aids payable in 2009.

(c) For purposes of this subdivision, "jobs per capita in the city" means (1) the average annual number of employees in the city based on the data from the Quarterly Census of Employment and Wages, as reported by the Department of Employment and Economic Development, for the most recent calendar year available as of May 1, 2008, divided by (2) the city's population for the same calendar year as the employment data. The commissioner of the Department of Employment and Economic Development shall certify to the city the average annual number of employees for each city by June 1, 2008. A city may challenge an estimate under this paragraph by filing its specific objection, including the names of employers that it feels may have misreported data, in writing with the commissioner by June 20, 2008. The commissioner shall make every reasonable effort to address the specific objection and adjust the data as necessary. The commissioner shall certify the estimates of the annual employment to the commissioner of revenue by July 15, 2008, including any estimates still under objection.

477A.013 MUNICIPAL GOVERNMENT DISTRIBUTIONS.

Subd. 11. **Aid payments in 2011 and 2012.** Notwithstanding aids calculated or certified for 2011 under subdivision 9, for 2011 and 2012, each city shall receive an aid distribution under this section equal to the lesser of (1) the total amount of aid it received under this section in 2010 after the reductions under sections 477A.0133 and 477A.0134, and reduced by the amount of payments made under section 477A.011, subdivision 36, paragraphs (y) and (z), or (2) the amount it was certified to receive in 2011 under subdivision 9. In 2011 only, a city that qualifies for the aid base adjustment under section 477A.011, subdivision 36, paragraph (aa), shall receive the amount that it was certified to receive in 2011. In 2012, a city that qualifies for the aid base adjustment under section 477A.011, subdivision 36, paragraph (aa), shall receive the amount that it was certified to receive in 2011, minus the aid base adjustment provided under section 477A.011, subdivision 36, paragraph (aa).

Subd. 12. **Aid payments in 2013.** (a) Notwithstanding aids calculated for 2013 under subdivision 9, for 2013, each city with a population of 5,000 or more shall receive an aid distribution under this section equal to its aid distribution under this section in 2012.

(b) Notwithstanding aids calculated for 2013 under subdivision 9, each city with a population under 5,000 shall receive an aid distribution under this section equal to any additional city aid base authorized in calendar year 2013 under section 477A.011, subdivision 36, paragraph (z), plus the greater of (1) its aid distribution under this section in 2012 or (2) its amount that it is calculated to receive under subdivision 9.

477A.0133 2009 AND 2010 AID REDUCTIONS.

Subdivision 1. **Definitions.** (a) For the purposes of this section, the following terms have the meanings given them in this subdivision.

(b) The "2009 revenue base" for a statutory or home rule charter city is the sum of the city's certified property tax levy for taxes payable in 2009, plus the amount of local government aid under section 477A.013, subdivision 9, that the city was certified to receive in 2009, plus the amount of taconite aids under sections 298.28 and 298.282 that the city was certified to receive in 2009, including any amounts required to be placed in a special fund for distribution in a later year.

(c) The "2009 revenue base" for a county is the sum of the county's certified property tax levy for taxes payable in 2009, plus the amount of county program aid under section 477A.0124 that the county was certified to receive in 2009, plus the amount of taconite aids under sections 298.28 and 298.282 that the county was certified to receive in 2009, including any amounts required to be placed in a special fund for distribution in a later year.

(d) The "2009 revenue base" for a town is the sum of the town's certified property tax levy for taxes payable in 2009, plus the amount of aid under section 477A.013 that the town was certified to receive in 2009, plus the amount of taconite aids under sections 298.28 and 298.282 that the town was certified to receive in 2009, including any amounts required to be placed in a special fund for distribution in a later year.

(e) "Population" means the population of the county, city, or town for 2007 based on information available to the commissioner of revenue in July 2009.

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(f) "Adjusted net tax capacity" means the amount of net tax capacity for the county, city, or town, computed using equalized market values according to section 477A.011, subdivision 20, for aid payable in 2009.

(g) "Adjusted net tax capacity per capita" means the jurisdiction's adjusted net tax capacity divided by its population.

Subd. 2. 2009 aid reductions. (a) The commissioner of revenue must compute a 2009 aid reduction amount for each county.

The aid reduction amount is zero for a county with a population of less than 5,000, and is zero for a county containing the Shooting Star Casino property that was removed from the tax rolls in 2009.

For all other counties, the aid reduction amount is equal to 1.188968672 percent of the county's 2009 revenue base.

The reduction amount is limited to the sum of the amount of county program aid under section 477A.0124 that the county was certified to receive in 2009, plus the amount of market value credit reimbursements under section 273.1384 payable to the county in 2009 before the reductions in this section.

The reduction amount is applied first to reduce the amount payable to the county in 2009 as county program aid under section 477A.013 and then, if necessary, to reduce the amount payable to the county in 2009 as market value credit reimbursements under section 273.1384.

No county's aid or reimbursements are reduced to less than zero under this section.

(b) The commissioner of revenue must compute a 2009 aid reduction amount for each city.

The aid reduction amount is zero for any city with a population of less than 1,000 that has an adjusted net tax capacity per capita amount less than the statewide average adjusted net tax capacity amount per capita for all cities. The aid reduction amount is also zero for a city located outside the seven-county metropolitan area, with a 2006 population greater than 3,500, a pre-1940 housing percentage greater than 29 percent, a commercial-industrial percentage less than nine percent, and a population decline percentage of zero based on the data used to certify the 2009 local government aid distribution under section 477A.013.

For all other cities, the aid reduction amount is equal to 3.3127634 percent of the city's 2009 revenue base.

The reduction amount is limited to the sum of the amount of local government aid under section 477A.013, subdivision 9, that the city was certified to receive in 2009, plus the amount of market value credit reimbursements under section 273.1384 payable to the city in 2009 before the reductions in this section.

The reduction amount for a city is further limited to \$22 per capita.

The reduction amount is applied first to reduce the amount payable to the city in 2009 as local government aid under section 477A.013 and then, if necessary, to reduce the amount payable to the city in 2009 as market value credit reimbursements under section 273.1384.

No city's aid or reimbursements are reduced to less than zero under this section.

(c) The commissioner of revenue must compute a 2009 aid reduction amount for each town.

The aid reduction amount is zero for any town with a population of less than 1,000 that has an adjusted net tax capacity per capita amount less than the statewide average adjusted net tax capacity amount per capita for all towns.

For all other towns, the aid reduction amount is equal to 1.735103 percent of the town's 2009 revenue base.

The reduction amount is limited to \$5 per capita.

The reduction amount is applied to reduce the amount payable to the town in 2009 as market value credit reimbursements under section 273.1384.

No town's reimbursements are reduced to less than zero under this section.

Subd. 3. 2010 aid reductions. (a) The commissioner of revenue must compute a 2010 aid reduction amount for each county.

The aid reduction amount is zero for a county with a population of less than 5,000, and is zero for a county containing the Shooting Star Casino property that was removed from the tax rolls in 2009.

For all other counties, the aid reduction amount is equal to 2.41396687 percent of the county's 2009 revenue base.

The reduction amount is limited to the sum of the amount of county program aid under section 477A.0124 that the county was certified to receive in 2009, plus the amount of market value credit reimbursements under section 273.1384 payable to the county in 2009 before the reductions in this section.

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The reduction amount is applied first to reduce the amount payable to the county in 2010 as county program aid under section 477A.013 and then, if necessary, to reduce the amount payable to the county in 2010 as market value credit reimbursements under section 273.1384.

No county's aid or reimbursements are reduced to less than zero under this section.

(b) The commissioner of revenue must compute a 2010 aid reduction amount for each city.

The aid reduction amount is zero for any city with a population of less than 1,000 that has an adjusted net tax capacity per capita amount less than the statewide average adjusted net tax capacity amount per capita for all cities.

For all other cities, the aid reduction amount is equal to 7.643803025 percent of the city's 2009 revenue base.

The reduction amount is limited to the sum of the amount of local government aid under section 477A.013, subdivision 9, that the city was certified to receive in 2010, plus the amount of market value credit reimbursements under section 273.1384 payable to the city in 2010 before the reductions in this section.

The reduction amount for a city is further limited to \$55 per capita.

The reduction amount is applied first to reduce the amount payable to the city in 2010 as local government aid under section 477A.013 and then, if necessary, to reduce the amount payable to the city in 2010 as market value credit reimbursements under section 273.1384.

No city's aid or reimbursements are reduced to less than zero under this section.

(c) The commissioner of revenue must compute a 2010 aid reduction amount for each town.

The aid reduction amount is zero for any town with a population of less than 1,000 that has an adjusted net tax capacity per capita amount less than the statewide average adjusted net tax capacity amount per capita for all towns.

For all other towns, the aid reduction amount is equal to 3.660798 percent of the town's 2009 revenue base.

The reduction amount is limited to \$10 per capita.

The reduction amount is applied to reduce the amount payable to the town in 2010 as market value credit reimbursements under section 273.1384.

No town's reimbursements are reduced to less than zero under this section.

477A.0134 ADDITIONAL 2010 AID AND CREDIT REDUCTIONS.

Subdivision 1. **Definitions.** (a) For the purposes of this section, the following terms have the meanings given them in this subdivision.

(b) The "2010 revenue base" for a county is the sum of the county's certified property tax levy for taxes payable in 2010, plus the amount of county program aid under section 477A.0124 that the county was certified to receive in 2010, plus the amount of taconite aids under sections 298.28 and 298.282 that the county was certified to receive in 2010 including any amounts required to be placed in a special fund for distribution in a later year.

(c) The "2010 revenue base" for a statutory or home rule charter city is the sum of the city's certified property tax levy for taxes payable in 2010, plus the amount of local government aid under section 477A.013, subdivision 9, that the city was certified to receive in 2010, plus the amount of taconite aids under sections 298.28 and 298.282 that the city was certified to receive in 2010 including any amounts required to be placed in a special fund for distribution in a later year.

Subd. 2. **2010 reductions; counties and cities.** The commissioner of revenue must compute additional 2010 aid and credit reimbursement reduction amounts for each county and city under this section, after implementing any reduction of county program aid under section 477A.0124, local government aid under section 477A.013, or market value credit reimbursements under section 273.1384, to reflect the reductions under section 477A.0133.

The additional reduction amounts under this section are limited to the sum of the amount of county program aid under section 477A.0124, local government aid under section 477A.013, and market value credit reimbursements under section 273.1384 payable to the county or city in 2010 before the reductions in this section, but after the reductions under section 477A.0133.

The reduction amount under this section is applied first to reduce the amount payable to the county or city in 2010 as market value credit reimbursements under section 273.1384, and then if necessary, to reduce the amount payable as either county program aid under section 477A.0124 in the case of a county, or local government aid under section 477A.013 in the case of a city.

No aid or reimbursement amount is reduced to less than zero under this section.

The additional 2010 aid reduction amount for a county is equal to 1.82767 percent of the county's 2010 revenue base. The additional 2010 aid reduction amount for a city is equal to the

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lesser of (1) 3.4287 percent of the city's 2010 revenue base or (2) \$28 multiplied by the city's 2008 population.

Laws 2006, chapter 259, article 11, section 3, as amended by Laws 2008, chapter 154, article 1, section 4

Sec. 4. Laws 2006, chapter 259, article 11, section 3, is amended to read:

Sec. 3. **MAHNOMEN COUNTY; COUNTY, CITY, SCHOOL DISTRICT, PROPERTY TAX REIMBURSEMENT.**

Subdivision 1. **Aid appropriation.** \$600,000 is appropriated annually from the general fund to the commissioner of revenue to be used to make payments to compensate for the loss of property tax revenue related to the trust conversion application of the Shooting Star Casino. The commissioner shall pay the county of Mahnomen, \$450,000; the city of Mahnomen, \$80,000; and Independent School District No. 432, Mahnomen, \$70,000. The payments shall be made on July 20, of 2008 and each subsequent year.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2008 and thereafter.

Laws 2009, chapter 88, article 4, section 23, as amended by Laws 2010, chapter 389, article 5, section 4

Sec. 23. **ROCHESTER FOOD AND BEVERAGE TAX.**

Subdivision 1. **Authorization.** Notwithstanding Minnesota Statutes, section 477A.016, or any other law or charter provision, the city of Rochester may impose a tax of one percent on the gross receipts on all sales of food and beverages by restaurants and places of refreshment, as defined by resolution of the city, that occur in the city. For purposes of this section, "food and beverages" include retail on-sale of intoxicating liquor and fermented malt beverages.

Subd. 2. **Use of proceeds.** The proceeds of this tax shall be used for (1) paying the cost of collection; (2) to pay for construction, renovation, improvement, and expansion of the Mayo Civic Center Complex and related skyway access, lighting, parking, or landscaping; and (3) for payment of any principal, interest, or premium on bonds issued to finance the construction, renovation, improvement, and expansion of the Mayo Civic Center Complex.

Subd. 3. **Imposition of the tax.** The tax under this section may only be imposed upon approval of the city governing body of a total financing package for the project.

Subd. 4. **Expiration of taxing authority.** The authority granted under subdivision 1 to the city to impose a one percent tax on food and beverages shall expire when the principal and interest on any bonds or other obligations issued prior to December 31, 2014, to finance the construction, renovation, improvement, and expansion of the Mayo Civic Center Complex and related skyway access, lighting, parking, or landscaping, and any bonds issued to refund such bonds, have been paid or at an earlier time as the city shall, by ordinance, determine. Any funds remaining after completion of the project and retirement or redemption of the bonds shall be placed in the general fund of the city.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Rochester and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3, and upon approval of the city governing body of a total financing package to renovate, improve, or expand the Mayo Civic Center Complex.