

A bill for an act

relating to the financing and operation of state and local government; making policy, technical, administrative, enforcement, collection, refund, and other changes to income, franchise, property, sales and use, motor vehicle sales, estate, cigarette and tobacco products, gasoline, insurance premiums, aggregate removal, mortgage, deed, and production taxes, and other taxes and tax-related provisions; providing for aids to local governments; increasing maximum property tax refunds; requiring withholding; providing and modifying income tax credits; modifying taxation of certain compensation paid to nonresidents; modifying taxation of foreign operating corporations; modifying sales tax exemptions; modifying and authorizing local government taxes; prohibiting new local sales taxes; authorizing and modifying levies, property valuation procedures, homestead provisions, property tax classes, class rates, and tax bases; changing and providing property tax exemptions; changing JOBZ, border city allocation, tax increment financing, and economic development powers and incentives; changing provisions relating to fiscal disparities, budget forecasts and accounts, local impact notes, securities filing fees, state debt collection procedures, revenue recapture, sustainable forest incentives programs, and tax-forfeited lands; extending a petrofund fee exemption; authorizing utility rate adjustments; expanding the aggregate tax and distribution of the proceeds; changing distributions of production tax proceeds; providing for purchase of forest lands; providing for higher education grants in the taconite assistance area; authorizing and providing terms and conditions related to the issuance of obligations and the financing of public improvements and services; extending the time for certain publications of notices; requiring notices and publication of information; authorizing and validating trusts to pay certain public postemployment benefits; clarifying application of prevailing wage to JOBZ projects; changing and imposing powers, duties, and requirements on certain local governments and authorities and state departments or agencies; authorizing local governments to provide certain development incentives; providing rules for operation of certain tax increment financing districts; authorizing grants; requiring studies; establishing task forces; authorizing release of certain data; transferring money to the budget reserve account; appropriating money; amending Minnesota Statutes 2006, sections 3.987, subdivision 1; 3.988, subdivision 3; 3.989, subdivisions 2, 3; 16A.103, subdivisions 1a, 1b, 2; 16A.152, subdivisions 1b, 2, by adding a subdivision; 16D.04, subdivisions 1, 2; 16D.11, subdivisions 2, 7; 62I.06, subdivision 6; 71A.04, subdivision 1; 80A.28, subdivision 1, as amended; 80A.65, subdivision 1, as amended; 97A.061, subdivision 2; 116J.871, subdivision 1; 118A.03, subdivision 3;

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2.1 123B.61; 126C.41, subdivision 2; 127A.48, subdivision 2; 216B.1646; 268.19,
2.2 subdivision 1; 270.071, subdivision 7; 270.072, subdivisions 2, 3, 6; 270.074,
2.3 subdivision 3; 270.076, subdivision 1; 270.41, subdivisions 1, 2, 3, 5, by adding
2.4 a subdivision; 270.44; 270.45; 270.46; 270.47; 270.48; 270.50; 270A.03,
2.5 subdivisions 2, 5; 270A.10; 270B.15; 270C.03, subdivision 1; 270C.306;
2.6 270C.34, subdivision 1; 270C.446, subdivision 2; 270C.56, subdivision 1;
2.7 270C.63, subdivision 9; 272.02, subdivision 64, by adding subdivisions; 272.115,
2.8 subdivision 1; 273.05, by adding a subdivision; 273.111, subdivisions 3, 6, by
2.9 adding subdivisions; 273.117; 273.121; 273.123, subdivisions 2, 3, 7; 273.124,
2.10 subdivisions 13, 14, by adding a subdivision; 273.125, subdivision 8; 273.128,
2.11 subdivision 1; 273.13, subdivisions 22, 23, 24, 25, 33, by adding a subdivision;
2.12 273.1315; 273.1398, subdivision 4; 273.33, subdivision 2; 273.37, subdivision 2;
2.13 273.371, subdivision 1; 274.01, subdivision 1; 274.13, subdivision 1; 275.025,
2.14 subdivision 3; 275.065, subdivisions 3, 5a, by adding a subdivision; 275.066;
2.15 275.067; 275.61, subdivision 1; 276.04, subdivision 2, by adding a subdivision;
2.16 276A.01, subdivision 3; 276A.04; 277.01, subdivision 2; 278.05, subdivision
2.17 6; 279.01, subdivision 1; 279.37, subdivision 1a; 280.39; 287.22; 287.2205;
2.18 289A.02, subdivision 7; 289A.08, subdivisions 11, 13; 289A.09, subdivision 2;
2.19 289A.12, subdivisions 4, 14, by adding a subdivision; 289A.18, subdivision
2.20 1; 289A.20, subdivision 4; 289A.40, subdivision 2; 289A.56, by adding a
2.21 subdivision; 289A.60, subdivisions 8, 12, 15, 25, 27, by adding subdivisions;
2.22 290.01, subdivisions 6b, 19, as amended, 19a, 19b, as amended, 19c, 19d,
2.23 31, as amended; 290.06, subdivision 33, by adding subdivisions; 290.067,
2.24 subdivision 2b; 290.0671, subdivision 7; 290.0677, subdivision 1; 290.091,
2.25 subdivision 3; 290.0921, subdivision 3; 290.10; 290.17, subdivision 2; 290.191,
2.26 subdivisions 2, 8; 290.92, by adding a subdivision; 290A.03, subdivisions 7, 15,
2.27 as amended; 290A.04, subdivisions 2, 4, by adding a subdivision; 290A.14;
2.28 290B.03, subdivision 2; 290C.02, subdivision 3; 290C.04; 290C.05; 290C.07;
2.29 290C.11; 291.005, subdivision 1; 291.215, subdivision 1; 295.52, subdivisions
2.30 4, 4a; 295.54, subdivision 2; 296A.18, subdivision 4; 297A.61, subdivisions
2.31 3, 4, 7, 10, 24, by adding subdivisions; 297A.63, subdivision 1; 297A.665;
2.32 297A.668, by adding a subdivision; 297A.669, subdivisions 3, 13, 14, by adding
2.33 subdivisions; 297A.67, subdivisions 7, 8, 9; 297A.68, subdivisions 5, 11, 16,
2.34 35; 297A.69, subdivisions 2, 3, 4; 297A.70, subdivisions 3, 7, 8, by adding
2.35 a subdivision; 297A.71, subdivision 23, by adding a subdivision; 297A.72;
2.36 297A.75, subdivisions 1, 2, 3; 297A.90, subdivision 2; 297A.99, subdivision 1;
2.37 297B.03; 297B.035, subdivision 1; 297F.06, subdivision 4; 297F.09, subdivision
2.38 10; 297F.21, subdivision 3; 297F.25, by adding a subdivision; 297G.09,
2.39 subdivision 9; 297I.06, subdivisions 1, 2; 297I.15, by adding a subdivision;
2.40 297I.20, subdivision 2; 297I.40, subdivision 5; 298.22, by adding a subdivision;
2.41 298.2214, subdivision 2; 298.24, subdivision 1; 298.25; 298.28, subdivisions 3,
2.42 4, 5, 6, by adding a subdivision; 298.292, subdivision 2; 298.296, subdivision
2.43 2; 298.2961, subdivisions 4, 5; 298.75, subdivisions 1, 3, 7, by adding a
2.44 subdivision; 331A.05, subdivision 2; 360.031; 365A.02; 365A.04; 365A.08;
2.45 365A.095; 373.01, subdivision 3; 373.40, subdivision 4; 375B.09; 383A.80,
2.46 subdivision 4; 383A.81, subdivisions 1, 2; 383B.117, subdivision 2; 383B.77,
2.47 subdivisions 1, 2; 383B.80, subdivision 4; 410.32; 412.301; 424A.10, subdivision
2.48 3; 435.193; 453A.02, subdivision 3; 469.169, by adding a subdivision; 469.1734,
2.49 subdivision 6; 469.174, subdivisions 10, 10a; 469.175, subdivisions 1, 3;
2.50 469.176, subdivisions 1, 2, 4l, 7; 469.1761, subdivision 1; 469.1763, subdivision
2.51 2; 469.177, subdivision 1; 469.178, subdivision 7; 469.1791, subdivision 3;
2.52 469.312, subdivision 5, by adding a subdivision; 469.3201; 473.39, by adding
2.53 subdivisions; 473F.01, subdivision 2; 473F.08, subdivisions 5, 7a, by adding a
2.54 subdivision; 475.51, subdivision 4; 475.52, subdivision 6; 475.53, subdivision 1;
2.55 475.58, subdivisions 1, 3b; 477A.011, subdivision 36; 477A.0124, subdivision
2.56 5; 477A.013, subdivisions 1, 8, 9; 477A.03; 477A.12, subdivision 1; 477A.14,
2.57 subdivision 1; Laws 1973, chapter 393, section 1, as amended; Laws 1980,
2.58 chapter 511, section 1, subdivision 2, as amended; Laws 1987, chapter 168,

section 2; Laws 1988, chapter 645, section 3, as amended; Laws 1989, chapter 211, section 8, subdivision 4, as amended; Laws 1993, chapter 375, article 9, section 45, subdivisions 2, as amended, 3, as amended, 4, as amended; Laws 1994, chapter 587, article 9, section 14, subdivisions 1, 2, 3; Laws 1995, chapter 264, article 5, sections 44, subdivision 4, as amended; 45, subdivision 1, as amended; Laws 1999, chapter 243, article 4, section 18, subdivisions 1, 3, 4; Laws 2003, chapter 128, article 1, section 172, as amended; Laws 2005, First Special Session chapter 3, article 5, section 39; article 10, section 23; Laws 2006, chapter 236, article 1, section 21; Laws 2006, chapter 259, article 11, section 3; proposing coding for new law in Minnesota Statutes, chapters 17; 138; 270; 270C; 273; 274; 290C; 297A; 360; 383C; 383D; 383E; 471; 475; repealing Minnesota Statutes 2006, sections 16A.1522; 126C.21, subdivision 4; 270.073; 270.41, subdivision 4; 270.43; 270.51; 270.52; 270.53; 290A.04, subdivision 2; 295.60; 297A.61, subdivision 20; 297A.668, subdivision 6; 297A.67, subdivision 22; 469.174, subdivision 29; 473F.08, subdivision 3a; Laws 1973, chapter 393, section 2; Laws 1994, chapter 587, article 9, section 8, subdivision 1, as amended; Laws 1998, chapter 389, article 11, section 18.

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

ARTICLE 1
AIDS TO LOCAL GOVERNMENTS AND PROPERTY TAX REFUNDS

Section 1. Minnesota Statutes 2006, section 290A.04, subdivision 2, is amended to read:

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

Household Income	Percent of Income	Percent Paid by Claimant	Maximum State Refund
\$0 to 1,189	1.0 percent	15 percent	~~\$1,450~~
			<u>\$1,820</u>
1,190 to 2,379	1.1 percent	15 percent	~~\$1,450~~
			<u>\$1,820</u>
2,380 to 3,589	1.2 percent	15 percent	~~\$1,410~~
			<u>\$1,820</u>
3,590 to 4,789	1.3 percent	20 percent	~~\$1,410~~
			<u>\$1,820</u>
4,790 to 5,979	1.4 percent	20 percent	~~\$1,360~~
			<u>\$1,820</u>
5,980 to 8,369	1.5 percent	20 percent	~~\$1,360~~
			<u>\$1,820</u>
8,370 to 9,559	1.6 percent	25 percent	~~\$1,310~~
			<u>\$1,820</u>

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4.1				~~\$1,310~~
4.2	9,560 to 10,759	1.7 percent	25 percent	<u>\$1,820</u>
4.3				~~\$1,260~~
4.4	10,760 to 11,949	1.8 percent	25 percent	<u>\$1,820</u>
4.5				~~\$1,260~~
4.6	11,950 to 13,139	1.9 percent	30 percent	<u>\$1,820</u>
4.7				~~\$1,210~~
4.8	13,140 to 14,349	2.0 percent	30 percent	<u>\$1,750</u>
4.9				~~\$1,210~~
4.10	14,350 to 16,739	2.1 percent	30 percent	<u>\$1,750</u>
4.11				~~\$1,160~~
4.12	16,740 to 17,929	2.2 percent	35 percent	<u>\$1,750</u>
4.13				~~\$1,160~~
4.14	17,930 to 19,119	2.3 percent	35 percent	<u>\$1,750</u>
4.15				~~\$1,110~~
4.16	19,120 to 20,319	2.4 percent	35 percent	<u>\$1,750</u>
4.17				~~\$1,110~~
4.18	20,320 to 25,099	2.5 percent	40 percent	<u>\$1,750</u>
4.19				~~\$1,070~~
4.20	25,100 to 28,679	2.6 percent	40 percent	<u>\$1,750</u>
4.21				~~\$1,070~~
4.22	28,680 to 35,849	2.7 percent	40 percent	<u>\$1,750</u>
4.23				~~\$ 970~~
4.24	35,850 to 41,819	2.8 percent	45 percent	<u>\$1,600</u>
4.25				~~\$ 970~~
4.26	41,820 to 47,799	3.0 percent	45 percent	<u>\$1,400</u>
4.27				~~\$ 870~~
4.28	47,800 to 53,779	~~3.2~~ <u>3.0</u> percent	45 percent	<u>\$1,200</u>
4.29				~~\$ 780~~
4.30	53,780 to 59,749	~~3.5~~ <u>3.0</u> percent	50 percent	<u>\$1,100</u>
4.31				~~\$ 680~~
4.32	59,750 to 65,729	~~4.0~~ <u>3.0</u> percent	50 percent	<u>\$1,000</u>
4.33				~~\$ 580~~
4.34	65,730 to 69,319	~~4.0~~ <u>3.0</u> percent	50 percent	<u>\$750</u>
4.35				~~\$ 480~~
4.36	69,320 to 71,719	~~4.0~~ <u>3.0</u> percent	50 percent	<u>\$600</u>
4.37				~~\$ 390~~
4.38	71,720 to 74,619	~~4.0~~ <u>3.0</u> percent	50 percent	<u>\$500</u>
4.39				~~\$ 290~~
4.40	74,620 to 77,519	~~4.0~~ <u>3.0</u> percent	50 percent	<u>\$350</u>

4.41 The payment made to a claimant shall be the amount of the state refund calculated
4.42 under this subdivision. No payment is allowed if the claimant's household income is
4.43 \$77,520 or more.

4.44 **EFFECTIVE DATE.** This section is effective for refunds based on property taxes
4.45 payable in 2008 only.

Sec. 2. Minnesota Statutes 2006, section 290A.04, is amended by adding a subdivision to read:

Subd. 2k. **Homeowners.** (a) A claimant who is a homeowner and whose property taxes payable exceed the threshold percentage specified for the claimant's household income is entitled to a homeowner property tax refund. The homeowner property tax refund equals the refund percentage for the claimant's household income, multiplied by the amount of taxes in excess of the threshold percentage, up to the maximum refund amount specified for claimant's household income.

<u>Household Income</u>	<u>Threshold Percentage</u>	<u>Refund Percentage</u>	<u>Maximum Refund</u>
<u>\$0 to 1,429</u>	<u>1.0 percent</u>	<u>85 percent</u>	<u>\$2,180</u>
<u>1,430 to 2,849</u>	<u>1.1 percent</u>	<u>85 percent</u>	<u>\$2,180</u>
<u>2,850 to 4,309</u>	<u>1.2 percent</u>	<u>85 percent</u>	<u>\$2,180</u>
<u>4,310 to 5,749</u>	<u>1.3 percent</u>	<u>80 percent</u>	<u>\$2,180</u>
<u>5,750 to 7,169</u>	<u>1.4 percent</u>	<u>80 percent</u>	<u>\$2,180</u>
<u>7,170 to 10,039</u>	<u>1.5 percent</u>	<u>80 percent</u>	<u>\$2,180</u>
<u>10,040 to 11,469</u>	<u>1.6 percent</u>	<u>75 percent</u>	<u>\$2,100</u>
<u>11,470 to 12,909</u>	<u>1.7 percent</u>	<u>75 percent</u>	<u>\$2,100</u>
<u>12,910 to 14,329</u>	<u>1.8 percent</u>	<u>75 percent</u>	<u>\$2,100</u>
<u>14,330 to 15,759</u>	<u>1.9 percent</u>	<u>70 percent</u>	<u>\$2,100</u>
<u>15,760 to 17,209</u>	<u>2.0 percent</u>	<u>70 percent</u>	<u>\$2,100</u>
<u>17,210 to 20,079</u>	<u>2.1 percent</u>	<u>70 percent</u>	<u>\$2,100</u>
<u>20,080 to 21,509</u>	<u>2.2 percent</u>	<u>65 percent</u>	<u>\$2,100</u>
<u>21,510 to 22,929</u>	<u>2.3 percent</u>	<u>65 percent</u>	<u>\$2,100</u>
<u>22,930 to 24,369</u>	<u>2.4 percent</u>	<u>65 percent</u>	<u>\$2,100</u>
<u>24,370 to 30,109</u>	<u>2.5 percent</u>	<u>60 percent</u>	<u>\$2,100</u>
<u>30,110 to 34,399</u>	<u>2.6 percent</u>	<u>60 percent</u>	<u>\$2,100</u>
<u>34,400 to 42,999</u>	<u>2.7 percent</u>	<u>60 percent</u>	<u>\$2,100</u>
<u>43,000 to 50,159</u>	<u>2.8 percent</u>	<u>55 percent</u>	<u>\$1,920</u>
<u>50,160 to 57,329</u>	<u>3.0 percent</u>	<u>55 percent</u>	<u>\$1,680</u>
<u>57,330 to 64,499</u>	<u>3.0 percent</u>	<u>55 percent</u>	<u>\$1,440</u>
<u>64,500 to 71,659</u>	<u>3.0 percent</u>	<u>50 percent</u>	<u>\$1,320</u>
<u>71,660 to 78,839</u>	<u>3.0 percent</u>	<u>50 percent</u>	<u>\$1,200</u>
<u>78,840 to 83,139</u>	<u>3.0 percent</u>	<u>50 percent</u>	<u>\$ 900</u>
<u>83,140 to 86,019</u>	<u>3.0 percent</u>	<u>50 percent</u>	<u>\$ 720</u>
<u>86,020 to 89,499</u>	<u>3.0 percent</u>	<u>50 percent</u>	<u>\$ 600</u>
<u>89,500 to 92,979</u>	<u>3.0 percent</u>	<u>50 percent</u>	<u>\$ 420</u>

(b) No refund is allowed under paragraph (a) if the claimant's household income is more than \$92,979.

EFFECTIVE DATE. This section is effective beginning for refund claims based on property taxes payable in 2009.

Sec. 3. Minnesota Statutes 2006, section 290A.04, subdivision 4, is amended to read:

Subd. 4. **Inflation adjustment.** Beginning for property tax refunds payable in calendar year 2002, the commissioner shall annually adjust the dollar amounts of the income thresholds and the maximum refunds under ~~subdivisions 2 and~~ subdivision 2a for inflation. Beginning for property tax refunds payable in calendar year 2011, the commissioner shall annually adjust the dollar amounts of the income thresholds and the maximum refunds under subdivision 2k for inflation. The commissioner shall make the inflation adjustments in accordance with section 1(f) of the Internal Revenue Code, except that for purposes of this subdivision the percentage increase for subdivision 2a shall be determined from the year ending on June 30, 2000, to the year ending on June 30 of the year preceding that in which the refund is payable and the percentage increase for subdivision 2k shall be determined from the year ending on June 30, 2009, to the year ending on June 30 of the year preceding that in which the refund is payable. The commissioner shall use the appropriate percentage increase to annually adjust the income thresholds and maximum refunds under subdivisions ~~2 and~~ 2a and 2k for inflation without regard to whether or not the income tax brackets are adjusted for inflation in that year, except there is no adjustment to the income thresholds and maximum refunds under subdivision 2k for refunds payable in 2010. The commissioner shall round the thresholds and the maximum amounts, as adjusted to the nearest \$10 amount. If the amount ends in \$5, the commissioner shall round it up to the next \$10 amount.

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

EFFECTIVE DATE. This section is effective beginning for claims based on property taxes payable in 2009.

Sec. 4. Minnesota Statutes 2006, section 477A.011, subdivision 36, is amended to read:

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;

(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 \$450,000 in 1999 to 2008 and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$450,000 in calendar year 1999 only, provided that:

(i) the city had a population in 1996 of at least 50,000;

(ii) its population had increased by at least 40 percent in the ten-year period ending in 1996; and

(iii) its city's net tax capacity for aids payable in 1998 is less than \$700 per capita.

(f) 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.

(g) 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.

(h) 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.

(i) 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.

(j) 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;

9.1 (2) the city's commercial industrial percentage used in calculating aids payable in
9.2 2000 was less than ten percent;

9.3 (3) more than 25 percent of the city's population was 60 years old or older according
9.4 to the 1990 census;

9.5 (4) the city aid base of the city used in calculating aid under section 477A.013
9.6 is less than \$15 per capita; and

9.7 (5) the city's formula aid for aids payable in 2000 was greater than zero.

9.8 (k) The city aid base for a city is increased by \$45,000 in 2001 and thereafter and
9.9 by an additional \$50,000 in calendar years 2002 to 2011, and the maximum amount of
9.10 total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also
9.11 increased by \$45,000 in calendar year 2001 only, and by \$50,000 in calendar year 2002
9.12 only, provided that:

9.13 (1) the net tax capacity of the city used in calculating its 2000 aid under section
9.14 477A.013 is less than \$810 per capita;

9.15 (2) the population of the city declined more than two percent between 1988 and 1998;

9.16 (3) the net levy of the city used in calculating 2000 aid under section 477A.013 is
9.17 greater than \$240 per capita; and

9.18 (4) the city received less than \$36 per capita in aid under section 477A.013,
9.19 subdivision 9, for aids payable in 2000.

9.20 (l) The city aid base for a city with a population of 10,000 or more which is located
9.21 outside of the seven-county metropolitan area is increased in 2002 and thereafter, and the
9.22 maximum amount of total aid it may receive under section 477A.013, subdivision 9,
9.23 paragraph (b) or (c), is also increased in calendar year 2002 only, by an amount equal to
9.24 the lesser of:

9.25 (1)(i) the total population of the city, as determined by the United States Bureau of
9.26 the Census, in the 2000 census, (ii) minus 5,000, (iii) times 60; or

9.27 (2) \$2,500,000.

9.28 (m) The city aid base is increased by \$50,000 in 2002 and thereafter, and the
9.29 maximum amount of total aid it may receive under section 477A.013, subdivision 9,
9.30 paragraph (c), is also increased by \$50,000 in calendar year 2002 only, provided that:

9.31 (1) the city is located in the seven-county metropolitan area;

9.32 (2) its population in 2000 is between 10,000 and 20,000; and

9.33 (3) its commercial industrial percentage, as calculated for city aid payable in 2001,
9.34 was greater than 25 percent.

9.35 (n) The city aid base for a city is increased by \$150,000 in calendar years 2002 to
9.36 2011 and by an additional \$75,000 in calendar years 2008 to 2013 and the maximum

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10.1 amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is
10.2 also increased by \$150,000 in calendar year 2002 only and by \$75,000 in calendar year
10.3 2008 only, provided that:

10.4 (1) the city had a population of at least 3,000 but no more than 4,000 in 1999;

10.5 (2) its home county is located within the seven-county metropolitan area;

10.6 (3) its pre-1940 housing percentage is less than 15 percent; and

10.7 (4) its city net tax capacity per capita for taxes payable in 2000 is less than \$900
10.8 per capita.

10.9 (o) The city aid base for a city is increased by \$200,000 beginning in calendar
10.10 year 2003 and the maximum amount of total aid it may receive under section 477A.013,
10.11 subdivision 9, paragraph (c), is also increased by \$200,000 in calendar year 2003 only,
10.12 provided that the city qualified for an increase in homestead and agricultural credit aid
10.13 under Laws 1995, chapter 264, article 8, section 18.

10.14 (p) The city aid base for a city is increased by \$200,000 in 2004 only and the
10.15 maximum amount of total aid it may receive under section 477A.013, subdivision 9, is
10.16 also increased by \$200,000 in calendar year 2004 only, if the city is the site of a nuclear
10.17 dry cask storage facility.

10.18 (q) The city aid base for a city is increased by \$10,000 in 2004 and thereafter and the
10.19 maximum total aid it may receive under section 477A.013, subdivision 9, is also increased
10.20 by \$10,000 in calendar year 2004 only, if the city was included in a federal major disaster
10.21 designation issued on April 1, 1998, and its pre-1940 housing stock was decreased by
10.22 more than 40 percent between 1990 and 2000.

10.23 (r) The city aid base for a city is increased by ~~\$25,000~~ \$30,000 in ~~2006 only~~
10.24 2008 and thereafter and the maximum total aid it may receive under section 477A.013,
10.25 subdivision 9, is also increased by ~~\$25,000~~ \$30,000 in calendar year 2006 only if the city
10.26 had a population in 2003 of at least 1,000 and has a state park for which the city provides
10.27 rescue services and which comprised at least 14 percent of the total geographic area
10.28 included within the city boundaries in 2000.

10.29 (s) The city aid base for a city with a population less than 5,000 is increased in
10.30 2006 and thereafter and the minimum and maximum amount of total aid it may receive
10.31 under this section is also increased in calendar year 2006 only by an amount equal to
10.32 \$6 multiplied by its population.

10.33 (t) The city aid base for a city is increased by \$80,000 in 2007 ~~only~~ and thereafter and
10.34 the minimum and maximum amount of total aid it may receive under section 477A.013,
10.35 subdivision 9, is also increased by \$80,000 in calendar year 2007 only, if:

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11.1 (1) as of May 1, 2006, at least 25 percent of the tax capacity of the city is proposed
11.2 to be placed in trust status as tax-exempt Indian land;

11.3 (2) the placement of the land is being challenged administratively or in court; and

11.4 (3) due to the challenge, the land proposed to be placed in trust is still on the tax
11.5 rolls as of May 1, 2006.

11.6 (u) The city aid base for a city is increased by \$100,000 in 2007 and thereafter and
11.7 the minimum and maximum total amount of aid it may receive under this section is also
11.8 increased in calendar year 2007 only, provided that:

11.9 (1) the city has a 2004 estimated population greater than 200 but less than 2,000;

11.10 (2) its city net tax capacity for aids payable in 2006 was less than \$300 per capita;

11.11 (3) the ratio of its pay 2005 tax levy compared to its city net tax capacity for aids
11.12 payable in 2006 was greater than 110 percent; and

11.13 (4) it is located in a county where at least 15,000 acres of land are classified as
11.14 tax-exempt Indian reservations according to the 2004 abstract of tax-exempt property.

11.15 (v) The city aid base for a city is increased by \$30,000 in 2008 only, and the
11.16 maximum total aid it may receive under section 477A.013, subdivision 9, is also increased
11.17 by \$30,000 in calendar year 2008 only if the city had a population in 2005 of less than
11.18 3,000 and the city's boundaries as of 2007 were formed by the consolidation of two cities
11.19 and one township in 2002.

11.20 (w) The city aid base for a city is increased by \$100,000 in 2008 and thereafter, and
11.21 the maximum total aid it may receive under section 477A.013, subdivision 9, is also
11.22 increased by \$100,000 in calendar year 2008 only if the city had a city net tax capacity for
11.23 aids payable in 2007 of less than \$150 per capita and the city experienced flooding on
11.24 March 14, 2007, that resulted in evacuation of at least 40 homes.

11.25 (x) The city aid base for a city is increased by \$200,000 in 2008 through 2012, and
11.26 the maximum total aid it may receive under section 477A.013, subdivision 9, is also
11.27 increased by \$200,000 in calendar year 2008 only if the city:

11.28 (i) is located outside of the Minneapolis-St. Paul standard metropolitan statistical
11.29 area;

11.30 (ii) has a 2005 population greater than 7,000 but less than 8,000; and

11.31 (iii) has a 2005 net tax capacity per capita of less than \$500.

11.32 **EFFECTIVE DATE.** This section is effective for aid payable in 2008 and
11.33 subsequent years.

11.34 Sec. 5. Minnesota Statutes 2006, section 477A.0124, subdivision 5, is amended to read:

12.1 Subd. 5. **County transition aid.** (a) For 2005, a county is eligible for transition
12.2 aid equal to the amount, if any, by which:

12.3 (1) the difference between:

12.4 (i) the aid the county received under subdivision 1 in 2004, divided by the total aid
12.5 paid to all counties under subdivision 1, multiplied by \$205,000,000; and

12.6 (ii) the amount of aid the county is certified to receive in 2005 under subdivisions
12.7 3 and 4;

12.8 exceeds:

12.9 (2) three percent of the county's adjusted net tax capacity.

12.10 A county's aid under this paragraph may not be less than zero.

12.11 (b) In 2006, a county is eligible to receive two-thirds of the transition aid it received
12.12 in 2005.

12.13 (c) In 2007 and subsequent years, a county is eligible to receive one-third of the
12.14 transition aid it received in 2005.

12.15 ~~(d) No county shall receive aid under this subdivision after 2007.~~ In 2008 only, a
12.16 county with (1) a 2005 population greater than 10,000 and less than 29,000, and (2) an
12.17 average Part I crimes per capita greater than 3.6 percent for aids payable in 2007 shall
12.18 receive \$250,000.

12.19 Sec. 6. Minnesota Statutes 2006, section 477A.013, subdivision 1, is amended to read:

12.20 Subdivision 1. **Towns.** ~~In 2002, no~~ In 2008 and subsequent years, each town is
12.21 eligible for a distribution under this subdivision: equal to the product of (i) its agricultural
12.22 property factor, (ii) its town area factor, (iii) its population factor, and (iv) 0.00225. As
12.23 used in this subdivision, the following terms have the meanings given them:

12.24 (1) "agricultural property factor" means the ratio of the adjusted net tax capacity of
12.25 agricultural property located in a town, divided by the adjusted net tax capacity of all other
12.26 property located in the town. The agricultural property factor cannot exceed eight;

12.27 (2) "agricultural property" means property classified under section 273.13, as
12.28 homestead and nonhomestead agricultural property, timber land, and noncommercial
12.29 seasonal recreational property;

12.30 (3) "town area factor" means the most recent estimate of total acreage, not to exceed
12.31 50,000 acres, located in the township available as of July 1 in the aid calculation year,
12.32 estimated or established by:

12.33 (i) the United States Bureau of the Census;

12.34 (ii) the State Land Management Information Center; or

12.35 (iii) the secretary of state; and

13.1 (4) "population factor" means the square root of the town's population.

13.2 If the sum of the aids payable to all towns under this subdivision exceeds the limit
13.3 under section 477A.03, subdivision 2c, the distribution to each town must be reduced
13.4 proportionately so that the total amount of aids distributed under this section does not
13.5 exceed the limit in section 477A.03, subdivision 2c.

13.6 Sec. 7. Minnesota Statutes 2006, section 477A.013, subdivision 8, is amended to read:

13.7 Subd. 8. **City formula aid.** In calendar year 2004 and subsequent years, the
13.8 formula aid for a city is equal to the need increase percentage multiplied by the difference
13.9 between (1) the city's revenue need multiplied by its population, and (2) ~~the sum of the~~
13.10 ~~city's net tax capacity multiplied by the tax effort rate; the taconite aids under sections~~
13.11 ~~298.28 and 298.282 to any city except a city directly impacted by a taconite mine or plant;~~
13.12 ~~multiplied by the following percentages:~~

- 13.13 ~~(i) zero percent for aids payable in 2004;~~
13.14 ~~(ii) 25 percent for aids payable in 2005;~~
13.15 ~~(iii) 50 percent for aids payable in 2006;~~
13.16 ~~(iv) 75 percent for aids payable in 2007; and~~
13.17 ~~(v) 100 percent for aids payable in 2008 and thereafter.~~

13.18 ~~For purposes of this subdivision, "a city directly impacted by a taconite mine or~~
13.19 ~~plant" means: (1) Babbitt, (2) Eveleth, (3) Hibbing, (4) Keewatin, (5) Mountain Iron, (6)~~
13.20 ~~Silver Bay, or (7) Virginia.~~

13.21 No city may have a formula aid amount less than zero. The need increase percentage
13.22 must be the same for all cities.

13.23 The applicable need increase percentage must be calculated by the Department of
13.24 Revenue so that the total of the aid under subdivision 9 equals the total amount available
13.25 for aid under section 477A.03 after the subtraction under section 477A.014, subdivisions
13.26 4 and 5.

13.27 **EFFECTIVE DATE.** This section is effective beginning with aids payable in 2008.

13.28 Sec. 8. Minnesota Statutes 2006, section 477A.013, subdivision 9, is amended to read:

13.29 Subd. 9. **City aid distribution.** (a) In calendar year ~~2002 and thereafter~~ 2008, each
13.30 city shall receive an aid distribution equal to the sum of (1) the city formula aid under
13.31 subdivision 8, and (2) its city aid base. In calendar year 2009, each city shall receive an aid
13.32 distribution equal to the sum of (1) the city formula aid under subdivision 8, (2) its city aid
13.33 base, and (3) one-half of the difference between its total aid in the previous year under this

14.1 section and its city aid base in the previous year. For aids payable in 2010 and thereafter,
14.2 each city shall receive an aid distribution equal to the sum of (1) the city formula aid under
14.3 subdivision 8, (2) its city aid base, and (3) its formula aid under subdivision 8 in the
14.4 previous year, prior to any adjustments under this subdivision.

14.5 (b) For aids payable in 2008, the total aid for any city shall not exceed the sum of (1)
14.6 30 percent of its net levy for the year prior to the aid distribution plus (2) its total aid in the
14.7 previous year. For aids payable in 2005 2009 and thereafter, the total aid for any city shall
14.8 not exceed the sum of (1) ten percent of the city's net levy for the year prior to the aid
14.9 distribution plus (2) its total aid in the previous year. For aids payable in 2005 2008 and
14.10 thereafter, the total aid for any city with a population of 2,500 or more may not decrease
14.11 from be less than its total aid under this section in the previous year by an amount greater
14.12 than minus the lesser of (1) \$15 multiplied by its population, or (2) ten percent of its net
14.13 levy in the year prior to the aid distribution.

14.14 (c) ~~For aids payable in 2004 only, the total aid for a city with a population less than~~
14.15 ~~2,500 may not be less than the amount it was certified to receive in 2003 minus the greater~~
14.16 ~~of (1) the reduction to this aid payment in 2003 under Laws 2003, First Special Session~~
14.17 ~~chapter 21, article 5, or (2) five percent of its 2003 aid amount. For aids payable in 2005~~
14.18 2008 and thereafter, the total aid for a city with a population less than 2,500 must not be
14.19 less than the amount it was certified to receive in the previous year minus the lesser of (1)
14.20 \$15 multiplied by its population, or (2) five percent of its 2003 certified aid amount.

14.21 (d) If a city's net tax capacity used in calculating aid under this section has decreased
14.22 in any year by more than 25 percent from its net tax capacity in the previous year due to
14.23 property becoming tax-exempt Indian land, the city's maximum allowed aid increase
14.24 under paragraph (b) shall be increased by an amount equal to (1) the city's tax rate in the
14.25 year of the aid calculation, multiplied by (2) the amount of its net tax capacity decrease
14.26 resulting from the property becoming tax exempt.

14.27 **EFFECTIVE DATE.** This section is effective for aids payable in 2008 and
14.28 thereafter.

14.29 Sec. 9. Minnesota Statutes 2006, section 477A.03, is amended to read:

14.30 **477A.03 APPROPRIATION.**

14.31 Subd. 2. **Annual appropriation.** A sum sufficient to discharge the duties imposed
14.32 by sections 477A.011 to 477A.014 is annually appropriated from the general fund to the
14.33 commissioner of revenue.

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Subd. 2a. **Cities.** ~~For aids payable in 2004, the total aids paid under section 477A.013, subdivision 9, are limited to \$429,000,000. For aids payable in 2005, the total aids paid under section 477A.013, subdivision 9, are limited to \$437,052,000.~~ For aids payable in ~~2006~~ 2008 and thereafter, the total aids paid under section 477A.013, subdivision 9, is limited to ~~\$485,052,000~~ \$555,052,000.

Subd. 2b. **Counties.** (a) For aids payable in calendar year ~~2005 and thereafter~~ 2008, the total aids paid to counties under section 477A.0124, subdivision 3, are limited to ~~\$100,500,000~~ \$107,000,000. For aids payable in 2009 the total aids under section 477A.0124, subdivision 3, are limited to \$108,000,000. For aids payable in 2010 and thereafter the total aids paid to counties under section 477A.0124, subdivision 3, are limited to the amounts certified to be paid in the previous year, adjusted for inflation as provided in subdivision 5. Each calendar year, \$500,000 shall be retained by the commissioner of revenue to make reimbursements to the commissioner of finance for payments made under section 611.27. ~~For calendar year 2004, the amount shall be in addition to the payments authorized under section 477A.0124, subdivision 1.~~ For calendar year 2005 and subsequent years, the amount shall be deducted from the appropriation under this paragraph. The reimbursements shall be to defray the additional costs associated with court-ordered counsel under section 611.27. Any retained amounts not used for reimbursement in a year shall be included in the next distribution of county need aid that is certified to the county auditors for the purpose of property tax reduction for the next taxes payable year.

(b) For aids payable in ~~2005~~ 2008, the total aids under section 477A.0124, subdivision 4, are limited to ~~\$105,000,000~~ \$111,632,923. For aids payable in 2009, the total aids under section 477A.0124, subdivision 4, are limited to \$112,632,923. For aids payable in ~~2006~~ 2010 and thereafter, the total aid under section 477A.0124, subdivision 4, is limited to ~~\$105,132,923~~ the amounts certified to be paid in the previous year, adjusted for inflation as provided in subdivision 5. The commissioner of finance shall bill the commissioner of revenue for the cost of preparation of local impact notes as required by section 3.987, not to exceed \$207,000 in fiscal year 2004 and thereafter. The commissioner of education shall bill the commissioner of revenue for the cost of preparation of local impact notes for school districts as required by section 3.987, not to exceed \$7,000 in fiscal year 2004 and thereafter. The commissioner of revenue shall deduct the amounts billed under this paragraph from the appropriation under this paragraph. The amounts deducted are appropriated to the commissioner of finance and the commissioner of education for the preparation of local impact notes.

Subd. 2c. **Towns.** For aids payable in 2008, the total aids paid under section 477A.013, subdivision 1, is limited to \$5,000,000. For aids payable in 2009 and thereafter,

the total aids paid under section 477A.013, subdivision 1, is limited to the amount certified to be paid in the previous year, adjusted for inflation as provided in subdivision 5.

Subd. 5. **Inflation adjustment.** (a) In 2010 and thereafter, the amounts paid under subdivision 2b, paragraphs (a) and (b), shall be equal to the amount calculated in paragraph (c).

(b) In 2009 and thereafter, the amounts paid under subdivision 2c shall be equal to the amount calculated in paragraph (c).

(c) The amounts adjusted for inflation under this subdivision shall be equal to:

(1) the amount certified to be paid under that subdivision in the previous year multiplied by

(2) one plus the percentage increase in the implicit price deflator for state and local government purchases of goods and services prepared by the Bureau of Economic Analysis of the United States Department of Commerce for the 12-month period ending March 31 of the previous year.

The percentage increase in the limit on total aids payments adjusted under this subdivision may not be less than 2.5 percent or greater than 5.0 percent of the limits on total amount certified to be paid in these aids in the previous year.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2008 and thereafter.

Sec. 10. Minnesota Statutes 2006, section 477A.12, subdivision 1, is amended to read:

Subdivision 1. **Types of land; payments.** (a) As an offset for expenses incurred by counties and towns in support of natural resources lands, the following amounts are annually appropriated to the commissioner of natural resources from the general fund for transfer to the commissioner of revenue. The commissioner of revenue shall pay the transferred funds to counties as required by sections 477A.11 to 477A.145. The amounts are:

(1) for acquired natural resources land, \$3, as adjusted for inflation under section 477A.145, multiplied by the total number of acres of acquired natural resources land or, at the county's option three-fourths of one percent of the appraised value of all acquired natural resources land in the county, whichever is greater;

(2) 75 cents, as adjusted for inflation under section 477A.145, multiplied by the number of acres of county-administered other natural resources land;

(3) ~~75 cents~~ \$3, as adjusted for inflation under section 477A.145, multiplied by the total number of acres of land utilization project land that is located entirely within a wildlife management area as described in section 86A.05, subdivision 8; and 75 cents, as

17.1 adjusted for inflation under section 477A.145, multiplied by the total number of acres of
17.2 land utilization project land not located within a wildlife management area; and

17.3 (4) 37.5 cents, as adjusted for inflation under section 477A.145, multiplied by the
17.4 number of acres of commissioner-administered other natural resources land located in
17.5 each county as of July 1 of each year prior to the payment year.

17.6 (b) The amount determined under paragraph (a), clause (1), is payable for land
17.7 that is acquired from a private owner and owned by the Department of Transportation
17.8 for the purpose of replacing wetland losses caused by transportation projects, but only
17.9 if the county contains more than 500 acres of such land at the time the certification is
17.10 made under subdivision 2.

17.11 **EFFECTIVE DATE.** This section is effective for payments in 2008 and thereafter.

17.12 Sec. 11. Minnesota Statutes 2006, section 477A.14, subdivision 1, is amended to read:

17.13 Subdivision 1. **General distribution.** Except as provided in subdivision 2 or in
17.14 section 97A.061, subdivision 5, 40 percent of the total payment to the county shall be
17.15 deposited in the county general revenue fund to be used to provide property tax levy
17.16 reduction. The remainder shall be distributed by the county in the following priority:

17.17 (a) 37.5 cents, as adjusted for inflation under section 477A.145, for each acre
17.18 of county-administered other natural resources land shall be deposited in a resource
17.19 development fund to be created within the county treasury for use in resource
17.20 development, forest management, game and fish habitat improvement, and recreational
17.21 development and maintenance of county-administered other natural resources land. Any
17.22 county receiving less than \$5,000 annually for the resource development fund may elect to
17.23 deposit that amount in the county general revenue fund;

17.24 (b) From the funds remaining, within 30 days of receipt of the payment to the county,
17.25 the county treasurer shall pay each organized township 30 cents, as adjusted for inflation
17.26 under section 477A.145, for each acre of acquired natural resources land, each acre of
17.27 land utilization project land located entirely within a wildlife management area, and each
17.28 acre of land described in section 477A.12, subdivision 1, paragraph (b), and 7.5 cents, as
17.29 adjusted for inflation under section 477A.145, for each acre of other natural resources land
17.30 and each acre of land utilization project land not located within a wildlife management
17.31 area, located within its boundaries. Payments for natural resources lands not located in
17.32 an organized township shall be deposited in the county general revenue fund. Payments
17.33 to counties and townships pursuant to this paragraph shall be used to provide property
17.34 tax levy reduction, except that of the payments for natural resources lands not located in
17.35 an organized township, the county may allocate the amount determined to be necessary

for maintenance of roads in unorganized townships. Provided that, if the total payment to the county pursuant to section 477A.12 is not sufficient to fully fund the distribution provided for in this clause, the amount available shall be distributed to each township and the county general revenue fund on a pro rata basis; and

(c) Any remaining funds shall be deposited in the county general revenue fund. Provided that, if the distribution to the county general revenue fund exceeds \$35,000, the excess shall be used to provide property tax levy reduction.

EFFECTIVE DATE. This section is effective for payments in 2008 and thereafter.

Sec. 12. Laws 2006, chapter 259, article 11, section 3, is amended to read:

Sec. 3. **MAHNOMEN COUNTY; COUNTY, CITY, SCHOOL DISTRICT, PROPERTY TAX REIMBURSEMENT; 2006 ONLY.**

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 ~~due to the placement of land located in the city of Mahnomen that was put in trust status by the United States Department of the Interior, Bureau of Indian Affairs, during calendar year 2006~~ 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, provided that these payments shall be reduced in 2007 and any subsequent year by the amount, if any, of property tax payments to that political subdivision made during the previous calendar year by the owner of the land that was placed in trust. The payments shall be made on July 20; of 2006, and each subsequent year.

~~Subd. 2. **School district tax base adjustments.** The Department of Revenue must reduce the referendum market value and the adjusted net tax capacity certified for assessment year 2005 used to calculate school levies for taxes payable in 2007 for Independent School District No. 432, Mahnomen, by the amounts of any values attributable to property that is no longer subject to property taxation because the land has been placed in trust in calendar year 2006 through action of the United States Department of Interior, Bureau of Indian Affairs. The Mahnomen County auditor must certify the reductions in value to the Department of Revenue in the form and manner specified by the Department of Revenue.~~

Sec. 13. **UTILITY PROPERTY; TAX BASE ADJUSTMENTS FOR CALCULATION OF SCHOOL DISTRICT AIDS AND LEVIES.**

19.1 For purposes of calculating school levies and aids for fiscal years 2009, 2010, and
19.2 2011 only, the commissioner of revenue shall compute the adjusted net tax capacity and
19.3 referendum market value as if the tax base changes resulting from the amendments to
19.4 Minnesota Rules, chapter 8100, including the phase-in provisions of Minnesota Rules,
19.5 part 8100.0800, were effective one year earlier.

19.6 **Sec. 14. UTILITY PROPERTY; TAX BASE ADJUSTMENTS FOR**
19.7 **CALCULATION OF COUNTY, CITY, AND TOWN AIDS.**

19.8 For purposes of calculating aid for towns and cities under section 477A.013, and
19.9 for counties under section 477A.0124, for payment in 2008, 2009, and 2010 only, the
19.10 commissioner of revenue shall calculate the adjusted net tax capacity of cities and
19.11 counties, as defined in sections 477A.011 and 477A.0124, as if the tax base changes
19.12 resulting from the amendments to Minnesota Rules, chapter 8100, including the phase-in
19.13 provisions of Minnesota Rules, part 8100.0800, were effective one year earlier.

19.14 **Sec. 15. MAHNOMEN COUNTY; CITY, COUNTY, AND SCHOOL DISTRICT**
19.15 **TAX BASE ADJUSTMENTS.**

19.16 (a) The commissioner of revenue must reduce the referendum market value and
19.17 adjusted net tax capacity used to calculate school levies beginning with taxes payable in
19.18 2008 and subsequent years for Independent School District No. 432, Mahnomen, by
19.19 the amounts attributable to the Shooting Star Casino, which is pending placement into
19.20 trust status by the United States Department of the Interior, Bureau of Indian Affairs.
19.21 This adjustment shall be made for each assessment year that the property remains on
19.22 the tax rolls. The Mahnomen County auditor must certify the reductions in value to the
19.23 Department of Revenue in the form and manner specified by the commissioner of revenue.

19.24 (b) The commissioner of revenue must reduce the county and city net tax capacities
19.25 used to calculate aids under sections 477A.011 to 477A.03, beginning with aids payable in
19.26 2008 for the county of Mahnomen and the city of Mahnomen, by the amounts attributable
19.27 to property that is pending placement into trust status by the United States Department of
19.28 the Interior, Bureau of Indian Affairs. This adjustment shall be made for each assessment
19.29 year that the property remains on the tax rolls.

19.30 **EFFECTIVE DATE.** This section is effective for aids and levies payable in 2008
19.31 and thereafter.

19.32 **Sec. 16. GRAND MARAIS AND COOK COUNTY FIRE AID.**

\$500,000 is appropriated in each of fiscal years 2008 and 2009 from the general fund to the commissioner of revenue to be paid to the city of Grand Marais and to Cook County for costs related to the Ham Lake fire of 2007. The aid provided in this section must be used for nonreimbursed, uninsured costs of repairing roads and rights-of-way; sprinkler systems for structures; costs incurred by volunteer fire departments, including replacement of portable sprinkler systems, and repair of vehicles; debris removal and disposal costs; erosion control and water quality protection assistance and coordination; repair, replacement, and improvement of communications equipment and infrastructure for the city and county public safety and human services network and emergency response centers. The total amount of the aid must be divided between the city of Grand Marais and Cook County in proportion to their amounts of eligible costs.

Sec. 17. STUDY OF AIDS TO LOCAL GOVERNMENTS.

The chairs of the senate and house of representatives committees on taxes shall each appoint five members to a study group of the tax committees to examine the current system of aids to local governments and make recommendations on improvements to the system. Of the five members appointed by each chair, two must be members of the tax committee, one who is a majority party member and one who is a minority party member. The remaining members must represent local units of government. The chairs of the divisions of the tax committees having jurisdiction over property taxes shall also be members and shall serve as cochairs of the study group. The group must report on its specific recommendations to the legislature by December 15, 2008.

Sec. 18. REPEALER.

Minnesota Statutes 2006, section 290A.04, subdivision 2, is repealed effective for refunds based on property taxes payable in 2009 and thereafter.

**ARTICLE 2
PROPERTY TAXES**

Section 1. Minnesota Statutes 2006, section 97A.061, subdivision 2, is amended to read:

Subd. 2. **Allocation.** (a) Except as provided in subdivision 3, the county treasurer shall allocate the payment among the county, towns, and school districts on the same basis as if the payments were taxes on the land received in the year. Payment of a town's or a school district's allocation must be made by the county treasurer to the town or school

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21.1 district within 30 days of receipt of the payment to the county. The county's share of the
21.2 payment shall be deposited in the county general revenue fund.

21.3 (b) The county treasurer of a county with a population over 39,000 but less than
21.4 42,000 in the 1950 federal census shall allocate the payment only among the towns and
21.5 school districts on the same basis as if the payments were taxes on the lands received
21.6 in the current year.

21.7 (c) If a town received a payment in calendar year 2006 or thereafter under this
21.8 subdivision, and subsequently incorporated as a city, the city will continue to receive any
21.9 future year's allocations that would have been made to the town had it not incorporated,
21.10 provided that the payments will terminate if the governing body of the city passes an
21.11 ordinance that prohibits hunting within the boundaries of the city.

21.12 **EFFECTIVE DATE.** This section is effective for aid payments made in 2007
21.13 and thereafter.

21.14 Sec. 2. Minnesota Statutes 2006, section 126C.41, subdivision 2, is amended to read:

21.15 Subd. 2. **Retired employee health benefits.** A district may levy an amount up to the
21.16 amount the district is required by the collective bargaining agreement in effect on March
21.17 30, 1992, to pay for health insurance or unreimbursed medical expenses for licensed
21.18 and nonlicensed employees who have terminated services in the employing district and
21.19 withdrawn from active teaching service or other active service, as applicable, before July 1,
21.20 1992, or in the case of a school district located within the taconite tax relief area defined in
21.21 section 273.134, before July 1, 1998, if a sunset clause is in effect for the current collective
21.22 bargaining agreement. The total amount of the levy each year may not exceed \$600,000.

21.23 **EFFECTIVE DATE.** This section is effective for taxes payable in 2008 and
21.24 thereafter.

21.25 Sec. 3. Minnesota Statutes 2006, section 127A.48, subdivision 2, is amended to read:

21.26 Subd. 2. **Methodology.** In making its annual assessment/sales ratio studies, the
21.27 Department of Revenue must use a methodology consistent with the most recent Standard
21.28 on Assessment Ratio Studies published by the assessment standards committee of the
21.29 International Association of Assessing Officers. The commissioner of revenue shall
21.30 supplement this general methodology with specific procedures necessary for execution of
21.31 the study in accordance with other Minnesota laws impacting the assessment/sales ratio
21.32 study. The commissioner shall document these specific procedures in writing and shall
21.33 publish the procedures in the State Register, but these procedures will not be considered

22.1 "rules" pursuant to the Minnesota Administrative Procedure Act. When property is
22.2 sold and the purchaser changes its use in a manner that would result in a change of
22.3 classification of the property, the assessment sales ratio study under this subdivision must
22.4 take into account that changed classification as soon as practicable. A change in status
22.5 from homestead to nonhomestead or from nonhomestead to homestead is not a change
22.6 under this subdivision. For purposes of this section, sections 270.12, subdivision 2,
22.7 clause (8), and 278.05, subdivision 4, the commissioner of revenue shall exclude from
22.8 the assessment/sales ratio study the sale of any nonagricultural property which does not
22.9 contain an improvement, if (1) the statutory basis on which the property's taxable value
22.10 as most recently assessed is less than market value as defined in section 273.11, or (2)
22.11 the property has undergone significant physical change or a change of use since the most
22.12 recent assessment.

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

22.14 Sec. 4. Minnesota Statutes 2006, section 216B.1646, is amended to read:

22.15 **216B.1646 RATE ~~REDUCTION~~ ADJUSTMENT; PROPERTY TAX**
22.16 **~~REDUCTION~~ CHANGE.**

22.17 (a) The commission shall, by any method the commission finds appropriate, ~~reduce~~
22.18 adjust the rates each ~~electric~~ utility subject to rate regulation by the commission charges
22.19 its customers to reflect, on an ongoing basis, the amount by which each utility's property
22.20 tax, including the state general tax, if applicable, on the personal property of its electric
22.21 system ~~from taxes payable in 2001 to taxes payable in 2002 is reduced~~ or pipeline system
22.22 transporting or distributing natural gas is changed under this act. The commission must
22.23 ensure that, to the extent feasible, each dollar of personal property tax ~~reduction allocated~~
22.24 ~~to Minnesota consumers retroactive to January 1, 2002,~~ change in taxes payable in 2009
22.25 and subsequent years results in a dollar of savings adjustment to the utility's ~~customers~~
22.26 rates. ~~A utility may voluntarily pass on any additional property tax savings allocated in~~
22.27 ~~the same manner as approved by the commission under this paragraph.~~ The adjustment
22.28 under this paragraph is outside of a general rate case proceeding under section 216B.16.

22.29 (b) ~~By April 10, 2002,~~ Each utility ~~shall~~ may submit a filing to the commission
22.30 containing:

22.31 (1) certified information regarding the utility's property tax ~~savings~~ change allocated
22.32 to Minnesota retail customers; and

22.33 (2) a proposed method of ~~passing these savings on~~ adjusting rates to Minnesota
22.34 retail customers.

23.1 The utility shall provide the information in clause (1) to the commissioner of revenue at
23.2 the same time. The commissioner shall notify the commission within 30 days as to the
23.3 accuracy of the property tax data submitted by the utility.

23.4 (c) For purposes of this section, "personal property" means tools, implements, and
23.5 machinery of the generating plant. ~~It does not apply to transformers, transmission lines,~~
23.6 ~~distribution lines, or any other tools, implements, and machinery that are part of an electric~~
23.7 ~~substation, wherever located~~ an electric system or of a pipeline system transporting or
23.8 distributing natural gas.

23.9 Sec. 5. Minnesota Statutes 2006, section 272.02, is amended by adding a subdivision
23.10 to read:

23.11 Subd. 85. **Modular homes used as models by dealers.** (a) A modular home
23.12 is exempt if it:

23.13 (1) is owned by a modular home dealer and is located on land owned or leased
23.14 by that dealer;

23.15 (2) is a single-family model home;

23.16 (3) is not available for sale and is used exclusively as a model;

23.17 (4) is not permanently connected to any utilities except electricity; and

23.18 (5) is situated on a temporary foundation.

23.19 (b) The exemption under this subdivision is allowable for up to five assessment
23.20 years after the date it becomes located on the property, provided that the modular home
23.21 continues to meet all of the criteria under this subdivision each year. The owner of a
23.22 modular model home must notify the county assessor within 60 days that it has been
23.23 constructed or located on the property and must again notify the assessor if the modular
23.24 home ceases to meet any of the criteria. If more than one modular home is constructed or
23.25 situated on a property, the owner must notify the assessor within 60 days for each of the
23.26 models placed on the property.

23.27 (c) For purposes of this subdivision, a "modular home" means a building or
23.28 structural unit that has been in whole or substantial part manufactured or constructed at an
23.29 off-site location to be wholly or partially assembled on-site as a single family dwelling.
23.30 Construction of the modular home must comply with applicable standards adopted in
23.31 Minnesota Rules authorized under Minnesota Statutes, chapter 16B. A modular home does
23.32 not include a structure subject to the requirements of the National Manufactured Home
23.33 Construction and Safety Standards Act of 1974 or prefabricated buildings, as defined in
23.34 Minnesota Statutes, section 327.31, subdivision 6.

24.1 **EFFECTIVE DATE.** This section is effective for assessment year 2007 and
24.2 thereafter, for taxes payable in 2008 and thereafter. The five-year assessment time period
24.3 begins with the 2007 assessment for a modular model home currently situated provided
24.4 it meets all of the criteria and the county assessor is notified within 90 days of the day
24.5 following final enactment.

24.6 Sec. 6. Minnesota Statutes 2006, section 272.02, is amended by adding a subdivision
24.7 to read:

24.8 Subd. 86. **Electric generation facility; personal property.** (a) Notwithstanding
24.9 subdivision 9, clause (a), attached machinery and other personal property which is part of
24.10 a simple-cycle combustion-turbine electric generation facility that exceeds 150 megawatts
24.11 of installed capacity and that meets the requirements of this subdivision is exempt. At
24.12 the time of construction, the facility must:

24.13 (1) utilize natural gas as a primary fuel;

24.14 (2) be owned by an electric generation and transmission cooperative;

24.15 (3) be located within one mile of an existing 16-inch natural gas pipeline and a
24.16 69-kilovolt and a 230-kilovolt high-voltage electric transmission line;

24.17 (4) be designed to provide peaking, emergency backup, or contingency services;

24.18 (5) have received a certificate of need under section 216B.243 demonstrating
24.19 demand for its capacity; and

24.20 (6) have received by resolution the approval from the governing bodies of the county
24.21 and the city in which the proposed facility is to be located for the exemption of personal
24.22 property under this subdivision.

24.23 (b) Construction of the facility must be commenced after January 1, 2008, and
24.24 before January 1, 2012. Property eligible for this exemption does not include electric
24.25 transmission lines and interconnections or gas pipelines and interconnections appurtenant
24.26 to the property or the facility.

24.27 **EFFECTIVE DATE.** This section is effective for the 2007 assessment payable in
24.28 2008 and thereafter.

24.29 Sec. 7. Minnesota Statutes 2006, section 272.02, is amended by adding a subdivision
24.30 to read:

24.31 Subd. 87. **Apprenticeship training facilities.** All or a portion of a building used
24.32 exclusively for a state-approved apprenticeship program through the Department of Labor
24.33 and Industry is exempt if (1) it is owned and operated by a nonprofit corporation, (2) the
24.34 program participants receive no compensation, and (3) it is located in the Minneapolis and

25.1 St. Paul standard metropolitan statistical area as determined by the 2000 federal census or
25.2 in a city outside the Minneapolis and St. Paul standard metropolitan statistical area that
25.3 has a population of 10,000 or greater according to the most recent federal census. This
25.4 exemption does not include land.

25.5 **EFFECTIVE DATE.** This section is effective for assessment year 2007 and
25.6 thereafter, for taxes payable in 2008 and thereafter.

25.7 Sec. 8. Minnesota Statutes 2006, section 272.02, is amended by adding a subdivision
25.8 to read:

25.9 Subd. 88. **Monosloped roofs for feedlots and manure storage areas.** A
25.10 monosloped, single-pitched roof installed over a feedlot or manure storage area to prevent
25.11 runoff is exempt.

25.12 **EFFECTIVE DATE.** This section is effective for property taxes levied in 2007,
25.13 payable in 2008, and thereafter.

25.14 Sec. 9. Minnesota Statutes 2006, section 272.115, subdivision 1, is amended to read:

25.15 Subdivision 1. **Requirement.** Except as otherwise provided in subdivision 5,
25.16 whenever any real estate is sold for a consideration in excess of \$1,000, whether by
25.17 warranty deed, quitclaim deed, contract for deed or any other method of sale, the grantor,
25.18 grantee or the legal agent of either shall file a certificate of value with the county
25.19 auditor in the county in which the property is located when the deed or other document
25.20 is presented for recording. Contract for deeds are subject to recording under section
25.21 507.235, subdivision 1. Value shall, in the case of any deed not a gift, be the amount of
25.22 the full actual consideration thereof, paid or to be paid, including the amount of any lien
25.23 or liens assumed. The items and value of personal property transferred with the real
25.24 property must be listed and deducted from the sale price. The certificate of value shall
25.25 include the classification to which the property belongs for the purpose of determining
25.26 the fair market value of the property, and shall include any proposed change in use of the
25.27 property known to the person filing the certificate that could change the classification
25.28 of the property. The certificate shall include financing terms and conditions of the sale
25.29 which are necessary to determine the actual, present value of the sale price for purposes
25.30 of the sales ratio study. If the property is being acquired as part of a like-kind exchange
25.31 under section 1031 of the Internal Revenue Code of 1986, as amended through December
25.32 31, 2006, that must be indicated on the certificate. The commissioner of revenue shall
25.33 promulgate administrative rules specifying the financing terms and conditions which must

be included on the certificate. Pursuant to the authority of the commissioner of revenue in section 270C.306, the certificate of value must include the Social Security number or the federal employer identification number of the grantors and grantees. The identification numbers of the grantors and grantees are private data on individuals or nonpublic data as defined in section 13.02, subdivisions 9 and 12, but, notwithstanding that section, the private or nonpublic data may be disclosed to the commissioner of revenue for purposes of tax administration. The information required to be shown on the certificate of value is limited to the information required as of the date of the acknowledgment on the deed or other document to be recorded.

EFFECTIVE DATE. This section is effective for certificates filed after June 30, 2007.

Sec. 10. Minnesota Statutes 2006, section 273.111, subdivision 6, is amended to read:

Subd. 6. **Agricultural use.** (a) Real property qualifying under subdivision 3 shall be considered to be in agricultural use provided that ~~annually~~:

(1) in at least one of the three calendar years preceding the assessment year;
~~at least 33-1/3 percent of the total family income of the owner is derived therefrom;~~
~~or (i) the total production income including rental from the property is \$300 plus \$10~~
~~per tillable acre no less than an amount equal to five percent of the per acre agricultural~~
~~value determined under subdivision 16 for the county where the property is located for~~
~~the previous assessment year, multiplied by the number of acres in the parcel subject to~~
~~this section; or~~

(ii) the amount of total farm expenses shown on Schedule F of the property owner's
federal income tax return exceeds 25 percent of the federal adjusted gross income of the
owner for federal tax purposes; and

(2) it is devoted to the production for sale of agricultural products as defined in section 273.13, subdivision 23, paragraph (e).

In this subdivision, "total production income" means gross income as reported
for federal income tax purposes on Schedule F for the calendar year ending in the year
preceding the assessment year, plus rental income from the property.

Slough, wasteland, and woodland contiguous to or surrounded by land that is entitled to valuation and tax deferment under this section is considered to be in agricultural use if under the same ownership and management.

(b) Property that qualified under this section for the 2007 assessment shall not be
disqualified in any of the assessment years 2008 to 2012 because of a failure to meet
the requirements of this section.

27.1 **EFFECTIVE DATE.** This section is effective for taxes levied in 2008, payable in
27.2 2009 and thereafter, provided that property that qualified under Minnesota Statutes 2006,
27.3 section 273.111, for the 2007 assessment shall not be disqualified in any of the assessment
27.4 years 2008 to 2012 because of a failure to meet the requirements of this section.

27.5 Sec. 11. Minnesota Statutes 2006, section 273.111, is amended by adding a subdivision
27.6 to read:

27.7 Subd. 16. **Agricultural value determination.** (a) In order to account for the
27.8 presence of nonagricultural influences that may affect the sales of agricultural land, the
27.9 commissioner of revenue shall develop a fair and uniform method of determining, for
27.10 each county in the state, an agricultural value that is consistent with subdivision 4. The
27.11 commissioner shall annually assign the resulting agricultural value to each county, and
27.12 this value shall be used as the agricultural value for the county under this section.

27.13 (b) When property classified as agricultural is sold and the purchaser changes its use
27.14 in a manner that would result in a change of classification of the property, and the sale
27.15 price exceeds the agricultural value determined under paragraph (a), the assessor and
27.16 the commissioner must review the sale along with other appropriate sales information
27.17 to determine if there are nonagricultural influences on the value. If upon review it is
27.18 determined that nonagricultural factors have affected the value, the resulting sales ratio
27.19 shall be excluded from use in any study measuring agricultural value and applied to a
27.20 study measuring market value.

27.21 **EFFECTIVE DATE.** This section is effective for taxes levied in 2009, payable in
27.22 2010 and thereafter.

27.23 Sec. 12. Minnesota Statutes 2006, section 273.111, is amended by adding a subdivision
27.24 to read:

27.25 Subd. 17. **Implementation of program.** This section must be applied to eligible
27.26 properties by all county assessors, beginning no later than assessments for taxes levied
27.27 in 2008, payable in 2009, and thereafter, unless the commissioner of revenue determines
27.28 that a county is unable to comply with this requirement, in which case the county must
27.29 implement it for the earliest assessment year determined by the commissioner to be
27.30 feasible.

27.31 Sec. 13. Minnesota Statutes 2006, section 273.111, is amended by adding a subdivision
27.32 to read:

Subd. 18. **Applications; denied by county.** For applications filed for the 2007 and 2008 assessment years, all applications for deferment of taxes and assessment under this section that have been denied by the county shall be forwarded to the commissioner of revenue by the county assessor within 30 days of denial. The assessor shall also provide the commissioner with a list of any property owners that requested an application and were denied, including names and addresses, and the reason for the denial. For the purpose of monitoring compliance with this section, the commissioner shall compile a report identifying all denied applications and requests for applications that were denied, the reason for the denial, and any commissioner action or recommendation. A report must be submitted to the chairs of the house and senate tax committees on or before February 1, 2008, and February 1, 2009, in compliance with Minnesota Statutes, sections 3.195 and 3.197.

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

Sec. 14. Minnesota Statutes 2006, section 273.123, subdivision 7, is amended to read:

Subd. 7. **Local option; other property.** The owner of homestead property not qualifying for an adjustment in valuation pursuant to subdivisions 1 to 5 or of nonhomestead property may receive a reduction in the amount of taxes payable on the property for the year in which the destruction occurs and in the following year if:

(a) 50 percent or more of the homestead dwelling or other structure, as established by the county assessor, is:

(1) unintentionally or accidentally destroyed, or

(2) destroyed by arson or vandalism, by someone other than the owner,

and the homestead is uninhabitable or the other structure is not usable;

(b) the owner of the property makes written application to the county assessor as soon as practical after the damage has occurred; and

(c) the owner of the property makes written application to the county board.

The county board may grant a reduction in the amount of property tax which the owner must pay on the qualifying property in the year of destruction and in the following year. Any reduction in the amount of tax payable which is authorized by county board action shall be calculated based upon the number of months that the home is uninhabitable or the other structure is unusable. The amount of net tax due from the taxpayer shall be multiplied by a fraction, the numerator of which is the number of months the dwelling was occupied by that taxpayer, or the number of months the other structure was used by the taxpayer, and the denominator of which is 12. For purposes of this subdivision, if a

29.1 structure is occupied or used for a fraction of a month, it is considered a month. "Net tax"
29.2 is defined as the amount of tax after the subtraction of all of the state paid property tax
29.3 credits. If application is made following payment of all property taxes due for the year of
29.4 destruction, the amount of the reduction granted by the county board shall be refunded to
29.5 the taxpayer by the county treasurer as soon as practical.

29.6 Any reductions or refunds approved by the county board shall not be subject to
29.7 approval by the commissioner of revenue.

29.8 The county board may levy in the following year the amount of tax dollars lost to the
29.9 county government as a result of the reductions granted pursuant to this subdivision.

29.10 **EFFECTIVE DATE.** This section is effective for destruction that occurs in calendar
29.11 year 2006 and thereafter.

29.12 Sec. 15. Minnesota Statutes 2006, section 273.124, subdivision 14, is amended to read:

29.13 Subd. 14. **Agricultural homesteads; special provisions.** (a) Real estate of less than
29.14 ten acres that is the homestead of its owner must be classified as class 2a under section
29.15 273.13, subdivision 23, paragraph (a), if:

29.16 (1) the parcel on which the house is located is contiguous on at least two sides to (i)
29.17 agricultural land, (ii) land owned or administered by the United States Fish and Wildlife
29.18 Service, or (iii) land administered by the Department of Natural Resources on which in
29.19 lieu taxes are paid under sections 477A.11 to 477A.14;

29.20 (2) its owner also owns a noncontiguous parcel of agricultural land that is at least
29.21 20 acres;

29.22 (3) the noncontiguous land is located not farther than four townships or cities, or a
29.23 combination of townships or cities from the homestead; and

29.24 (4) the agricultural use value of the noncontiguous land and farm buildings is equal
29.25 to at least 50 percent of the market value of the house, garage, and one acre of land.

29.26 Homesteads initially classified as class 2a under the provisions of this paragraph shall
29.27 remain classified as class 2a, irrespective of subsequent changes in the use of adjoining
29.28 properties, as long as the homestead remains under the same ownership, the owner owns a
29.29 noncontiguous parcel of agricultural land that is at least 20 acres, and the agricultural use
29.30 value qualifies under clause (4). Homestead classification under this paragraph is limited
29.31 to property that qualified under this paragraph for the 1998 assessment.

29.32 (b)(i) Agricultural property ~~consisting of at least 40 acres~~ shall be classified as the
29.33 owner's homestead, to the same extent as other agricultural homestead property, if all
29.34 of the following criteria are met:

(1) the property consists of at least 40 acres including undivided government lots and correctional 40's, or at least 20 acres if used exclusively and intensively for raising or cultivating agricultural products as defined under section 273.13, subdivision 23, paragraph (e);

~~(1)~~ (2) the owner, the owner's spouse, the son or daughter of the owner or owner's spouse, or the grandson or granddaughter of the owner or the owner's spouse, is actively farming the agricultural property, either on the person's own behalf as an individual or on behalf of a partnership operating a family farm, family farm corporation, joint family farm venture, or limited liability company of which the person is a partner, shareholder, or member;

~~(2)~~ (3) both the owner of the agricultural property and the person who is actively farming the agricultural property under clause ~~(1)~~ (2), are Minnesota residents;

~~(3)~~ (4) neither the owner nor the spouse of the owner claims another agricultural homestead in Minnesota; and

~~(4)~~ (5) neither the owner nor the person actively farming the property lives farther than four townships or cities, or a combination of four townships or cities, from the agricultural property, except that if the owner or the owner's spouse is required to live in employer-provided housing, the owner or owner's spouse, whichever is actively farming the agricultural property, may live more than four townships or cities, or combination of four townships or cities from the agricultural property.

The relationship under this paragraph may be either by blood or marriage.

(ii) Real property held by a trustee under a trust is eligible for agricultural homestead classification under this paragraph if the qualifications in clause (i) are met, except that "owner" means the grantor of the trust.

(iii) Property containing the residence of an owner who owns qualified property under clause (i) shall be classified as part of the owner's agricultural homestead, if that property is also used for noncommercial storage or drying of agricultural crops.

(c) Noncontiguous land shall be included as part of a homestead under section 273.13, subdivision 23, paragraph (a), only if the homestead is classified as class 2a and the detached land is located in the same township or city, or not farther than four townships or cities or combination thereof from the homestead. Any taxpayer of these noncontiguous lands must notify the county assessor that the noncontiguous land is part of the taxpayer's homestead, and, if the homestead is located in another county, the taxpayer must also notify the assessor of the other county.

(d) Agricultural land used for purposes of a homestead and actively farmed by a person holding a vested remainder interest in it must be classified as a homestead under

section 273.13, subdivision 23, paragraph (a). If agricultural land is classified class 2a, any other dwellings on the land used for purposes of a homestead by persons holding vested remainder interests who are actively engaged in farming the property, and up to one acre of the land surrounding each homestead and reasonably necessary for the use of the dwelling as a home, must also be assessed class 2a.

(e) Agricultural land and buildings that were class 2a homestead property under section 273.13, subdivision 23, paragraph (a), for the 1997 assessment shall remain classified as agricultural homesteads for subsequent assessments if:

(1) the property owner abandoned the homestead dwelling located on the agricultural homestead as a result of the April 1997 floods;

(2) the property is located in the county of Polk, Clay, Kittson, Marshall, Norman, or Wilkin;

(3) the agricultural land and buildings remain under the same ownership for the current assessment year as existed for the 1997 assessment year and continue to be used for agricultural purposes;

(4) the dwelling occupied by the owner is located in Minnesota and is within 30 miles of one of the parcels of agricultural land that is owned by the taxpayer; and

(5) the owner notifies the county assessor that the relocation was due to the 1997 floods, and the owner furnishes the assessor any information deemed necessary by the assessor in verifying the change in dwelling. Further notifications to the assessor are not required if the property continues to meet all the requirements in this paragraph and any dwellings on the agricultural land remain uninhabited.

(f) Agricultural land and buildings that were class 2a homestead property under section 273.13, subdivision 23, paragraph (a), for the 1998 assessment shall remain classified agricultural homesteads for subsequent assessments if:

(1) the property owner abandoned the homestead dwelling located on the agricultural homestead as a result of damage caused by a March 29, 1998, tornado;

(2) the property is located in the county of Blue Earth, Brown, Cottonwood, LeSueur, Nicollet, Nobles, or Rice;

(3) the agricultural land and buildings remain under the same ownership for the current assessment year as existed for the 1998 assessment year;

(4) the dwelling occupied by the owner is located in this state and is within 50 miles of one of the parcels of agricultural land that is owned by the taxpayer; and

(5) the owner notifies the county assessor that the relocation was due to a March 29, 1998, tornado, and the owner furnishes the assessor any information deemed necessary by the assessor in verifying the change in homestead dwelling. For taxes payable in 1999, the

owner must notify the assessor by December 1, 1998. Further notifications to the assessor are not required if the property continues to meet all the requirements in this paragraph and any dwellings on the agricultural land remain uninhabited.

(g) Agricultural property ~~consisting of at least 40 acres~~ of a family farm corporation, joint family farm venture, family farm limited liability company, or partnership operating a family farm as described under subdivision 8 shall be classified homestead, to the same extent as other agricultural homestead property, if all of the following criteria are met:

(1) the property consists of at least 40 acres including undivided government lots and correctional 40's, or at least 20 acres if used exclusively and intensively for raising or cultivating agricultural products as defined under section 273.13, subdivision 23, paragraph (e);

~~(1)~~ (2) a shareholder, member, or partner of that entity is actively farming the agricultural property;

~~(2)~~ (3) that shareholder, member, or partner who is actively farming the agricultural property is a Minnesota resident;

~~(3)~~ (4) neither that shareholder, member, or partner, nor the spouse of that shareholder, member, or partner claims another agricultural homestead in Minnesota; and

~~(4)~~ (5) that shareholder, member, or partner does not live farther than four townships or cities, or a combination of four townships or cities, from the agricultural property.

Homestead treatment applies under this paragraph for property leased to a family farm corporation, joint farm venture, limited liability company, or partnership operating a family farm if legal title to the property is in the name of an individual who is a member, shareholder, or partner in the entity.

(h) To be eligible for the special agricultural homestead under this subdivision, an initial full application must be submitted to the county assessor where the property is located. Owners and the persons who are actively farming the property shall be required to complete only a one-page abbreviated version of the application in each subsequent year provided that none of the following items have changed since the initial application:

(1) the day-to-day operation, administration, and financial risks remain the same;

(2) the owners and the persons actively farming the property continue to live within the four townships or city criteria and are Minnesota residents;

(3) the same operator of the agricultural property is listed with the Farm Service Agency;

(4) a Schedule F or equivalent income tax form was filed for the most recent year;

(5) the property's acreage is unchanged; and

33.1 (6) none of the property's acres have been enrolled in a federal or state farm program
33.2 since the initial application.

33.3 The owners and any persons who are actively farming the property must include
33.4 the appropriate Social Security numbers, and sign and date the application. If any of the
33.5 specified information has changed since the full application was filed, the owner must
33.6 notify the assessor, and must complete a new application to determine if the property
33.7 continues to qualify for the special agricultural homestead. The commissioner of revenue
33.8 shall prepare a standard reapplication form for use by the assessors.

33.9 **EFFECTIVE DATE.** This section is effective for assessment year 2007, taxes
33.10 payable in 2008 and thereafter.

33.11 Sec. 16. Minnesota Statutes 2006, section 273.124, is amended by adding a subdivision
33.12 to read:

33.13 Subd. 22. **Annual registration of certain relative homesteads.** If the owner of
33.14 property or the owner's relative who occupies property that is classified as a homestead
33.15 under subdivision 1, paragraph (c), receives compensation for allowing occupancy of any
33.16 part of that property for a period that exceeds 31 consecutive days during the calendar
33.17 year, the recipient of the compensation must register the property with the city in which
33.18 it is located no later than 60 days after the initial rental period began. This requirement
33.19 applies to property located in a city that has a population over 25,000. Each city must
33.20 maintain a file of these property registrations that is open to the public, and retain the
33.21 registrations for one year after the date of filing.

33.22 **EFFECTIVE DATE.** This section is effective July 1, 2007.

33.23 Sec. 17. Minnesota Statutes 2006, section 273.125, subdivision 8, is amended to read:

33.24 Subd. 8. **Manufactured homes; sectional structures.** (a) In this section,
33.25 "manufactured home" means a structure transportable in one or more sections, which is
33.26 built on a permanent chassis, and designed to be used as a dwelling with or without a
33.27 permanent foundation when connected to the required utilities, and contains the plumbing,
33.28 heating, air conditioning, and electrical systems in it. Manufactured home includes any
33.29 accessory structure that is an addition or supplement to the manufactured home and, when
33.30 installed, becomes a part of the manufactured home.

33.31 (b) Except as provided in paragraph (c), a manufactured home that meets each of the
33.32 following criteria must be valued and assessed as an improvement to real property, the

34.1 appropriate real property classification applies, and the valuation is subject to review and
34.2 the taxes payable in the manner provided for real property:

34.3 (1) the owner of the unit holds title to the land on which it is situated;

34.4 (2) the unit is affixed to the land by a permanent foundation or is installed at its
34.5 location in accordance with the Manufactured Home Building Code in sections 327.31
34.6 to 327.34, and rules adopted under those sections, or is affixed to the land like other real
34.7 property in the taxing district; and

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

34.11 (c) A manufactured home that meets each of the following criteria must be assessed
34.12 at the rate provided by the appropriate real property classification but must be treated as
34.13 personal property, and the valuation is subject to review and the taxes payable in the
34.14 manner provided in this section:

34.15 (1) the owner of the unit is a lessee of the land under the terms of a lease, or the unit
34.16 is located in a manufactured home park but is not the homestead of the park owner;

34.17 (2) the unit is affixed to the land by a permanent foundation or is installed at its
34.18 location in accordance with the Manufactured Home Building Code contained in sections
34.19 327.31 to 327.34, and the rules adopted under those sections, or is affixed to the land like
34.20 other real property in the taxing district; and

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

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

34.30 (e) The commissioner of revenue may adopt rules under the Administrative
34.31 Procedure Act to establish additional criteria for the classification of manufactured homes
34.32 and sectional structures under this subdivision.

34.33 (f) A storage shed, deck, or similar improvement constructed on property that is
34.34 leased or rented as a site for a manufactured home, sectional structure, park trailer, or
34.35 travel trailer is taxable as provided in this section. In the case of property that is leased or
34.36 rented as a site for a travel trailer, a storage shed, deck, or similar improvement on the

site that is considered personal property under this paragraph is taxable only if its total estimated market value is over ~~\$500~~ \$1,000. The property is taxable as personal property to the lessee of the site if it is not owned by the owner of the site. The property is taxable as real estate if it is owned by the owner of the site. As a condition of permitting the owner of the manufactured home, sectional structure, park trailer, or travel trailer to construct improvements on the leased or rented site, the owner of the site must obtain the permanent home address of the lessee or user of the site. The site owner must provide the name and address to the assessor upon request.

EFFECTIVE DATE. This section is effective for assessment year 2007 and thereafter, for taxes payable in 2008 and thereafter.

Sec. 18. Minnesota Statutes 2006, section 273.128, subdivision 1, is amended to read:

Subdivision 1. **Requirement.** Low-income rental property classified as class 4d under section 273.13, subdivision 25, is entitled to valuation under this section if at least ~~75~~ 20 percent of the units in the rental housing property meet any of the following qualifications:

(1) the units are subject to a housing assistance payments contract under Section 8 of the United States Housing Act of 1937, as amended;

(2) the units are rent-restricted and income-restricted units of a qualified low-income housing project receiving tax credits under section 42(g) of the Internal Revenue Code of 1986, as amended;

(3) the units are financed by the Rural Housing Service of the United States Department of Agriculture and receive payments under the rental assistance program pursuant to section 521(a) of the Housing Act of 1949, as amended; or

(4) the units are subject to rent and income restrictions under the terms of financial assistance provided to the rental housing property by the federal government or the state of Minnesota, or a local unit of government, as evidenced by a document recorded against the property.

The restrictions must require assisted units to be occupied by residents whose household income at the time of initial occupancy does not exceed 60 percent of the greater of area or state median income, adjusted for family size, as determined by the United States Department of Housing and Urban Development. The restriction must also require the rents for assisted units to not exceed 30 percent of 60 percent of the greater of area or state median income, adjusted for family size, as determined by the United States Department of Housing and Urban Development.

EFFECTIVE DATE. This section is effective for property taxes levied in 2007,
payable in 2008, and thereafter.

Sec. 19. Minnesota Statutes 2006, section 273.13, subdivision 22, is amended to read:

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

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

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

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

(2) ~~any person, hereinafter referred to as "veteran," who:~~
~~(i) served in the active military or naval service of the United States; and~~
~~(ii) is entitled to compensation under the laws and regulations of the United States for permanent and total service-connected disability due to the loss, or loss of use, by reason of amputation, ankylosis, progressive muscular dystrophies, or paralysis, of both lower extremities, such as to preclude motion without the aid of braces, crutches, canes, or a wheelchair; and~~

~~(iii) has acquired a special housing unit with special fixtures or movable facilities made necessary by the nature of the veteran's disability, or the surviving spouse of the deceased veteran for as long as the surviving spouse retains the special housing unit as a homestead; or~~

~~(3)~~ any person who is permanently and totally disabled.

Property is classified and assessed under clause (3) only if the government agency or income-providing source certifies, upon the request of the homestead occupant, that the homestead occupant satisfies the disability requirements of this paragraph.

Property is classified and assessed pursuant to clause (1) only if the commissioner of revenue certifies to the assessor that the homestead occupant satisfies the requirements of this paragraph.

Permanently and totally disabled for the purpose of this subdivision means a condition which is permanent in nature and totally incapacitates the person from working

at an occupation which brings the person an income. The first ~~\$32,000~~ \$50,000 market value of class 1b property has a net class rate of .45 percent of its market value. The remaining market value of class 1b property has a class rate using the rates for class 1a or class 2a property, whichever is appropriate, of similar market value.

(c) Class 1c property is commercial use real and personal property that abuts ~~a lakeshore line~~ public water as defined in section 103G.005, subdivision 15, and is devoted to temporary and seasonal residential occupancy for recreational purposes but not devoted to commercial purposes for more than 250 days in the year preceding the year of assessment, and that includes a portion used as a homestead by the owner, which includes a dwelling occupied as a homestead by a shareholder of a corporation that owns the resort, a partner in a partnership that owns the resort, or a member of a limited liability company that owns the resort even if the title to the homestead is held by the corporation, partnership, or limited liability company. For purposes of this clause, property is devoted to a commercial purpose on a specific day if any portion of the property, excluding the portion used exclusively as a homestead, is used for residential occupancy and a fee is charged for residential occupancy. Class 1c property must contain three or more rental units. A "rental unit" is defined as a cabin, condominium, townhouse, sleeping room, or individual camping site equipped with water and electrical hookups for recreational vehicles. Class 1c property must provide recreational activities such as the rental of ice fishing houses, boats and motors, snowmobiles, downhill or cross-country ski equipment; provide marina services, launch services, or guide services; or sell bait and fishing tackle. Any unit in which the right to use the property is transferred to an individual or entity by deeded interest, or the sale of shares or stock, no longer qualifies for class 1c even though it may remain available for rent. A camping pad offered for rent by a property that otherwise qualifies for class 1c is also class 1c, regardless of the term of the rental agreement, as long as the use of the camping pad does not exceed 250 days. The portion of the property used as a homestead is class 1a property under paragraph (a). The remainder of the property is classified as follows: the first ~~\$500,000~~ \$600,000 of market value is tier I, the next \$1,700,000 of market value is tier II, and any remaining market value is tier III. The class rates for class 1c are: tier I, ~~0.55~~ 0.50 percent; tier II, 1.0 percent; and tier III, 1.25 percent. ~~If a class 1c resort property has any market value in tier III, the entire property must meet the requirements of subdivision 25, paragraph (d), clause (1), to qualify for class 1c treatment under this paragraph.~~ Owners of real and personal property devoted to temporary and seasonal residential occupancy for recreation purposes in which all or a portion of the property was devoted to commercial purposes for not more than 250 days in the year preceding the year of assessment desiring classification as class 1c, must

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

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

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

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

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

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

The market value of class 1d property has the same class rates as class 1a property under paragraph (a).

EFFECTIVE DATE. The portion of this section modifying the market value and class rate of the first tier of class 1c resorts and striking the language relating to class 1b veterans' homesteads is effective for taxes payable in 2008 and thereafter. The remaining portion of this section relating to class 1c resorts is effective for taxes payable in 2009 and thereafter.

Sec. 20. Minnesota Statutes 2006, section 273.13, subdivision 23, is amended to read:

Subd. 23. **Class 2.** (a) Class 2a property is agricultural land including any improvements that is homesteaded. The market value of the house and garage and immediately surrounding one acre of land has the same class rates as class 1a property under subdivision 22. The value of the remaining land including improvements up to the

first tier valuation limit of agricultural homestead property has a net class rate of ~~0.55~~ 0.5 percent of market value. The remaining property over the first tier has a class rate of one percent of market value. For purposes of this subdivision, the "first tier valuation limit of agricultural homestead property" and "first tier" means the limit certified under section 273.11, subdivision 23.

(b) Class 2b property is (1) unplatted real estate, rural in character and used exclusively for growing trees for timber, lumber, and wood and wood products; (2) ~~real estate, that is not improved with a structure and is used exclusively for growing trees for timber, lumber, and wood and wood products, if the owner has participated or is participating in a cost-sharing program for afforestation, reforestation, or timber stand improvement on that particular property, administered or coordinated by the commissioner of natural resources;~~ (3) and that consists of at least ten acres, including land used for growing trees for timber, lumber, and wood and wood products, but not including land used for agricultural purposes, provided that the presence of a minor, ancillary nonresidential structure does not disqualify property from classification under this clause, (2) real estate that is nonhomestead agricultural land; or ~~(4)~~ (3) a landing area or public access area of a privately owned public use airport. Class 2b property has a net class rate of one percent of market value, except that property described in clause (1) has a net class rate of .65 percent if it consists of no more than 1,920 acres and is being managed under a forest management plan that meets the requirements of chapter 290C, but is not enrolled in the sustainable forest resource management incentive program, provided that the owner of the property must apply to the assessor annually to receive the reduced class rate and provide the information required by the assessor to verify that the property qualifies for the reduced rate.

(c) Agricultural land as used in this section means contiguous acreage of ten acres or more, used during the preceding year for agricultural purposes. "Agricultural purposes" as used in this section means the raising or cultivation of agricultural products. "Agricultural purposes" also includes enrollment in the Reinvest in Minnesota program under sections 103F.501 to 103F.535 or the federal Conservation Reserve Program as contained in Public Law 99-198 if the property was classified as agricultural (i) under this subdivision for the assessment year 2002 or (ii) in the year prior to its enrollment. Contiguous acreage on the same parcel, or contiguous acreage on an immediately adjacent parcel under the same ownership, may also qualify as agricultural land, but only if it is pasture, timber, waste, unusable wild land, or land included in state or federal farm programs. Agricultural classification for property shall be determined excluding the house, garage, and

immediately surrounding one acre of land, and shall not be based upon the market value of any residential structures on the parcel or contiguous parcels under the same ownership.

(d) Real estate, excluding the house, garage, and immediately surrounding one acre of land, of less than ten acres which is exclusively and intensively used for raising or cultivating agricultural products, shall be considered as agricultural land.

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

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

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

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

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

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

(3) the commercial boarding of horses if the boarding is done in conjunction with raising or cultivating agricultural products as defined in clause (1);

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

(5) game birds and waterfowl bred and raised for use on a shooting preserve licensed under section 97A.115;

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

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

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

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

(1) wholesale and retail sales;

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

(3) warehousing or storage of processed goods; and

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

41.3 the assessor shall classify the part of the parcel used for agricultural purposes as class
41.4 1b, 2a, or 2b, whichever is appropriate, and the remainder in the class appropriate to its
41.5 use. The grading, sorting, and packaging of raw agricultural products for first sale is
41.6 considered an agricultural purpose. A greenhouse or other building where horticultural
41.7 or nursery products are grown that is also used for the conduct of retail sales must be
41.8 classified as agricultural if it is primarily used for the growing of horticultural or nursery
41.9 products from seed, cuttings, or roots and occasionally as a showroom for the retail sale of
41.10 those products. Use of a greenhouse or building only for the display of already grown
41.11 horticultural or nursery products does not qualify as an agricultural purpose.

41.12 The assessor shall determine and list separately on the records the market value of
41.13 the homestead dwelling and the one acre of land on which that dwelling is located. If any
41.14 farm buildings or structures are located on this homesteaded acre of land, their market
41.15 value shall not be included in this separate determination.

41.16 (g) To qualify for classification under paragraph (b), clause (4), a privately owned
41.17 public use airport must be licensed as a public airport under section 360.018. For purposes
41.18 of paragraph (b), clause (4), "landing area" means that part of a privately owned public use
41.19 airport properly cleared, regularly maintained, and made available to the public for use by
41.20 aircraft and includes runways, taxiways, aprons, and sites upon which are situated landing
41.21 or navigational aids. A landing area also includes land underlying both the primary surface
41.22 and the approach surfaces that comply with all of the following:

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

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

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

41.28 The land contained in a landing area under paragraph (b), clause (4), must be described
41.29 and certified by the commissioner of transportation. The certification is effective until
41.30 it is modified, or until the airport or landing area no longer meets the requirements of
41.31 paragraph (b), clause (4). For purposes of paragraph (b), clause (4), "public access area"
41.32 means property used as an aircraft parking ramp, apron, or storage hangar, or an arrival
41.33 and departure building in connection with the airport.

41.34 **EFFECTIVE DATE.** This section is effective for taxes levied in 2007, payable
41.35 in 2008, and thereafter.

Sec. 21. Minnesota Statutes 2006, section 273.13, subdivision 24, is amended to read:

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

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

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

(2) ~~All~~ Personal property that is: ~~(i) part of an electric generation, transmission, or distribution system; or (ii), including tools, implements, and machinery, has a class rate of 2.5 percent for taxes levied in 2008, payable in 2009, and 3.0 percent for taxes levied in 2009, payable in 2010, and thereafter.~~

(3) Personal property that is either: (i) part of a pipeline system transporting or distributing water, gas, crude oil, or petroleum products; and (iii) not described in clause (3), and all, including tools, implements, and machinery, or (ii) part of an electric transmission or distribution system, including tools, implements, and machinery, has a class rate of 2.15 percent for taxes levied in 2008, payable in 2009, and 2.25 percent for taxes levied in 2009, payable in 2010, and thereafter.

(4) railroad operating property has a class rate as provided under clause (1) for the first tier of market value and the remaining market value. In the case of multiple parcels in one county that are owned by one person or entity, only one first tier amount is eligible for the reduced rate.

~~(3) The entire market value of personal property that is: (i) tools, implements, and machinery of an electric generation, transmission, or distribution system; (ii) tools, implements, and machinery of a pipeline system transporting or distributing water, gas,~~

43.1 ~~crude oil, or petroleum products; or (iii) the~~ (5) Personal property consisting of mains
43.2 and pipes used in the distribution of steam or hot or chilled water for heating or cooling
43.3 buildings, has a class rate as provided under clause (1) for the remaining market value
43.4 in excess of the first tier.

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

43.8 **EFFECTIVE DATE.** This section is effective for taxes levied in 2007, payable
43.9 in 2008, and thereafter.

43.10 Sec. 22. Minnesota Statutes 2006, section 273.13, subdivision 25, is amended to read:

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

43.18 (b) Class 4b includes:

43.19 (1) residential real estate containing less than four units that does not qualify as class
43.20 4bb, other than seasonal residential recreational property;

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

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

43.24 (4) unimproved property that is classified residential as determined under subdivision
43.25 33.

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

43.27 (c) Class 4bb includes:

43.28 (1) nonhomestead residential real estate containing one unit, other than seasonal
43.29 residential recreational property; and

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

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

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

44.1 (d) Class 4c property includes:

44.2 (1) except as provided in subdivision 22, paragraph (c), or subdivision 23, paragraph
44.3 (b), clause (1), real and personal property devoted to temporary and seasonal residential
44.4 occupancy for recreation purposes, including real and personal property devoted to
44.5 temporary and seasonal residential occupancy for recreation purposes and not devoted to
44.6 commercial purposes for more than 250 days in the year preceding the year of assessment.
44.7 For purposes of this clause, property is devoted to a commercial purpose on a specific
44.8 day if any portion of the property is used for residential occupancy, and a fee is charged
44.9 for residential occupancy. Class 4c property must contain three or more rental units. A
44.10 "rental unit" is defined as a cabin, condominium, townhouse, sleeping room, or individual
44.11 camping site equipped with water and electrical hookups for recreational vehicles. Class
44.12 4c property must provide recreational activities such as renting ice fishing houses, boats
44.13 and motors, snowmobiles, downhill or cross-country ski equipment; provide marina
44.14 services, launch services, or guide services; or sell bait and fishing tackle. A camping
44.15 pad offered for rent by a property that otherwise qualifies for class 4c is also class 4c
44.16 regardless of the term of the rental agreement, as long as the use of the camping pad
44.17 does not exceed 250 days. In order for a property to be classified as class 4c, seasonal
44.18 residential recreational for commercial purposes, at least 40 percent of the annual gross
44.19 lodging receipts related to the property must be from business conducted during 90
44.20 consecutive days and either (i) at least 60 percent of all paid bookings by lodging guests
44.21 during the year must be for periods of at least two consecutive nights; or (ii) at least 20
44.22 percent of the annual gross receipts must be from charges for rental of fish houses, boats
44.23 and motors, snowmobiles, downhill or cross-country ski equipment, or charges for marina
44.24 services, launch services, and guide services, or the sale of bait and fishing tackle. For
44.25 purposes of this determination, a paid booking of five or more nights shall be counted as
44.26 two bookings. Class 4c also includes commercial use real property used exclusively
44.27 for recreational purposes in conjunction with class 4c property devoted to temporary
44.28 and seasonal residential occupancy for recreational purposes, up to a total of two acres,
44.29 provided the property is not devoted to commercial recreational use for more than 250
44.30 days in the year preceding the year of assessment and is located within two miles of the
44.31 class 4c property with which it is used. Owners of real and personal property devoted to
44.32 temporary and seasonal residential occupancy for recreation purposes and all or a portion
44.33 of which was devoted to commercial purposes for not more than 250 days in the year
44.34 preceding the year of assessment desiring classification as class ~~1c~~ or 4c, must submit a
44.35 declaration to the assessor designating the cabins or units occupied for 250 days or less in
44.36 the year preceding the year of assessment by January 15 of the assessment year. Those

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

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

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

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

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

(3) real property up to a maximum of ~~one acre~~ three acres of land owned and used by a nonprofit community service oriented organization; provided that and that is not used for residential purposes on either a temporary or permanent basis, qualifies for class 4c provided that it meets either of the following:

(i) the property is not used for a revenue-producing activity for more than six days in the calendar year preceding the year of assessment and the property is not used for residential purposes on either a temporary or permanent basis; or

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

For purposes of this clause,

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

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

(C) a "nonprofit community service oriented organization" means any corporation, society, association, foundation, or institution organized and operated exclusively for

charitable, religious, fraternal, civic, or educational purposes, and which is exempt from federal income taxation pursuant to section 501(c)(3), (10), or (19) of the Internal Revenue Code of 1986, as amended through December 31, 1990. ~~For purposes of this clause, and~~

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

Any portion of the property qualifying under item (i) which is used for revenue-producing activities for more than six days in the calendar year preceding the year of assessment shall be assessed as class 3a. The use of the property for social events open exclusively to members and their guests for periods of less than 24 hours, when an admission is not charged nor any revenues are received by the organization shall not be considered a revenue-producing activity.

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

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

(5) manufactured home parks as defined in section 327.14, subdivision 3;

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

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

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

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

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

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

(i) the land abuts a public airport; and

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

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

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

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

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

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

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

Class 4c property has a class rate of 1.5 percent of market value, except that (i) each parcel of seasonal residential recreational property not used for commercial purposes has the same class rates as class 4bb property, (ii) manufactured home parks assessed under clause (5) have the same class rate as class 4b property, (iii) commercial-use seasonal residential recreational property has a class rate of one percent for the first \$500,000 of market value, and 1.25 percent for the remaining market value, (iv) the market value of property described in clause (4) has a class rate of one percent, (v) the market value of property described in clauses (2) and (6) has a class rate of 1.25 percent, and (vi) that portion of the market value of property in clause (9) qualifying for class 4c property has a class rate of 1.25 percent.

(e) Class 4d property is qualifying low-income rental housing certified to the assessor by the Housing Finance Agency under section 273.128, subdivision 3. If only a portion of the units in the building qualify as low-income rental housing units as certified under section 273.128, subdivision 3, only the proportion of qualifying units to the total number

of units in the building qualify for class 4d. The remaining portion of the building shall be classified by the assessor based upon its use. Class 4d also includes the same proportion of land as the qualifying low-income rental housing units are to the total units in the building. For all properties qualifying as class 4d, the market value determined by the assessor must be based on the normal approach to value using normal unrestricted rents.

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

EFFECTIVE DATE. The portion of this section relating to class 4c resorts in paragraph (d), clause (1), is effective for assessment year 2008 and thereafter, for taxes payable in 2009 and thereafter. The portion of this section relating to nonprofit community service oriented organizations is effective for assessment year 2007 and thereafter, for taxes payable in 2008 and thereafter, except that the application date in paragraph (d), clause (3), item (ii), for the 2007 assessment is extended to September 1, 2007.

Sec. 23. Minnesota Statutes 2006, section 273.13, subdivision 33, is amended to read:

Subd. 33. **Classification of unimproved property.** (a) All real property that is not improved with a structure must be classified according to its current use.

(b) Except as provided in subdivision 23, paragraph (b), clause (1), real property that is not improved with a structure and for which there is no identifiable current use must be classified according to its highest and best use permitted under the local zoning ordinance. If the ordinance permits more than one use, the land must be classified according to the highest and best use permitted under the ordinance. If no such ordinance exists, the assessor shall consider the most likely potential use of the unimproved land based upon the use made of surrounding land or land in proximity to the unimproved land.

EFFECTIVE DATE. This section is effective for assessment year 2007 and thereafter, for taxes payable in 2008 and thereafter.

Sec. 24. Minnesota Statutes 2006, section 273.13, is amended by adding a subdivision to read:

Subd. 34. **Homestead of disabled veteran.** (a) All or a portion of the market value of property qualifying for homestead classification under subdivision 22 or 23 is excluded in determining the property's taxable market value if it serves as the homestead of a military veteran, as defined in section 197.447, who has a service-connected disability of 70 percent or more. To qualify for exclusion under this subdivision, the veteran must have been honorably discharged from the United States armed forces, as indicated by United States Government Form DD214 or other official military discharge papers, and must be

certified by the United States Veterans Administration as having a service-connected disability.

(b)(1) For a disability rating of 70 percent or more, \$150,000 of market value is excluded, except as provided in clause (2); and

(2) for a total (100 percent) and permanent disability, \$300,000 of market value is excluded.

(c) If a disabled veteran qualifying for a valuation exclusion under paragraph (b), clause (2), predeceases the veteran's spouse, and if upon the death of the veteran the spouse holds the legal or beneficial title to the homestead and permanently resides there, the exclusion shall carry over to the benefit of the veteran's spouse until such time as the spouse sells, transfers, or otherwise disposes of the property.

(d) In the case of an agricultural homestead, only the portion of the property consisting of the house and garage and immediately surrounding one acre of land qualifies for the valuation exclusion under this subdivision.

(e) A property qualifying for a valuation exclusion under this subdivision is not eligible for the credit under section 273.1384, subdivision 1.

(f) To qualify for a valuation exclusion under this subdivision a property owner must apply to the assessor by July 1 of each assessment year, except that an annual reapplication is not required once a property has been accepted for a valuation exclusion under paragraph (b), clause (2), and the property continues to qualify until there is a change in ownership.

EFFECTIVE DATE. This section is effective for assessment year 2007 and thereafter, for taxes payable in 2008 and thereafter.

Sec. 25. Minnesota Statutes 2006, section 273.1315, is amended to read:

273.1315 CERTIFICATION OF CLASS 1B PROPERTY.

Subdivision 1. Class 1b homestead declaration before 2008. Any property owner seeking classification and assessment of the owner's homestead as class 1b property pursuant to section 273.13, subdivision 22, paragraph (b), on or before October 1, 2007, shall file with the commissioner of revenue a 1b homestead declaration, on a form prescribed by the commissioner. The declaration shall contain the following information:

(a) the information necessary to verify that on or before June 30 of the filing year, the property owner or the owner's spouse satisfies the requirements of section 273.13, subdivision 22, paragraph (b), for 1b classification; and

(b) any additional information prescribed by the commissioner.

The declaration must be filed on or before October 1 to be effective for property taxes payable during the succeeding calendar year. The declaration and any supplementary information received from the property owner pursuant to this ~~section~~ subdivision shall be subject to chapter 270B. If approved by the commissioner, the declaration remains in effect until the property no longer qualifies under section 273.13, subdivision 22, paragraph (b). Failure to notify the commissioner within 30 days that the property no longer qualifies under that paragraph because of a sale, change in occupancy, or change in the status or condition of an occupant shall result in the penalty provided in section 273.124, subdivision 13, computed on the basis of the class 1b benefits for the property, and the property shall lose its current class 1b classification.

The commissioner shall provide to the assessor on or before November 1 a listing of the parcels of property qualifying for 1b classification.

Subd. 2. **Class 1b homestead declaration 2008 and thereafter.** (a) Any property owner seeking classification and assessment of the owner's homestead as class 1b property pursuant to section 273.13, subdivision 22, paragraph (b), after October 1, 2007, shall file with the county assessor a class 1b homestead declaration, on a form prescribed by the commissioner of revenue. The declaration must contain the following information:

(1) the information necessary to verify that, on or before June 30 of the filing year, the property owner or the owner's spouse satisfies the requirements of section 273.13, subdivision 22, paragraph (b), for class 1b classification; and

(2) any additional information prescribed by the commissioner.

(b) The declaration must be filed on or before October 1 to be effective for property taxes payable during the succeeding calendar year. The Social Security numbers and income and medical information received from the property owner pursuant to this subdivision are private data on individuals as defined in section 13.02. If approved by the assessor, the declaration remains in effect until the property no longer qualifies under section 273.13, subdivision 22, paragraph (b). Failure to notify the assessor within 30 days that the property no longer qualifies under that paragraph because of a sale, change in occupancy, or change in the status or condition of an occupant shall result in the penalty provided in section 273.124, subdivision 13, computed on the basis of the class 1b benefits for the property, and the property shall lose its current class 1b classification.

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

Sec. 26. Minnesota Statutes 2006, section 275.025, subdivision 3, is amended to read:

Subd. 3. **Seasonal residential recreational tax capacity.** For the purposes of this section, "seasonal residential recreational tax capacity" means the tax capacity of tier III of

51.1 class 1c under section 273.13, subdivision 22, and all class 4c(1) and 4c(3)(ii) property
51.2 under section 273.13, subdivision 25, except that the first \$76,000 of market value of each
51.3 noncommercial class 4c(1) property has a tax capacity for this purpose equal to 40 percent
51.4 of its tax capacity under section 273.13.

51.5 **EFFECTIVE DATE.** This section is effective for taxes payable in 2008 and
51.6 thereafter.

51.7 Sec. 27. Minnesota Statutes 2006, section 275.065, is amended by adding a subdivision
51.8 to read:

51.9 Subd. 6c. **Joint public hearing; nonmetropolitan county, cities, and school**
51.10 **districts.** (a) Notwithstanding any other provision of law, the county board may hold a
51.11 joint hearing with the governing bodies of all taxing authorities located wholly or partially
51.12 within the county that are required to hold a public hearing under this section, excluding
51.13 special taxing districts. The primary purpose of the joint hearing is for taxpayer efficiency
51.14 by allowing taxpayers to come to a single public hearing to discuss the budgets and
51.15 proposed property tax levies of most taxing authorities that impact the taxes on their
51.16 property.

51.17 (b) This subdivision applies only to counties located outside the metropolitan area
51.18 as defined under section 473.121, subdivision 2. If a city or school district is located
51.19 partially within the metropolitan area, that taxing jurisdiction may participate in its
51.20 nonmetropolitan county's joint hearing, if it so chooses.

51.21 (c) Upon the adoption of a resolution by the county board to hold a joint public
51.22 hearing, the county shall notify each city with a population over 500 and each school
51.23 district located wholly or partially within the county of its intention to hold the joint
51.24 hearing and ask each of the taxing authorities if it would like to participate. Participation
51.25 is voluntary, and participation in the joint hearing is in lieu of the requirement for the
51.26 governing body to hold a separate public hearing under subdivision 6. If a participating
51.27 city or school district is located in more than one county, the hearing under this subdivision
51.28 is in lieu of the requirement to hold a separate public hearing if 75 percent or more
51.29 of that city or school district's previous year's net tax capacity is in the county where
51.30 the hearing is held.

51.31 (d) The initial joint hearing must be held on the first Thursday in December. The
51.32 county may hold an additional joint hearing on another date before December 20 if the
51.33 majority of the participating taxing authorities want an additional hearing.

51.34 The county board shall obtain a meeting space to hold the joint hearing, preferably
51.35 at a public building such as the courthouse, school, or community center. The location

shall be as centrally located within the county as possible. The meeting shall generally be structured in the following general manner:

(1) 30 to 60 minutes must be devoted to discussion of the county's budget and levy;

(2) 30 to 60 minutes must be devoted to discussion of the city's budget and levy, with each city's discussion held in a separate room, preferably in the same building;

(3) 30 to 60 minutes must be devoted to discussion of the school district's levy, with each school district's discussion held in a separate room, preferably in the same building; and

(4) during the last 30 minutes the governing bodies must reassemble in a joint meeting to entertain any follow-up questions that have arisen from the separate discussions.

The county shall attempt to keep the total public hearing to within three hours.

(e) In lieu of the public advertisement requirement in subdivision 5a, the county shall have a single advertisement listing the county, each city with a population of over 500, and each school district participating in the joint public hearing listing. Any taxing authority participating under this subdivision is exempt from the separate public advertisement requirement under subdivision 5a. The cost of the joint hearing advertisement shall be apportioned in the same manner provided in subdivision 4. The notice must be published not less than two business days nor more than six business days before the hearing. The newspaper selected must be one of general interest and readership in the county, and not one of limited subject matter. The advertisement must appear in a newspaper that is published at least once per week. The advertisement must be in the following form:

"NOTICE OF JOINT PUBLIC HEARING

PROPOSED TOTAL PROPERTY TAXES

FOR PARTICIPATING TAXING AUTHORITIES

The property tax amounts below compare that portion of the current budget levied in property taxes in the county, cities, and school districts for (year) with the property taxes the county, cities, and school districts propose to collect in (year) for those taxing authorities participating in the joint public hearing.

<u>Taxing Authority</u>	<u>(Year) Property Taxes</u>	<u>Proposed (Year) Property Taxes</u>	<u>Change (Year) - (Year)</u>
<u>\$.....</u>	<u>\$.....</u>	<u>\$.....</u>	<u>...%</u>
<u>\$.....</u>	<u>\$.....</u>	<u>\$.....</u>	<u>...%</u>
<u>\$.....</u>	<u>\$.....</u>	<u>\$.....</u>	<u>...%</u>

ATTEND THE JOINT PUBLIC HEARING

53.1 All residents are invited to attend the joint public hearing of the county/cities/school
53.2 districts to express your opinions on the proposed amount of (year) property taxes. The
53.3 hearing will be held on:

53.4 (Month/Day/Year/Time)

53.5 (Location/Address)

53.6 If the discussion cannot be completed, and another hearing is scheduled, a time and place
53.7 for that hearing will be announced at this hearing. You are also invited to send your
53.8 written comments to the county auditor. If the comments relate to the city or school
53.9 district's levy, please identify that on the envelope so the county auditor can direct the
53.10 correspondence to the right jurisdiction."

53.11 The formal adoption of the taxing authority's levy must not be made at the joint
53.12 public hearing held under this subdivision. The formal adoption must be made at one of
53.13 the regularly scheduled meetings of the taxing authority's governing body. However, the
53.14 property tax levy amount that is subsequently adopted cannot exceed the amount shown to
53.15 taxpayers at the joint public hearing.

53.16 **EFFECTIVE DATE.** This section is effective for hearings held in 2007 and
53.17 thereafter.

53.18 Sec. 28. Minnesota Statutes 2006, section 275.066, is amended to read:

53.19 **275.066 SPECIAL TAXING DISTRICTS; DEFINITION.**

53.20 For the purposes of property taxation and property tax state aids, the term "special
53.21 taxing districts" includes the following entities:

- 53.22 (1) watershed districts under chapter 103D;
53.23 (2) sanitary districts under sections 115.18 to 115.37;
53.24 (3) regional sanitary sewer districts under sections 115.61 to 115.67;
53.25 (4) regional public library districts under section 134.201;
53.26 (5) park districts under chapter 398;
53.27 (6) regional railroad authorities under chapter 398A;
53.28 (7) hospital districts under sections 447.31 to 447.38;
53.29 (8) St. Cloud Metropolitan Transit Commission under sections 458A.01 to 458A.15;
53.30 (9) Duluth Transit Authority under sections 458A.21 to 458A.37;
53.31 (10) regional development commissions under sections 462.381 to 462.398;
53.32 (11) housing and redevelopment authorities under sections 469.001 to 469.047;
53.33 (12) port authorities under sections 469.048 to 469.068;
53.34 (13) economic development authorities under sections 469.090 to 469.1081;

- 54.1 (14) Metropolitan Council under sections 473.123 to 473.549;
- 54.2 (15) Metropolitan Airports Commission under sections 473.601 to 473.680;
- 54.3 (16) Metropolitan Mosquito Control Commission under sections 473.701 to 473.716;
- 54.4 (17) Morrison County Rural Development Financing Authority under Laws 1982,
- 54.5 chapter 437, section 1;
- 54.6 (18) Croft Historical Park District under Laws 1984, chapter 502, article 13, section
- 54.7 6;
- 54.8 (19) East Lake County Medical Clinic District under Laws 1989, chapter 211,
- 54.9 sections 1 to 6;
- 54.10 (20) Floodwood Area Ambulance District under Laws 1993, chapter 375, article
- 54.11 5, section 39;
- 54.12 (21) Middle Mississippi River Watershed Management Organization under sections
- 54.13 103B.211 and 103B.241;
- 54.14 (22) emergency medical services special taxing districts under section 144F.01;
- 54.15 (23) a county levying under the authority of section 103B.241, 103B.245, or
- 54.16 103B.251;
- 54.17 (24) Southern St. Louis County Special Taxing District; Chris Jensen Nursing Home
- 54.18 under Laws 2003, First Special Session chapter 21, article 4, section 12; ~~and~~
- 54.19 (25) an airport authority created under section 360.0426; and
- 54.20 (26) any other political subdivision of the state of Minnesota, excluding counties,
- 54.21 school districts, cities, and towns, that has the power to adopt and certify a property tax
- 54.22 levy to the county auditor, as determined by the commissioner of revenue.

54.23 **EFFECTIVE DATE.** This section is effective for taxes levied in 2007, payable

54.24 in 2008, and thereafter.

54.25 Sec. 29. Minnesota Statutes 2006, section 276.04, subdivision 2, is amended to read:

54.26 Subd. 2. **Contents of tax statements.** (a) The treasurer shall provide for the

54.27 printing of the tax statements. The commissioner of revenue shall prescribe the form

54.28 of the property tax statement and its contents. The statement must contain a tabulated

54.29 statement of the dollar amount due to each taxing authority and the amount of the state

54.30 tax from the parcel of real property for which a particular tax statement is prepared. The

54.31 dollar amounts attributable to the county, the state tax, the voter approved school tax, the

54.32 other local school tax, the township or municipality, and the total of the metropolitan

54.33 special taxing districts as defined in section 275.065, subdivision 3, paragraph (i), must

54.34 be separately stated. The amounts due all other special taxing districts, if any, may be

54.35 aggregated except that any levies made by the regional rail authorities in the county of

Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington under chapter 398A shall be listed on a separate line directly under the appropriate county's levy. If the county levy under this paragraph includes an amount for a lake improvement district as defined under sections 103B.501 to 103B.581, the amount attributable for that purpose must be separately stated from the remaining county levy amount. In the case of Ramsey County, if the county levy under this paragraph includes an amount for public library service under section 134.07, the amount attributable for that purpose may be separated from the remaining county levy amount. The amount of the tax on homesteads qualifying under the senior citizens' property tax deferral program under chapter 290B is the total amount of property tax before subtraction of the deferred property tax amount. The amount of the tax on contamination value imposed under sections 270.91 to 270.98, if any, must also be separately stated. The dollar amounts, including the dollar amount of any special assessments, may be rounded to the nearest even whole dollar. For purposes of this section whole odd-numbered dollars may be adjusted to the next higher even-numbered dollar. The amount of market value excluded under section 273.11, subdivision 16, if any, must also be listed on the tax statement.

(b) The property tax statements for manufactured homes and sectional structures taxed as personal property shall contain the same information that is required on the tax statements for real property.

(c) Real and personal property tax statements must contain the following information in the order given in this paragraph. The information must contain the current year tax information in the right column with the corresponding information for the previous year in a column on the left:

(1) the property's estimated market value under section 273.11, subdivision 1;

(2) the property's taxable market value after reductions under section 273.11, subdivisions 1a and 16;

(3) the property's gross tax, ~~calculated by adding the property's total property tax to the sum of the aids enumerated in clause (4) before credits;~~

~~(4) a total of the following aids:~~

~~(i) education aids payable under chapters 122A, 123A, 123B, 124D, 125A, 126C, and 127A;~~

~~(ii) local government aids for cities, towns, and counties under sections 477A.011 to 477A.04; and~~

~~(iii) disparity reduction aid under section 273.1398;~~

~~(5)~~ (4) for homestead residential and agricultural properties, the credits under section 273.1384;

~~(6)~~ (5) any credits received under sections 273.119; 273.123; 273.135; 273.1391; 273.1398, subdivision 4; 469.171; and 473H.10, except that the amount of credit received under section 273.135 must be separately stated and identified as "taconite tax relief"; and ~~(7)~~ (6) the net tax payable in the manner required in paragraph (a).

(d) If the county uses envelopes for mailing property tax statements and if the county agrees, a taxing district may include a notice with the property tax statement notifying taxpayers when the taxing district will begin its budget deliberations for the current year, and encouraging taxpayers to attend the hearings. If the county allows notices to be included in the envelope containing the property tax statement, and if more than one taxing district relative to a given property decides to include a notice with the tax statement, the county treasurer or auditor must coordinate the process and may combine the information on a single announcement.

~~The commissioner of revenue shall certify to the county auditor the actual or estimated aids enumerated in paragraph (c), clause (4), that local governments will receive in the following year. The commissioner must certify this amount by January 1 of each year.~~

Sec. 30. Minnesota Statutes 2006, section 278.05, subdivision 6, is amended to read:

Subd. 6. **Dismissal of petition; exclusion of certain evidence.** (a) In cases where the petitioner contests the valuation of income-producing property, information, including income and expense figures in the form of (1) year-end financial statements for the year prior to the assessment date, (2) year-end financial statements for the year of the assessment date, and (3) rent rolls on the assessment date including tenant name, lease start and end dates, option terms, base rent, square footage leased and vacant space, verified net rentable areas in the form of net rentable square footage of the building or buildings, and anticipated income and expenses in the form of proposed budgets for the year subsequent to the year of the assessment date, for income-producing property must be provided to the county assessor no later than 60 days after the applicable filing deadline contained in section 278.01, subdivision 1 or 4. Failure to provide the information required in this paragraph shall result in the dismissal of the petition, unless (1) the failure to provide it was due to the unavailability of the evidence at the time that the information was due, or (2) the petitioner was not aware of or informed of the requirement to provide the information. If the petitioner proves that the requirements under clause (2) are met, the petitioner has an additional 30 days to provide the information from the time the petitioner became aware of or was informed of the requirement to provide the information, otherwise the petition shall be dismissed.

(b) Provided that the information as contained in paragraph (a) is timely submitted to the county assessor, the county assessor shall furnish the petitioner at least five days before the hearing under this chapter with the property's appraisal, if any, which will be presented to the court at the hearing. The petitioner shall furnish to the county assessor at least five days before the hearing under this chapter with the property's appraisal, if any, which will be presented to the court at the hearing. An appraisal of the petitioner's property done by or for the county shall not be admissible as evidence if the county assessor does not comply with the provisions in this paragraph. The petition shall be dismissed if the petitioner does not comply with the provisions in this paragraph.

EFFECTIVE DATE. This section is effective for petitions filed on or after July 1, 2007.

Sec. 31. Minnesota Statutes 2006, section 279.37, subdivision 1a, is amended to read:

Subd. 1a. **Class 3a property.** (a) The delinquent taxes upon a parcel of property which was classified class 3a, for the previous year's assessment and had a total market value of ~~\$200,000~~ \$500,000 or less for that same assessment shall be eligible to be composed into a confession of judgment. Property qualifying under this subdivision shall be subject to the same provisions as provided in this section except as provided in paragraphs (b) to (d).

(b) Current year taxes and penalty due at the time the confession of judgment is entered must be paid.

(c) The down payment must include all special assessments due in the current tax year, all delinquent special assessments, and 20 percent of the ad valorem tax, penalties, and interest accrued against the parcel. The balance remaining is payable in four equal annual installments.

(d) The amounts entered in judgment bear interest at the rate provided in section 279.03, subdivision 1a, commencing with the date the judgment is entered. The interest rate is subject to change each year on the unpaid balance in the manner provided in section 279.03, subdivision 1a.

EFFECTIVE DATE. This section is effective for confessions of judgment entered into July 1, 2007, and thereafter.

Sec. 32. Minnesota Statutes 2006, section 280.39, is amended to read:

280.39 DELINQUENT TAXES MAY BE PAID IN INVERSE ORDER.

In any case where taxes for two or more years are delinquent against a parcel of land, such taxes for one or more ~~entire~~ years, if held by the state, may be paid in the inverse order to that in which the taxes were levied, with accrued penalties, interest, and costs upon the taxes so paid, without payment of the taxes for the first of such years; provided, that such payment shall not affect the lien of any unpaid taxes or tax judgment.

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

Sec. 33. Minnesota Statutes 2006, section 289A.08, subdivision 13, is amended to read:

Subd. 13. **Long and short forms; local use tax instructions; property tax refund information.** (a) The commissioner shall provide a long form individual income tax return and may provide a short form individual income tax return. The returns shall be in a form that is consistent with the provisions of chapter 290, notwithstanding any other law to the contrary. The nongame wildlife checkoff provided in section 290.431 and the dependent care credit provided in section 290.067 must be included on the short form.

(b) The commissioner must provide information on local use taxes in the individual income tax instruction booklet. The commissioner must provide this information in the same section of the booklet that provides information on the state use tax.

(c) The commissioner must refer to the property tax refunds allowed under chapter 290A on the front cover of the individual income tax instruction booklet, as well as information within the booklet on income eligibility for the homestead and renter refunds, and maximum refund amounts allowed in the current year.

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

Sec. 34. Minnesota Statutes 2006, section 290A.14, is amended to read:

290A.14 PROPERTY TAX STATEMENT.

The county treasurer shall prepare and send a sufficient number of copies of the property tax statement to the owner, and to the owner's escrow agent if the taxes are paid via an escrow account, to enable the owner to comply with the filing requirements of this chapter and to retain one copy as a record. The property tax statement, in a form prescribed by the commissioner, shall identify the availability of the refunds under this chapter on the front of the statement in a prominent font that is larger than the predominant font of the statement. The statement shall also indicate the manner in which the claimant may claim relief from the state under both this chapter and chapter 290B, and the amount of the tax for which the applicant may claim relief. The statement shall also indicate if there are delinquent property taxes on the property in the preceding year. Taxes included

59.1 in a confession of judgment under section 279.37 shall not constitute delinquent taxes as
59.2 long as the claimant is current on the payments required to be made under section 279.37.

59.3 Sec. 35. Minnesota Statutes 2006, section 290C.07, is amended to read:

59.4 **290C.07 CALCULATION OF INCENTIVE PAYMENT.**

59.5 An approved claimant under the sustainable forest incentive program is eligible to
59.6 receive an annual payment. The payment shall equal the greater of:

59.7 (1) the difference between the property tax that would be paid on the land using the
59.8 previous year's statewide average total township tax rate and the class rate for class 2b
59.9 timberland under section 273.13, subdivision 23, paragraph (b), if the land were valued
59.10 at (i) the average statewide timberland market value per acre calculated under section
59.11 290C.06, and (ii) the average statewide timberland current use value per acre calculated
59.12 under section 290C.02, subdivision 5; or

59.13 (2) two-thirds of the property tax amount determined by using the previous year's
59.14 statewide average total township tax rate, the estimated market value per acre as calculated
59.15 in section 290C.06, and the class rate for 2b timberland under section 273.13, subdivision
59.16 23, paragraph (b); ~~or~~

59.17 ~~(3) \$1.50,~~ provided that the payment shall be no less than \$5 per acre for each acre
59.18 enrolled in the sustainable forest incentive program.

59.19 **EFFECTIVE DATE.** This section is effective for payments made after June 30,
59.20 2007.

59.21 Sec. 36. Minnesota Statutes 2006, section 360.031, is amended to read:

59.22 **360.031 DEFINITION OF MUNICIPALITY.**

59.23 For the purposes of sections 360.031 to 360.045, ~~inclusive~~ (except section 360.042),
59.24 ~~only~~, "municipality" means any county, city, ~~or town,~~ or airport authority of this state.

59.25 Sec. 37. **[360.0425] GENERAL POWERS OF AUTHORITY.**

59.26 An airport authority created under section 360.0426 has all the powers granted a
59.27 municipality under sections 360.032 to 360.046.

59.28 Sec. 38. **[360.0426] CREATION OF AN AIRPORT AUTHORITY;**
59.29 **DISSOLUTION.**

59.30 Subdivision 1. **Members; definition.** A city together with another city, county,
59.31 town, or an Indian tribe may create an airport authority. For purposes of this chapter,

60.1 "airport authority" means a governmental entity created pursuant to this section for the
60.2 purpose of acquiring, establishing, constructing, maintaining, improving, and operating
60.3 airports and other air navigation facilities.

60.4 Subd. 2. **Process to establish authority.** A city that owns an airport by joint
60.5 resolution together with other willing governmental units may create an airport authority
60.6 that is authorized to exercise its functions upon passage of a joint resolution by each of
60.7 their governing bodies, including a proposed date for the first meeting of the authority.

60.8 Subd. 3. **Airport authority commission.** The powers of the airport authority shall
60.9 be vested in the airport authority commissioners. The commission shall consist of at
60.10 least five commissioners. Each governmental unit that is a member of the authority shall
60.11 be represented by at least one commissioner. If fewer than five governmental units are
60.12 members of the authority, there must be two commissioners appointed from each member
60.13 unit of government. The terms of each commissioner are three years, provided that the
60.14 length of the initial appointments must be staggered so that the terms of approximately
60.15 one-third of the commissioners expire each calendar year.

60.16 Subd. 4. **Appointment of commissioners.** The governmental body of each member
60.17 governmental unit shall appoint a resident of that governmental unit to be a commissioner
60.18 of the airport authority. Upon vacancy of a commissioner prior to the end of a normal term,
60.19 the appropriate governmental body shall appoint a commissioner to fill the unexpired term.

60.20 Subd. 5. **Compensation; meetings; officers.** Commissioners shall receive no
60.21 compensation for services, but are entitled to payment for necessary expenses, including
60.22 travel expenses, incurred in the discharge of the commissioners' duties.

60.23 The commission shall establish a regular meeting schedule. A majority of the
60.24 commissioners of the authority constitutes a quorum for purposes of conducting business
60.25 of the authority. Action may be taken by the majority vote of not less than a majority of
60.26 the commissioners present, providing there is a quorum.

60.27 The commission shall elect a chair, a vice-chair, a secretary, and a treasurer at its
60.28 organizational meeting. The authority may hire an executive director, a legal advisor,
60.29 technical experts, and other employees, permanent and temporary, as it may require.

60.30 Subd. 6. **Process to increase size of authority.** An airport authority may be
60.31 increased in size by adding additional governmental entities if each of the additional
60.32 entities and each of the governmental entities currently included in the existing authority
60.33 adopt a resolution agreeing to the size increase.

60.34 Subd. 7. **Process to decrease size of authority.** An airport authority may be
60.35 decreased in size if each of the governmental entities that are members of the authority

and the current commissioners consent to change and make provisions for the retention or disposition of its assets and liabilities.

Subd. 8. Process to dissolve authority. An airport authority may be dissolved after payment of all debts and adoption of a joint resolution of the governing bodies of all of the participating units of government. Before dissolution, the property of the airport authority must be sold, transferred, or distributed as agreed to by the participating units of government. Any remaining funds must be distributed to the general funds of the participating units of government in proportion to their relative shares of the most recent levy under section 360.0427.

Sec. 39. [360.0427] TAX LEVY MAY BE CERTIFIED BY AN AIRPORT AUTHORITY.

In any year in which it imposes a property tax levy under sections 275.065 to 275.07, an airport authority must submit its proposed levy to the governing body of the municipality that contains the airport. The municipal governing body may approve or modify the amount of the levy, and, when it has determined the amount, the authority must certify to the auditor of the county where the airport is located the amount to be levied on all taxable property within the boundaries of the airport authority.

EFFECTIVE DATE. This section is effective for taxes levied in 2007, payable in 2008, and thereafter.

Sec. 40. Minnesota Statutes 2006, section 435.193, is amended to read:

435.193 HARDSHIP ASSESSMENT DEFERRAL FOR SENIORS OR, DISABLED, OR MILITARY PERSONS.

(a) Notwithstanding the provisions of any law to the contrary, any county, statutory or home rule charter city, or town, making a special assessment may, at its discretion, defer the payment of that assessment for any homestead property:

(1) owned by a person 65 years of age or older or retired by virtue of a permanent and total disability for whom it would be a hardship to make the payments; or

(2) owned by a person who is a member of the Minnesota National Guard or other military reserves who is ordered into active military service, as defined in section 190.05, subdivision 5b or 5c, as stated in the person's military orders, for whom it would be a hardship to make the payments.

(b) Any county, statutory or home rule charter city, or town electing to defer special assessments shall adopt an ordinance or resolution establishing standards and

62.1 guidelines for determining the existence of a hardship and for determining the existence of
62.2 a disability, but nothing herein shall be construed to prohibit the determination of hardship
62.3 on the basis of exceptional and unusual circumstances not covered by the standards and
62.4 guidelines where the determination is made in a nondiscriminatory manner and does not
62.5 give the applicant an unreasonable preference or advantage over other applicants.

62.6 **EFFECTIVE DATE.** This section is effective the day following final enactment,
62.7 and applies to any special assessment for which payment is due on or after that date.

62.8 Sec. 41. Laws 1973, chapter 393, section 1, as amended by Laws 1974, chapter 153,
62.9 section 1, is amended to read:

62.10 Section 1. **MINNEAPOLIS, CITY OF; STREET MAINTENANCE AND**
62.11 **LIGHTING.**

62.12 Notwithstanding the provisions of any statute or the charter of the city of
62.13 Minneapolis to the contrary, the city council of said city may provide that all or part of the
62.14 costs of construction, operation, and maintenance of streets and street lighting within the
62.15 city may hereafter be paid from the general revenues of the city of Minneapolis; provided
62.16 that the portion of the costs assessable against nongovernmental real property exempt from
62.17 ad valorem taxation may be levied as a special assessment against the property.

62.18 Sec. 42. Laws 1988, chapter 645, section 3, as amended by Laws 1999, chapter 243,
62.19 article 6, section 9, and Laws 2000, chapter 490, article 6, section 15, is amended to read:

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

62.21 (a) The tax levied by the hospital district under Minnesota Statutes, section 447.34,
62.22 must not be levied at a rate that exceeds ~~0.063 percent of taxable market value~~ the amount
62.23 authorized to be levied under that section. The proceeds of the tax may be used for all
62.24 purposes of the hospital district, except as provided in paragraph (b).

62.25 (b) ~~0.048 percent of taxable market value of tax in paragraph (a) may be used only~~
62.26 ~~for acquisition, betterment, and maintenance of the district's hospital and nursing home~~
62.27 ~~facilities and equipment, and not for administrative or salary expenses.~~

62.28 ~~(c)~~ 0.015 percent of taxable market value of the tax in paragraph (a) may be used
62.29 solely for the purpose of capital expenditures as it relates to ambulance acquisitions for
62.30 the Cook ambulance service and the Orr ambulance service and not for administrative
62.31 or salary expenses.

62.32 The part of the levy referred to in paragraph ~~(c)~~ (b) must be administered by the
62.33 Cook Hospital and passed on directly to the Cook area ambulance service board and the

63.1 city of Orr to be held in trust until funding for a new ambulance is needed by either the
63.2 Cook ambulance service or the Orr ambulance service.

63.3 **EFFECTIVE DATE.** This section is effective upon compliance with Minnesota
63.4 Statutes, section 645.021, subdivision 3, by the governing body of the Cook-Orr Hospital
63.5 District.

63.6 Sec. 43. Laws 1989, chapter 211, section 8, subdivision 4, as amended by Laws 2002,
63.7 chapter 390, section 24, and Laws 2003, chapter 127, article 2, section 22, subdivision 4,
63.8 is amended to read:

63.9 Subd. 4. **Tax levy.** The tax levied under Minnesota Statutes, section 447.34, shall
63.10 not exceed \$300,000 for taxes levied in 2002. For taxes levied in 2003 and subsequent
63.11 years, the tax must not exceed the lesser of:

63.12 ~~(1) the product of the hospital district's property tax levy limitation for the previous~~
63.13 ~~year determined under this subdivision, multiplied by 103 percent; or~~

63.14 ~~(2) the product of the hospital district's property tax levy limitation for the previous~~
63.15 ~~year determined under this subdivision multiplied by the ratio of the most recent available~~
63.16 ~~annual medical care expenditure category of the revised Consumer Price Index, U.S.~~
63.17 ~~citywide average, for all urban consumers prepared by the United States Department of~~
63.18 ~~Labor to the same annual index for the previous year~~ the amount authorized to be levied
63.19 under that section.

63.20 The proceeds of the tax may be used for all purposes of the hospital district.

63.21 **EFFECTIVE DATE.** This section is effective upon compliance with Minnesota
63.22 Statutes, section 645.021, subdivision 3, by the governing body of the Cook County
63.23 Hospital District.

63.24 Sec. 44. Laws 2006, chapter 236, article 1, section 21, is amended to read:

63.25 Sec. 21. **EXCHANGE OF TAX-FORFEITED LAND; PRIVATE SALE;**
63.26 **ITASCA COUNTY.**

63.27 (a) For the purpose of a land exchange for use in connection with a proposed
63.28 steel mill in Itasca County referenced in Laws 1999, chapter 240, article 1, section 8,
63.29 subdivision 3, title examination and approval of the land described in paragraph (b)
63.30 shall be undertaken as a condition of exchange of the land for class B land, and shall be
63.31 governed by Minnesota Statutes, section 94.344, subdivisions 9 and 10, and the provisions
63.32 of this section. Notwithstanding the evidence of title requirements in Minnesota Statutes,
63.33 section 94.344, subdivisions 9 and 10, the county attorney shall examine one or more title

reports or title insurance commitments prepared or underwritten by a title insurer licensed to conduct title insurance business in this state, regardless of whether abstracts were created or updated in the preparation of the title reports or commitments. The opinion of the county attorney, and approval by the attorney general, shall be based on those title reports or commitments.

(b) The land subject to this section is located in Itasca County and is described as:

(1) Sections 3, 4, 7, 10, 14, 15, 16, 17, 18, 20, 21, 22, 23, 26, 28, and 29, Township 56 North, Range 22 West;

(2) Sections 3, 4, 9, 10, 13, and 14, Township 56 North, Range 23 West;

(3) Section 30, Township 57 North, Range 22 West; and

(4) Sections 25, 26, 34, 35, and 36, Township 57 North, Range 23 West.

(c) Riparian land given in exchange by Itasca County for the purpose of the steel mill referenced in paragraph (a), is exempt from the restrictions imposed by Minnesota Statutes, section 94.342, subdivision 3.

(d) Notwithstanding Minnesota Statutes, sections 92.45 and 282.018, subdivision 1, and the public sale provisions of Minnesota Statutes, chapter 282, Itasca County may sell, by private sale, any land received in exchange for the purpose of the steel mill referenced in paragraph (a), under the remaining provisions of Minnesota Statutes, chapter 282. The sale must be in a form approved by the attorney general.

(e) Notwithstanding Minnesota Statutes, section 284.28, subdivision 8, or any other law to the contrary, land acquired through an exchange under this section is exempt from payment of three percent of the sales price required to be collected by the county auditor at the time of sale for deposit in the state treasury.

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

Sec. 45. **FISCAL DISPARITIES STUDY.**

The commissioner of revenue shall conduct a study of the metropolitan revenue distribution program contained in Minnesota Statutes, chapter 473F, commonly known as the fiscal disparities program. On or before February 1, 2009, the commissioner shall make a report to the chairs of the house of representatives and senate tax committees consisting of the findings of the study and any recommendations resulting from the study.

The study must consider to what extent the program is meeting the following goals, and what changes could be made to the program in the furtherance of meeting those goals:

(1) reducing the extent to which the property tax encourages development patterns that do not make cost-effective use of public infrastructure or impose other high public costs;

(2) ensuring that the benefits of economic growth of the region are shared throughout the region, especially for growth that results from state and/or regional decisions;

(3) improving the ability of each jurisdiction within the region to deliver services at a level commensurate with its tax effort;

(4) compensating jurisdictions containing properties that provide regional benefits for the costs those properties impose on their host jurisdictions in excess of their tax payments;

(5) promoting a fair distribution of property tax burdens across jurisdictions of the region; and

(6) reducing the economic losses that result from competition among communities for commercial-industrial tax base.

EFFECTIVE DATE. This section is effective July 1, 2007.

Sec. 46. **CITY OF BROOKLYN CENTER; PARTICIPATION IN CRIME-FREE MULTIHOUSING PROGRAM.**

(a) In addition to the requirements of Minnesota Statutes, section 273.128, if property located in the city of Brooklyn Center qualifies under paragraph (b), the owners or managers must complete the three phases of the city's crime-free multihousing program and the qualifying property must be annually certified by the police as participating in the program. If a qualifying property is not certified within one year after it is first determined to be a qualifying property under paragraph (b), or does not annually maintain its certification in the program, the city shall notify the property owner that the qualifying property must comply with the requirements of this section to maintain its classification as class 4d property. If a qualifying property is not in compliance within one year after receiving the notice from the city, the city shall issue a second notice and require the owners to enter into a plan to achieve compliance within one year. If, upon expiration of the one-year time period, the qualifying property has not been certified by the police as completing the program, the city shall notify the commissioner of the Housing Finance Agency and the commissioner shall remove the property from the list of class 4d properties certified to the assessor under Minnesota Statutes, section 273.128, subdivision 3. Once removed from the list, the property is not eligible for class 4d classification until it complies with this section and its compliance has been certified to the Housing Finance Agency by the city. Certification to the Housing Finance Agency must be made by May 15 to be effective for taxes payable in the following year.

(b) A property is a qualifying property for purposes of this section's requirements if it satisfies each of the following requirements:

66.1 (1) the city offers a crime-free multihousing program through its city police;

66.2 (2) over the preceding three-year period, the number of police calls to the property
66.3 exceeded the city's average number of calls for multiunit rental properties for the period
66.4 by at least 25 percent, adjusted for the number of rental units;

66.5 (3) the police department has requested, in writing, the owners or managers of the
66.6 property to enroll in the crime-free multihousing program and the owners or managers
66.7 refused or failed to enroll within 60 days after the request, or failed to complete phases
66.8 one and three within 90 days and all three phases of the program within a one-year time
66.9 period; and

66.10 (4) the governing body of the city, by resolution, determines the property is a
66.11 qualifying property under clauses (1) to (3).

66.12 (c) Calls for police or emergency assistance in response to domestic abuse or
66.13 medical assistance shall not be counted toward the number of calls in paragraph (b), clause
66.14 (2). For purposes of this section, "domestic abuse" has the meaning given in Minnesota
66.15 Statutes, section 518B.01, subdivision 2.

66.16 (d) Low-income qualifying rental housing property classified as class 4d property
66.17 for taxes payable in 2007 must meet the requirements of this section by May 15, 2010.

66.18 **EFFECTIVE DATE; LOCAL APPROVAL.** This section is effective the day after
66.19 compliance by the governing body of the city of Brooklyn Center and its chief clerical
66.20 officer with Minnesota Statutes, section 645.021, subdivisions 2 and 3, and applies to
66.21 property taxes levied in 2007, payable in 2008, and thereafter.

66.22 Sec. 47. **CLAIR A. NELSON MEMORIAL FOREST, LAKE COUNTY;**
66.23 **TEMPORARY SUSPENSION OF APPORTIONMENT OF PROCEEDS FROM**
66.24 **TAX-FORFEITED LANDS.**

66.25 (a) Upon approval of an affected political subdivision within Lake County, the
66.26 Lake County Board may suspend the apportionment of the balance of net proceeds from
66.27 tax-forfeited lands within the affected political subdivision under Minnesota Statutes,
66.28 section 282.08, clause (4), item (iii), and retain the net proceeds. The authority under this
66.29 paragraph is available until Lake County suspends the apportionment of net proceeds
66.30 subject to item (iii) in the amount of \$2,200,000 plus any interest costs incurred by the
66.31 county to purchase land described in this section. The money received by Lake County is
66.32 to reimburse the county for the purchase in 2006 of 6,085 acres of forest land named the
66.33 Clair A. Nelson Memorial Forest.

66.34 (b) Any revenue derived from acquired land that was reimbursed under paragraph
66.35 (a) is subject to apportionment as provided in Minnesota Statutes, section 282.08.

EFFECTIVE DATE. This section is effective retroactively from January 1, 2006.

Sec. 48. **LAKEVIEW CEMETERY ASSOCIATION.**

Subdivision 1. Authorized. Any two or more of the following cities and towns in Itasca County may enter into a joint powers agreement under Minnesota Statutes, section 471.59, to establish the Lakeview Cemetery Association with the powers and duties of a cemetery association under Minnesota Statutes, chapter 306: the cities of Bovey, Calumet, Coleraine, Marble, and Taconite, and the towns of Greenway, Iron Range, Lawrence, and Trout Lake.

Subd. 2. Additions; withdrawals. (a) A city or town listed in subdivision 1 that does not join the association at the time of the initial agreement may join as provided in the joint powers agreement, or if the joint powers agreement does not provide for later additions, by providing the association a copy of the adopted resolution to join. If the joint powers agreement does not provide for adding members, a city or town that joins after the initial agreement is effective, may join prior to July 1 of the levy year, for taxes payable in the following year.

(b) A city or town may withdraw from the association as otherwise provided in the joint powers agreement, or providing to the association a copy of the adopted resolution of the city or town, prior to July 1 of the levy year for taxes payable in the following year.

Subd. 3. Operation; tax levy. The joint powers agreement for the association may provide for a uniform tax rate to be levied against all taxable properties located within each participating city or town. The maximum amount that may be levied by all participating cities and towns combined shall not exceed a total of \$200,000 per year. If levied, the tax is in addition to all other taxes permitted to be levied on the property, including taxes permitted to be levied for cemetery purposes by a participating city or town. The levy under this section must be disregarded in the calculation of all other rate or per capita levy limitations imposed by law. One of the cities or towns within the association, chosen by the members of the association, shall certify a tax levy to the Itasca County auditor. When collected, the Itasca County auditor shall pay the Lakeview Cemetery Association directly.

EFFECTIVE DATE. This section is effective for taxes levied in 2007, payable in 2008, and thereafter.

Sec. 49. **TAX-FORFEITED LANDS LEASE; ITASCA COUNTY.**

Notwithstanding Minnesota Statutes, section 282.04, or other law to the contrary, the Itasca County auditor may lease tax-forfeited land to Minnesota Steel for a period of

68.1 20 years, for use as a tailings basin and buffer area. A lease entered under this section
68.2 is renewable.

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

68.4 Sec. 50. **HAM LAKE FIRE; PROPERTY TAX REDUCTION; STATE**
68.5 **REIMBURSEMENT.**

68.6 Subdivision 1. **Property tax reduction.** The owner of improved property that
68.7 was destroyed in the Ham Lake fire in 2007 may apply to the Cook County assessor to
68.8 receive a reduction in the amount of taxes payable on the property for 2007 and 2008.
68.9 The reduction provided under this section must be granted if 50 percent or more of the
68.10 homestead dwelling or nonhomestead structure, as established by the county assessor, has
68.11 been destroyed by the fire and related effects and the homestead is uninhabitable or the
68.12 other structure is not useable. For property that meets the requirements of this section, the
68.13 tax liabilities for the second half of property taxes due in October 2007 and for all property
68.14 taxes due in 2008 are reduced to zero. If application is made following payment of all
68.15 property taxes due for 2007, the amount of the reduction shall be refunded to the taxpayer
68.16 by the county treasurer as soon as practical. A reduction granted under this section is in
68.17 lieu of a reduction under Minnesota Statutes, section 273.123. The property owner must
68.18 apply by April 15, 2008, to be eligible for a reduction under this section.

68.19 Subd. 2. **State reimbursement.** The Cook County auditor shall calculate the taxes
68.20 payable in 2008 based on the assessment made on January 2, 2007, prior to granting the
68.21 reduction provided in subdivision 1, and the reduction shall apply to the computed tax.
68.22 When practical, the auditor shall identify the reduction on the tax statement sent to eligible
68.23 properties. The difference between the computed tax and the tax after the reduction,
68.24 for both taxes payable in 2007 and 2008, shall be certified by the county auditor to the
68.25 commissioner of revenue in a manner prescribed by the commissioner. The commissioner
68.26 shall make the payments to the county auditor for settlement to the taxing jurisdictions
68.27 containing the property for the second half of 2007 payments and for both 2008 payments
68.28 in the same proportion that the ad valorem tax is distributed.

68.29 Subd. 3. **Computation of credits.** The amounts of the market value homestead
68.30 credit provided in Minnesota Statutes, section 273.1384, shall be computed on the
68.31 tax determined before the reduction under subdivision 1. For purposes of the property
68.32 tax refund, property taxes payable, as defined in Minnesota Statutes, section 290A.03,
68.33 subdivision 13, must be computed upon the tax determined under subdivision 1.

(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) ~~either (i) the average of the percentages of its property and payrolls, including the pro rata share of its unitary partnerships' property and payrolls, assigned to locations outside the United States, where the United States includes the District of Columbia and excludes the commonwealth of Puerto Rico and possessions of the United States, as determined under section 290.191 or 290.20, is 80 percent or more; or (ii) 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~~

~~(4) it has \$1,000,000 of payroll and \$2,000,000 of property, as determined under section 290.191 or 290.20, that are located outside the United States. If the domestic corporation does not have payroll as determined under section 290.191 or 290.20, but it or its partnerships have paid \$1,000,000 for work, performed directly for the domestic corporation or the partnerships, outside the United States, then paragraph (3)(i) shall not require payrolls to be included in the average calculation 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.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2007.

Sec. 2. Minnesota Statutes 2006, section 290.01, subdivision 19c, is amended to read:

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

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

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

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

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

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

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

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

71.12 (8) the exempt foreign trade income of a foreign sales corporation under sections
71.13 921(a) and 291 of the Internal Revenue Code;

71.14 (9) the amount of percentage depletion deducted under sections 611 through 614 and
71.15 291 of the Internal Revenue Code;

71.16 (10) for certified pollution control facilities placed in service in a taxable year
71.17 beginning before December 31, 1986, and for which amortization deductions were elected
71.18 under section 169 of the Internal Revenue Code of 1954, as amended through December
71.19 31, 1985, the amount of the amortization deduction allowed in computing federal taxable
71.20 income for those facilities;

71.21 (11) the amount of any deemed dividend from a foreign operating corporation
71.22 determined pursuant to section 290.17, subdivision 4, paragraph (g). The deemed dividend
71.23 shall be reduced by the amount of the addition to income required by clauses (19), (20),
71.24 (21), and (22);

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

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

71.30 (14) any increase in subpart F income, as defined in section 952(a) of the Internal
71.31 Revenue Code, for the taxable year when subpart F income is calculated without regard
71.32 to the provisions of section 103 of Public Law 109-222;

71.33 (15) 80 percent of the depreciation deduction allowed under section 168(k)(1)(A)
71.34 and (k)(4)(A) of the Internal Revenue Code. For purposes of this clause, if the taxpayer
71.35 has an activity that in the taxable year generates a deduction for depreciation under
71.36 section 168(k)(1)(A) and (k)(4)(A) and the activity generates a loss for the taxable year

that the taxpayer is not allowed to claim for the taxable year, "the depreciation allowed under section 168(k)(1)(A) and (k)(4)(A)" for the taxable year is limited to excess of the depreciation claimed by the activity under section 168(k)(1)(A) and (k)(4)(A) over the amount of the loss from the activity that is not allowed in the taxable year. In succeeding taxable years when the losses not allowed in the taxable year are allowed, the depreciation under section 168(k)(1)(A) and (k)(4)(A) is allowed;

(16) 80 percent of the amount by which the deduction allowed by section 179 of the Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal Revenue Code of 1986, as amended through December 31, 2003;

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

(18) the exclusion allowed under section 139A of the Internal Revenue Code for federal subsidies for prescription drug plans;

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

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

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

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

(iv) licensing fees; and

(v) other similar expenses and costs.

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

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

(20) except as already included in the taxpayer's taxable income pursuant to clause (19), any interest income and income generated from intangible property received or

73.1 accrued by a foreign operating corporation that is a member of the taxpayer's unitary
73.2 group. For purposes of this clause, income generated from intangible property includes:
73.3 (i) income related to the direct or indirect acquisition, use, maintenance or
73.4 management, ownership, sale, exchange, or any other disposition of intangible property;
73.5 (ii) income from factoring transactions or discounting transactions;
73.6 (iii) royalty, patent, technical, and copyright fees;
73.7 (iv) licensing fees; and
73.8 (v) other similar income.

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

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

73.16 (21) the dividends attributable to the income of a foreign operating corporation that
73.17 is a member of the taxpayer's unitary group in an amount that is equal to the dividends
73.18 paid deduction of a real estate investment trust under section 561(a) of the Internal
73.19 Revenue Code for amounts paid or accrued by the real estate investment trust to the
73.20 foreign operating corporation;

73.21 (22) the income of a foreign operating corporation that is a member of the taxpayer's
73.22 unitary group in an amount that is equal to gains derived from the sale of real or personal
73.23 property located in the United States; and

73.24 (23) the amount of expenses disallowed under section 290.10, subdivision 2.

73.25 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
73.26 December 31, 2007, except the new clause (23) is effective for taxable years beginning
73.27 after December 31, 2006, for disallowed expenses assessed after the date of final
73.28 enactment of this act.

73.29 Sec. 3. Minnesota Statutes 2006, section 290.01, subdivision 19d, is amended to read:

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

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

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

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

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

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

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

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

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

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

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

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

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

(7) in the case of mines, oil and gas wells, other natural deposits, and timber for which percentage depletion was disallowed pursuant to subdivision 19c, clause (11), a reasonable allowance for depletion based on actual cost. In the case of leases the deduction

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

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

(9) amounts included in federal taxable income that are due to refunds of income, excise, or franchise taxes based on net income or related minimum taxes paid by the corporation to Minnesota, another state, a political subdivision of another state, the District of Columbia, or a foreign country or possession of the United States to the extent that the taxes were added to federal taxable income under section 290.01, subdivision 19c, clause (1), in a prior taxable year;

(10) ~~80~~ 90 percent of royalties, fees, or other like income accrued or received from a foreign operating corporation or a foreign corporation which is part of the same unitary business as the receiving corporation, unless the income resulting from such payments or accruals is income from sources within the United States as defined in subtitle A, chapter 1, subchapter N, part 1, of the Internal Revenue Code;

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

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

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

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

(15) the amount of any refund of environmental taxes paid under section 59A of the Internal Revenue Code;

(16) for taxable years beginning before January 1, 2008, the amount of the federal small ethanol producer credit allowed under section 40(a)(3) of the Internal Revenue Code which is included in gross income under section 87 of the Internal Revenue Code;

(17) for a corporation whose foreign sales corporation, as defined in section 922 of the Internal Revenue Code, constituted a foreign operating corporation during any taxable year ending before January 1, 1995, and a return was filed by August 15, 1996, claiming the deduction under section 290.21, subdivision 4, for income received from the foreign operating corporation, an amount equal to 1.23 multiplied by the amount of income excluded under section 114 of the Internal Revenue Code, provided the income is not income of a foreign operating company;

(18) any decrease in subpart F income, as defined in section 952(a) of the Internal Revenue Code, for the taxable year when subpart F income is calculated without regard to the provisions of section 614 of Public Law 107-147;

(19) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19c, clause (15), an amount equal to one-fifth of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the amount of the addition made by the taxpayer under subdivision 19c, clause (15). The resulting delayed depreciation cannot be less than zero; and

(20) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19c, clause (16), an amount equal to one-fifth of the amount of the addition.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2007.

Sec. 4. Minnesota Statutes 2006, section 290.191, subdivision 2, is amended to read:

Subd. 2. Apportionment formula of general application. (a) Except for those trades or businesses required to use a different formula under subdivision 3 or section 290.36, and for those trades or businesses that receive permission to use some other method under section 290.20 or under subdivision 4, a trade or business required to apportion its net income must apportion its income to this state on the basis of the percentage obtained by taking the sum of:

(1) the percent for the sales factor under paragraph (b) of the percentage which the sales made within this state in connection with the trade or business during the tax period are of the total sales wherever made in connection with the trade or business during the tax period;

(2) the percent for the property factor under paragraph (b) of the percentage which the total tangible property used by the taxpayer in this state in connection with the trade or business during the tax period is of the total tangible property, wherever located, used by the taxpayer in connection with the trade or business during the tax period; and

(3) the percent for the payroll factor under paragraph (b) of the percentage which the taxpayer's total payrolls paid or incurred in this state or paid in respect to labor performed in this state in connection with the trade or business during the tax period are of the taxpayer's total payrolls paid or incurred in connection with the trade or business during the tax period.

(b) For purposes of paragraph (a) and subdivision 3, the following percentages apply for the taxable years specified:

Taxable years beginning during calendar year	Sales factor percent	Property factor percent	Payroll factor percent
2007	78	11	11
2008	81	9.5	9.5
2009	84	8	8
2010	~~87~~ 95	~~6.5~~ 2.5	~~6.5~~ 2.5
2011	~~90~~	~~5~~	~~5~~
~~2012~~	~~93~~	~~3.5~~	~~3.5~~
~~2013~~	~~96~~	~~2~~	~~2~~
2014 and later calendar years	100	0	0

EFFECTIVE DATE. This section is effective for tax years beginning after December 31, 2006.

ARTICLE 4
INDIVIDUAL INCOME TAXES

Section 1. Minnesota Statutes 2006, section 289A.02, subdivision 7, is amended to read:

Subd. 7. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~May 18, 2006~~ December 31, 2006.

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

Sec. 2. Minnesota Statutes 2006, section 289A.12, subdivision 4, is amended to read:

Subd. 4. **Returns by persons, corporations, cooperatives, governmental entities, or school districts.** (a) The commissioner may by notice and demand require to the extent required by section 6041 of the Internal Revenue Code, a person, corporation, or cooperative, the state of Minnesota and its political subdivisions, and a city, county,

and school district in Minnesota, making payments in the regular course of a trade or business during the taxable year to any person or corporation of \$600 or more on account of rents or royalties, or of \$10 or more on account of interest, or \$10 or more on account of dividends or patronage dividends, or \$600 or more on account of either wages, salaries, commissions, fees, prizes, awards, pensions, annuities, or any other fixed or determinable gains, profits or income, not otherwise reportable under section 289A.09, subdivision 2, or on account of earnings of \$10 or more distributed to its members by savings associations or credit unions chartered under the laws of this state or the United States, (1) to file with the commissioner a return (except in cases where a valid agreement to participate in the combined federal and state information reporting system has been entered into, and the return is filed only with the commissioner of internal revenue under the applicable filing and informational reporting requirements of the Internal Revenue Code) with respect to the payments in excess of the amounts named, giving the names and addresses of the persons to whom the payments were made, the amounts paid to each, and (2) to make a return with respect to the total number of payments and total amount of payments, for each category of income named, which were in excess of the amounts named. This subdivision does not apply to the payment of interest or dividends to a person who was a nonresident of Minnesota for the entire year.

(b) For payments for which a return is covered by paragraph (a), regardless of whether the commissioner has required filing under paragraph (a), the payor must file a copy of the return with the commissioner if:

(i) the return is for a payment made to a Minnesota resident, to a recipient with a Minnesota address, or for activity occurring in the state of Minnesota; and

(ii) the payment is for wages, salaries, or other compensation for services provided. The commissioner may require this information to be filed in electronic or another form that the commissioner determines is appropriate, notwithstanding the provisions of paragraph (c).

(c) A person, corporation, or cooperative required to file returns under this subdivision must file the returns on magnetic media if magnetic media was used to satisfy the federal reporting requirement under section 6011(e) of the Internal Revenue Code, unless the person establishes to the satisfaction of the commissioner that compliance with this requirement would be an undue hardship.

EFFECTIVE DATE. This section is effective for forms required to be filed by federal law after December 31, 2008.

Sec. 3. Minnesota Statutes 2006, section 290.01, subdivision 19, as amended by Laws 2007, chapter 1, section 1, is amended to read:

Subd. 19. **Net income.** The term "net income" means the federal taxable income, as defined in section 63 of the Internal Revenue Code of 1986, as amended through the date named in this subdivision, incorporating the federal effective dates of changes to the Internal Revenue Code and any elections made by the taxpayer in accordance with the Internal Revenue Code in determining federal taxable income for federal income tax purposes, and with the modifications provided in subdivisions 19a to 19f.

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

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

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

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

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

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

The Internal Revenue Code of 1986, as amended through ~~May 18, 2006~~ December 31, 2006, shall be in effect for taxable years beginning after December 31, 1996, and before January 1, 2006, and for taxable years beginning after December 31, ~~2006~~ 2007.

The Internal Revenue Code of 1986, as amended through December 31, 2006, is in effect for taxable years beginning after December 31, 2005, and before January 1, ~~2007~~ 2008.

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

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

80.1 Sec. 4. Minnesota Statutes 2006, section 290.01, subdivision 19a, is amended to read:

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

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

80.8 (ii) exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue
80.9 Code, except the portion of the exempt-interest dividends derived from interest income
80.10 on obligations of the state of Minnesota or its political or governmental subdivisions,
80.11 municipalities, governmental agencies or instrumentalities, but only if the portion of the
80.12 exempt-interest dividends from such Minnesota sources paid to all shareholders represents
80.13 95 percent or more of the exempt-interest dividends that are paid by the regulated
80.14 investment company as defined in section 851(a) of the Internal Revenue Code, or the
80.15 fund of the regulated investment company as defined in section 851(g) of the Internal
80.16 Revenue Code, making the payment; and

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

80.20 (2) the amount of income or sales and use taxes paid or accrued within the taxable
80.21 year under this chapter and the amount of taxes based on net income paid or sales and use
80.22 taxes paid to any other state or to any province or territory of Canada, to the extent allowed
80.23 as a deduction under section 63(d) of the Internal Revenue Code, but the addition may not
80.24 be more than the amount by which the itemized deductions as allowed under section 63(d)
80.25 of the Internal Revenue Code exceeds the amount of the standard deduction as defined
80.26 in section 63(c) of the Internal Revenue Code. For the purpose of this paragraph, the
80.27 disallowance of itemized deductions under section 68 of the Internal Revenue Code of
80.28 1986, income or sales and use tax is the last itemized deduction disallowed;

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

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

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

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

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

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

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

(10) the exclusion allowed under section 139A of the Internal Revenue Code for federal subsidies for prescription drug plans; and

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

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2006, for disallowed expenses assessed after the date of final enactment of this act.

Sec. 5. Minnesota Statutes 2006, section 290.01, subdivision 19b, as amended by Laws 2007, chapter 1, section 2, is amended to read:

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

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

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

(3) the amount paid to others, less the amount used to claim the credit allowed under section 290.0674, not to exceed \$1,625 for each qualifying child in grades kindergarten to 6 and \$2,500 for each qualifying child in grades 7 to 12, for tuition, textbooks, and transportation of each qualifying child in attending an elementary or secondary school situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a resident of this state may legally fulfill the state's compulsory attendance laws, which is not operated for profit, and which adheres to the provisions of the Civil Rights Act of 1964 and chapter 363A. For the purposes of this clause, "tuition" includes fees or tuition as defined in section 290.0674, subdivision 1, clause (1). As used in this clause, "textbooks" includes books and other instructional materials and equipment purchased or leased for use in elementary and secondary schools in teaching only those subjects legally and commonly taught in public elementary and secondary schools in this state. Equipment expenses qualifying for deduction includes expenses as defined and limited in section 290.0674, subdivision 1, clause (3). "Textbooks" does not include instructional books and materials used in the teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship, nor does it include books or materials for, or transportation to, extracurricular activities including sporting events, musical or dramatic events, speech activities, driver's education, or similar programs. For purposes of the subtraction provided by this clause, "qualifying child" has the meaning given in section 32(c)(3) of the Internal Revenue Code;

(4) income as provided under section 290.0802;

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

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

(7) for taxable years beginning before January 1, 2008, the amount of the federal small ethanol producer credit allowed under section 40(a)(3) of the Internal Revenue Code which is included in gross income under section 87 of the Internal Revenue Code;

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

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

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

(11) to the extent included in federal taxable income, the amount of compensation paid to members of the Minnesota National Guard or other reserve components of the United States military for active service performed in Minnesota, excluding compensation for services performed under the Active Guard Reserve (AGR) program. For purposes of this clause, "active service" means (i) state active service as defined in section 190.05, subdivision 5a, clause (1); (ii) federally funded state active service as defined in section 190.05, subdivision 5b; or (iii) federal active service as defined in section 190.05, subdivision 5c, but "active service" excludes services performed exclusively for purposes of basic combat training, advanced individual training, annual training, and periodic inactive duty training; special training periodically made available to reserve members; and service performed in accordance with section 190.08, subdivision 3;

(12) to the extent included in federal taxable income, the amount of compensation paid to Minnesota residents who are members of the armed forces of the United States or United Nations for active duty performed outside Minnesota under United States Code, title 10, section 101(d); United States Code, title 32, section 101(12); or the authority of the United Nations;

(13) an amount, not to exceed \$10,000, equal to qualified expenses related to a qualified donor's donation, while living, of one or more of the qualified donor's organs

to another person for human organ transplantation. For purposes of this clause, "organ" means all or part of an individual's liver, pancreas, kidney, intestine, lung, or bone marrow; "human organ transplantation" means the medical procedure by which transfer of a human organ is made from the body of one person to the body of another person; "qualified expenses" means unreimbursed expenses for both the individual and the qualified donor for (i) travel, (ii) lodging, and (iii) lost wages net of sick pay, except that such expenses may be subtracted under this clause only once; and "qualified donor" means the individual or the individual's dependent, as defined in section 152 of the Internal Revenue Code. An individual may claim the subtraction in this clause for each instance of organ donation for transplantation during the taxable year in which the qualified expenses occur;

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

(15) to the extent included in federal taxable income, compensation paid to a nonresident who is a service member as defined in United States Code, title 10, section 101(a)(5), for military service as defined in the Service Member Civil Relief Act, Public Law 108-189, section 101(2); ~~and~~

(16) international economic development zone income as provided under section 469.325-; and

(17) to the extent included in federal taxable income, the amount of national service educational awards received from the National Service Trust under United States Code, title 42, sections 12601 to 12604, for service in an approved AmeriCorps national service program.

EFFECTIVE DATE. This section is effective retroactively for tax years beginning after December 31, 2004, except that clause (17) is effective for tax years beginning after December 31, 2006.

Sec. 6. Minnesota Statutes 2006, section 290.01, subdivision 31, as amended by Laws 2007, chapter 1, section 3, is amended to read:

Subd. 31. **Internal Revenue Code.** Unless specifically defined otherwise, for taxable years beginning before January 1, 2006, and after December 31, ~~2006~~ 2007,

85.1 "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through
85.2 May 18, 2006; and for taxable years beginning after December 31, 2005, and before
85.3 January 1, ~~2007~~ 2008, "Internal Revenue Code" means the Internal Revenue Code of
85.4 1986, as amended through December 31, 2006.

85.5 **EFFECTIVE DATE.** This section is effective the day following final enactment
85.6 except the changes incorporated by federal changes are effective at the same time as the
85.7 changes were effective for federal purposes.

85.8 Sec. 7. Minnesota Statutes 2006, section 290.06, is amended by adding a subdivision
85.9 to read:

85.10 Subd. 34. **Investment tax credit.** (a) A credit is allowed against the tax imposed by
85.11 this chapter for a qualified taxpayer's investment in a qualified new business venture. The
85.12 credit shall equal 25 percent of the taxpayer's investment made in the business, but shall
85.13 not exceed the lesser of:

85.14 (1) the liability for tax under this chapter, including the applicable alternative
85.15 minimum tax;

85.16 (2) \$25,000 for an individual not part of a partnership; or

85.17 (3) \$300,000 for a pass-through entity or C corporation.

85.18 (b) For purposes of this subdivision, a qualified taxpayer means:

85.19 (1) an accredited investor within the meaning of Regulation D of the Securities and
85.20 Exchange Commission, Code of Federal Regulations, title 17, section 230.501(a), whether
85.21 part of a pass-through entity or not; and

85.22 (2) an accredited investor who does not own, control, or hold power to vote 20
85.23 percent or more of the outstanding securities of the qualified business venture in which the
85.24 eligible investment is proposed.

85.25 (c) Qualified taxpayers may apply to the commissioner of employment and economic
85.26 development for certification. The application must be in the form and made under the
85.27 procedures specified by the commissioner of employment and economic development.
85.28 The commissioner of employment and economic development may provide certificates
85.29 entitling qualified taxpayers to tax credits under this subdivision, but must not issue a
85.30 total amount of certificates of more than \$2,000,000. In awarding certificates under this
85.31 paragraph, the commissioner of employment and economic development shall award them
85.32 to qualified taxpayers in the order in which the applications are received.

85.33 (d) Each pass-through entity must provide each investor a statement indicating the
85.34 investor's share of the credit amount certified to the pass-through entity under paragraph

(c) based on its share of the pass-through entity's assets. The credit shall not exceed \$25,000 for each individual part of a pass-through entity.

(e) If the amount of the credit under this subdivision or any taxable year exceeds the limitation under paragraph (a), clause (1), the excess shall be a credit carryover to each of the ten succeeding years but shall not exceed \$25,000 for an individual not part of a partnership and \$300,000 for a pass-through entity or C corporation. The entire amount of the excess unused credit must be carried first to the earliest of the taxable years to which the credit may be carried, and then to each successive year to which the credit may be carried. The amount of the unused credit that may be added under this paragraph may not exceed the taxpayer's liability for tax less the credit for the taxable year.

(f) Unless otherwise provided under the rules of the Department of Employment and Economic Development, a business is a qualified business venture for purposes of this subdivision only if the business satisfies all of the following conditions:

- (1) the business has its headquarters in Minnesota;
- (2) at least 51 percent of the business's employees are employed in Minnesota;
- (3) the business is engaged in, or is committed to engage in:
 - (i) manufacturing, processing, or assembling biotechnology or medical device products, including biotechnology and device products for use in agriculture;
 - (ii) conducting research in and development of biotechnology or medical device products or services; or
 - (iii) developing a new biotechnology or medical device product or business process;
- (4) the business is not engaged in real estate development, insurance, banking, lending, lobbying, political consulting, wholesale or retail trade, leisure, hospitality, transportation, construction, or professional services provided by attorneys, accountants, business consultants, physicians, or health care consultants;
- (5) the business has less than 25 employees;
- (6) the business has not been in operation for more than ten consecutive years;
- (7) the business has not received more than \$1,000,000 in investments that have qualified for and received tax credits under this section;
- (8) the business has less than \$1,000,000 in annual gross sales receipts;
- (9) the business is not a subsidiary or an affiliate of a business that employs more than 100 employees or has gross sales receipts for the previous year of more than \$1,000,000, computed by aggregating all of the employees and gross sales receipts of the business entities affiliated with the business; and
- (10) the business has not received private equity investments of more than \$2,000,000.

87.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
87.2 December 31, 2007.

87.3 Sec. 8. Minnesota Statutes 2006, section 290.06, is amended by adding a subdivision
87.4 to read:

87.5 Subd. 35. **Highway fuels tax credit.** (a) A credit is allowed against the tax imposed
87.6 under this section and section 290.091 to married individuals filing joint returns, surviving
87.7 spouses as defined in section 2(a) of the Internal Revenue Code, unmarried individuals
87.8 qualifying as heads of household under section 2(b) of the Internal Revenue Code, and
87.9 unmarried individuals who are not claimed as a dependent on another taxpayer's return
87.10 and who have attained the age of 18 by the end of the taxable year. To qualify, the
87.11 taxpayer's taxable net income for the taxable year must not exceed the maximum amount
87.12 that is taxable at the lowest rate under subdivision 2c. The amount of the credit equals
87.13 \$50 for the taxpayer. For taxpayers with taxable net income that exceeds the amount of
87.14 income taxable at the lowest rate under subdivision 2c, the credit amount is zero. For a
87.15 nonresident or part-year resident, the credit must be allocated based on the percentage
87.16 calculated under section 290.06, subdivision 2c, paragraph (e).

87.17 (b) If the amount of the credit which the taxpayer is eligible to receive under this
87.18 subdivision exceeds the taxpayer's liability for tax under this chapter, the commissioner of
87.19 revenue shall refund the excess to the taxpayer.

87.20 (c) The amount necessary to pay claims for the refunds authorized under this
87.21 subdivision is annually appropriated from the highway user tax distribution fund to the
87.22 commissioner. The amount necessary to meet the cost of nonrefundable credits authorized
87.23 under this subdivision is annually transferred from the highway user tax distribution
87.24 fund to the general fund.

87.25 **EFFECTIVE DATE.** This section is effective only if an increase in the rate of tax
87.26 under Minnesota Statutes, section 296A.07, of at least 5 cents per gallon of gasoline is
87.27 enacted into law during the 2007 legislative session. The credit applies for taxable years
87.28 beginning after December 31, 2006, except for taxable years beginning during calendar
87.29 year 2007, the credit is \$25.

87.30 Sec. 9. Minnesota Statutes 2006, section 290.0677, subdivision 1, is amended to read:

87.31 Subdivision 1. **Credit allowed.** (a) An individual is allowed a credit against the tax
87.32 due under this chapter equal to \$59 for each month or portion thereof that the individual
87.33 was in active military service in a designated area after September 11, 2001, and before
87.34 January 1, 2007, while a Minnesota domiciliary.

(b) An individual is allowed a credit against the tax due under this chapter equal to \$120 for each month or portion thereof that the individual was in active military service in a designated area after December 31, 2006, while a Minnesota domiciliary.

(c) For active service performed after September 11, 2001, and before December 31, 2006, the individual may claim the credit in the taxable year beginning after December 31, 2005, and before January 1, 2007.

~~(e)~~ (d) For active service performed after December 31, 2006, the individual may claim the credit for the taxable year in which the active service was performed.

~~(d) (e) If a Minnesota domiciliary is killed while performing active military service in a designated area, the individual's surviving spouse or dependent child may take the credit in the taxable year of the death. If a Minnesota domiciliary was killed while performing active military service in a designated area between September 11, 2001, and December 31, 2006, the individual's surviving spouse or dependent child may claim this credit in the taxable year beginning after December 31, 2005, and before January 1, 2007~~
an individual entitled to the credit died prior to January 1, 2006, the individual's estate or heirs at law, if the individual's probate estate has closed or the estate was not probated, may claim the credit.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2006, except that paragraph (e) is effective retroactively for tax years beginning after December 31, 2005.

Sec. 10. Minnesota Statutes 2006, section 290.10, is amended to read:

290.10 NONDEDUCTIBLE ITEMS.

Subdivision 1. Expenses, interest, and taxes. Except as provided in section 290.17, subdivision 4, paragraph (i), in computing the net income of a taxpayer no deduction shall in any case be allowed for expenses, interest and taxes connected with or allocable against the production or receipt of all income not included in the measure of the tax imposed by this chapter, except that for corporations engaged in the business of mining or producing iron ore, the mining of which is subject to the occupation tax imposed by section 298.01, subdivision 4, this shall not prevent the deduction of expenses and other items to the extent that the expenses and other items are allowable under this chapter and are not deductible, capitalizable, retainable in basis, or taken into account by allowance or otherwise in computing the occupation tax and do not exceed the amounts taken for federal income tax purposes for that year. Occupation taxes imposed under chapter 298,

89.1 royalty taxes imposed under chapter 299, or depletion expenses may not be deducted
89.2 under this ~~clause~~ subdivision.

89.3 Subd. 2. **Fines, fees, and penalties.** (a) Except as provided in this subdivision, no
89.4 deduction from taxable income for a trade or business expense under section 162(a) of
89.5 the Internal Revenue Code shall be allowed for any amount paid or incurred, whether by
89.6 suit, agreement, or otherwise, to, or at the direction of, a government or entity described in
89.7 paragraph (d) in relation to the violation of any law or the investigation or inquiry by such
89.8 government or entity into the potential violation of any law.

89.9 (b) Exception for amounts constituting restitution or paid to come into compliance
89.10 with the law. Paragraph (a) does not apply to any amount which:

89.11 (1) the taxpayer establishes:

89.12 (i) constitutes restitution, including remediation of property for damage or harm
89.13 caused by or which may be caused by the violation of any law or the potential violation
89.14 of any law; or

89.15 (ii) is paid to come into compliance with any law which was violated or involved in
89.16 the investigation or inquiry; and

89.17 (2) is identified as restitution or as an amount paid to come into compliance with the
89.18 law, as the case may be, in the court order or settlement agreement.

89.19 This paragraph does not apply to any amount paid or incurred as reimbursement to
89.20 the government or entity for the costs of any investigation or litigation.

89.21 (c) Paragraph (a) does not apply to any amount paid or incurred by order of a court
89.22 in a suit in which no government or entity described in paragraph (d) is a party.

89.23 (d) An entity is described in this paragraph if it is:

89.24 (1) a nongovernmental entity which exercises self-regulatory powers, including
89.25 imposing sanctions, in connection with a qualified board or exchange, as defined in section
89.26 1256(g)(7) of the Internal Revenue Code, or;

89.27 (2) to the extent provided in federal regulations, a nongovernmental entity which
89.28 exercises self-regulatory powers, including imposing sanctions, as part of performing an
89.29 essential governmental function.

89.30 (e) Paragraph (a) does not apply to any amount paid or incurred as taxes due.

89.31 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
89.32 December 31, 2006, and for fines, fees, and penalties assessed after the date of enactment.

89.33 Sec. 11. Minnesota Statutes 2006, section 290.17, subdivision 2, is amended to read:

90.1 Subd. 2. **Income not derived from conduct of a trade or business.** The income of
90.2 a taxpayer subject to the allocation rules that is not derived from the conduct of a trade or
90.3 business must be assigned in accordance with paragraphs (a) to (f):

90.4 (a)(1) Subject to paragraphs (a)(2); and (a)(3), ~~and (a)(4)~~, income from wages as
90.5 defined in section 3401(a) and (f) of the Internal Revenue Code is assigned to this state if,
90.6 and to the extent that, the work of the employee is performed within it; all other income
90.7 from such sources is treated as income from sources without this state.

90.8 Severance pay shall be considered income from labor or personal or professional
90.9 services.

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

90.13 (i) The amount of income to be assigned to Minnesota for an individual who is a
90.14 nonresident salaried athletic team employee shall be determined by using a fraction in
90.15 which the denominator contains the total number of days in which the individual is under
90.16 a duty to perform for the employer, and the numerator is the total number of those days
90.17 spent in Minnesota. For purposes of this paragraph, off-season training activities, unless
90.18 conducted at the team's facilities as part of a team imposed program, are not included in
90.19 the total number of duty days. Bonuses earned as a result of play during the regular season
90.20 or for participation in championship, play-off, or all-star games must be allocated under
90.21 the formula. Signing bonuses are not subject to allocation under the formula if they are
90.22 not conditional on playing any games for the team, are payable separately from any other
90.23 compensation, and are nonrefundable; and

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

90.28 (3) For purposes of this section, amounts received by a nonresident as "retirement
90.29 income" as defined in section (b)(1) of the State Income Taxation of Pension Income
90.30 Act, Public Law 104-95, are not considered income derived from carrying on a trade
90.31 or business or from wages or other compensation for work an employee performed in
90.32 Minnesota, and are not taxable under this chapter.

90.33 ~~(4) Wages, otherwise assigned to this state under clause (1) and not qualifying under~~
90.34 ~~clause (3), are not taxable under this chapter if the following conditions are met:~~

90.35 ~~(i) the recipient was not a resident of this state for any part of the taxable year in~~
90.36 ~~which the wages were received; and~~

91.1 ~~(ii) the wages are for work performed while the recipient was a resident of this state.~~

91.2 (b) Income or gains from tangible property located in this state that is not employed
91.3 in the business of the recipient of the income or gains must be assigned to this state.

91.4 (c) Income or gains from intangible personal property not employed in the business
91.5 of the recipient of the income or gains must be assigned to this state if the recipient of the
91.6 income or gains is a resident of this state or is a resident trust or estate.

91.7 Gain on the sale of a partnership interest is allocable to this state in the ratio of the
91.8 original cost of partnership tangible property in this state to the original cost of partnership
91.9 tangible property everywhere, determined at the time of the sale. If more than 50 percent
91.10 of the value of the partnership's assets consists of intangibles, gain or loss from the sale
91.11 of the partnership interest is allocated to this state in accordance with the sales factor of
91.12 the partnership for its first full tax period immediately preceding the tax period of the
91.13 partnership during which the partnership interest was sold.

91.14 Gain on the sale of goodwill or income from a covenant not to compete that is
91.15 connected with a business operating all or partially in Minnesota is allocated to this state
91.16 to the extent that the income from the business in the year preceding the year of sale was
91.17 assignable to Minnesota under subdivision 3.

91.18 When an employer pays an employee for a covenant not to compete, the income
91.19 allocated to this state is in the ratio of the employee's service in Minnesota in the calendar
91.20 year preceding leaving the employment of the employer over the total services performed
91.21 by the employee for the employer in that year.

91.22 (d) Income from winnings on a bet made by an individual while in Minnesota is
91.23 assigned to this state. In this paragraph, "bet" has the meaning given in section 609.75,
91.24 subdivision 2, as limited by section 609.75, subdivision 3, clauses (1), (2), and (3).

91.25 (e) All items of gross income not covered in paragraphs (a) to (d) and not part of the
91.26 taxpayer's income from a trade or business shall be assigned to the taxpayer's domicile.

91.27 (f) For the purposes of this section, working as an employee shall not be considered
91.28 to be conducting a trade or business.

91.29 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
91.30 December 31, 2006.

91.31 Sec. 12. Minnesota Statutes 2006, section 290.92, is amended by adding a subdivision
91.32 to read:

91.33 **Subd. 31. Payments to persons who are not employees.** (a) For purposes of this
91.34 subdivision, "contractor" means a person carrying on a trade or business described in

92.1 industry code numbers 23 through 238990 of the North American Industry Classification
92.2 System.

92.3 (b) A contractor or a third-party bulk filer acting on behalf of a contractor, who
92.4 makes payments to an individual, carrying on a trade or business described in paragraph
92.5 (a) as a sole proprietorship, must deduct and withhold two percent of the payment as
92.6 Minnesota withholding tax when the amount the contractor paid to that individual during
92.7 the calendar year exceeds \$600.

92.8 (c) A payment subject to withholding under this subdivision must be treated as if
92.9 the payment were a wage paid by an employer to an employee. The requirements in the
92.10 definitions of "employee" and "employer" in subdivision 1 relating to geographic location
92.11 apply in determining whether withholding tax applies under this subdivision, but without
92.12 regard to whether the contractor or the individual otherwise satisfy the definition of an
92.13 employer or an employee. Each recipient of a payment subject to withholding under this
92.14 subdivision must furnish the contractor with a statement of the recipient's name, address,
92.15 and Social Security account number.

92.16 **EFFECTIVE DATE.** This section is effective for payments made after December
92.17 31, 2007.

92.18 Sec. 13. Minnesota Statutes 2006, section 290A.03, subdivision 15, as amended by
92.19 Laws 2007, chapter 1, section 4, is amended to read:

92.20 Subd. 15. **Internal Revenue Code.** For taxable years beginning before January 1,
92.21 2006, and after December 31, ~~2006~~ 2007, "Internal Revenue Code" means the Internal
92.22 Revenue Code of 1986, as amended through May 18, 2006; and for taxable years
92.23 beginning after December 31, 2005, and before January 1, ~~2007~~ 2008, "Internal Revenue
92.24 Code" means the Internal Revenue Code of 1986, as amended through December 31, 2006.

92.25 **EFFECTIVE DATE.** This section is effective for property tax refunds based on
92.26 property taxes payable on or after December 31, 2006, and rent paid on or after December
92.27 31, 2005.

92.28 Sec. 14. Minnesota Statutes 2006, section 291.005, subdivision 1, is amended to read:

92.29 Subdivision 1. **Scope.** Unless the context otherwise clearly requires, the following
92.30 terms used in this chapter shall have the following meanings:

92.31 (1) "Federal gross estate" means the gross estate of a decedent as valued and
92.32 otherwise determined for federal estate tax purposes by federal taxing authorities pursuant
92.33 to the provisions of the Internal Revenue Code.

93.1 (2) "Minnesota gross estate" means the federal gross estate of a decedent after (a)
93.2 excluding therefrom any property included therein which has its situs outside Minnesota,
93.3 and (b) including therein any property omitted from the federal gross estate which is
93.4 includable therein, has its situs in Minnesota, and was not disclosed to federal taxing
93.5 authorities.

93.6 (3) "Personal representative" means the executor, administrator or other person
93.7 appointed by the court to administer and dispose of the property of the decedent. If there
93.8 is no executor, administrator or other person appointed, qualified, and acting within this
93.9 state, then any person in actual or constructive possession of any property having a situs in
93.10 this state which is included in the federal gross estate of the decedent shall be deemed
93.11 to be a personal representative to the extent of the property and the Minnesota estate tax
93.12 due with respect to the property.

93.13 (4) "Resident decedent" means an individual whose domicile at the time of death
93.14 was in Minnesota.

93.15 (5) "Nonresident decedent" means an individual whose domicile at the time of
93.16 death was not in Minnesota.

93.17 (6) "Situs of property" means, with respect to real property, the state or country in
93.18 which it is located; with respect to tangible personal property, the state or country in which
93.19 it was normally kept or located at the time of the decedent's death; and with respect to
93.20 intangible personal property, the state or country in which the decedent was domiciled
93.21 at death.

93.22 (7) "Commissioner" means the commissioner of revenue or any person to whom the
93.23 commissioner has delegated functions under this chapter.

93.24 (8) "Internal Revenue Code" means the United States Internal Revenue Code of
93.25 1986, as amended through ~~May 18, 2006~~ December 31, 2006.

93.26 (9) "Minnesota adjusted taxable estate" means federal adjusted taxable estate as
93.27 defined by section 2011(b)(3) of the Internal Revenue Code, increased by the amount of
93.28 deduction for state death taxes allowed under section 2058 of the Internal Revenue Code.

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

93.30 **Sec. 15. AUDIT AND REPORT TO LEGISLATURE.**

93.31 The commissioner must conduct a random sample audit of withholdings under
93.32 Minnesota Statutes, section 290.92, subdivision 31, and returns associated with those
93.33 withholdings. The commissioner must report on the findings of the audit to the committees
93.34 of the senate and house of representatives with jurisdiction over taxes, in compliance with
93.35 Minnesota Statutes, sections 3.195 and 3.197, no later than February 1, 2010. The report

94.1 must also include information on the number and amount of payments received, and on
94.2 the types of contractors making payments, grouped by specialty skills definitions provided
94.3 in the North American Industry Classification System.

94.4 **ARTICLE 5**
94.5 **SALES AND USE TAX**

94.6 Section 1. Minnesota Statutes 2006, section 289A.20, subdivision 4, is amended to
94.7 read:

94.8 Subd. 4. **Sales and use tax.** (a) The taxes imposed by chapter 297A are due and
94.9 payable to the commissioner monthly on or before the 20th day of the month following the
94.10 month in which the taxable event occurred, or following another reporting period as the
94.11 commissioner prescribes or as allowed under section 289A.18, subdivision 4, paragraph
94.12 (f) or (g), except that use taxes due on an annual use tax return as provided under section
94.13 289A.11, subdivision 1, are payable by April 15 following the close of the calendar year.

94.14 (b) A vendor having a liability of \$120,000 or more during a fiscal year ending June
94.15 30 must remit the June liability for the next year in the following manner:

94.16 (1) Two business days before June 30 of the year, the vendor must remit ~~78~~ 85
94.17 percent of the estimated June liability to the commissioner.

94.18 (2) On or before August 20 of the year, the vendor must pay any additional amount
94.19 of tax not remitted in June.

94.20 (c) A vendor having a liability of:

94.21 (1) \$20,000 or more in the fiscal year ending June 30, 2005; or

94.22 (2) \$10,000 or more in the fiscal year ending June 30, 2006, and fiscal years
94.23 thereafter,

94.24 must remit all liabilities on returns due for periods beginning in the subsequent calendar
94.25 year by electronic means on or before the 20th day of the month following the month in
94.26 which the taxable event occurred, or on or before the 20th day of the month following the
94.27 month in which the sale is reported under section 289A.18, subdivision 4, except for ~~78~~ 85
94.28 percent of the estimated June liability, which is due two business days before June 30. The
94.29 remaining amount of the June liability is due on August 20.

94.30 **EFFECTIVE DATE.** This section is effective beginning with June 2009 tax
94.31 liabilities.

94.32 Sec. 2. Minnesota Statutes 2006, section 289A.60, subdivision 15, is amended to read:

Subd. 15. **Accelerated payment of June sales tax liability; penalty for underpayment.** For payments made after December 31, 2006, if a vendor is required by law to submit an estimation of June sales tax liabilities and ~~78~~ 85 percent payment by a certain date, the vendor shall pay a penalty equal to ten percent of the amount of actual June liability required to be paid in June less the amount remitted in June. The penalty must not be imposed, however, if the amount remitted in June equals the lesser of ~~78~~ 85 percent of the preceding May's liability or ~~78~~ 85 percent of the average monthly liability for the previous calendar year.

EFFECTIVE DATE. This section is effective beginning with June 2009 tax liabilities.

Sec. 3. Minnesota Statutes 2006, section 297A.668, is amended by adding a subdivision to read:

Subd. 8. **Manufactured and modular housing.** (a) Notwithstanding other subdivisions of this section, a sale of a manufactured or modular home shall be sourced to the site where the housing is first set up or installed.

(b) For purposes of this section, "manufactured home" has the meaning given in section 327.31, subdivision 6. For purposes of this section, "modular home" means a building or structural unit that has been substantially manufactured or constructed, in whole or in part, at an off-site location, with the final assembly occurring on-site alone or with other units and attached to a permanent foundation site and occupied as a single-family dwelling. Modular home construction must comply with applicable standards adopted in Minnesota Rules authorized under chapter 16B. A modular home does not include a structure subject to the requirements of the National Manufactured Home Construction and Safety Standards Act of 1974 or a manufactured home.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2007.

Sec. 4. Minnesota Statutes 2006, section 297A.68, subdivision 5, is amended to read:

Subd. 5. **Capital equipment.** (a) Capital equipment is exempt as follows:

(1) For sales and purchases of capital equipment by the wood products industry, the tax is not imposed.

(2) The tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied, and then refunded in the manner provided in section 297A.75.

96.1 "Capital equipment" means machinery and equipment purchased or leased, and used
96.2 in this state by the purchaser or lessee primarily for manufacturing, fabricating, mining,
96.3 or refining tangible personal property to be sold ultimately at retail if the machinery and
96.4 equipment are essential to the integrated production process of manufacturing, fabricating,
96.5 mining, or refining. Capital equipment also includes machinery and equipment
96.6 used primarily to electronically transmit results retrieved by a customer of an online
96.7 computerized data retrieval system.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

97.1 (5) farm machinery and aquaculture production equipment as defined by section
97.2 297A.61, subdivisions 12 and 13;

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

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

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

97.9 (9) machinery or equipment used in the transportation, transmission, or distribution
97.10 of petroleum, liquefied gas, natural gas, water, or steam, in, by, or through pipes, lines,
97.11 tanks, mains, or other means of transporting those products. This clause does not apply to
97.12 machinery or equipment used to blend petroleum or biodiesel fuel as defined in section
97.13 239.77; or

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

97.16 (d) For purposes of this subdivision:

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

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

97.24 (3) "Integrated production process" means a process or series of operations through
97.25 which tangible personal property is manufactured, fabricated, mined, or refined. For
97.26 purposes of this clause, (i) manufacturing begins with the removal of raw materials
97.27 from inventory and ends when the last process prior to loading for shipment has been
97.28 completed; (ii) fabricating begins with the removal from storage or inventory of the
97.29 property to be assembled, processed, altered, or modified and ends with the creation
97.30 or production of the new or changed product; (iii) mining begins with the removal of
97.31 overburden from the site of the ores, minerals, stone, peat deposit, or surface materials and
97.32 ends when the last process before stockpiling is completed; and (iv) refining begins with
97.33 the removal from inventory or storage of a natural resource and ends with the conversion
97.34 of the item to its completed form.

97.35 (4) "Machinery" means mechanical, electronic, or electrical devices, including
97.36 computers and computer software, that are purchased or constructed to be used for the

activities set forth in paragraph (a), beginning with the removal of raw materials from inventory through completion of the product, including packaging of the product.

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

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

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

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

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

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

(11) "Wood products industry" means manufacturers of pulp, paper, and paperboard; sawmills and planing mills; manufacturers of panel board including veneer, plywood, and reconstituted wood products such as particleboard, waferboard, and oriented strandboard; manufacturers of fabricated wood millwork; manufacturers of structural wood members; and manufacturers of prefabricated wood buildings and components. For purposes of this subdivision, "wood products industry" does not include logging; manufacturers of wood cabinets, furniture, office or store fixtures, toys and playground equipment, caskets, or miscellaneous wood products; manufacturers of wood containers; businesses engaged in wood preserving; the operation of timber tracts or tree farms; forest nurseries and the gathering of forest products; and forestry services related to timber production.

~~(11)~~ (12) This subdivision does not apply to telecommunications equipment as provided in subdivision 35, and does not apply to wire, cable, fiber, poles, or conduit for telecommunications services.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2007.

Sec. 5. Minnesota Statutes 2006, section 297A.69, subdivision 2, is amended to read:

Subd. 2. **Materials consumed in agricultural production.** Materials stored, used, or consumed in agricultural production of personal property intended to be sold ultimately

99.1 at retail are exempt, whether or not the item becomes an ingredient or constituent part
99.2 of the property produced. Materials that qualify for this exemption include, but are not
99.3 limited to, the following:

99.4 (1) feeds, seeds, trees, fertilizers, and herbicides, including when purchased for use
99.5 by farmers in a federal or state farm or conservation program;

99.6 (2) materials sold to a veterinarian to be used or consumed in the care, medication,
99.7 and treatment of agricultural production animals and horses;

99.8 (3) chemicals, including chemicals used for cleaning food processing machinery
99.9 and equipment;

99.10 (4) materials, including chemicals, fuels, and electricity purchased by persons
99.11 engaged in agricultural production to treat waste generated as a result of the production
99.12 process;

99.13 (5) fuels, electricity, gas, and steam used or consumed in the production process,
99.14 except that electricity, gas, or steam used for space heating, cooling, or lighting is exempt
99.15 if (i) it is in excess of the average climate control or lighting for the production area, and
99.16 (ii) it is necessary to produce that particular product;

99.17 (6) petroleum products and lubricants;

99.18 (7) packaging materials, including returnable containers used in packaging food and
99.19 beverage products; ~~and~~

99.20 (8) accessory tools and equipment that are separate detachable units with an ordinary
99.21 useful life of less than 12 months used in producing a direct effect upon the product; and

99.22 (9) interior crates, partitions, calf hutches, cow mats and mattresses, and syringes
99.23 and needles for livestock as defined in section 17A.03, subdivision 5.

99.24 Machinery, equipment, implements, tools, accessories, appliances, contrivances, and
99.25 furniture and fixtures, except those listed in this clause are not included within this
99.26 exemption.

99.27 **EFFECTIVE DATE.** This section is effective beginning with sales and purchases
99.28 made after June 30, 2007.

99.29 Sec. 6. Minnesota Statutes 2006, section 297A.69, subdivision 3, is amended to read:

99.30 Subd. 3. **Repair and replacement parts.** Repair and replacement parts, ~~except tires,~~
99.31 used for maintenance or repair of farm machinery, logging equipment, and aquaculture
99.32 production equipment are exempt, if the part replaces a machinery part assigned a specific
99.33 or generic part number by the manufacturer of the machinery.

100.1 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
100.2 June 30, 2007.

100.3 Sec. 7. Minnesota Statutes 2006, section 297A.69, subdivision 4, is amended to read:

100.4 Subd. 4. **Machinery, equipment, and fencing.** The following machinery,
100.5 equipment, and fencing is exempt:

100.6 (1) farm machinery;

100.7 (2) logging equipment, including chain saws used for commercial logging;

100.8 (3) fencing used for the containment of ~~farmed cervidae, as defined in section~~

100.9 ~~35.153, subdivision 3~~ livestock as defined in section 17A.03, subdivision 5;

100.10 (4) primary and backup generator units used to generate electricity for the purpose of
100.11 operating farm machinery, aquacultural production equipment, or logging equipment, or
100.12 providing light or space heating necessary for the production of livestock, dairy animals,
100.13 dairy products, or poultry and poultry products; and

100.14 (5) aquaculture production equipment.

100.15 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
100.16 June 30, 2007.

100.17 Sec. 8. Minnesota Statutes 2006, section 297A.70, subdivision 3, is amended to read:

100.18 Subd. 3. **Sales of certain goods and services to government.** (a) The following
100.19 sales to or use by the specified governments and political subdivisions of the state are
100.20 exempt:

100.21 (1) repair and replacement parts for emergency rescue vehicles, fire trucks, and
100.22 fire apparatus to a political subdivision;

100.23 (2) machinery and equipment, except for motor vehicles, used directly for mixed
100.24 municipal solid waste management services at a solid waste disposal facility as defined in
100.25 section 115A.03, subdivision 10;

100.26 (3) chore and homemaking services to a political subdivision of the state to be
100.27 provided to elderly or disabled individuals;

100.28 (4) telephone services to the Department of Administration that are used to provide
100.29 telecommunications services through the intertechnologies revolving fund;

100.30 (5) firefighter personal protective equipment as defined in paragraph (b), if purchased
100.31 or authorized by and for the use of an organized fire department, fire protection district, or
100.32 fire company regularly charged with the responsibility of providing fire protection to the
100.33 state or a political subdivision;

101.1 (6) bullet-resistant body armor that provides the wearer with ballistic and trauma
101.2 protection, if purchased by a law enforcement agency of the state or a political subdivision
101.3 of the state, or a licensed peace officer, as defined in section 626.84, subdivision 1;

101.4 (7) motor vehicles purchased or leased by political subdivisions of the state if the
101.5 vehicles are exempt from registration under section 168.012, subdivision 1, paragraph (b),
101.6 exempt from taxation under section 473.448, or exempt from the motor vehicle sales tax
101.7 under section 297B.03, clause (12);

101.8 (8) equipment designed to process, dewater, and recycle biosolids for wastewater
101.9 treatment facilities of political subdivisions, and materials incidental to installation of
101.10 that equipment;

101.11 (9) sales to a town of gravel and of machinery, equipment, and accessories, except
101.12 motor vehicles, used exclusively for road and bridge maintenance, and leases by a town of
101.13 motor vehicles exempt from tax under section 297B.03, clause (10); ~~and~~

101.14 (10) the removal of trees, bushes, or shrubs for the construction and maintenance
101.15 of roads, trails, or firebreaks when purchased by an agency of the state or a political
101.16 subdivision of the state; and

101.17 (11) the sale of railroad cars and engines and related equipment, including repair
101.18 parts, used in a commuter rail transportation system operated under sections 174.80 to
101.19 174.90.

101.20 (b) For purposes of this subdivision, "firefighters personal protective equipment"
101.21 means helmets, including face shields, chin straps, and neck liners; bunker coats and
101.22 pants, including pant suspenders; boots; gloves; head covers or hoods; wildfire jackets;
101.23 protective coveralls; goggles; self-contained breathing apparatus; canister filter masks;
101.24 personal alert safety systems; spanner belts; optical or thermal imaging search devices;
101.25 and all safety equipment required by the Occupational Safety and Health Administration.

101.26 (c) For purchases of items listed in paragraph (a), clause (11), the tax must be
101.27 imposed and collected as if the rate under section 297A.62, subdivision 1, applied and
101.28 then refund in the manner provided in section 297A.75. The total refunds paid in fiscal
101.29 years 2008 and 2009 must not exceed \$2,734,000. The total refunds paid in fiscal years
101.30 2010 and 2011 must not exceed \$666,000.

101.31 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
101.32 December 31, 2006.

101.33 Sec. 9. Minnesota Statutes 2006, section 297A.70, subdivision 8, is amended to read:

101.34 Subd. 8. **Regionwide public safety radio communication system; products and**
101.35 **services.** Products and services including, but not limited to, end user equipment used

102.1 for construction, ownership, operation, maintenance, and enhancement of the backbone
102.2 system of the regionwide public safety radio communication system established under
102.3 sections 403.21 to ~~403.34~~ 403.40, are exempt. For purposes of this subdivision, backbone
102.4 system is defined in section 403.21, subdivision 9. This subdivision is effective for
102.5 purchases, sales, storage, use, or consumption for use in the first and second phases of the
102.6 system, as defined in section 403.21, subdivisions 3, 10, and 11, ~~and~~ that portion of the
102.7 third phase of the system that is located in the southeast district of the State Patrol and
102.8 the counties of Benton, Sherburne, Stearns, and Wright, and that portion of the system
102.9 that is located in Itasca County.

102.10 Sec. 10. Minnesota Statutes 2006, section 297A.71, subdivision 23, is amended to read:

102.11 Subd. 23. **Construction materials for qualified low-income housing projects.** (a)
102.12 Purchases of materials and supplies used or consumed in and equipment incorporated into
102.13 the construction, improvement, or expansion of qualified low-income housing projects are
102.14 exempt from the tax imposed under this chapter if the owner of the qualified low-income
102.15 housing project is:

102.16 (1) the public housing agency or housing and redevelopment authority of a political
102.17 subdivision;

102.18 (2) an entity exercising the powers of a housing and redevelopment authority within
102.19 a political subdivision;

102.20 (3) a limited partnership in which the sole or managing general partner is an
102.21 authority under clause (1) or an entity under clause (2) or (4);

102.22 (4) a nonprofit corporation subject to the provisions of chapter 317A, and qualifying
102.23 under section 501(c)(3) or 501(c)(4) of the Internal Revenue Code of 1986, as amended; or

102.24 (5) an owner entity, as defined in Code of Federal Regulations, title 24, part 941.604,
102.25 for a qualified low-income housing project described in paragraph (b), clause (5).

102.26 This exemption applies regardless of whether the purchases are made by the owner
102.27 of the facility or a contractor.

102.28 (b) For purposes of this exemption, "qualified low-income housing project" means:

102.29 (1) a housing or mixed use project in which at least 20 percent of the residential units
102.30 are qualifying low-income rental housing units as defined in section 273.126;

102.31 (2) a federally assisted low-income housing project financed by a mortgage insured
102.32 or held by the United States Department of Housing and Urban Development under
102.33 United States Code, title 12, section 1701s, 1715l(d)(3), 1715l(d)(4), or 1715z-1; United
102.34 States Code, title 42, section 1437f; the Native American Housing Assistance and

103.1 Self-Determination Act, United States Code, title 25, section 4101 et seq.; or any similar
103.2 successor federal low-income housing program;

103.3 (3) a qualified low-income housing project as defined in United States Code, title
103.4 26, section 42(g), meeting all of the requirements for a low-income housing credit under
103.5 section 42 of the Internal Revenue Code regardless of whether the project actually applies
103.6 for or receives a low-income housing credit;

103.7 (4) a project that will be operated in compliance with Internal Revenue Service
103.8 revenue procedure 96-32; or

103.9 (5) a housing or mixed use project in which all or a portion of the residential units
103.10 are subject to the requirements of section 5 of the United States Housing Act of 1937.

103.11 (c) For a project, a portion of which is not used for low-income housing units,
103.12 the amount of purchases that are exempt under this subdivision must be determined by
103.13 multiplying the total purchases, as specified in paragraph (a), by the ratio of:

103.14 (1) the total gross square footage of units subject to the income limits under section
103.15 273.126, the financing for the project, the federal low-income housing tax credit, revenue
103.16 procedure 96-32, or section 5 of the United States Housing Act of 1937, as applicable
103.17 to the project; and

103.18 (2) the total gross square footage of all units in the project.

103.19 (d) The tax must be imposed and collected as if the rate under section 297A.62,
103.20 subdivision 1, applied, and then refunded in the manner provided in section 297A.75.

103.21 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
103.22 June 30, 2009.

103.23 Sec. 11. Minnesota Statutes 2006, section 297A.71, is amended by adding a
103.24 subdivision to read:

103.25 **Subd. 40. Legal reference and data center facility.** (a) Materials and supplies used
103.26 or consumed in, and capital equipment incorporated into, the construction, improvement,
103.27 or expansion of a legal reference office and data center facility are exempt if:

103.28 (1) the facility is used for the development or provision of print or online versions of
103.29 legal reference products and services or consultative services; and

103.30 (2) the total capital investment made at the facility is at least \$100,000,000.

103.31 (b) The tax must be imposed and collected as if the rate under section 297A.62,
103.32 subdivision 1, applied, and refunded in the manner provided in section 297A.75, only
103.33 after the following criteria have been met:

103.34 (1) a refund may not be issued until the owner of the legal reference and data center
103.35 facility has received certification from the Department of Employment and Economic

104.1 Development that the legal reference and data center employs no less than 8,300 full-time
104.2 equivalent workers at the facility;

104.3 (2) for each year that the owner of the legal reference and data center facility
104.4 receives certification from the Department of Employment and Economic Development
104.5 that no less than 8,300 full-time equivalent worker residents are employed at the facility,
104.6 the refund may be issued to the owner of the legal reference and data center facility
104.7 at a rate of 25 percent of the total allowable refund payable to date, provided that the
104.8 Department of Employment and Economic Development continues to certify that no
104.9 less than 8,300 Minnesota full-time equivalent workers are employed at the facility, the
104.10 commissioner of revenue may make annual payments of the remaining refund until all
104.11 of the refund has been paid; and

104.12 (3) to receive the refund, the owner of the legal reference and data center facility
104.13 must initially apply to the Department of Employment and Economic Development for
104.14 certification no later than one year from the final completion date of construction of the
104.15 expansion of the legal reference and data center facility.

104.16 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
104.17 December 31, 2006, and before January 1, 2010.

104.18 Sec. 12. Minnesota Statutes 2006, section 297A.75, subdivision 1, is amended to read:

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

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

104.23 (2) building materials for an agricultural processing facility exempt under section
104.24 297A.71, subdivision 13;

104.25 (3) building materials for mineral production facilities exempt under section
104.26 297A.71, subdivision 14;

104.27 (4) building materials for correctional facilities under section 297A.71, subdivision
104.28 3;

104.29 (5) building materials used in a residence for disabled veterans exempt under section
104.30 297A.71, subdivision 11;

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

104.32 (7) building materials for the Long Lake Conservation Center exempt under section
104.33 297A.71, subdivision 17;

104.34 (8) materials, supplies, fixtures, furnishings, and equipment for a county law
104.35 enforcement and family service center under section 297A.71, subdivision 26;

105.1 (9) materials and supplies for qualified low-income housing under section 297A.71,
105.2 subdivision 23;

105.3 (10) materials, supplies, and equipment for municipal electric utility facilities under
105.4 section 297A.71, subdivision 35;

105.5 (11) equipment and materials used for the generation, transmission, and distribution
105.6 of electrical energy and an aerial camera package exempt under section 297A.68,
105.7 subdivision 37; ~~and~~

105.8 (12) tangible personal property and taxable services and construction materials,
105.9 supplies, and equipment exempt under section 297A.68, subdivision 41;

105.10 (13) materials and supplies used or consumed in the construction of a legal reference
105.11 and data center facility under section 297A.71, subdivision 40; and

105.12 (14) railroad cars and engines used in a commuter rail system under section 297A.70,
105.13 subdivision 3, paragraph (a), clause (11).

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

105.15 Sec. 13. Minnesota Statutes 2006, section 297A.75, subdivision 2, is amended to read:

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

105.19 (1) for subdivision 1, clauses (1) to (3), the applicant must be the purchaser;

105.20 (2) for subdivision 1, clauses (4), (7), and (8), the applicant must be the governmental
105.21 subdivision;

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

105.24 (4) for subdivision 1, clause (6), the applicant must be the owner of the homestead
105.25 property;

105.26 (5) for subdivision 1, clause (9), the owner of the qualified low-income housing
105.27 project;

105.28 (6) for subdivision 1, clause (10), the applicant must be a municipal electric utility or
105.29 a joint venture of municipal electric utilities; ~~and~~

105.30 (7) for subdivision 1, clauses (11) and (12), the owner of the qualifying business;

105.31 (8) for subdivision 1, clause (13), the owner of the legal reference and data center
105.32 facility; and

105.33 (9) for subdivision 1, clause (14), the owner of the commuter rail system.

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

106.1 Sec. 14. Minnesota Statutes 2006, section 297A.75, subdivision 3, is amended to read:

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

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

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

106.12 Sec. 15. Minnesota Statutes 2006, section 297A.99, subdivision 1, is amended to read:

106.13 Subdivision 1. **Authorization; scope.** (a) A political subdivision of this state may
106.14 impose a general sales tax if permitted by special law enacted prior to January 1, 2008, or
106.15 if the political subdivision enacted and imposed the tax before the effective date of section
106.16 477A.016 and its predecessor provision.

106.17 (b) This section governs the imposition of a general sales tax by the political
106.18 subdivision. The provisions of this section preempt the provisions of any special law:

106.19 (1) enacted before June 2, 1997, or

106.20 (2) enacted on or after June 2, 1997, that does not explicitly exempt the special law
106.21 provision from this section's rules by reference.

106.22 (c) This section does not apply to or preempt a sales tax on motor vehicles or a
106.23 special excise tax on motor vehicles.

106.24 (d) From June 1, 2007, through December 31, 2010, a political subdivision must not
106.25 advertise, promote, expend funds, or hold a referendum to support imposing a local option
106.26 sales tax unless authorized by a special law enacted prior to June 1, 2007.

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

106.28 Sec. 16. Minnesota Statutes 2006, section 297B.03, is amended to read:

106.29 **297B.03 EXEMPTIONS.**

106.30 There is specifically exempted from the provisions of this chapter and from
106.31 computation of the amount of tax imposed by it the following:

106.32 (1) purchase or use, including use under a lease purchase agreement or installment
106.33 sales contract made pursuant to section 465.71, of any motor vehicle by the United States

107.1 and its agencies and instrumentalities and by any person described in and subject to the
107.2 conditions provided in section 297A.67, subdivision 11;

107.3 (2) purchase or use of any motor vehicle by any person who was a resident of
107.4 another state or country at the time of the purchase and who subsequently becomes a
107.5 resident of Minnesota, provided the purchase occurred more than 60 days prior to the date
107.6 such person began residing in the state of Minnesota and the motor vehicle was registered
107.7 in the person's name in the other state or country;

107.8 (3) purchase or use of any motor vehicle by any person making a valid election to be
107.9 taxed under the provisions of section 297A.90;

107.10 (4) purchase or use of any motor vehicle previously registered in the state of
107.11 Minnesota when such transfer constitutes a transfer within the meaning of section 118,
107.12 331, 332, 336, 337, 338, 351, 355, 368, 721, 731, 1031, 1033, or 1563(a) of the Internal
107.13 Revenue Code of 1986, as amended through December 31, 1999;

107.14 (5) purchase or use of any vehicle owned by a resident of another state and leased
107.15 to a Minnesota-based private or for-hire carrier for regular use in the transportation of
107.16 persons or property in interstate commerce provided the vehicle is titled in the state of
107.17 the owner or secured party, and that state does not impose a sales tax or sales tax on
107.18 motor vehicles used in interstate commerce;

107.19 (6) purchase or use of a motor vehicle by a private nonprofit or public educational
107.20 institution for use as an instructional aid in automotive training programs operated by the
107.21 institution. "Automotive training programs" includes motor vehicle body and mechanical
107.22 repair courses but does not include driver education programs;

107.23 (7) purchase of a motor vehicle for use as an ambulance by an ambulance service
107.24 licensed under section 144E.10;

107.25 (8) purchase of a motor vehicle by or for a public library, as defined in section
107.26 134.001, subdivision 2, as a bookmobile or library delivery vehicle;

107.27 (9) purchase of a ready-mixed concrete truck;

107.28 (10) purchase or use of a motor vehicle by a town for use exclusively for road
107.29 maintenance, including snowplows and dump trucks, but not including automobiles,
107.30 vans, or pickup trucks;

107.31 (11) purchase or use of a motor vehicle by a corporation, society, association,
107.32 foundation, or institution organized and operated exclusively for charitable, religious,
107.33 or educational purposes, except a public school, university, or library, but only if the
107.34 vehicle is:

(i) a truck, as defined in section 168.011, a bus, as defined in section 168.011, or a passenger automobile, as defined in section 168.011, if the automobile is designed and used for carrying more than nine persons including the driver; and

(ii) intended to be used primarily to transport tangible personal property or individuals, other than employees, to whom the organization provides service in performing its charitable, religious, or educational purpose;

(12) purchase of a motor vehicle for use by a transit provider exclusively to provide transit service is exempt if the transit provider is either (i) receiving financial assistance or reimbursement under section 174.24 or 473.384, or (ii) operating under section 174.29, 473.388, or 473.405;

(13) purchase or use of a motor vehicle by a qualified business, as defined in section 469.310, located in a job opportunity building zone, if the motor vehicle is principally garaged in the job opportunity building zone and is primarily used as part of or in direct support of the person's operations carried on in the job opportunity building zone. The exemption under this clause applies to sales, if the purchase was made and delivery received during the duration of the job opportunity building zone. The exemption under this clause also applies to any local sales and use tax;

(14) purchase of a leased vehicle by the lessee who was a participant in a lease-to-own program from a charitable organization that is:

(i) described in section 501(c)(3) of the Internal Revenue Code; and

(ii) licensed as a motor vehicle lessor under section 168.27, subdivision 4.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2007.

Sec. 17. Laws 1980, chapter 511, section 1, subdivision 2, as amended by Laws 1991, chapter 291, article 8, section 22, and Laws 1998, chapter 389, article 8, section 25, and Laws 2003, First Special Session chapter 21, article 8, section 11, is amended to read:

Subd. 2. Notwithstanding Minnesota Statutes, Section 477A.016, or any other law, ordinance, or city charter provision to the contrary, the city of Duluth may, by ordinance, impose an additional sales tax of up to ~~one and one-half~~ two and one-quarter percent on sales transactions which are described in Minnesota Statutes 2000, Section 297A.01, Subdivision 3, Clause (c). When the city council determines that the taxes imposed under this subdivision and under Laws 1998, chapter 389, article 8, section 26, at a rate of one-half of one percent have produced revenue sufficient to pay (1) the debt service on bonds in a principal amount of \$8,000,000 issued for capital improvements to the Duluth Entertainment and Convention Center, and (2) debt service on outstanding bonds

109.1 originally issued in the principal amount of \$4,970,000 to finance capital improvements
109.2 to the Great Lakes Aquarium since the imposition of the taxes at the rate of one and
109.3 one-half percent, the rate of the tax under this subdivision is reduced ~~to~~ by one-half of
109.4 one percent. The imposition of this tax shall not be subject to voter referendum under
109.5 either state law or city charter provisions. When the city council determines that the taxes
109.6 imposed under this subdivision at a rate of three-quarters of one percent and other sources
109.7 of revenue produce revenue sufficient to pay debt service on bonds in the principal amount
109.8 of \$37,931,000 plus issuance and discount costs, issued for capital improvements at the
109.9 Duluth Entertainment and Convention Center, which include a new arena, the rate of tax
109.10 under this subdivision must be reduced by three-quarters of one percent.

109.11 **EFFECTIVE DATE.** This section is effective the day after the governing body of
109.12 the city of Duluth and its chief clerical officer comply with Minnesota Statutes, section
109.13 645.021, subdivisions 2 and 3.

109.14 Sec. 18. Laws 1987, chapter 168, section 2, is amended to read:

109.15 Sec. 2. **LODGING TAX IN TOWNS.**

109.16 Notwithstanding Minnesota Statutes, section 477A.016, or other law, the Cook
109.17 county board may impose a tax of up to two percent on the gross receipts from the
109.18 furnishing for consideration of lodging at a hotel, motel, rooming house, tourist court or
109.19 resort, other than the renting or leasing of it for a continuous period of 30 days or more,
109.20 located in the towns of Lutsen, Tofte, and Schroeder. The tax may be imposed in one or
109.21 more of the towns. The tax may be imposed in a town only with the agreement of the
109.22 town expressed by its voters at an annual or special meeting. The tax shall be collected
109.23 by and its proceeds paid to the county. ~~The proceeds of the tax shall be dedicated for the~~
109.24 ~~construction, debt service, and maintenance of a public recreational facility within the~~
109.25 ~~towns.~~ The proceeds of the tax must be used for the purpose of marketing and promoting
109.26 tourism to the towns of Lutsen, Tofte, and Schroeder, and to fund a new Cook County
109.27 Event and Visitors Bureau.

109.28 Sec. 19. Laws 1993, chapter 375, article 9, section 45, subdivision 2, as amended by
109.29 Laws 1997, chapter 231, article 7, section 36, is amended to read:

109.30 Subd. 2. **Use of revenues.** (a) Revenues received from taxes authorized by
109.31 subdivision 1 shall be used by Cook county to pay the cost of collecting the tax and to pay
109.32 all or a portion of the costs of expanding and improving the health care facility located
109.33 in the county and known as North Shore hospital. Authorized costs include, but are not
109.34 limited to, securing or paying debt service on bonds or other obligations issued to finance

110.1 the expansion and improvement of North Shore hospital. The total capital expenditures
110.2 payable from bond proceeds, excluding investment earnings on bond proceeds and tax
110.3 revenues, shall not exceed \$4,000,000.

110.4 (b) Additional revenues received from taxes authorized by subdivision 1 may be
110.5 used by Cook county to pay all or a portion of the costs of betterment of North Shore
110.6 care center and providing additional improvements to North Shore hospital. Authorized
110.7 costs include, but are not limited to, securing or paying debt service on bonds or other
110.8 obligations issued to finance the remodeling of North Shore care center and additional
110.9 improvements to North Shore hospital. The total capital expenditures payable from bond
110.10 proceeds, excluding investment earnings on bond proceeds and tax revenues, shall not
110.11 exceed \$2,200,000.

110.12 (c) If approved by the voters at a special election held before December 31, 2007,
110.13 additional revenues received from taxes authorized by subdivision 1 may be used by Cook
110.14 County to pay for the following projects:

110.15 (1) construction and improvements to community centers, museums, interpretive
110.16 centers, associated trails, and recreation areas, including, but not limited to, improvements
110.17 and additions to the skateboard park, hockey rink, ball fields, community center addition,
110.18 county parking area, tennis courts, and all associated improvements;

110.19 (2) construction and improvement to the Grand Marais pool;

110.20 (3) construction and improvement to the Grand Marais Public Library;

110.21 (4) debt service to retire bonds for improvements to the Superior National Golf
110.22 Course; and

110.23 (5) infrastructure and communications equipment for disaster mitigation and fire
110.24 protection and prevention.

110.25 Authorized expenses include, but are not limited to, paying construction expenses
110.26 related to these improvements, and paying debt service on bonds or other obligations
110.27 issued to finance acquisition and construction of these improvements.

110.28 Sec. 20. Laws 1993, chapter 375, article 9, section 45, subdivision 3, as amended by
110.29 Laws 1997, chapter 231, article 7, section 37, is amended to read:

110.30 Subd. 3. **Expiration of taxing authority and expenditure limitation.** The
110.31 authority granted by subdivision 1 to Cook county to impose a sales tax shall expire
110.32 ~~when the principal and interest on any bonds or obligations issued under subdivision 4,~~
110.33 ~~paragraph (a), to finance the expansion and improvement of North Shore hospital described~~
110.34 ~~in subdivision 2, paragraph (a), have been paid, or at an earlier time as the county shall, by~~
110.35 ~~resolution, determine~~ when the county determines that the amount of revenues received is

111.1 sufficient to pay for the principal and interest on any bonds or obligations issued to finance
111.2 the projects in subdivision 2. Any funds remaining after completion of the improvements
111.3 and retirement or redemption of the bonds may be placed in the general fund of the county.

111.4 Sec. 21. Laws 1993, chapter 375, article 9, section 45, subdivision 4, as amended by
111.5 Laws 1997, chapter 231, article 7, section 38, is amended to read:

111.6 Subd. 4. **Bonds.** (a) Cook county may issue general obligation bonds in an amount
111.7 not to exceed \$4,000,000 for the expansion and improvement of North Shore hospital.

111.8 (b) Additionally, Cook county may issue general obligation bonds in an amount
111.9 not to exceed \$2,200,000 for the betterment of North Shore care center and additional
111.10 improvements to North Shore hospital.

111.11 (c) The bonds may be issued without election under Minnesota Statutes, chapter
111.12 475, on the question of issuance of the bonds or a property tax to pay them. The debt
111.13 represented by the bonds shall not be included in computing any debt limitations applicable
111.14 to Cook county, and the levy of taxes required by Minnesota Statutes, section 475.61, to
111.15 pay principal of and interest on the bonds shall not be subject to any levy limitation or be
111.16 included in computing or applying any levy limitation applicable to the county.

111.17 (d) Cook County may issue bonds under Minnesota Statutes, chapter 475, to pay
111.18 capital and administrative expenses for the improvements authorized in subdivision 2,
111.19 paragraph (c), in an amount that does not exceed \$14,000,000. An election to approve the
111.20 bonds under Minnesota Statutes, section 475.58, is not required. The issuance of bonds
111.21 under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.
111.22 The debt represented by the bonds is not included in computing any debt limitation
111.23 applicable to the county, and any levy of taxes under Minnesota Statutes, section 475.61,
111.24 to pay principal and interest on the bonds is not subject to any levy limitation.

111.25 Sec. 22. Laws 1999, chapter 243, article 4, section 18, subdivision 1, is amended to
111.26 read:

111.27 Subdivision 1. **Sales and use tax.** Notwithstanding Minnesota Statutes, section
111.28 ~~297A.48, subdivision 1a,~~ 477A.016, or any other provision of law, ordinance, or city
111.29 charter, if approved by the city voters at the first municipal general election held after the
111.30 date of final enactment of this act or at a special election held November 2, 1999, the city
111.31 of Proctor may impose by ordinance a sales and use tax of up to one-half of one percent
111.32 for the purposes specified in subdivision 3. The provisions of Minnesota Statutes, section
111.33 ~~297A.48~~ 297A.99, govern the imposition, administration, collection, and enforcement of
111.34 the tax authorized under this subdivision.

112.1 Sec. 23. Laws 1999, chapter 243, article 4, section 18, subdivision 3, is amended to
112.2 read:

112.3 Subd. 3. **Use of revenues.** (a) Revenues received from taxes authorized by
112.4 subdivisions 1 and 2 must be used by the city to pay the cost of collecting the taxes and to
112.5 pay for construction and improvement of the following city facilities:

112.6 (1) streets; and

112.7 (2) constructing and equipping the Proctor community activity center.

112.8 Authorized expenses include, but are not limited to, acquiring property, paying
112.9 construction and operating expenses related to the development of an authorized facility,
112.10 and paying debt service on bonds or other obligations, including lease obligations, issued
112.11 to finance the construction, expansion, or improvement of an authorized facility. The
112.12 capital expenses for all projects authorized under this paragraph that may be paid with
112.13 these taxes is limited to \$3,600,000, plus an amount equal to the costs related to issuance
112.14 of the bonds.

112.15 (b) Additional revenues received from taxes authorized by subdivision 1, may be
112.16 used by the city to pay for the following capital improvement projects: public utilities,
112.17 including water, sanitary sewer, storm sewer, and electric; bikeways and trails; and parks
112.18 and recreation.

112.19 **EFFECTIVE DATE.** This section is effective the day following final enactment,
112.20 upon compliance by the city of Proctor with Minnesota Statutes, section 645.021,
112.21 subdivision 3.

112.22 Sec. 24. Laws 1999, chapter 243, article 4, section 18, subdivision 4, is amended to
112.23 read:

112.24 Subd. 4. **Bonding authority.** (a) The city may issue bonds under Minnesota
112.25 Statutes, chapter 475, to finance the capital expenditure and improvement projects
112.26 described in subdivision 3. An election to approve the bonds under Minnesota Statutes,
112.27 section 475.58, is not required.

112.28 (b) The issuance of bonds under this subdivision is not subject to Minnesota Statutes,
112.29 sections 275.60 and ~~279.61~~ 275.61.

112.30 (c) The bonds are not included in computing any debt limitation applicable to the
112.31 city, and the levy of taxes under Minnesota Statutes, section 475.61, to pay principal of
112.32 and interest on the bonds is not subject to any levy limitation.

112.33 (d) For projects described in subdivision 3, paragraph (a), the aggregate principal
112.34 amount of bonds, plus the aggregate of the taxes used directly to pay eligible capital
112.35 expenditures and improvements, may not exceed \$3,600,000, plus an amount equal to

113.1 the costs related to issuance of the bonds, including interest on the bonds. For projects
113.2 described in subdivision 3, paragraph (b), the aggregate principal amount of bonds may
113.3 not exceed \$7,200,000, plus an amount equal to the costs related to issuance of the bonds,
113.4 including interest on the bonds.

113.5 (e) The sales and use and excise taxes authorized in this section may be pledged to
113.6 and used for the payment of the bonds and any bonds issued to refund them only if the
113.7 bonds and any refunding bonds are general obligations of the city.

113.8 **EFFECTIVE DATE.** This section is effective the day following final enactment,
113.9 upon compliance by the city of Proctor with Minnesota Statutes, section 645.021,
113.10 subdivision 3.

113.11 Sec. 25. Laws 2005, First Special Session chapter 3, article 5, section 39, is amended
113.12 to read:

113.13 Sec. 39. **CITY OF BEMIDJI.**

113.14 Subdivision 1. **Sales and use tax authorized.** Notwithstanding Minnesota Statutes,
113.15 section 477A.016, or any other provision of law, ordinance, or city charter, pursuant to the
113.16 approval of the city voters at the general election held on November 5, 2002, and at the
113.17 general election held November 7, 2006, the city of Bemidji may impose by ordinance
113.18 a sales and use tax of one-half of one percent for the purposes specified in subdivision
113.19 2. The provisions of Minnesota Statutes, section 297A.99, govern the imposition,
113.20 administration, collection, and enforcement of the tax authorized under this subdivision.

113.21 Subd. 2. **Use of revenues.** Revenues received from the tax authorized by
113.22 subdivision 1 must be used for the cost of collecting and administering the tax and to pay
113.23 for the projects listed in this subdivision:

113.24 (1) To pay all or part of the capital or administrative costs of the acquisition,
113.25 construction, and improvement of parks and trails within the city, as provided for in the
113.26 city of Bemidji's parks, open space, and trail system plan, adopted by the Bemidji City
113.27 Council on November 21, 2001. Authorized expenses include, but are not limited to,
113.28 acquiring property, paying construction expenses related to the development of these
113.29 facilities and improvements, and securing and paying debt service on bonds or other
113.30 obligations issued to finance acquisition, construction, improvement, or development of
113.31 parks and trails within the city of Bemidji.

113.32 (2) To pay all or part of the city's share of costs for acquisition, design, and
113.33 construction of a regional event center, not to exceed \$40,000,000 plus any associated
113.34 bond costs. Authorized expenses include, but are not limited to, acquiring property,
113.35 paying demolition and construction expenses, improving associated infrastructure, and

114.1 purchasing furniture, fixtures, and equipment for the regional event center, and securing
114.2 and paying debt service on bonds or other obligations issued to finance the regional event
114.3 center project.

114.4 Subd. 3. **Bonds.** (a) Pursuant to the approval of the city voters at the general
114.5 election held on November 5, 2002, the city of Bemidji may issue, without an additional
114.6 election, general obligation bonds of the city in an amount not to exceed \$9,826,000 to
114.7 pay capital and administrative expenses for the acquisition, construction, improvement,
114.8 and development of parks and trails as specified in subdivision 2. The debt represented by
114.9 the bonds must not be included in computing any debt limitations applicable to the city,
114.10 and the levy of taxes required by Minnesota Statutes, section 475.61, to pay the principal
114.11 of any interest on the bonds must not be subject to any levy limitations or be included in
114.12 computing or applying any levy limitation applicable to the city.

114.13 (b) Pursuant to the approval of the city voters at the general election held on
114.14 November 7, 2006, the city of Bemidji may issue, without an additional election, general
114.15 obligation bonds of the city in an amount not to exceed \$40,000,000 to pay capital and
114.16 administrative expenses for the acquisition, construction, improvement, and development
114.17 of the regional event center specified in subdivision 2. The debt represented by the bonds
114.18 must not be included in computing any debt limitations applicable to the city, and the levy
114.19 of taxes required by Minnesota Statutes, section 475.61, to pay the principal of any interest
114.20 on the bonds must not be subject to any levy limitations or be included in computing or
114.21 applying any levy limitation applicable to the city.

114.22 Subd. 4. **Termination of tax.** The tax imposed under subdivision 1 expires
114.23 when the Bemidji City Council determines that the amount described in subdivision 3,
114.24 paragraph (a), has been received from the tax to finance the capital and administrative
114.25 costs for acquisition, construction, improvement, and development of parks and trails and
114.26 to repay or retire at maturity the principal, interest, and premium due on any bonds issued
114.27 for the park and trail improvements under subdivision 3, paragraph (a), plus the earlier
114.28 of (1) 30 years, or (2) when the city council first determines that the additional revenues
114.29 received from the extension of the tax equals or exceeds the amount authorized to be spent
114.30 for the regional event center under subdivision 2, clause (2). Any funds remaining after
114.31 completion of the ~~park and trail improvements~~ authorized projects and retirement or
114.32 redemption of the bonds may be placed in the general fund of the city. The tax imposed
114.33 under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

114.34 **EFFECTIVE DATE.** This section is effective the day after compliance by the
114.35 governing body of the city of Bemidji and its chief clerical officer with Minnesota
114.36 Statutes, section 645.021, subdivisions 2 and 3.

Sec. 26. **CITY OF CLEARWATER; TAXES AUTHORIZED.**

Subdivision 1. Sales and use tax. Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, pursuant to the approval of the voters on November 7, 2006, the city of Clearwater may impose by ordinance a sales and use tax of up to one-half of one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. Excise tax authorized. Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, the city of Clearwater may impose by ordinance, for the purposes specified in subdivision 3, an excise tax of up to \$20 per motor vehicle, as defined by ordinance, purchased or acquired from any person engaged within the city in the business of selling motor vehicles at retail.

Subd. 3. Use of revenues. The proceeds of the tax imposed under this section shall be used to pay for the costs of acquisition, construction, improvement, and development of a pedestrian bridge, and land and buildings for a community and recreation center.

Subd. 4. Bonding authority. The city of Clearwater may issue bonds in an amount not to exceed \$12,000,000 under Minnesota Statutes, chapter 475, to finance the capital expenditures and improvements authorized by the referendum under subdivision 3. An election to approve the bonds under Minnesota Statutes, section 475.59, is not required. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, section 275.60 or 275.61. The debt represented by the bonds must not be included in computing any debt limitations applicable to the city, and the levy of taxes required by Minnesota Statutes, section 475.61, to pay the principal or any interest on the bonds must not be subject to any levy limitation.

Subd. 5. Termination of tax. The tax authorized under subdivision 1 terminates at the earlier of (1) 20 years after the date of initial imposition of the tax, or (2) when the city council determines that sufficient funds have been raised from the tax to finance the capital and administrative costs of the improvements described in subdivision 3, plus the additional amount needed to pay the costs related to issuance of bonds under subdivision 4, including interest on the bonds. Any funds remaining after completion of the projects specified in subdivision 3 and retirement or redemption of the bonds in subdivision 4 may be placed in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

116.1 **EFFECTIVE DATE.** This section is effective the day after compliance by the
116.2 governing body of the city of Clearwater with Minnesota Statutes, section 645.021,
116.3 subdivisions 2 and 3.

116.4 Sec. 27. **COOK COUNTY; LODGING AND ADMISSIONS TAXES.**

116.5 Subdivision 1. **Lodging tax.** Notwithstanding Minnesota Statutes, section
116.6 477A.016, or any other provision of law, ordinance, or city charter, the Board of
116.7 Commissioners of Cook County may impose, by ordinance, a tax of up to one percent on
116.8 the gross receipts subject to the lodging tax under Minnesota Statutes, section 469.190.
116.9 This tax is in addition to any tax imposed under Minnesota Statutes, section 469.190, and
116.10 the total tax imposed under that section and this provision must not exceed four percent.

116.11 Subd. 2. **Admissions and recreation tax.** Notwithstanding Minnesota Statutes,
116.12 section 477A.016, or any other provision of law, ordinance, or city charter, the Board of
116.13 Commissioners of Cook County may impose, by ordinance, a tax of up to three percent on
116.14 admissions to entertainment and recreational facilities and rental of recreation equipment.

116.15 In its ordinance, the Board of Commissioners of Cook County may provide that
116.16 entities exempt from the tax imposed under Minnesota Statutes, section 297A.70, are
116.17 not required to collect the taxes in subdivisions 1 and 2. The Board of Commissioners
116.18 of Cook County may also create lodging districts smaller than the county in which to
116.19 impose the tax.

116.20 Subd. 3. **Use of taxes.** The taxes imposed in subdivisions 1 and 2 must be used
116.21 to fund a new Cook County Event and Visitors Bureau as established by the Board of
116.22 Commissioners of Cook County. The Board of Commissioners of Cook County must
116.23 annually review the budget of the Cook County Event and Visitors Bureau.

116.24 Subd. 4. **Termination of taxes.** The taxes authorized under subdivisions 1 and 2
116.25 terminate ten years after the date of initial imposition of the taxes.

116.26 Subd. 5. **Cook County Event and Visitors Bureau.** (a) The Cook County Event
116.27 and Visitors Bureau shall be governed by a 14-member board of directors composed of:

- 116.28 (1) four directors to be appointed by the Grand Marais Area Tourism Association;
116.29 (2) two directors to be appointed by the Gunflint Trail Association;
116.30 (3) seven directors to be appointed by the Lutsen-Tofte Tourism Association; and
116.31 (4) one nonvoting member appointed by Grand Portage.

116.32 (b) The Cook County Event and Visitors Bureau may adjust its membership upon a
116.33 vote of approval by at least nine members.

117.1 **EFFECTIVE DATE.** This section is effective the day after compliance by the
117.2 governing body of Cook County with Minnesota Statutes, section 645.021, subdivisions
117.3 2 and 3.

117.4 Sec. 28. **CITY OF NORTH MANKATO; TAXES AUTHORIZED.**

117.5 Subdivision 1. **Sales and use tax authorized.** Notwithstanding Minnesota Statutes,
117.6 section 477A.016, or any other provision of law, ordinance, or city charter, pursuant to
117.7 the approval of the voters on November 7, 2006, the city of North Mankato may impose
117.8 by ordinance a sales and use tax of one-half of one percent for the purposes specified
117.9 in subdivision 2. The provisions of Minnesota Statutes, section 297A.99, govern the
117.10 imposition, administration, collection, and enforcement of the taxes authorized under
117.11 this subdivision.

117.12 Subd. 2. **Use of revenues.** Revenues received from the tax authorized by
117.13 subdivision 1 must be used to pay all or part of the capital costs of the following projects:

117.14 (1) the local share of the Trunk Highway 14/County State Aid Highway 41
117.15 interchange project;

117.16 (2) development of regional parks and hiking and biking trails;

117.17 (3) expenses of the North Mankato Taylor library;

117.18 (4) lake improvement projects; and

117.19 (5) riverfront development.

117.20 The total amount of revenues from the tax in subdivision 1 that may be used to fund
117.21 these projects is \$6,000,000 plus any associated bond costs.

117.22 Subd. 3. **Bonds.** (a) The city of North Mankato, pursuant to the approval of the
117.23 voters at the November 7, 2006, referendum authorizing the imposition of the taxes in
117.24 this section, may issue bonds under Minnesota Statutes, chapter 475, to pay capital and
117.25 administrative expenses for the projects described in subdivision 2, in an amount that
117.26 does not exceed \$6,000,000. A separate election to approve the bonds under Minnesota
117.27 Statutes, section 475.58, is not required.

117.28 (b) The debt represented by the bonds is not included in computing any debt
117.29 limitation applicable to the city, and any levy of taxes under Minnesota Statutes, section
117.30 475.61, to pay principal and interest on the bonds is not subject to any levy limitation.

117.31 Subd. 4. **Termination of taxes.** The tax imposed under subdivision 1 expires
117.32 when the city council determines that the amount of revenues received from the taxes
117.33 to pay for the projects under subdivision 2, first equals or exceeds \$6,000,000 plus the
117.34 additional amount needed to pay the costs related to issuance of bonds under subdivision
117.35 3, including interest on the bonds. Any funds remaining after completion of the projects

118.1 and retirement or redemption of the bonds shall be placed in a capital facilities and
118.2 equipment replacement fund of the city. The tax imposed under subdivision 1 may expire
118.3 at an earlier time if the city so determines by ordinance.

118.4 **EFFECTIVE DATE.** This section is effective the day after compliance by the
118.5 governing body of the city of North Mankato with Minnesota Statutes, section 645.021,
118.6 subdivision 3.

118.7 Sec. 29. **MINNETONKA WATER TREATMENT FACILITY.**

118.8 Capital equipment used in or incorporated into the construction of a water treatment
118.9 facility owned by the city of Minnetonka is exempt from sales tax regardless of whether
118.10 purchased by the owner, contractor, subcontractor, or builder. The tax must be imposed
118.11 and collected as if the rate under Minnesota Statutes, section 297A.62, subdivision 1,
118.12 applied and then refunded to the city of Minnetonka in the manner provided in Minnesota
118.13 Statutes, section 297A.75.

118.14 **EFFECTIVE DATE.** This section is effective for sales and purchases made before
118.15 December 31, 2006.

118.16 Sec. 30. **CITY OF WINONA; TAXES AUTHORIZED.**

118.17 Subdivision 1. **Sales and use tax.** Notwithstanding Minnesota Statutes, section
118.18 477A.016, or any other provision of law, ordinance, or city charter, if approved by the
118.19 voters at a special election held before December 31, 2007, the city of Winona may
118.20 impose by ordinance a sales and use tax of up to one-half of one percent for the purpose
118.21 specified in subdivision 2. Except as otherwise provided in this section, the provisions of
118.22 Minnesota Statutes, section 297A.99, govern the imposition, administration, collection,
118.23 and enforcement of the tax authorized under this subdivision.

118.24 Subd. 2. **Use of revenues.** The proceeds of the tax imposed under this section shall
118.25 be used to pay the city-borne costs for the construction of a street connection from the city
118.26 of Winona to Minnesota State Highways 61 and 43. The construction will provide access
118.27 to the city's newly built industrial park and additional access to a hospital.

118.28 Subd. 3. **Bonding authority.** The city of Winona may issue bonds in an amount
118.29 not to exceed \$8,000,000 under Minnesota Statutes, chapter 475, to finance the capital
118.30 expenditures under subdivision 2. An election to approve the bonds under Minnesota
118.31 Statutes, section 475.58, is not required. The issuance of bonds under this subdivision is
118.32 not subject to Minnesota Statutes, section 275.60 or 275.61. The debt represented by the
118.33 bonds must not be included in computing any debt limitations applicable to the city, and

119.1 the levy of taxes required by Minnesota Statutes, section 475.61, to pay the principal or
119.2 any interest on the bonds must not be subject to any levy limitation.

119.3 Subd. 4. **Termination of tax.** The tax authorized under subdivision 1 terminates
119.4 at the earlier of: (1) five years after the date of initial imposition of the tax; or (2) when
119.5 the city council determines that sufficient funds have been raised from the tax to finance
119.6 the capital and administrative costs of the project described in subdivision 2, plus the
119.7 additional amount needed to pay the costs related to issuance of bonds under subdivision
119.8 3, including interest on the bonds. Any funds remaining after completion of the project
119.9 specified in subdivision 2 and retirement or redemption of the bonds in subdivision 3 may
119.10 be placed in the general fund of the city. The tax imposed under subdivision 1 may expire
119.11 at an earlier time if the city so determines by ordinance.

119.12 **EFFECTIVE DATE.** This section is effective the day after compliance by
119.13 the governing body of the city of Winona with Minnesota Statutes, section 645.021,
119.14 subdivisions 2 and 3.

119.15 **Sec. 31. JOINT LEGISLATIVE SUBCOMMITTEE ON SALES AND USE TAX.**

119.16 Subdivision 1. **Creation.** A legislative subcommittee on sales tax is created.

119.17 Subd. 2. **Duties.** The subcommittee must:

119.18 (1) examine the revenue productivity and equity implications of the current sales
119.19 and use tax base and alternative tax bases;

119.20 (2) examine the implications of demographic and economic trends for the future
119.21 revenue adequacy of the current sales and use tax base;

119.22 (3) examine the sales and use tax base, the exemptions, and the rate and recommend
119.23 to the legislature alternative tax structures to improve revenue stability and equity of
119.24 tax imposition;

119.25 (4) examine the tax burdens on individuals and businesses and recommend to the
119.26 legislature alternative structures that would improve the horizontal and vertical equity
119.27 of the tax burden;

119.28 (5) examine the administrative and compliance burden of the taxes;

119.29 (6) examine and report on broadening the sales and use tax base in conjunction with
119.30 a lower rate and exemption for business inputs on the vertical equity of the taxes; and

119.31 (7) file a report with the chairs and the ranking minority members of the committees
119.32 on taxes in the senate and the house of representatives no later than March 30, 2008.

119.33 Subd. 3. **Membership.** The subcommittee consists of ten members of the legislature
119.34 as follows:

120.1 (1) four members of the senate, including at least one member of the minority party,
120.2 to be appointed by the chair of the senate committee on taxes;

120.3 (2) four members of the house of representatives, including one member of the
120.4 minority party, to be appointed by the chair of the house of representatives committee
120.5 on taxes;

120.6 (3) the chair of the senate committee on taxes; and

120.7 (4) the chair of the house of representatives committee on taxes.

120.8 Subd. 4. **Assistance of other agencies.** (a) The subcommittee may request
120.9 information from any state officer or agency to assist in carrying out its duties under
120.10 this section. The officer or agency must promptly provide the data requested to the
120.11 extent permitted by law.

120.12 (b) The commissioner of revenue shall prepare, maintain, and make available to
120.13 the subcommittee data in the form and manner that the subcommittee determines will
120.14 facilitate discharging its duties under this section.

120.15 Subd. 5. **DOR report to subcommittee.** To assist the subcommittee in carrying
120.16 out its duties under subdivision 2, the commissioner of revenue shall prepare a written
120.17 report for the subcommittee. In preparing the report, the commissioner shall consult with
120.18 the chairs of the subcommittee, or staff designated by them for that purpose, regarding
120.19 the methods to be used, the information to be provided, the categories to group base
120.20 expansions or contractions into, and the timelines for providing preliminary information
120.21 and a final report. The report must include descriptions of or estimates of:

120.22 (1) the changes needed in the current sales tax base to move to a tax based solely on
120.23 final consumption of all consumer goods and services, with no taxation of intermediate
120.24 inputs to businesses;

120.25 (2) the estimated change in state revenues for each of the changes identified in
120.26 clause (1), along with the sales tax rate change that would be needed to make the changes
120.27 revenue-neutral;

120.28 (3) legal, administrative, and collection issues that would be associated with the
120.29 changes identified in clause (1), including interaction with other state taxes;

120.30 (4) the effect of the changes identified in clause (1) on the incidence of the sales tax
120.31 system and the overall state and local tax system; and

120.32 (5) alternatives for rebating or refunding a portion of the tax to offset any increase
120.33 in regressivity identified under clause (4).

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

ARTICLE 6

ECONOMIC DEVELOPMENT

Section 1. [17.118] DAIRY INVESTMENT GRANT PROGRAM.

(a) The commissioner may award a dairy investment grant to a person who raises dairy animals in this state equal to ten percent of the first \$500,000 of qualifying expenditures made during the qualifying period, provided the person makes qualifying expenditures of at least \$40,000.

(b) For purposes of this subdivision, "qualifying expenditures" means the amount spent for:

(1) the acquisition, construction, or improvement of buildings or facilities, if related to dairy animals; or

(2) the acquisition of equipment for dairy animal housing, for confinement, for animal feeding, for production and delivery of milk and other dairy products, and for waste management, including the following, if related to dairy animals in this state:

(i) freestall barns;

(ii) watering facilities;

(iii) feed storage and handling equipment;

(iv) milking parlors;

(v) robotic equipment;

(vi) scales;

(vii) milk storage and cooling facilities;

(viii) bulk tanks; and

(ix) manure pumping and storage facilities.

Qualifying expenditures only include amounts that are allowed to be capitalized and deducted under either section 167 or 179 of the Internal Revenue Code in computing federal taxable income.

(c) The qualifying period for grants to be made in fiscal year 2008 is that time after December 31, 2006, and before January 1, 2008. The qualifying period for grants to be made in fiscal year 2009 is that time after December 31, 2007, and before January 1, 2009.

(d) The \$50,000 maximum grant applies at the entity level for partnerships, S corporations, trusts, and estates as well as at the individual level. In the case of married individuals, the grant is limited to \$50,000 for a married couple.

(e) To be eligible for the dairy investment reimbursement grant, a person must apply to the commissioner on forms prescribed by the commissioner and must include a

122.1 statement of the qualifying expenditures of at least \$40,000 made during the qualifying
122.2 period along with any proof or other documentation the commissioner may require.

122.3 (f) The commissioner shall review completed applications and award grants to
122.4 eligible applicants in the order in which applications were received by the commissioner.
122.5 The commissioner shall notify in writing any applicant who applies for a grant and is
122.6 ineligible under the provisions of this section as well as any applicant whose application is
122.7 received or reviewed after the fiscal year limit has been reached.

122.8 (g) This section expires June 30, 2010.

122.9 Sec. 2. Minnesota Statutes 2006, section 116J.871, subdivision 1, is amended to read:

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

122.12 (b) "Economic development" means financial assistance provided to a person
122.13 directly or to a local unit of government or nonprofit organization on behalf of a person
122.14 who is engaged in the manufacture or sale of goods and services. Economic development
122.15 does not include (i) financial assistance for rehabilitation of existing housing or (ii)
122.16 financial assistance for new housing construction in which total financial assistance at a
122.17 single project site is less than \$100,000.

122.18 (c) "Financial assistance" means (i) a grant awarded by a state agency for economic
122.19 development related purposes if a single business receives \$200,000 or more of the grant
122.20 proceeds; (ii) a loan or the guaranty or purchase of a loan made by a state agency for
122.21 economic development related purposes if a single business receives \$500,000 or more of
122.22 the loan proceeds; ~~or~~ (iii) a reduction, credit, or abatement of a tax assessed under chapter
122.23 297A where the tax reduction, credit, or abatement applies to a geographic area smaller
122.24 than the entire state and was granted for economic development related purposes; or (iv)
122.25 tax benefits received by a qualified business operating in a job opportunity building zone.
122.26 Financial assistance does not include payments by the state of aids and credits under
122.27 chapter 273 or 477A to a political subdivision.

122.28 (d) "Project site" means the location where improvements are made that are financed
122.29 in whole or in part by the financial assistance; or the location of employees that receive
122.30 financial assistance in the form of employment and training services as defined in section
122.31 116L.19, subdivision 4, or customized training from a technical college.

122.32 (e) "State agency" means any agency defined under section 16B.01, subdivision 2,
122.33 Minnesota Technology, Inc., and the Iron Range Resources and Rehabilitation Board.

122.34 Sec. 3. **[138.028] HISTORIC STRUCTURE REHABILITATION GRANTS.**

123.1 Subdivision 1. **Definitions.** (a) For purposes of this section the following terms
123.2 have the meanings given.

123.3 (b) "Eligible person" means an individual or a pass-through entity.

123.4 (c) "Historic structure" means a certified historic structure that meets the definition
123.5 in section 47(c)(3) of the Internal Revenue Code and that is located in Minnesota.

123.6 Subd. 2. **Grants.** (a) The state historic preservation officer in the Minnesota
123.7 Historical Society may award historic structure rehabilitation grants to eligible persons to
123.8 facilitate rehabilitation of historic structures.

123.9 (b) To be considered for a historic structure rehabilitation grant, an eligible person
123.10 must apply to the state historic preservation officer in a form and manner prescribed
123.11 by the state historic preservation officer.

123.12 (c) The state historic preservation officer must evaluate grant applications and give
123.13 priority in awarding grants to applications relating to rehabilitation of historic structures
123.14 determined to be less likely to take place if a grant is not awarded.

123.15 Subd. 3. **Report.** The Minnesota Historical Society shall report to the committees
123.16 of the legislature with oversight over economic development by February 1, 2009, on the
123.17 economic impact to the state of the rehabilitation of historic structures that received grants
123.18 under this section, in compliance with sections 3.195 and 3.197.

123.19 Sec. 4. Minnesota Statutes 2006, section 268.19, subdivision 1, is amended to read:

123.20 Subdivision 1. **Use of data.** (a) Except as otherwise provided by this section, data
123.21 gathered from any person pursuant to the administration of the Minnesota Unemployment
123.22 Insurance Law are private data on individuals or nonpublic data not on individuals as
123.23 defined in section 13.02, subdivisions 9 and 12, and may not be disclosed except pursuant
123.24 to a district court order or section 13.05. A subpoena shall not be considered a district
123.25 court order. These data may be disseminated to and used by the following agencies
123.26 without the consent of the subject of the data:

123.27 (1) state and federal agencies specifically authorized access to the data by state
123.28 or federal law;

123.29 (2) any agency of any other state or any federal agency charged with the
123.30 administration of an unemployment insurance program;

123.31 (3) any agency responsible for the maintenance of a system of public employment
123.32 offices for the purpose of assisting individuals in obtaining employment;

123.33 (4) human rights agencies within Minnesota that have enforcement powers;

123.34 (5) the Department of Revenue only to the extent necessary for its duties under
123.35 Minnesota laws;

124.1 (6) public and private agencies responsible for administering publicly financed
124.2 assistance programs for the purpose of monitoring the eligibility of the program's
124.3 recipients;

124.4 (7) the Department of Labor and Industry and the Division of Insurance Fraud
124.5 Prevention in the Department of Commerce on an interchangeable basis with the
124.6 department for uses consistent with the administration of their duties under Minnesota law;

124.7 (8) local and state welfare agencies for monitoring the eligibility of the data subject
124.8 for assistance programs, or for any employment or training program administered by those
124.9 agencies, whether alone, in combination with another welfare agency, or in conjunction
124.10 with the department or to monitor and evaluate the statewide Minnesota family investment
124.11 program by providing data on recipients and former recipients of food stamps or food
124.12 support, cash assistance under chapter 256, 256D, 256J, or 256K, child care assistance
124.13 under chapter 119B, or medical programs under chapter 256B, 256D, or 256L;

124.14 (9) local and state welfare agencies for the purpose of identifying employment,
124.15 wages, and other information to assist in the collection of an overpayment debt in an
124.16 assistance program;

124.17 (10) local, state, and federal law enforcement agencies for the sole purpose of
124.18 ascertaining the last known address and employment location of a person who is the
124.19 subject of a criminal investigation;

124.20 (11) the federal Immigration and Naturalization Service shall have access to data on
124.21 specific individuals and specific employers provided the specific individual or specific
124.22 employer is the subject of an investigation by that agency; ~~and~~

124.23 (12) the Department of Health solely for the purposes of epidemiologic
124.24 investigations; and

124.25 (13) the state auditor to the extent necessary to conduct audits of job opportunity
124.26 building zones as required under section 469.3201.

124.27 (b) Data on individuals and employers that are collected, maintained, or used by the
124.28 department in an investigation pursuant to section 268.182 are confidential as to data on
124.29 individuals and protected nonpublic data not on individuals as defined in section 13.02,
124.30 subdivisions 3 and 13, and must not be disclosed except pursuant to statute or district
124.31 court order or to a party named in a criminal proceeding, administrative or judicial, for
124.32 preparation of a defense.

124.33 (c) Data gathered by the department pursuant to the administration of the Minnesota
124.34 unemployment insurance program must not be made the subject or the basis for any
124.35 suit in any civil proceedings, administrative or judicial, unless the action is initiated by
124.36 the department.

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

125.2 Sec. 5. Minnesota Statutes 2006, section 270B.15, is amended to read:

125.3 **270B.15 DISCLOSURE TO LEGISLATIVE AUDITOR AND STATE**
125.4 **AUDITOR.**

125.5 (a) Returns and return information must be disclosed to the legislative auditor to the
125.6 extent necessary for the legislative auditor to carry out sections 3.97 to 3.979.

125.7 (b) The commissioner must disclose return information, including the report
125.8 required under section 289A.12, subdivision 15, to the state auditor to the extent necessary
125.9 to conduct audits of job opportunity building zones as required under section 469.3201.

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

125.11 Sec. 6. Minnesota Statutes 2006, section 272.02, subdivision 64, is amended to read:

125.12 Subd. 64. **Job opportunity building zone property.** (a) Improvements to real
125.13 property, and personal property, classified under section 273.13, subdivision 24, and
125.14 located within a job opportunity building zone, designated under section 469.314, are
125.15 exempt from ad valorem taxes levied under chapter 275.

125.16 (b) Improvements to real property, and tangible personal property, of an agricultural
125.17 production facility located within an agricultural processing facility zone, designated
125.18 under section 469.314, is exempt from ad valorem taxes levied under chapter 275.

125.19 (c) For property to qualify for exemption under paragraph (a), the occupant must be
125.20 a qualified business, as defined in section 469.310.

125.21 (d) The exemption applies beginning for the first assessment year after designation
125.22 of the job opportunity building zone by the commissioner of employment and economic
125.23 development. The exemption applies to each assessment year that begins during the
125.24 duration of the job opportunity building zone. To be exempt, the property must be
125.25 occupied by July 1 of the assessment year by a qualified business that has signed the
125.26 business subsidy agreement and relocation agreement, if required, by July 1 of the
125.27 assessment year. This exemption does not apply to:

125.28 (1) the levy under section 475.61 or similar levy provisions under any other law to
125.29 pay general obligation bonds; or

125.30 (2) a levy under section 126C.17, ~~if the levy was approved by the voters before the~~
125.31 ~~designation of the job opportunity building zone.~~

125.32 **EFFECTIVE DATE.** This section is effective beginning for taxes payable in 2008.

126.1 Sec. 7. Minnesota Statutes 2006, section 272.02, is amended by adding a subdivision
126.2 to read:

126.3 Subd. 85. **Fergus Falls historical zone.** (a) Property located in the area of the
126.4 campus of the former state regional treatment center in the city of Fergus Falls, including
126.5 the five buildings and associated land that were acquired by the city prior to January 1,
126.6 2007, is exempt from ad valorem taxes levied under chapter 275.

126.7 (b) The exemption applies for 15 calendar years from the date specified by resolution
126.8 of the governing body of the city of Fergus Falls. For the final three assessment years of
126.9 the duration limit, the exemption applies to the following percentages of estimated market
126.10 value of the property:

126.11 (1) for the third to the last assessment year of the duration, 75 percent;

126.12 (2) for the second to the last assessment year of the duration, 50 percent; and

126.13 (3) for the last assessment year of the duration, 25 percent.

126.14 **EFFECTIVE DATE.** This section is effective for property taxes levied in 2007,
126.15 payable in 2008, and thereafter.

126.16 Sec. 8. Minnesota Statutes 2006, section 289A.12, is amended by adding a subdivision
126.17 to read:

126.18 Subd. 15. **Report of job opportunity zone benefits; penalty for failure to file**
126.19 **report.** (a) By October 15 of each year, every qualified business, as defined under section
126.20 469.310, subdivision 11, must file with the commissioner, on a form prescribed by the
126.21 commissioner, a report listing the tax benefits under section 469.315 received by the
126.22 business for the previous year.

126.23 (b) The commissioner shall send notice to each business that fails to timely submit
126.24 the report required under paragraph (a). The notice shall demand that the business submit
126.25 the report within 60 days. Where good cause exists, the commissioner may extend
126.26 the period for submitting the report as long as a request for extension is filed by the
126.27 business before the expiration of the 60-day period. The commissioner shall notify the
126.28 commissioner of the Department of Employment and Economic Development and the
126.29 appropriate job opportunity subzone administrator whenever notice is sent to a business
126.30 under this paragraph.

126.31 (c) A business that fails to submit the report as required under paragraph (b) is no
126.32 longer a qualified business under section 469.310, subdivision 11, and is subject to the
126.33 repayment provisions of section 469.319.

127.1 **EFFECTIVE DATE.** This section is effective beginning with reports required to be
127.2 filed October 15, 2008.

127.3 Sec. 9. Minnesota Statutes 2006, section 469.169, is amended by adding a subdivision
127.4 to read:

127.5 Subd. 18. **Additional border city allocations; 2007.** (a) In addition to tax
127.6 reductions authorized in subdivisions 7 to 17, the commissioner shall allocate \$750,000
127.7 for tax reductions to border city enterprise zones in cities located on the western border
127.8 of the state. The commissioner shall make allocations to zones in cities on the western
127.9 border on a per capita basis. Allocations made under this subdivision may be used for
127.10 tax reductions as provided in section 469.171, or for other offsets of taxes imposed on
127.11 or remitted by businesses located in the enterprise zone, but only if the municipality
127.12 determines that the granting of the tax reduction or offset is necessary in order to retain a
127.13 business within or attract a business to the zone. The city alternatively may elect to use
127.14 any portion of the allocation provided in this paragraph for tax reductions under section
127.15 469.1732 or 469.1734.

127.16 (b) The commissioner shall allocate \$750,000 for tax reductions under section
127.17 469.1732 or 469.1734 to cities with border city enterprise zones located on the western
127.18 border of the state. The commissioner shall allocate this amount among the cities on a per
127.19 capita basis. The city alternatively may elect to use any portion of the allocation provided
127.20 in this paragraph for tax reductions as provided in section 469.171.

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

127.22 Sec. 10. Minnesota Statutes 2006, section 469.174, subdivision 10, is amended to read:

127.23 Subd. 10. **Redevelopment district.** (a) "Redevelopment district" means a type of
127.24 tax increment financing district consisting of a project, or portions of a project, within
127.25 which the authority finds by resolution that one or more of the following conditions,
127.26 reasonably distributed throughout the district, exists:

127.27 (1) parcels consisting of 70 percent of the area of the district are occupied by
127.28 buildings, streets, utilities, paved or gravel parking lots, or other similar structures
127.29 and more than 50 percent of the buildings, not including outbuildings, are structurally
127.30 substandard to a degree requiring substantial renovation or clearance;

127.31 (2) the property consists of vacant, unused, underused, inappropriately used,
127.32 or infrequently used railyards, rail storage facilities, or excessive or vacated railroad
127.33 rights-of-way;

128.1 (3) tank facilities, or property whose immediately previous use was for tank
128.2 facilities, as defined in section 115C.02, subdivision 15, if the tank facilities:

128.3 (i) have or had a capacity of more than 1,000,000 gallons;

128.4 (ii) are located adjacent to rail facilities; and

128.5 (iii) have been removed or are unused, underused, inappropriately used, or
128.6 infrequently used; or

128.7 (4) a qualifying disaster area, as defined in subdivision 10b.

128.8 (b) For purposes of this subdivision, "structurally substandard" shall mean
128.9 containing defects in structural elements or a combination of deficiencies in essential
128.10 utilities and facilities, light and ventilation, fire protection including adequate egress,
128.11 layout and condition of interior partitions, or similar factors, which defects or deficiencies
128.12 are of sufficient total significance to justify substantial renovation or clearance.

128.13 (c) A building is not structurally substandard if it is in compliance with the building
128.14 code applicable to new buildings or could be modified to satisfy the building code at
128.15 a cost of less than 15 percent of the cost of constructing a new structure of the same
128.16 square footage and type on the site. The municipality may find that a building is not
128.17 disqualified as structurally substandard under the preceding sentence on the basis of
128.18 reasonably available evidence, such as the size, type, and age of the building, the average
128.19 cost of plumbing, electrical, or structural repairs, or other similar reliable evidence. The
128.20 municipality may not make such a determination without an interior inspection of the
128.21 property, but need not have an independent, expert appraisal prepared of the cost of repair
128.22 and rehabilitation of the building. An interior inspection of the property is not required,
128.23 if the municipality finds that (1) the municipality or authority is unable to gain access to
128.24 the property after using its best efforts to obtain permission from the party that owns or
128.25 controls the property; and (2) the evidence otherwise supports a reasonable conclusion that
128.26 the building is structurally substandard. Items of evidence that support such a conclusion
128.27 include recent fire or police inspections, on-site property tax appraisals or housing
128.28 inspections, exterior evidence of deterioration, or other similar reliable evidence. Written
128.29 documentation of the findings and reasons why an interior inspection was not conducted
128.30 must be made and retained under section 469.175, subdivision 3, clause (1). Failure of a
128.31 building to be disqualified under the provisions of this paragraph is a necessary, but not a
128.32 sufficient, condition to determining that the building is substandard.

128.33 (d) A parcel is deemed to be occupied by a structurally substandard building
128.34 for purposes of the finding under paragraph (a) or by the improvements described in
128.35 paragraph (e) if all of the following conditions are met:

129.1 (1) the parcel was occupied by a substandard building or met the requirements
129.2 of paragraph (e), as the case may be, within three years of the filing of the request for
129.3 certification of the parcel as part of the district with the county auditor;

129.4 (2) the substandard building ~~was~~ or the improvements described in paragraph (e)
129.5 were demolished or removed by the authority or the demolition or removal was financed
129.6 by the authority or was done by a developer under a development agreement with the
129.7 authority;

129.8 (3) the authority found by resolution before the demolition or removal that the
129.9 parcel was occupied by a structurally substandard building or met the requirements of
129.10 paragraph (e) and that after demolition and clearance the authority intended to include
129.11 the parcel within a district; and

129.12 (4) upon filing the request for certification of the tax capacity of the parcel as part
129.13 of a district, the authority notifies the county auditor that the original tax capacity of the
129.14 parcel must be adjusted as provided by section 469.177, subdivision 1, paragraph (f).

129.15 (e) For purposes of this subdivision, a parcel is not occupied by buildings, streets,
129.16 utilities, paved or gravel parking lots, or other similar structures unless 15 percent of the
129.17 area of the parcel contains buildings, streets, utilities, paved or gravel parking lots, or
129.18 other similar structures.

129.19 (f) For districts consisting of two or more noncontiguous areas, each area must
129.20 qualify as a redevelopment district under paragraph (a) to be included in the district, and
129.21 the entire area of the district must satisfy paragraph (a).

129.22 **EFFECTIVE DATE.** This section is effective for requests for certification made
129.23 after June 30, 2007.

129.24 Sec. 11. Minnesota Statutes 2006, section 469.174, subdivision 10a, is amended to read:

129.25 Subd. 10a. **Renewal and renovation district.** (a) "Renewal and renovation district"
129.26 means a type of tax increment financing district consisting of a project, or portions of a
129.27 project, within which the authority finds by resolution that:

129.28 (1)(i) parcels consisting of 70 percent of the area of the district are occupied by
129.29 buildings, streets, utilities, paved or gravel parking lots, or other similar structures; (ii)
129.30 20 percent of the buildings are structurally substandard; and (iii) 30 percent of the other
129.31 buildings require substantial renovation or clearance to remove existing conditions such
129.32 as: inadequate street layout, incompatible uses or land use relationships, overcrowding of
129.33 buildings on the land, excessive dwelling unit density, obsolete buildings not suitable for
129.34 improvement or conversion, or other identified hazards to the health, safety, and general
129.35 well-being of the community; and

(2) the conditions described in clause (1) are reasonably distributed throughout the geographic area of the district.

(b) For purposes of determining whether a building is structurally substandard, whether parcels are occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures, or whether noncontiguous areas qualify, the provisions of subdivision 10, paragraphs ~~(c), (e), and (f)~~ (b) through (f) apply.

EFFECTIVE DATE. This section is effective for requests for certification made after June 30, 2007.

Sec. 12. Minnesota Statutes 2006, section 469.175, subdivision 1, is amended to read:

Subdivision 1. **Tax increment financing plan.** (a) A tax increment financing plan shall contain:

(1) a statement of objectives of an authority for the improvement of a project;

(2) a statement as to the development program for the project, including the property within the project, if any, that the authority intends to acquire, identified by parcel number, identifiable property name, block, or other appropriate means indicating the area in which the authority intends to acquire properties;

(3) a list of any development activities that the plan proposes to take place within the project, for which contracts have been entered into at the time of the preparation of the plan, including the names of the parties to the contract, the activity governed by the contract, the cost stated in the contract, and the expected date of completion of that activity;

(4) identification or description of the type of any other specific development reasonably expected to take place within the project, and the date when the development is likely to occur;

(5) estimates of the following:

(i) cost of the project, including administrative expenses, except that if part of the cost of the project is paid or financed with increment from the tax increment financing district, the tax increment financing plan for the district must contain an estimate of the amount of the cost of the project, including administrative expenses, that will be paid or financed with tax increments from the district;

(ii) amount of bonded indebtedness to be incurred;

(iii) sources of revenue to finance or otherwise pay public costs;

(iv) the most recent net tax capacity of taxable real property within the tax increment financing district and within any subdistrict;

(v) the estimated captured net tax capacity of the tax increment financing district at completion; and

131.1 (vi) the duration of the tax increment financing district's and any subdistrict's
131.2 existence;

131.3 (6) statements of the authority's alternate estimates of the impact of tax increment
131.4 financing on the net tax capacities of all taxing jurisdictions in which the tax increment
131.5 financing district is located in whole or in part. For purposes of one statement, the
131.6 authority shall assume that the estimated captured net tax capacity would be available to
131.7 the taxing jurisdictions without creation of the district, and for purposes of the second
131.8 statement, the authority shall assume that none of the estimated captured net tax capacity
131.9 would be available to the taxing jurisdictions without creation of the district or subdistrict;

131.10 (7) identification and description of studies and analyses used to make the
131.11 determination set forth in subdivision 3, clause (2); and

131.12 (8) identification of all parcels to be included in the district or any subdistrict.

131.13 (b) The authority may specify in the tax increment financing plan the first year in
131.14 which it elects to receive increment, up to four years following the year of approval of the
131.15 district. This paragraph does not apply to an economic development district.

131.16 **EFFECTIVE DATE.** This section is effective for districts for which the request for
131.17 certification is made after June 30, 2007.

131.18 Sec. 13. Minnesota Statutes 2006, section 469.175, subdivision 3, is amended to read:

131.19 Subd. 3. **Municipality approval.** (a) A county auditor shall not certify the original
131.20 net tax capacity of a tax increment financing district until the tax increment financing plan
131.21 proposed for that district has been approved by the municipality in which the district
131.22 is located. If an authority that proposes to establish a tax increment financing district
131.23 and the municipality are not the same, the authority shall apply to the municipality in
131.24 which the district is proposed to be located and shall obtain the approval of its tax
131.25 increment financing plan by the municipality before the authority may use tax increment
131.26 financing. The municipality shall approve the tax increment financing plan only after a
131.27 public hearing thereon after published notice in a newspaper of general circulation in the
131.28 municipality at least once not less than ten days nor more than 30 days prior to the date
131.29 of the hearing. The published notice must include a map of the area of the district from
131.30 which increments may be collected and, if the project area includes additional area, a map
131.31 of the project area in which the increments may be expended. The hearing may be held
131.32 before or after the approval or creation of the project or it may be held in conjunction with
131.33 a hearing to approve the project.

132.1 (b) Before or at the time of approval of the tax increment financing plan, the
132.2 municipality shall make the following findings, and shall set forth in writing the reasons
132.3 and supporting facts for each determination:

132.4 (1) that the proposed tax increment financing district is a redevelopment district, a
132.5 renewal or renovation district, a housing district, a soils condition district, or an economic
132.6 development district; if the proposed district is a redevelopment district or a renewal or
132.7 renovation district, the reasons and supporting facts for the determination that the district
132.8 meets the criteria of section 469.174, subdivision 10, paragraph (a), clauses (1) and (2), or
132.9 subdivision 10a, must be documented in writing and retained and made available to the
132.10 public by the authority until the district has been terminated;

132.11 (2) that, in the opinion of the municipality:

132.12 (i) the proposed development or redevelopment would not reasonably be expected to
132.13 occur solely through private investment within the reasonably foreseeable future; and

132.14 (ii) the increased market value of the site that could reasonably be expected to
132.15 occur without the use of tax increment financing would be less than the increase in the
132.16 market value estimated to result from the proposed development after subtracting the
132.17 present value of the projected tax increments for the maximum duration of the district
132.18 permitted by the plan. The requirements of this item do not apply if the district is a
132.19 ~~qualified~~ housing district;

132.20 (3) that the tax increment financing plan conforms to the general plan for the
132.21 development or redevelopment of the municipality as a whole;

132.22 (4) that the tax increment financing plan will afford maximum opportunity,
132.23 consistent with the sound needs of the municipality as a whole, for the development or
132.24 redevelopment of the project by private enterprise;

132.25 (5) that the municipality elects the method of tax increment computation set forth in
132.26 section 469.177, subdivision 3, paragraph (b), if applicable.

132.27 (c) When the municipality and the authority are not the same, the municipality shall
132.28 approve or disapprove the tax increment financing plan within 60 days of submission by
132.29 the authority. When the municipality and the authority are not the same, the municipality
132.30 may not amend or modify a tax increment financing plan except as proposed by the
132.31 authority pursuant to subdivision 4. Once approved, the determination of the authority
132.32 to undertake the project through the use of tax increment financing and the resolution of
132.33 the governing body shall be conclusive of the findings therein and of the public need for
132.34 the financing.

133.1 (d) For a district that is subject to the requirements of paragraph (b), clause (2),
133.2 item (ii), the municipality's statement of reasons and supporting facts must include all of
133.3 the following:

133.4 (1) an estimate of the amount by which the market value of the site will increase
133.5 without the use of tax increment financing;

133.6 (2) an estimate of the increase in the market value that will result from the
133.7 development or redevelopment to be assisted with tax increment financing; and

133.8 (3) the present value of the projected tax increments for the maximum duration of
133.9 the district permitted by the tax increment financing plan.

133.10 (e) For purposes of this subdivision, "site" means the parcels on which the
133.11 development or redevelopment to be assisted with tax increment financing will be located.

133.12 **EFFECTIVE DATE.** This section is effective the day following final enactment
133.13 and applies to all districts, regardless of when the request for certification was made.

133.14 Sec. 14. Minnesota Statutes 2006, section 469.176, subdivision 1, is amended to read:

133.15 Subdivision 1. **Duration of tax increment financing districts.** (a) Subject to the
133.16 limitations contained in subdivisions 1a to 1f, any tax increment financing district as to
133.17 which bonds are outstanding, payment for which the tax increment and other revenues
133.18 have been pledged, shall remain in existence at least as long as the bonds continue to be
133.19 outstanding. The municipality may, at the time of approval of the initial tax increment
133.20 financing plan, provide for one or both of the following:

133.21 (1) a shorter maximum duration limit than specified in subdivisions 1a to 1f;

133.22 (2) an election as provided under section 469.175, subdivision 1, paragraph (b).

133.23 The specified limit applies in place of the otherwise applicable limit, unless the authority
133.24 modifies the plan following the procedures under section 469.175, subdivision 4,
133.25 paragraph (b).

133.26 (b) The tax increment pledged to the payment of the bonds and interest thereon may
133.27 be discharged and the tax increment financing district may be terminated if sufficient funds
133.28 have been irrevocably deposited in the debt service fund or other escrow account held in
133.29 trust for all outstanding bonds to provide for the payment of the bonds at maturity or date
133.30 of redemption and interest thereon to the maturity or redemption date.

133.31 (c) For bonds issued pursuant to section 469.178, subdivisions 2 and 3, the full
133.32 faith and credit and any taxing powers of the municipality or authority are pledged to the
133.33 payment of the bonds until the principal of and interest on the bonds has been paid in full.

134.1 **EFFECTIVE DATE.** This section is effective for districts for which the request for
134.2 certification is made after June 30, 2007.

134.3 Sec. 15. Minnesota Statutes 2006, section 469.176, subdivision 2, is amended to read:

134.4 Subd. 2. **Excess increments.** (a) The authority shall annually determine the amount
134.5 of excess increments for a district, if any. This determination must be based on the tax
134.6 increment financing plan in effect on December 31 of the year and the increments and
134.7 other revenues received as of December 31 of the year. The authority must spend or return
134.8 the excess increments under paragraph (c) within nine months after the end of the year.

134.9 (b) For purposes of this subdivision, "excess increments" equals the excess of:

134.10 (1) total increments collected from the district since its certification, reduced by any
134.11 excess increments paid under paragraph (c), clause (4), for a prior year, over

134.12 (2) the total costs authorized by the tax increment financing plan to be paid with
134.13 increments from the district, reduced, but not below zero, by the sum of:

134.14 (i) the amounts of those authorized costs that have been paid from sources other than
134.15 tax increments from the district;

134.16 (ii) revenues, other than tax increments from the district, that are dedicated for or
134.17 otherwise required to be used to pay those authorized costs and that the authority has
134.18 received and that are not included in item (i);

134.19 (iii) the amount of principal and interest obligations due on outstanding bonds after
134.20 December 31 of the year and not prepaid under paragraph (c) in a prior year; and

134.21 (iv) increased by the sum of the transfers of increments made under section 469.1763,
134.22 subdivision 6, to reduce deficits in other districts made by December 31 of the year.

134.23 (c) The authority shall use excess increment only to do one or more of the following:

134.24 (1) prepay any outstanding bonds;

134.25 (2) discharge the pledge of tax increment for any outstanding bonds;

134.26 (3) pay into an escrow account dedicated to the payment of any outstanding bonds; or

134.27 (4) return the excess amount to the county auditor who shall distribute the excess
134.28 amount to the city or town, county, and school district in which the tax increment financing
134.29 district is located in direct proportion to their respective local tax rates.

134.30 (d) For purposes of a district for which the request for certification was made prior to
134.31 August 1, 1979, excess increments equal the amount of increments on hand on December
134.32 31, less the principal and interest obligations due on outstanding bonds or advances,
134.33 qualifying under subdivision 1c, clauses (1), (2), (4), and (5), after December 31 of the
134.34 year and not prepaid under paragraph (c).

135.1 (e) The county auditor must report to the commissioner of education the amount of
135.2 any excess tax increment distributed to a school district within 30 days of the distribution.

135.3 (f) For purposes of this subdivision, "outstanding bonds" means bonds which are
135.4 secured by increments from the district.

135.5 (g) The state auditor may exempt an authority from reporting the amounts calculated
135.6 under this subdivision for a calendar year, if the authority certifies to the auditor in
135.7 its report that the total amount authorized by the tax increment plan to be paid with
135.8 increments from the district exceeds the sum of the total increments collected for the
135.9 district for all years by 20 percent.

135.10 **EFFECTIVE DATE.** This section is effective the day following final enactment and
135.11 applies to all districts regardless of when the request for certification was made, including
135.12 districts for which the request for certification was made on or before August 1, 1979.

135.13 Sec. 16. Minnesota Statutes 2006, section 469.176, subdivision 4l, is amended to read:

135.14 Subd. 4l. **Prohibited facilities.** (a) No tax increment from any district may be
135.15 used for:

135.16 (1) a commons area used as a public park; or

135.17 (2) a facility used for social, recreational, or conference purposes.

135.18 (b) This subdivision does not apply to a privately owned facility for conference
135.19 purposes or a parking structure, whether it is public or privately owned or whether it is
135.20 ancillary to a use listed in paragraph (a).

135.21 **EFFECTIVE DATE.** This section confirms the original intent of the legislature
135.22 in enacting Minnesota Statutes, section 469.176, subdivision 4l, and is effective the day
135.23 following final enactment and applies to any expenditure subject to Minnesota Statutes,
135.24 section 469.176, subdivision 4l.

135.25 Sec. 17. Minnesota Statutes 2006, section 469.176, subdivision 7, is amended to read:

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

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

136.1 (2) a ~~qualified~~ housing district.

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

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

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

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

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

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

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

136.15 EFFECTIVE DATE. This section is effective the day following final enactment
136.16 and applies to all districts regardless of when the request for certification was made.

136.17 Sec. 18. Minnesota Statutes 2006, section 469.1761, subdivision 1, is amended to read:

136.18 Subdivision 1. **Requirement imposed.** (a) In order for a tax increment financing
136.19 district to qualify as a housing district:

136.20 (1) the income limitations provided in this section must be satisfied; and

136.21 (2) no more than 20 percent of the square footage of buildings that receive assistance
136.22 from tax increments may consist of commercial, retail, or other nonresidential uses.

136.23 (b) The requirements imposed by this section apply to property receiving assistance
136.24 financed with tax increments, including interest reduction, land transfers at less than the
136.25 authority's cost of acquisition, utility service or connections, roads, parking facilities, or
136.26 other subsidies. The provisions of this section do not apply to districts located in a targeted
136.27 area as defined in section 462C.02, subdivision 9, clause (e).

136.28 (c) For purposes of the requirements of paragraph (a), the authority may elect to treat
136.29 an addition to an existing structure as a separate building if:

136.30 (1) construction of the addition begins more than three years after construction of
136.31 the existing structure was completed; and

136.32 (2) for an addition that does not meet the requirements of paragraph (a), clause (2), if
136.33 it is treated as a separate building, the addition was not contemplated by the tax increment
136.34 financing plan which includes the existing structure.

137.1 **EFFECTIVE DATE.** This section is effective for expenditures of tax increment
137.2 authorized and made after the day following final enactment, regardless of when the
137.3 request for certification of the district was made.

137.4 Sec. 19. Minnesota Statutes 2006, section 469.1763, subdivision 2, is amended to read:

137.5 Subd. 2. **Expenditures outside district.** (a) For each tax increment financing
137.6 district, an amount equal to at least 75 percent of the total revenue derived from tax
137.7 increments paid by properties in the district must be expended on activities in the district
137.8 or to pay bonds, to the extent that the proceeds of the bonds were used to finance activities
137.9 in the district or to pay, or secure payment of, debt service on credit enhanced bonds.
137.10 For districts, other than redevelopment districts for which the request for certification
137.11 was made after June 30, 1995, the in-district percentage for purposes of the preceding
137.12 sentence is 80 percent. Not more than 25 percent of the total revenue derived from tax
137.13 increments paid by properties in the district may be expended, through a development fund
137.14 or otherwise, on activities outside of the district but within the defined geographic area of
137.15 the project except to pay, or secure payment of, debt service on credit enhanced bonds.
137.16 For districts, other than redevelopment districts for which the request for certification was
137.17 made after June 30, 1995, the pooling percentage for purposes of the preceding sentence is
137.18 20 percent. The revenue derived from tax increments for the district that are expended on
137.19 costs under section 469.176, subdivision 4h, paragraph (b), may be deducted first before
137.20 calculating the percentages that must be expended within and without the district.

137.21 (b) In the case of a housing district, a housing project, as defined in section 469.174,
137.22 subdivision 11, is an activity in the district.

137.23 (c) All administrative expenses are for activities outside of the district, except that
137.24 if the only expenses for activities outside of the district under this subdivision are for
137.25 the purposes described in paragraph (d), administrative expenses will be considered as
137.26 expenditures for activities in the district.

137.27 (d) The authority may elect, in the tax increment financing plan for the district,
137.28 to increase by up to ten percentage points the permitted amount of expenditures for
137.29 activities located outside the geographic area of the district under paragraph (a). As
137.30 permitted by section 469.176, subdivision 4k, the expenditures, including the permitted
137.31 expenditures under paragraph (a), need not be made within the geographic area of the
137.32 project. Expenditures that meet the requirements of this paragraph are legally permitted
137.33 expenditures of the district, notwithstanding section 469.176, subdivisions 4b, 4c, and 4j.
137.34 To qualify for the increase under this paragraph, the expenditures must:

138.1 (1) be used exclusively to assist housing that meets the requirement for a qualified
138.2 low-income building, as that term is used in section 42 of the Internal Revenue Code;

138.3 (2) not exceed the qualified basis of the housing, as defined under section 42(c) of
138.4 the Internal Revenue Code, less the amount of any credit allowed under section 42 of
138.5 the Internal Revenue Code; and

138.6 (3) be used to:

138.7 (i) acquire and prepare the site of the housing;

138.8 (ii) acquire, construct, or rehabilitate the housing; or

138.9 (iii) make public improvements directly related to the housing.

138.10 (e) For a district created within a biotechnology and health sciences industry zone
138.11 as defined in section 469.330, subdivision 6, or for an existing district located within
138.12 such a zone, tax increment derived from such a district may be expended outside of the
138.13 district but within the zone only for expenditures required for the construction of public
138.14 infrastructure necessary to support the activities of the zone, land acquisition, and other
138.15 redevelopment costs as defined in section 469.176, subdivision 4j. ~~Public infrastructure~~
138.16 These expenditures are considered as expenditures for activities within the district.

138.17 **EFFECTIVE DATE.** This section is effective for all districts located in bioscience
138.18 zones, regardless of when the request for certification was made.

138.19 Sec. 20. Minnesota Statutes 2006, section 469.177, subdivision 1, is amended to read:

138.20 Subdivision 1. **Original net tax capacity.** (a) Upon or after adoption of a tax
138.21 increment financing plan, the auditor of any county in which the district is situated shall,
138.22 upon request of the authority, certify the original net tax capacity of the tax increment
138.23 financing district and that portion of the district overlying any subdistrict as described in
138.24 the tax increment financing plan and shall certify in each year thereafter the amount by
138.25 which the original net tax capacity has increased or decreased as a result of a change in tax
138.26 exempt status of property within the district and any subdistrict, reduction or enlargement
138.27 of the district or changes pursuant to subdivision 4. The auditor shall certify the amount
138.28 within 30 days after receipt of the request and sufficient information to identify the parcels
138.29 included in the district. The certification relates to the taxes payable year as provided in
138.30 subdivision 6.

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

139.1 (c) The amount to be added to the original net tax capacity of the district as a result
139.2 of previously tax exempt real property within the district becoming taxable equals the net
139.3 tax capacity of the real property as most recently assessed pursuant to section 273.18 or, if
139.4 that assessment was made more than one year prior to the date of title transfer rendering
139.5 the property taxable, the net tax capacity assessed by the assessor at the time of the
139.6 transfer. If improvements are made to tax exempt property after the municipality approves
139.7 the district and before the parcel becomes taxable, the assessor shall, at the request of
139.8 the authority, separately assess the estimated market value of the improvements. If the
139.9 property becomes taxable, the county auditor shall add to original net tax capacity, the net
139.10 tax capacity of the parcel, excluding the separately assessed improvements. If substantial
139.11 taxable improvements were made to a parcel after certification of the district and if the
139.12 property later becomes tax exempt, in whole or part, as a result of the authority acquiring
139.13 the property through foreclosure or exercise of remedies under a lease or other revenue
139.14 agreement or as a result of tax forfeiture, the amount to be added to the original net tax
139.15 capacity of the district as a result of the property again becoming taxable is the amount
139.16 of the parcel's value that was included in original net tax capacity when the parcel was
139.17 first certified. The amount to be added to the original net tax capacity of the district as a
139.18 result of enlargements equals the net tax capacity of the added real property as most
139.19 recently certified by the commissioner of revenue as of the date of modification of the tax
139.20 increment financing plan pursuant to section 469.175, subdivision 4.

139.21 (d) If the net tax capacity of a property increases because the property no longer
139.22 qualifies under the Minnesota Agricultural Property Tax Law, section 273.111; the
139.23 Minnesota Open Space Property Tax Law, section 273.112; or the Metropolitan
139.24 Agricultural Preserves Act, chapter 473H, or because platted, unimproved property is
139.25 improved or market value is increased after approval of the plat under section 273.11,
139.26 subdivision 14, 14a, or 14b, the increase in net tax capacity must be added to the original
139.27 net tax capacity.

139.28 (e) The amount to be subtracted from the original net tax capacity of the district
139.29 as a result of previously taxable real property within the district becoming tax exempt,
139.30 or a reduction in the geographic area of the district, shall be the amount of original net
139.31 tax capacity initially attributed to the property becoming tax exempt or being removed
139.32 from the district. If the net tax capacity of property located within the tax increment
139.33 financing district is reduced by reason of a court-ordered abatement, stipulation agreement,
139.34 voluntary abatement made by the assessor or auditor or by order of the commissioner of
139.35 revenue, the reduction shall be applied to the original net tax capacity of the district when
139.36 the property upon which the abatement is made has not been improved since the date of

certification of the district and to the captured net tax capacity of the district in each year thereafter when the abatement relates to improvements made after the date of certification. The county auditor may specify reasonable form and content of the request for certification of the authority and any modification thereof pursuant to section 469.175, subdivision 4.

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

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

EFFECTIVE DATE. This section is effective for requests for certification made after June 30, 2007.

Sec. 21. Minnesota Statutes 2006, section 469.178, subdivision 7, is amended to read:

Subd. 7. **Interfund loans.** The authority or municipality may advance or loan money to finance expenditures under section 469.176, subdivision 4, from its general fund or any other fund under which it has legal authority to do so. The loan or advance must be authorized, by resolution of the governing body or of the authority, whichever has jurisdiction over the fund from which the advance or loan is made, before money is transferred, advanced, or spent, whichever is earliest. The resolution may generally grant to the authority the power to make interfund loans under one or more tax increment financing plans or for one or more districts. The terms and conditions for repayment of the loan must be provided in writing and include, at a minimum, the principal amount, the interest rate, and maximum term. The maximum rate of interest permitted to be charged is limited to the greater of the rates specified under section 270C.40 or 549.09 as of the date the loan or advance is made, unless the written agreement states that the maximum interest rate will fluctuate as the interest rates specified under section 270C.40 or 549.09 are from time to time adjusted.

141.1 **EFFECTIVE DATE.** This section is effective the day following final enactment
141.2 and applies to all districts subject to Minnesota Statutes, section 469.178, subdivision 7,
141.3 regardless of when the request for certification was made.

141.4 Sec. 22. Minnesota Statutes 2006, section 469.1791, subdivision 3, is amended to read:

141.5 Subd. 3. **Preconditions to establish district.** (a) A city may establish a special
141.6 taxing district within a tax increment financing district under this section only if the
141.7 conditions under paragraphs (b) and (c) are met or if the city elects to exercise the
141.8 authority under paragraph (d).

141.9 (b) The city has determined that:

141.10 (1) total tax increments from the district, including unspent increments from
141.11 previous years and increments transferred under paragraph (c), will be insufficient to pay
141.12 the amounts due in a year on preexisting obligations; and

141.13 (2) this insufficiency of increments resulted from the reduction in property tax class
141.14 rates enacted in the 1997 and 1998 legislative sessions.

141.15 (c) The city has agreed to transfer any available increments from other tax increment
141.16 financing districts in the city to pay the preexisting obligations of the district under section
141.17 469.1763, subdivision 6. This requirement does not apply to any available increments of a
141.18 ~~qualified~~ housing district.

141.19 (d) If a tax increment financing district does not qualify under paragraphs (b) and
141.20 (c), the governing body may elect to establish a special taxing district under this section.

141.21 If the city elects to exercise this authority, increments from the tax increment financing
141.22 district and the proceeds of the tax imposed under this section may only be used to pay
141.23 preexisting obligations and reasonable administrative expenses of the authority for the tax
141.24 increment financing district. The tax increment financing district must be decertified when
141.25 all preexisting obligations have been paid.

141.26 **EFFECTIVE DATE.** This section is effective the day following final enactment
141.27 and applies to districts regardless of when the request for certification was made.

141.28 Sec. 23. Minnesota Statutes 2006, section 469.312, subdivision 5, is amended to read:

141.29 Subd. 5. **Duration limit.** (a) The maximum duration of a zone is 12 years. The
141.30 applicant may request a shorter duration. The commissioner may specify a shorter
141.31 duration, regardless of the requested duration.

141.32 (b) The duration limit under this subdivision and the duration of the zone for
141.33 purposes of allowance of tax incentives described in section 469.315 is extended by three
141.34 calendar years for each parcel of property that meets the following requirements:

142.1 (1) the qualified business operates an ethanol plant, as defined in section 41A.09, on
142.2 the site that includes the parcel; and

142.3 (2) the business subsidy agreement was executed after April 30, 2006.

142.4 (c)(1) Notwithstanding the 12-year zone limitation, all qualified businesses that sign
142.5 a business subsidy agreement, as required under sections 469.310, subdivision 11, and
142.6 469.313, before December 31, 2015, are entitled to claim the tax benefits for which they
142.7 qualify under section 469.315 for the year in which the business subsidy agreement is
142.8 signed and ten additional years.

142.9 (2) This paragraph does not apply to:

142.10 (i) any acreage designated as a job opportunity building zone for which any person
142.11 has fully executed a business subsidy agreement before this paragraph became effective;

142.12 (ii) any trade or business that relocates as defined in section 469.310, subdivision 12,
142.13 and received benefits under section 463.315 prior to the relocation; or

142.14 (iii) any trade or business that is located in the 11-county metropolitan area, which
142.15 consists of the counties of Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey,
142.16 Scott, Sherburne, Washington, and Wright, or outside of that metropolitan area but within
142.17 a home rule charter or statutory city that has a population in excess of 50,000, or in a home
142.18 rule charter or statutory city that is contiguous to such a city; this exclusion does not apply
142.19 to any city that is immediately adjacent to another state.

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

142.21 Sec. 24. Minnesota Statutes 2006, section 469.312, is amended by adding a subdivision
142.22 to read:

142.23 Subd. 6. **Restrictions on relocations.** (a) If a business relocates or intends to
142.24 relocate under a proposed project more than 25 full-time equivalent jobs from a location
142.25 in Minnesota into a job opportunity building zone, the business must notify the local
142.26 government unit, the commissioner of employment and economic development, and the
142.27 city and the county governments from which the jobs are being or would be relocated.
142.28 A city or county that objects to the relocation of jobs must file a copy of the resolution
142.29 with the commissioner of employment and economic development and the local unit
142.30 of government.

142.31 (b) If the governing body of the city or county from which the jobs are being
142.32 relocated adopts a qualified resolution objecting to the relocation within 60 days after its
142.33 receipt of the notice, the following rules apply until the requirements of paragraph (c) are
142.34 satisfied:

143.1 (1) if the business has not entered into a business subsidy agreement, the local unit
143.2 of government may not enter into a business subsidy agreement with the business; or

143.3 (2) if the local unit of government has entered into a business subsidy agreement
143.4 with the business, the business ceases to be a qualified business, effective for the current
143.5 taxable year, the current assessment year, and for taxable purchases made after the first
143.6 day of the month beginning after the filing of the objecting resolution.

143.7 (c) To be a qualified resolution for purposes of this subdivision, the resolution must
143.8 identify one or more sites in the city or county that could serve as an appropriate site for
143.9 the facility proposed by the business. To satisfy this requirement a site must:

143.10 (1) be of adequate size;

143.11 (2) have appropriate transportation access, given the nature of the business;

143.12 (3) be served by adequate public infrastructure and public utilities or the
143.13 governmental unit will provide reasonably necessary public infrastructure and public
143.14 utilities for the project in a timely manner; and

143.15 (4) be under the ownership or control of either the governmental unit or the business
143.16 or be available for sale.

143.17 (d) When each city and county that objected to the relocation rescinds its objection
143.18 by resolution, the provisions of paragraph (b) no longer apply to the business.

143.19 **EFFECTIVE DATE.** This section is effective the day following final enactment
143.20 and applies to business subsidy agreements entered into after that date.

143.21 Sec. 25. Minnesota Statutes 2006, section 469.3201, is amended to read:

143.22 **469.3201 ~~JOBZ EXPENDITURE LIMITATIONS; AUDITS STATE~~**
143.23 **AUDITOR; AUDITS OF JOB OPPORTUNITY BUILDING ZONES AND**
143.24 **BUSINESS SUBSIDY AGREEMENTS.**

143.25 The Tax Increment Financing, Investment and Finance Division of the Office of the
143.26 State Auditor must annually audit the creation and operation of all job opportunity building
143.27 zones and business subsidy agreements entered into under Minnesota Statutes, sections
143.28 469.310 to 469.320. To the extent necessary to perform this audit, the state auditor may
143.29 request from the commissioner of revenue tax return information of taxpayers who are
143.30 eligible to receive tax benefits authorized under section 469.315. To the extent necessary
143.31 to perform this audit, the state auditor may request from the commissioner of employment
143.32 and economic development wage detail report information required under section 268.044
143.33 of taxpayers eligible to receive tax benefits authorized under section 469.315.

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

H.F. No. 2268, 2nd Engrossment - 85th Legislative Session (2007-2008)

144.1 Sec. 26. Minnesota Statutes 2006, section 473F.01, subdivision 2, is amended to read:

144.2 Subd. 2. **Use of proceeds.** ~~Except as provided in section 473F.08, subdivision 3a,~~
144.3 The proceeds from the areawide tax imposed under this chapter must be used by a local
144.4 governmental unit in the same manner and for the same purposes as the proceeds from
144.5 other ad valorem taxes levied by the local governmental unit.

144.6 **EFFECTIVE DATE.** This section is effective for taxes payable in 2008 and
144.7 thereafter.

144.8 Sec. 27. Minnesota Statutes 2006, section 473F.08, is amended by adding a subdivision
144.9 to read:

144.10 Subd. 3c. **Bloomington computation.** Effective for property taxes payable in 2009
144.11 and thereafter, after the Hennepin County auditor has computed the areawide portion of
144.12 the levy for the city of Bloomington pursuant to subdivision 3, clause (a), the auditor shall
144.13 annually add a dollar amount to the city of Bloomington's areawide portion of the levy
144.14 equal to the amount which has been certified by the auditor as the amount of the levy
144.15 generated by the property included in phase I and phase II of the Mall of America project.
144.16 The total areawide portion of the levy for the city of Bloomington, including the additional
144.17 amount related to phase I and phase II of the Mall of America project certified pursuant to
144.18 this subdivision, shall be certified by the Hennepin County auditor to the administrative
144.19 auditor pursuant to subdivision 5. The Hennepin County auditor shall distribute to the
144.20 city of Bloomington the additional areawide portion of the levy computed pursuant to this
144.21 subdivision at the same time that payments are made to the other counties pursuant to
144.22 subdivision 7a. The city must use the money so distributed to finance a parking facility
144.23 for phase II of the Mall of America project. The additional distribution to the city of
144.24 Bloomington under this subdivision terminates effective for the first taxes payable year
144.25 after the cost of the parking facility has been paid.

144.26 Sec. 28. Minnesota Statutes 2006, section 473F.08, subdivision 5, is amended to read:

144.27 Subd. 5. **Areawide tax rate.** On or before August 25 of each year, the county auditor
144.28 shall certify to the administrative auditor that portion of the levy of each governmental unit
144.29 determined under subdivisions 3, clause (a), ~~3a, and 3b,~~ and 3c. The administrative auditor
144.30 shall then determine the areawide tax rate sufficient to yield an amount equal to the sum of
144.31 such levies from the areawide net tax capacity. On or before September 1 of each year, the
144.32 administrative auditor shall certify the areawide tax rate to each of the county auditors.

145.1 **EFFECTIVE DATE.** This section is effective for taxes payable in 2008 and
145.2 thereafter.

145.3 Sec. 29. Minnesota Statutes 2006, section 473F.08, subdivision 7a, is amended to read:

145.4 Subd. 7a. **Certification of values; payment.** The administrative auditor shall
145.5 determine for each county the difference between the total levy on distribution value
145.6 pursuant to subdivisions 3, clause (a), ~~3a, and 3b, and 3c,~~ within the county and the total
145.7 tax on contribution value pursuant to subdivision 6, within the county. On or before May
145.8 16 of each year, the administrative auditor shall certify the differences so determined to
145.9 each county auditor. In addition, the administrative auditor shall certify to those county
145.10 auditors for whose county the total tax on contribution value exceeds the total levy on
145.11 distribution value the settlement the county is to make to the other counties of the excess
145.12 of the total tax on contribution value over the total levy on distribution value in the county.
145.13 On or before June 15 and November 15 of each year, each county treasurer in a county
145.14 having a total tax on contribution value in excess of the total levy on distribution value
145.15 shall pay one-half of the excess to the other counties in accordance with the administrative
145.16 auditors certification.

145.17 **EFFECTIVE DATE.** This section is effective for taxes payable in 2008 and
145.18 thereafter.

145.19 Sec. 30. Laws 1994, chapter 587, article 9, section 14, subdivision 1, is amended to
145.20 read:

145.21 Subdivision 1. **Establishment.** The city of Brooklyn Center may establish ~~an~~
145.22 a redevelopment tax increment financing district in which 15 percent of the revenues
145.23 generated from tax increment in any year is deposited in the housing and environmental
145.24 remediation development account of the authority and expended according to the tax
145.25 increment financing plan.

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

145.27 Sec. 31. Laws 1994, chapter 587, article 9, section 14, subdivision 2, is amended to
145.28 read:

145.29 Subd. 2. **Eligible activities.** The authority must identify in the plan the housing
145.30 activities that will be assisted by the housing and environmental remediation development
145.31 account. Housing activities may include rehabilitation, acquisition, construction,
145.32 demolition, and financing of new or existing single family or multifamily housing.

146.1 Housing and environmental remediation activities listed in the plan need not be located
146.2 within the district or project area but must be activities that meet the income requirements
146.3 ~~of a qualified housing district~~ under Minnesota Statutes, section ~~273.1399~~ or 469.1761;
146.4 ~~subdivision 2.~~

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

146.6 Sec. 32. Laws 1994, chapter 587, article 9, section 14, subdivision 3, is amended to
146.7 read:

146.8 Subd. 3. **Housing account.** Tax increment to be expended for housing and
146.9 environmental remediation activities under this section must be segregated by the
146.10 authority into a special account on its official books and records. The account may also
146.11 receive funds from other public and private sources.

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

146.13 Sec. 33. Laws 1995, chapter 264, article 5, section 44, subdivision 4, as amended by
146.14 Laws 1996, chapter 471, article 7, section 21, and Laws 1997, chapter 231, article 10,
146.15 section 12, is amended to read:

146.16 Subd. 4. **Authority.** For housing replacement projects in the city of Crystal,
146.17 "authority" means the Crystal economic development authority. For housing replacement
146.18 projects in the city of Fridley, "authority" means the housing and redevelopment authority
146.19 in and for the city of Fridley or a successor in interest. For housing replacement
146.20 projects in the city of Minneapolis, "authority" means the Minneapolis community
146.21 development agency or its successors and assigns. For housing replacement projects
146.22 in the city of St. Paul, "authority" means the St. Paul housing and redevelopment
146.23 authority. For housing replacement projects in the city of Duluth, "authority" means the
146.24 Duluth economic development authority. For housing replacement projects in the city of
146.25 Richfield, "authority" is the authority as defined in Minnesota Statutes, section 469.174,
146.26 subdivision 2, that is designated by the governing body of the city of Richfield. For
146.27 housing replacement projects in the city of Columbia Heights, "authority" is the authority
146.28 as defined in Minnesota Statutes, section 469.174, subdivision 2, that is designated by the
146.29 governing body of the city of Columbia Heights.

146.30 **EFFECTIVE DATE.** This section is effective the day following final enactment
146.31 and upon compliance by the governing body of the city of Minneapolis with Minnesota
146.32 Statutes, section 645.021, subdivision 3.

Sec. 34. Laws 1995, chapter 264, article 5, section 45, subdivision 1, as amended by Laws 1996, chapter 471, article 7, section 22, and Laws 1997, chapter 231, article 10, section 13, and Laws 2002, chapter 377, article 7, section 6, is amended to read:

Subdivision 1. **Creation of projects.** (a) An authority may create a housing replacement project under sections 44 to 47, as provided in this section.

(b) For the cities of Crystal, Fridley, Richfield, and Columbia Heights, the authority may designate up to 50 parcels in the city to be included in a housing replacement district. No more than ten parcels may be included in year one of the district, with up to ten additional parcels added to the district in each of the following nine years. For the cities of ~~Minneapolis~~, St. Paul, and Duluth, each authority may designate not more than 200 parcels in the city to be included in a housing replacement district over the life of the district. For the city of Minneapolis, the authority may designate not more than 400 parcels in the city to be included in a housing replacement district over the life of the district. The only parcels that may be included in a district are (1) vacant sites, (2) parcels containing vacant houses, or (3) parcels containing houses that are structurally substandard, as defined in Minnesota Statutes, section 469.174, subdivision 10.

(c) The city in which the authority is located must pay at least 25 percent of the housing replacement project costs from its general fund, a property tax levy, or other unrestricted money, not including tax increments.

(d) The housing replacement district plan must have as its sole object the acquisition of parcels for the purpose of preparing the site to be sold for market rate housing. As used in this section, "market rate housing" means housing that has a market value that does not exceed 150 percent of the average market value of single-family housing in that municipality.

EFFECTIVE DATE. This section is effective the day following final enactment and upon compliance by the governing body of the city of Minneapolis with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 35. Laws 2005, First Special Session chapter 3, article 10, section 23, is amended to read:

Sec. 23. GRANTS TO QUALIFYING BUSINESSES.

\$750,000 is appropriated in fiscal year 2006 from the general fund to the commissioner of employment and economic development to be distributed to the foreign trade zone authority to provide grants to qualified businesses as determined by the authority, subject to Minnesota Statutes, sections 116J.993 to 116J.995, to provide incentives for the businesses to locate their operations in an international

148.1 economic development zone. Of this appropriation, up to \$250,000 may be used by the
148.2 commissioner for a study to determine the economic viability of business plans for
148.3 international economic development zones. If the money is not distributed during fiscal
148.4 year 2006, it remains available for distribution under this section during fiscal year 2007.

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

148.6 Sec. 36. **CITY OF BLOOMINGTON; TAX INCREMENT FINANCING**
148.7 **DISTRICT; PROJECT REQUIREMENTS.**

148.8 **Subdivision 1. Addition of parcels to Tax Increment District No. 1-G.**

148.9 Notwithstanding the provisions of Minnesota Statutes, section 469.175, subdivision 4,
148.10 or any other law to the contrary, the governing bodies of the Port Authority of the city
148.11 of Bloomington and the city of Bloomington may elect to eliminate certain real property
148.12 from Tax Increment District No. 1-C within Industrial Development District No. 1 Airport
148.13 South in the city of Bloomington, Minnesota, and expand the boundaries of Tax Increment
148.14 District No. 1-G to include real property, which is described as follows:

148.15 (1) PARCEL A: Outlot A, MALL OF AMERICA 5TH ADDITION, according to
148.16 the recorded plat thereof, Hennepin County, Minnesota;

148.17 (2) PARCEL B: Lots 1 and 2, Block 1, MALL OF AMERICA 6TH ADDITION,
148.18 according to the recorded plat thereof, Hennepin County, Minnesota;

148.19 (3) PARCEL C: That part of Lindau Lane lying westerly of 24th Avenue South and
148.20 lying easterly of State Highway No. 77;

148.21 (4) PARCEL D: Those parts of Lots 1, 2, and 3, Block 1, MALL OF AMERICA
148.22 3RD ADDITION, according to the recorded plat thereof, Hennepin County, Minnesota,
148.23 which lie northerly of a line described as commencing at the most westerly northwest
148.24 corner of said Lot 1; thence on an assumed bearing of South 4 degrees 10 minutes 55
148.25 seconds West, along the west line of said Lot 1, a distance of 58.60 feet to the point of
148.26 beginning of the line to be described; thence South 89 degrees 59 minutes 29 seconds East
148.27 a distance of 205.48 feet; thence South 62 degrees 16 minutes 23 seconds East a distance
148.28 of 169.47 feet; thence North 44 degrees 01 minute 28 seconds East a distance of 249.76
148.29 feet; thence South 89 degrees 59 minutes 39 seconds East a distance of 88.47 feet; thence
148.30 South 45 degrees 09 minutes 10 seconds East a distance of 225.13 feet; thence South 89
148.31 degrees 59 minutes 52 seconds East a distance of 303.62 feet; thence South 0 degrees 00
148.32 minutes 08 seconds West a distance of 10.00 feet; thence North 89 degrees 57 minutes
148.33 47 seconds East a distance of 55.90 feet; thence North 0 degrees 06 minutes 52 seconds
148.34 West a distance of 10.01 feet; thence North 89 degrees 59 minutes 04 seconds East a
148.35 distance of 332.04 feet; thence North 44 degrees 57 minutes 59 seconds East a distance of

149.1 251.28 feet; thence South 45 degrees 05 minutes 41 seconds East a distance of 267.55
149.2 feet; thence North 73 degrees 11 minutes 28 seconds East a distance of 145.63 feet; thence
149.3 South 89 degrees 59 minutes 38 seconds East a distance of 217.21 feet to the east line of
149.4 said Lot 1 and said line there terminating;

149.5 (5) PARCEL E: That part of Lot 1, Block 1, MALL OF AMERICA 3RD
149.6 ADDITION, according to the recorded plat thereof, Hennepin County, Minnesota,
149.7 described as commencing at the most southerly southwest corner of said Lot 1; thence
149.8 on an assumed bearing of South 88 degrees 03 minutes 50 seconds East, along the south
149.9 line of said Lot 1, a distance of 847.28 feet to the point of beginning of the parcel to be
149.10 described; thence North 0 degrees 01 minutes 05 seconds West a distance of 307.69 feet;
149.11 thence North 89 degrees 59 minutes 32 seconds East a distance of 163.77 feet; thence
149.12 North 0 degrees 00 minutes 36 seconds East a distance of 10.17 feet; thence South 89
149.13 degrees 59 minutes 24 seconds East a distance 55.93 feet; thence South 0 degrees 02
149.14 minutes 42 seconds West a distance of 10.21 feet; thence South 89 degrees 59 minutes 24
149.15 seconds East a distance of 242.25 feet; thence South 0 degrees 00 minutes 36 seconds
149.16 West a distance of 54.87 feet; thence South 62 degrees 14 minutes 23 seconds East a
149.17 distance of 22.55 feet; thence South 45 degrees 05 minutes 26 seconds East a distance
149.18 of 263.33 feet; thence South 0 degrees 12 minutes 39 seconds East a distance of 62.13
149.19 feet to said south line of Lot 1; thence westerly along said south line of Lot 1, a distance
149.20 of 668.64 feet to the point of beginning;

149.21 (6) PARCEL F: That part of Lot 1, Block 1, MALL OF AMERICA 3RD
149.22 ADDITION, according to the recorded plat thereof, Hennepin County, Minnesota,
149.23 described as beginning at the most westerly southwest corner of said Lot 1; thence on an
149.24 assumed bearing of North 4 degrees 10 minutes 55 seconds East, along the west line of
149.25 said Lot 1, a distance of 490.00 feet; thence South 89 degrees 59 minutes 26 seconds East
149.26 a distance of 69.49 feet; thence South 0 degrees 00 minutes 34 seconds West a distance of
149.27 488.70 feet; thence North 89 degrees 59 minutes 26 seconds West a distance of 105.14
149.28 feet to the point of beginning;

149.29 (7) PARCEL G: That part of Lot 1, Block 1, MALL OF AMERICA 3RD
149.30 ADDITION, according to the recorded plat thereof, Hennepin County, Minnesota,
149.31 described as commencing at the most westerly southwest corner of said Lot 1; thence on
149.32 an assumed bearing of North 4 degrees 10 minutes 55 seconds East, along the west line
149.33 of said Lot 1, a distance of 873.70 feet; thence South 89 degrees 58 minutes 59 seconds
149.34 East a distance of 273.87 feet to the point of beginning of the parcel to be described;
149.35 thence continuing South 89 degrees 58 minutes 59 seconds East a distance of 130.00 feet;
149.36 thence South 0 degrees 01 minute 01 second West a distance of 216.53 feet; thence South

150.1 85 degrees 23 minutes 04 seconds East a distance of 1.70 feet; thence South 0 degrees
150.2 01 minute 01 second West a distance of 87.63 feet; thence South 83 degrees 20 minutes
150.3 10 seconds West a distance of 1.68 feet; thence South 0 degrees 01 minute 49 seconds
150.4 East a distance of 216.46 feet; thence North 89 degrees 58 minutes 59 seconds West a
150.5 distance of 130.21 feet; thence North 0 degrees 01 minute 01 second East a distance of
150.6 520.95 feet to the point of beginning, which lies above an elevation of 894.2 feet, Mean
150.7 Sea Level Datum NGVD 1929 adjustment;

150.8 (8) PARCEL H: That part of Lot 1, Block 1, MALL OF AMERICA 3RD
150.9 ADDITION, according to the recorded plat thereof, Hennepin County, Minnesota,
150.10 described as commencing at the most westerly southwest corner of said Lot 1; thence on
150.11 an assumed bearing of North 4 degrees 10 minutes 55 seconds East, along the west line of
150.12 said Lot 1, a distance of 873.70 feet; thence South 89 degrees 58 minutes 59 seconds East a
150.13 distance of 403.87 feet; thence North 89 degrees 56 minutes 58 seconds East a distance of
150.14 61.26 feet to the point of beginning of the parcel to be described; thence South 89 degrees
150.15 56 minutes 58 seconds West a distance of 61.26 feet; thence South 0 degrees 01 minute 01
150.16 second West a distance of 216.53 feet; thence South 85 degrees 23 minutes 04 seconds
150.17 East a distance of 1.70 feet; thence South 0 degrees 01 minute 01 second West a distance
150.18 of 87.63 feet; thence South 83 degrees 20 minutes 10 seconds West a distance of 1.68 feet;
150.19 thence South 0 degrees 01 minute 49 seconds East a distance of 216.46 feet; thence North
150.20 89 degrees 56 minutes 58 seconds East a distance of 61.15 feet to a line bearing South 0
150.21 degrees 00 minutes 24 seconds West from the point of beginning; thence North 0 degrees
150.22 00 minutes 24 seconds East a distance of 520.95 feet to the point of beginning;

150.23 (9) PARCEL I: That part of Lot 1, Block 1, MALL OF AMERICA 3RD ADDITION,
150.24 according to the recorded plat thereof, Hennepin County, Minnesota, described as
150.25 commencing at the most westerly southwest corner of said Lot 1; thence on an assumed
150.26 bearing of North 4 degrees 10 minutes 55 seconds East, along the west line of said Lot 1, a
150.27 distance of 873.70 feet; thence South 89 degrees 58 minutes 59 seconds East a distance
150.28 of 403.87 feet; thence North 89 degrees 56 minutes 58 seconds East a distance of 61.26
150.29 feet; thence South 0 degrees 00 minutes 24 seconds West a distance of 5.54 feet to the
150.30 point of beginning of the parcel to be described; thence continuing South 0 degrees 00
150.31 minutes 24 seconds West a distance of 300.00 feet; thence South 89 degrees 59 minutes 36
150.32 seconds East a distance of 123.79 feet; thence North 0 degrees 00 minutes 24 seconds East
150.33 a distance of 299.98 feet; thence North 89 degrees 58 minutes 55 seconds West a distance
150.34 of 123.79 feet to the point of beginning, which lies above an elevation of 877.6 feet, Mean
150.35 Sea Level Datum NGVD 1929 adjustment;

151.1 (10) PARCEL J: That part of Lot 4, Block 1, MALL OF AMERICA 3RD
151.2 ADDITION, according to the recorded plat thereof, Hennepin County, Minnesota, which
151.3 lies above an elevation of 878.0 feet, Mean Sea Level Datum NGVD 1929 adjustment; and

151.4 (11) PARCEL K: That part of Lot 1, Block 1, MALL OF AMERICA 3RD
151.5 ADDITION, according to the recorded plat thereof, Hennepin County, Minnesota,
151.6 described as beginning at the most southerly southeast corner of said Lot 1; thence on an
151.7 assumed bearing of North 86 degrees 49 minutes 30 seconds West, along the south line of
151.8 said Lot 1, a distance of 117.87 feet; thence North 0 degrees 01 minute 27 seconds East a
151.9 distance of 293.98 feet; thence North 89 degrees 59 minutes 41 seconds East a distance of
151.10 213.38 feet to the east line of said Lot 1; thence southerly and westerly along said east and
151.11 south lines of Lot 1, a distance of 357.03 feet to the point of beginning.

151.12 Subd. 2. **Original tax capacity of Tax Increment District No. 1-G.** Upon
151.13 inclusion of the real property described above in the Tax Increment District No. 1-G,
151.14 the Hennepin County auditor must increase the original tax capacity of Tax Increment
151.15 District No. 1-G by \$10,490.

151.16 Subd. 3. **Use of increments.** All tax increments from Tax Increment District No.
151.17 1-G must be used for infrastructure costs.

151.18 Subd. 4. **Public hearing on district modification.** When the governing bodies of
151.19 the port authority or the city elect to exercise the authority provided in subdivision 1 to
151.20 modify the districts, they must conduct a public hearing after published notice on the
151.21 issue, with the meeting beginning between 6:00 p.m. and 7:00 p.m. on a weeknight.
151.22 Modification of the district must be approved by a unanimous vote of all members of the
151.23 governing body who are present at the meeting.

151.24 Subd. 5. **Construction of Mall of America phase II.** The governing body of the
151.25 city of Bloomington and the Bloomington port authority, as a condition of providing tax
151.26 increments or other financial assistance for infrastructure costs of the Mall of America
151.27 phase II, must enter into an agreement with the developers of the project that ensures that
151.28 the facility be, to the greatest extent practicable, constructed of American-made steel and
151.29 that prohibits inclusion of an auditorium, theater, or similar entertainment venue that
151.30 has a seating capacity in excess of 1500.

151.31 Subd. 6. **Living wage.** Any agreement to provide financial assistance to phase II of
151.32 the Mall of America project must include a provision that requires payment of wages that
151.33 meet the requirements of Minnesota Statutes, section 469.310, subdivision 11, paragraph
151.34 (g), to persons employed on a full-time basis at the facility. This subdivision does not
151.35 apply to seasonal or temporary employees or to internships or similar positions intended

152.1 to provide career experience or training. This subdivision does not apply to nonprofit
152.2 organizations, educational institutions, or businesses that employ fewer than 50 employees.

152.3 Subd. 7. **Affordable access.** To the extent determined by the governing body of
152.4 the city or the port authority, any agreement to provide financial assistance to phase II
152.5 of the Mall of America project must provide for affordable access to the amusement
152.6 areas of the facility.

152.7 **EFFECTIVE DATE.** This section is effective upon compliance with Minnesota
152.8 Statutes, section 645.021, subdivision 3.

152.9 Sec. 37. **CITY OF BLOOMINGTON; LOCAL TAXING AUTHORITY.**

152.10 Subdivision 1. **Additional taxes authorized; use of proceeds.** Notwithstanding
152.11 Minnesota Statutes, section 477A.016, or any other law, ordinance, or charter provision
152.12 to the contrary, the governing body of the city of Bloomington may impose any or all of
152.13 the taxes described in this section. The proceeds of any taxes imposed under this section,
152.14 less refunds and the cost of collection, must be used to provide financing for a parking
152.15 facility for the Mall of America phase II.

152.16 Subd. 2. **Sales tax.** The city may impose by ordinance a sales and use tax of up
152.17 to one percent within a special taxing district that includes the geographic area included
152.18 within Tax Increment Districts No. 1-C and No. 1-G in the city of Bloomington. The
152.19 provisions of Minnesota Statutes, section 297A.99, except for subdivisions 2 and 3,
152.20 govern the imposition, administration, collection, and enforcement of the tax authorized
152.21 in this subdivision.

152.22 Subd. 3. **Lodging tax.** The city may impose, by ordinance, a tax of up to one percent
152.23 on the gross receipts subject to the lodging tax under Minnesota Statutes, section 469.190.
152.24 This tax is in addition to any tax imposed under Minnesota Statutes, section 469.190.

152.25 Subd. 4. **Admissions and recreation tax.** The city may impose, by ordinance, a
152.26 tax of up to one percent on admissions to entertainment and recreational facilities and
152.27 rental of recreation equipment at sites within Tax Increment Districts No. 1-C and No.
152.28 1-G in the city of Bloomington.

152.29 Subd. 5. **Food and beverage tax.** The city may impose, by ordinance, an additional
152.30 sales tax of up to three percent on sales of food and beverages primarily for consumption
152.31 on or off the premises by restaurants and places of refreshment as defined by resolution of
152.32 the city within Tax Increment Districts No. 1-C and No. 1-G in the city of Bloomington.

153.1 **EFFECTIVE DATE.** This section is effective the day after compliance by the
153.2 governing body of the city of Bloomington with Minnesota Statutes, section 645.021,
153.3 subdivision 3.

153.4 Sec. 38. **BURNSVILLE; NORTHWEST QUADRANT TAX INCREMENT**
153.5 **FINANCING.**

153.6 **Subdivision 1. Definitions.** (a) For the purposes of this section, the words and
153.7 phrases defined have the meanings given them in this subdivision.

153.8 (b) "City" means the city of Burnsville.

153.9 (c) "Project area" means the area in the city bounded on the south, southeast, and
153.10 southwest by the southerly right-of-way line of Minnesota Trunk Highway 13; on the east
153.11 by the easterly right-of-way line of Interstate Highway I-35W; on the north and northwest
153.12 by the Minnesota River; and on the west by the westerly corporate limits of the city,
153.13 together with a single parcel to the east of said Interstate Highway I-35W described as
153.14 the North 1370 feet of the West 1075 feet of the NW Quarter of Section 34 Township 27
153.15 Range 24 in the city of Burnsville, Dakota County, except the North 50 feet thereof;
153.16 provided that the project area includes the rights-of-way for all present and future highway
153.17 interchanges abutting the area described in this paragraph.

153.18 (d) "Soil deficiency district" means a type of tax increment financing district
153.19 consisting of a portion of the project area in which the city finds by resolution that the
153.20 following conditions exist:

153.21 (1) unusual terrain or soil deficiencies for 80 percent of the acreage in the district
153.22 require substantial filling, grading, or other physical preparation for use; and

153.23 (2) the estimated cost of the physical preparation under clause (1), but excluding
153.24 costs directly related to roads as defined in Minnesota Statutes, section 160.01, and
153.25 local improvements as described in Minnesota Statutes, sections 429.021, subdivision 1,
153.26 clauses (1) to (7), (11), and (12), and 430.01, exceeds the fair market value of the land
153.27 before completion of the preparation.

153.28 **Subd. 2. Special rules.** (a) If the city elects, upon the adoption of the tax increment
153.29 financing plan for a district, the rules under this section apply to a redevelopment district,
153.30 renewal and renovation district, soil condition district, or a soil deficiency district
153.31 established by the city or a development authority of the city in the project area.

153.32 (b) Prior to or upon the adoption of the first tax increment plan subject to the special
153.33 rules under this subdivision, the city must find by resolution that parcels consisting of at
153.34 least 80 percent of the acreage of the project area (excluding street and railroad right of
153.35 way) are characterized by one or more of the following conditions:

- 154.1 (1) peat or other soils with geotechnical deficiencies that impair development of
154.2 residential or commercial buildings or infrastructure;
- 154.3 (2) soils or terrain that requires substantial filling in order to permit the development
154.4 of commercial or residential buildings or infrastructure;
- 154.5 (3) landfills, dumps, or similar deposits of municipal or private waste;
154.6 (4) quarries or similar resource extraction sites;
154.7 (5) floodway; and
- 154.8 (6) substandard buildings within the meaning of Minnesota Statutes, section
154.9 469.174, subdivision 10.
- 154.10 (c) For the purposes of paragraph (b), clauses (1) through (5), a parcel is deemed to
154.11 be characterized by the relevant condition if at least 70 percent of the area of the parcel
154.12 contains the relevant condition. For the purposes of paragraph (b), clause (6), a parcel is
154.13 deemed to be characterized by substandard buildings if the buildings occupy at least 30
154.14 percent of the area of the parcel.
- 154.15 (d) The five-year rule under Minnesota Statutes, section 469.1763, subdivision
154.16 3, is extended to ten years for any district, and section 469.1763, subdivision 4, does
154.17 not apply to any district.
- 154.18 (e) Notwithstanding anything to the contrary in section 469.1763, subdivision 2,
154.19 paragraph (a), not more than 80 percent of the total revenue derived from tax increments
154.20 paid by properties in any district (measured over the life of the district) may be expended
154.21 on activities outside the district but within the project area.
- 154.22 (f) For a soil deficiency district:
- 154.23 (1) increments may be collected through 20 years after the receipt by the authority of
154.24 the first increment from the district; and
- 154.25 (2) except as otherwise provided in this subdivision, increments may be used only to:
154.26 (i) acquire parcels on which the improvements described in item (ii) will occur;
154.27 (ii) pay for the cost of correcting the unusual terrain or soil deficiencies and the
154.28 additional cost of installing public improvements directly caused by the deficiencies; and
154.29 (iii) pay for the administrative expenses of the authority allocable to the district.
- 154.30 (g) Increments spent for any infrastructure costs, whether inside a district or outside
154.31 a district but within the project area, are deemed to satisfy the requirements of paragraph
154.32 (f) and Minnesota Statutes, section 469.176, subdivisions 4b and 4j.
- 154.33 (h) Increments from any district may not be used to pay the costs of landfill closure or
154.34 public infrastructure located on the following parcels within the plat known as Burnsville
154.35 Amphitheater: Lot 1, Block 1; Lots 1 and 2, Block 2; and Outlots A, B, C and D.

155.1 (i) The authority to approve tax increment financing plans to establish tax increment
155.2 financing districts under this section expires on December 31, 2017.

155.3 **EFFECTIVE DATE.** This section is effective upon compliance with Minnesota
155.4 Statutes, section 645.021, subdivision 3.

155.5 Sec. 39. **CITY OF EAGAN; TAX INCREMENT FINANCING DISTRICT.**

155.6 Subdivision 1. **Authorization; location.** The city of Eagan may establish within
155.7 the corporate boundaries of the city one or more economic development tax increment
155.8 financing districts subject to the special rules under subdivision 2. The districts must be
155.9 located within the "area" defined for purposes of this section as Section 13, Township
155.10 27, Range 23, Dakota County, Minnesota.

155.11 Subd. 2. **Special rules.** (a) If the city elects upon adoption of the tax increment
155.12 financing plan for the district, the rules under this subdivision apply to the district.

155.13 (b) The limitations in Minnesota Statutes, section 469.176, subdivision 4c, on
155.14 spending increment for developments more than 15 percent of the square footage of which
155.15 is used for purposes other than those listed in that subdivision, do not apply.

155.16 (c) Increments may be expended on surface parking, sanitary sewer, storm sewer,
155.17 water, and street improvements inside and outside the area whether or not included in a tax
155.18 increment financing district, and without regard to any limitations in Minnesota Statutes,
155.19 section 469.1763, subdivision 2, if the improvements are related to development within
155.20 the area and on administrative expenses.

155.21 Subd. 3. **Business subsidy agreement required.** Prior to approval of a tax
155.22 increment financing plan for a district authorized by this section, the city must enter
155.23 a business subsidy agreement with the recipient or beneficiary of expenditures of the
155.24 increments. The agreement must set minimum full-time employment goals, minimum
155.25 compensation amounts of the employment positions, and minimum investment amounts
155.26 for the project and must provide for repayment of all or part of the assistance, if the
155.27 established goals are not met by the recipient or beneficiaries.

155.28 Subd. 4. **Expiration of authority.** The authority to approve tax increment financing
155.29 plans to establish tax increment financing districts under this section expires on December
155.30 31, 2008.

155.31 **EFFECTIVE DATE.** This section is effective upon compliance by the city of
155.32 Eagan with Minnesota Statutes, section 645.021.

155.33 Sec. 40. **CITY OF EYOTA; TAX INCREMENT FINANCING DISTRICT.**

156.1 Subdivision 1. **Authorization.** Notwithstanding the mileage limitation in Minnesota
156.2 Statutes, section 469.174, subdivision 27, the city of Eyota is deemed to be a small city for
156.3 the purposes of Minnesota Statutes, section 469.174 to 469.1799, as long as its population
156.4 does not exceed the population limit in that section.

156.5 Subd. 2. **Local approval.** This section is effective for the city of Eyota upon
156.6 approval of Eyota's governing body and compliance with Minnesota Statutes, section
156.7 645.021, subdivisions 2 and 3.

156.8 Sec. 41. **CITY OF FRIDLEY; TAX INCREMENT FINANCING DISTRICT;**
156.9 **SPECIAL RULES.**

156.10 (a) If the city elects upon the adoption of a tax increment financing plan for a district,
156.11 the rules under this section apply to a redevelopment tax increment financing district
156.12 established by the city of Fridley or the housing and redevelopment authority of the city.

156.13 The redevelopment tax increment district includes the following parcels and adjacent
156.14 railroad property and shall be referred to as the Northstar Transit Station District: parcel
156.15 numbers 223024120010, 223024120009, 223024120017, 223024120016, 223024120018,
156.16 223024120012, 223024120011, 223024120005, 223024120004, 223024120003,
156.17 223024120013, 223024120008, 223024120007, 223024120006, 223024130005,
156.18 223024130010, 223024130011, 223024130003, 153024440039, 153024440037,
156.19 153024440041, 153024440042, 223024110013, 223024110016, 223024110017,
156.20 223024140008, 223024130002, 223024420004, 223024410002, 223024410003,
156.21 223024110008, 223024110007, 223024110019, 223024110018, 223024110003,
156.22 223024140003, 223024140009, 223024140002, 223024140010, and 223024410007.

156.23 (b) The requirements for qualifying a redevelopment tax increment district under
156.24 Minnesota Statutes, section 469.174, subdivision 10, do not apply to the parcels located
156.25 within the Northstar Transit Station District, which are deemed eligible for inclusion
156.26 in a redevelopment tax increment district.

156.27 (c) In addition to the costs permitted by Minnesota Statutes, section 469.176,
156.28 subdivision 4j, eligible expenditures within the Northstar Transit Station District include
156.29 those costs necessary to provide for the construction and land acquisition for a tunnel
156.30 under the Burlington Northern Santa Fe railroad tracks.

156.31 (d) Notwithstanding the provisions of Minnesota Statutes, section 469.1763,
156.32 subdivision 2, the city of Fridley may expend increments generated from its tax increment
156.33 financing districts Nos. 11, 12, and 13 for costs permitted by paragraph (c) and Minnesota
156.34 Statutes, section 469.176, subdivision 4j, outside the boundaries of tax increment financing
156.35 districts Nos. 11, 12, and 13, but only within the Northstar Transit Station District.

157.1 (e) The five-year rule under Minnesota Statutes, section 469.1763, subdivision 3,
157.2 does not apply to the Northstar Transit Station District or to tax increment financing
157.3 districts Nos. 11, 12, and 13.

157.4 (f) The use of revenues for decertification under Minnesota Statutes, section
157.5 469.1763, subdivision 4, does not apply to tax increment financing districts Nos. 11,
157.6 12, and 13.

157.7 **EFFECTIVE DATE.** This section is effective upon approval by the governing body
157.8 of the city of Fridley and upon compliance by the city with Minnesota Statutes, section
157.9 645.021, subdivision 3.

157.10 Sec. 42. **CITY OF NEW BRIGHTON; TAX INCREMENT FINANCING;**
157.11 **EXPENDITURES OUTSIDE DISTRICT.**

157.12 Notwithstanding the provisions of Minnesota Statutes, section 469.1763, subdivision
157.13 2, the city of New Brighton may expend increments generated from its tax increment
157.14 financing district No. 26 to facilitate eligible activities as permitted by Minnesota Statutes,
157.15 section 469.176, subdivision 4e, outside the boundaries of tax increment financing district
157.16 No. 26, but only within the area described in Laws 1998, chapter 389, article 11, section
157.17 24, subdivision 1, and commonly referred to as the Northwest Quadrant. Minnesota
157.18 Statutes, section 469.1763, subdivisions 3 and 4, do not apply to expenditures permitted
157.19 by this section.

157.20 **EFFECTIVE DATE.** This section is effective upon approval by the governing
157.21 body of the city of New Brighton and compliance by the city with Minnesota Statutes,
157.22 section 645.021, subdivision 3.

157.23 Sec. 43. **2008 REPUBLICAN NATIONAL CONVENTION EXPENSES;**
157.24 **APPROPRIATION.**

157.25 Subdivision 1. **Cash flow account cancellation.** \$39,000,000 is canceled from the
157.26 cash flow account created in Minnesota Statutes, section 16A.152, subdivision 1, to the
157.27 general fund.

157.28 Subd. 2. **Appropriation.** \$39,000,000 is appropriated from the general fund to the
157.29 commissioner of finance to support a guarantee by the state of Minnesota that private
157.30 money will be raised to pay the Minneapolis-St. Paul Host Committee's share of expenses
157.31 for the 2008 Republican National Convention in St. Paul.

158.1 This appropriation is not available until the commissioner has determined that
158.2 private money up to the amount of the guarantee has been committed to be paid to the
158.3 Host Committee no later than June 15, 2008. Any money advanced to the Host Committee
158.4 under the state guarantee must be repaid by the Host Committee to the commissioner of
158.5 finance no later than June 30, 2009, deposited in the state treasury, and credited to the cash
158.6 flow account in the general fund.

158.7 Sec. 44. **APPROPRIATION; GRANT TO FERGUS FALLS.**

158.8 \$200,000 in fiscal year 2008 and \$200,000 in fiscal year 2009 are appropriated
158.9 from the general fund to the commissioner of employment and economic development to
158.10 provide a grant to the city of Fergus Falls to market and promote economic development
158.11 of the site formerly used as a regional treatment facility.

158.12 Sec. 45. **APPROPRIATION; DAIRY INVESTMENT GRANTS.**

158.13 \$300,000 in fiscal year 2008 and \$200,000 in fiscal year 2009 are appropriated from
158.14 the general fund to the commissioner of agriculture for the purposes of section 1. Any
158.15 unencumbered balance in the first year does not cancel but is available in the second
158.16 year. This is a onetime appropriation and does not become part of the agency's base
158.17 budget. The commissioner may use up to three percent of the appropriation in each year
158.18 to administer the grant program.

158.19 Sec. 46. **APPROPRIATION; MINNESOTA HISTORICAL SOCIETY.**

158.20 \$3,073,000 in fiscal year 2008 is appropriated from the general fund to the
158.21 Minnesota Historical Society for grants to facilitate rehabilitation of historic structures as
158.22 provided in section 3. Of this amount, the Minnesota Historical Society may use up to
158.23 \$40,000 for purposes of administering the grants in section 3. Any unencumbered balance
158.24 in fiscal year 2008 does not cancel but is available in fiscal year 2009. This is a onetime
158.25 appropriation and does not become part of the agency's base budget.

158.26 Sec. 47. **REPEALER.**

- 158.27 (a) Minnesota Statutes 2006, section 469.174, subdivision 29, is repealed.
158.28 (b) Laws 1998, chapter 389, article 11, section 18, is repealed.
158.29 (c) Minnesota Statutes 2006, section 473F.08, subdivision 3a, is repealed.

158.30 **EFFECTIVE DATE.** Paragraph (a) is effective the day following final enactment.
158.31 For purposes of any special law authorizing or limiting the use of increments to projects
158.32 meeting the requirements of a qualified housing district, expenditures for housing districts

159.1 satisfying the requirements of Minnesota Statutes, sections 469.174, subdivision 11;
159.2 469.176, subdivision 4d; and 469.1761, as amended, also satisfy the requirements of
159.3 the special law.

159.4 Paragraph (b) is effective upon compliance with Minnesota Statutes, section
159.5 645.021, subdivision 3, by the governing body of the city of Burnsville. The balance of
159.6 tax increments derived from tax increment financing district No. 2-1 as of the effective
159.7 date of this section must be returned to the county for distribution in accordance with
159.8 Minnesota Statutes, section 469.176, subdivision 2.

159.9 Paragraph (c) is effective for taxes payable in 2008 and thereafter.

159.10 **ARTICLE 7**

159.11 **PUBLIC FINANCE**

159.12 Section 1. Minnesota Statutes 2006, section 118A.03, subdivision 3, is amended to read:

159.13 Subd. 3. **Amount.** The total amount of the collateral computed at its market value
159.14 shall be at least ten percent more than the amount on deposit ~~plus accrued interest~~ at
159.15 the close of the financial institution's banking day, except that where the collateral is
159.16 irrevocable standby letters of credit issued by Federal Home Loan Banks, the amount of
159.17 collateral shall be at least equal to the amount on deposit ~~plus accrued interest~~ at the close
159.18 of the financial institution's banking day. The financial institution may furnish both a
159.19 surety bond and collateral aggregating the required amount.

159.20 Sec. 2. Minnesota Statutes 2006, section 123B.61, is amended to read:

159.21 **123B.61 PURCHASE OF CERTAIN EQUIPMENT.**

159.22 The board of a district may issue general obligation certificates of indebtedness
159.23 or capital notes subject to the district debt limits to: (a) purchase vehicles, computers,
159.24 telephone systems, cable equipment, photocopy and office equipment, technological
159.25 equipment for instruction, and other capital equipment having an expected useful life at
159.26 least as long as the terms of the certificates or notes; (b) purchase computer hardware and
159.27 software, without regard to its expected useful life, whether bundled with machinery or
159.28 equipment or unbundled, together with application development services and training
159.29 related to the use of the computer; and (c) prepay special assessments. The certificates or
159.30 notes must be payable in not more than ~~five~~ ten years and must be issued on the terms
159.31 and in the manner determined by the board, except that certificates or notes issued to
159.32 prepay special assessments must be payable in not more than 20 years. The certificates
159.33 or notes may be issued by resolution and without the requirement for an election. The
159.34 certificates or notes are general obligation bonds for purposes of section 126C.55. A tax

160.1 levy must be made for the payment of the principal and interest on the certificates or
160.2 notes, in accordance with section 475.61, as in the case of bonds. The sum of the tax
160.3 levies under this section and section 123B.62 for each year must not exceed the lesser
160.4 of the amount of the district's total operating capital revenue or the sum of the district's
160.5 levy in the general and community service funds excluding the adjustments under this
160.6 section for the year preceding the year the initial debt service levies are certified. The
160.7 district's general fund levy for each year must be reduced by the sum of (1) the amount
160.8 of the tax levies for debt service certified for each year for payment of the principal and
160.9 interest on the certificates or notes issued under this section as required by section 475.61,
160.10 (2) the amount of the tax levies for debt service certified for each year for payment of the
160.11 principal and interest on bonds issued under section 123B.62, and (3) any excess amount
160.12 in the debt redemption fund used to retire bonds, certificates, or notes issued under this
160.13 section or section 123B.62 after April 1, 1997, other than amounts used to pay capitalized
160.14 interest. If the district's general fund levy is less than the amount of the reduction, the
160.15 balance shall be deducted first from the district's community service fund levy, and next
160.16 from the district's general fund or community service fund levies for the following year. A
160.17 district using an excess amount in the debt redemption fund to retire the certificates or
160.18 notes shall report the amount used for this purpose to the commissioner by July 15 of the
160.19 following fiscal year. A district having an outstanding capital loan under section 126C.69
160.20 or an outstanding debt service loan under section 126C.68 must not use an excess amount
160.21 in the debt redemption fund to retire the certificates or notes.

160.22 Sec. 3. Minnesota Statutes 2006, section 275.61, subdivision 1, is amended to read:

160.23 Subdivision 1. **Market value.** (a) For local governmental subdivisions other than
160.24 school districts, any levy, ~~including the issuance of debt obligations payable in whole or in~~
160.25 ~~part from property taxes,~~ required to be approved and approved by the voters at a general
160.26 or special election for taxes payable in 1993 and thereafter, shall be levied against the
160.27 referendum market value of all taxable property within the governmental subdivision, as
160.28 defined in section 126C.01, subdivision 3. Any levy amount subject to the requirements of
160.29 this section shall be certified separately to the county auditor under section 275.07.

160.30 (b) The ballot shall state the maximum amount of the increased levy as a percentage
160.31 of market value and the amount that will be raised by the new referendum tax rate in the
160.32 first year it is to be levied.

160.33 (c) This subdivision does not apply to tax levies for the payment of debt obligations
160.34 that are approved by the voters after June 30, 2007.

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

161.1 Sec. 4. Minnesota Statutes 2006, section 331A.05, subdivision 2, is amended to read:

161.2 Subd. 2. **Time of notice.** Unless otherwise specified by ~~a particular statute law~~, or
161.3 by order of a court, publication of a public notice shall be as follows:

161.4 (a) the notice shall be published once;

161.5 (b) if the notice is intended to inform the public about a future event, the last
161.6 publication shall occur not more than ~~14~~ 30 days and not less than seven days before
161.7 the event;

161.8 (c) if the notice is intended to inform the public about a past action or event, the last
161.9 publication shall occur not more than 45 days after occurrence of the action or event.

161.10 Sec. 5. Minnesota Statutes 2006, section 365A.02, is amended to read:

161.11 **365A.02 ~~DEFINITION~~ DEFINITIONS.**

161.12 Subdivision 1. **Subordinate service district.** "Subordinate service district" means a
161.13 defined area within the town in which ~~one or more governmental services or additions to~~
161.14 ~~townwide special~~ services are provided by the town specially for the area and financed
161.15 ~~from revenues from the area~~. The boundaries of a single subordinate service district
161.16 may not embrace an entire town.

161.17 Subd. 2. **Special services.** "Special services" means one or more governmental
161.18 services or additions to townwide services provided by the town specially for the area
161.19 and financed from revenues from the area.

161.20 Sec. 6. Minnesota Statutes 2006, section 365A.04, is amended to read:

161.21 **365A.04 ~~CREATION BY PETITION~~.**

161.22 Subdivision 1. **Petition.** A petition signed by at least 50 percent of the property
161.23 owners in the part of the town proposed for the subordinate service district may be
161.24 submitted to the town board requesting the establishment of a subordinate service district
161.25 to provide a service that the town is otherwise authorized by law to provide. The petition
161.26 must include the territorial boundaries of the proposed district and specify the kinds of
161.27 services to be provided within the district.

161.28 Subd. 1a. **Creation by town board.** The town board may establish a subordinate
161.29 service district in a portion of the town by adoption of a resolution, subject to the
161.30 requirements of subdivision 2.

161.31 Subd. 2. **Public hearing.** Upon receipt of the petition, and the verification of the
161.32 signatures by the town clerk or prior to adoption of the resolution specified in subdivision
161.33 1a, the town board shall, within 30 days following verification or prior to adoption of the
161.34 resolution specified in subdivision 1a, hold a public hearing on the question of whether or

not the requested district shall be established. The notice of public hearing must specify the special services to be provided within the subordinate service district and must specify the territorial boundaries of the requested district. The notice of public hearing must be published once in a newspaper of general circulation in the town at least 14 days prior to the date of the public hearing.

Subd. 3. **Approval; disapproval.** Within 30 days after the public hearing, the town board by resolution shall approve or disapprove the establishment of the requested district. An approving resolution must specify the special services to be provided within the subordinate service district and must specify the territorial boundaries of the district. A resolution approving the establishment of the district may contain amendments or modifications of the district's boundaries or functions as set forth in the petition or the resolution specified in subdivision 1a.

Sec. 7. Minnesota Statutes 2006, section 365A.08, is amended to read:

365A.08 FINANCING.

Subdivision 1. **Budget.** (a) Upon adoption of the next annual budget following the creation of a subordinate service district the town board shall include in the budget appropriate provisions for the operation of the district including either a property tax levied only on property of the users of the service within the boundaries of the district or a levy of a service charge against the users of the service within the district, or a combination of a property tax and a service charge on the users of the service.

(b) A tax or service charge or a combination of them may be imposed to finance a function or service in the district that the town ordinarily provides throughout the town only to the extent that there is an increase in the level of the function or service provided in the service district over that provided throughout the town. In that case, in addition to the townwide tax levy, an amount necessary to pay for the increase in the level of the function or service may be imposed in the district.

Subd. 2. **Bonds.** At any time after the requirements of section 356A.06 have been met and the subordinate service district created, the town board may issue obligations in an amount it deems necessary to defray in whole or in part the expense incurred and estimated to be incurred in making capital improvements necessary to operate the subordinate service district and provide the special services in the district, including every item of cost from inception to completion and all fees and expenses incurred in connection with the capital improvements or the financing. The obligations are payable primarily out of the proceeds of the taxes and service charges imposed under subdivision 1, net revenues as described in section 444.075, and special assessments under chapter 429. The

163.1 town board may by resolution pledge the full faith credit and taxing power of the town
163.2 to ensure payment of the principal and interest on the obligations if the proceeds of the
163.3 taxes and service charges are insufficient to pay the principal and interest. Obligations
163.4 must be issued in accordance with chapter 475, except that an election is not required, and
163.5 the amount of the obligations is not included in determining the net indebtedness of the
163.6 town under the provisions of any law limiting indebtedness.

163.7 Subd. 3. **Covenants to secure obligations.** In resolutions authorizing the issuance
163.8 of general or special obligations and pledging taxes and service charges imposed under
163.9 subdivision 1, net revenues, or special assessments to their payment, the town board
163.10 may make covenants for the protection of holders of the obligations and taxpayers of the
163.11 town as it deems necessary, including a covenant that the town will impose and collect
163.12 charges of the nature authorized by this chapter at the time and in the amounts required to
163.13 produce, together with any taxes or special assessments designated as a primary source
163.14 of payment of the obligations, funds adequate to pay all principal and interest when due
163.15 on the obligations, and to create and maintain reserves securing the payments as may be
163.16 provided in the resolutions.

163.17 Sec. 8. Minnesota Statutes 2006, section 365A.095, is amended to read:

163.18 **365A.095 PETITION FOR REMOVAL OF DISTRICT; PROCEDURE.**

163.19 Subdivision 1. **Petition.** A petition signed by at least 75 percent of the property
163.20 owners in the territory of the subordinate service district requesting the removal of the
163.21 district may be presented to the town board. Within 30 days after the town board receives
163.22 the petition, the town clerk shall determine the validity of the signatures on the petition. If
163.23 the requisite number of signatures are certified as valid, the town board must hold a public
163.24 hearing on the petitioned matter. Within 30 days after the end of the hearing, the town
163.25 board must decide whether to discontinue the subordinate service district, continue as it is,
163.26 or take some other action with respect to it.

163.27 Subd. 2. **Bonds.** If obligations have been issued for the benefit of the subordinate
163.28 service district, the rates, charges, and tax levies, if any, continue until the obligations and
163.29 any obligations issued to refund them have been paid in full.

163.30 Sec. 9. Minnesota Statutes 2006, section 373.01, subdivision 3, is amended to read:

163.31 Subd. 3. **Capital notes.** (a) A county board may, by resolution and without
163.32 referendum, issue capital notes subject to the county debt limit to purchase capital
163.33 equipment useful for county purposes that has an expected useful life at least equal to the
163.34 term of the notes. The notes shall be payable in not more than ten years and shall be

164.1 issued on terms and in a manner the board determines. A tax levy shall be made for
164.2 payment of the principal and interest on the notes, in accordance with section 475.61,
164.3 as in the case of bonds.

164.4 (b) For purposes of this subdivision, "capital equipment" means:

164.5 (1) public safety, ambulance, road construction or maintenance, and medical
164.6 equipment; and

164.7 (2) computer hardware and software, whether bundled with machinery or equipment
164.8 or unbundled. ~~The authority to issue capital notes for software expires on July 1, 2007.~~

164.9 Sec. 10. Minnesota Statutes 2006, section 373.40, subdivision 4, is amended to read:

164.10 Subd. 4. **Limitations on amount.** A county, ~~other than Ramsey,~~ may not issue
164.11 bonds under this section if the maximum amount of principal and interest to become due in
164.12 any year on all the outstanding bonds issued pursuant to this section (including the bonds
164.13 to be issued) will equal or exceed ~~0.05367~~ 0.12 percent of taxable market value of property
164.14 in the county. ~~Ramsey county may not issue bonds under this section if the maximum~~
164.15 ~~amount of principal and interest to become due in any year on all the outstanding bonds~~
164.16 ~~issued pursuant to this section (including the bonds to be issued) will equal or exceed~~
164.17 ~~0.06455 percent of taxable market value of property in the county.~~ Calculation of the
164.18 limit must be made using the taxable market value for the taxes payable year in which
164.19 the obligations are issued and sold. This section does not limit the authority to issue
164.20 bonds under any other special or general law.

164.21 **EFFECTIVE DATE.** This section is effective for bonds issued after June 30, 2007.

164.22 Sec. 11. Minnesota Statutes 2006, section 375B.09, is amended to read:

164.23 **375B.09 FINANCING.**

164.24 Subdivision 1. Budget. (a) Upon adoption of the next annual budget following the
164.25 creation of a subordinate service district the county board shall include in the budget
164.26 appropriate provisions for the operation of the district including, as appropriate, either a
164.27 property tax levied only on property within the boundaries of the district or a levy of a
164.28 service charge against the users of the service within the district, or any combination of a
164.29 property tax and a service charge.

164.30 (b) A tax or service charge or a combination thereof shall not be imposed to finance a
164.31 function or service in the subordinate service district which the county generally provides
164.32 throughout the county unless an increase in the level of the service is to be supplied in the

subordinate service district in which case, in addition to the countywide tax levy, only an amount necessary to pay for the increased level of service may be imposed.

Subd. 2. **Bonds.** At any time after the requirements of section 375B.07 have been met and the subordinate service district created, the county board may issue obligations in an amount it deems necessary to defray in whole or in part the expense incurred and estimated to be incurred in making capital improvements necessary to operate the subordinate service district and provide the special services in the district, including every item of cost from inception to completion and all fees and expenses incurred in connection with the capital improvements or the financing. The obligations shall be payable primarily out of the proceeds of the taxes and service charges imposed pursuant to subdivision 1, net revenues as described in section 444.075, and special assessments under chapter 429. The county board may by resolution pledge the full faith credit and taxing power of the county to ensure payment of the principal and interest on the obligations if the proceeds of the taxes and service charges are insufficient to pay the principal and interest. Obligations must be issued in accordance with chapter 475, except that an election is not required, and the amount of the obligations is not included in determining the net indebtedness of the county under the provisions of any law limiting indebtedness.

Subd. 3. **Covenants to secure obligations.** In resolutions authorizing the issuance of general or special obligations and pledging taxes and service charges imposed under subdivision 1, net revenues, or special assessments to their payment, the county board may make covenants for the protection of holders of the obligations and taxpayers of the county as it deems necessary, including a covenant that the county will impose and collect charges of the nature authorized by this chapter at the time and in the amounts required to produce, together with any taxes or special assessments designated as a primary source of payment of the obligations, funds adequate to pay all principal and interest when due on the obligations and to create and maintain reserves securing the payments as may be provided in the resolutions.

Subd. 4. **Continuance in the event of withdrawal.** If obligations have been issued for the benefit of the subordinate service district, and the district is withdrawn or removed pursuant to either section 375B.10 or 375B.11, the rates, charges, and tax levies, if any, in the withdrawn or removed district must continue until the obligations and any obligations issued to refund them have been paid in full.

Sec. 12. Minnesota Statutes 2006, section 383B.117, subdivision 2, is amended to read:

Subd. 2. **Equipment acquisition; capital notes.** The board may, by resolution and without public referendum, issue capital notes within existing debt limits for the purpose

166.1 of purchasing ambulance and other medical equipment, road construction or maintenance
166.2 equipment, public safety equipment and other capital equipment having an expected
166.3 useful life at least equal to the term of the notes issued. The notes shall be payable in
166.4 not more than ~~five~~ ten years and shall be issued on terms and in a manner as the board
166.5 determines. The total principal amount of the notes issued for any fiscal year shall not
166.6 exceed one percent of the total annual budget for that year and shall be issued solely for
166.7 the purchases authorized in this subdivision. A tax levy shall be made for the payment
166.8 of the principal and interest on such notes as in the case of bonds. For purposes of this
166.9 subdivision, "equipment" includes computer hardware and software, whether bundled with
166.10 machinery or equipment or unbundled. For purposes of this subdivision, the term "medical
166.11 equipment" includes computer hardware and software and other intellectual property for
166.12 use in medical diagnosis, medical procedures, research, record keeping, billing, and other
166.13 hospital applications, together with application development services and training related
166.14 to the use of the computer hardware and software and other intellectual property, all
166.15 without regard to their useful life. For purposes of determining the amount of capital notes
166.16 which the county may issue in any year, the budget of the county and Hennepin Healthcare
166.17 System, Inc. shall be combined and the notes issuable under this subdivision shall be in
166.18 addition to obligations issuable under section 373.01, subdivision 3.

166.19 Sec. 13. Minnesota Statutes 2006, section 383B.77, subdivision 1, is amended to read:

166.20 Subdivision 1. **Creation.** The Hennepin County Housing and Redevelopment
166.21 Authority is created in the county of Hennepin. It shall have all of the powers and duties
166.22 of a housing and redevelopment authority under sections 469.001 to 469.047. For the
166.23 purposes of applying the municipal housing and redevelopment act to Hennepin County,
166.24 the county has all of the powers and duties of a city, the county board has all the powers
166.25 and duties of a governing body, the chair of the county board has all of the powers and
166.26 duties of a mayor, and, notwithstanding section 469.008, the area of operation includes the
166.27 area within the territorial boundaries of the county.

166.28 **EFFECTIVE DATE.** Because the population of Hennepin County is more than
166.29 1,000,000, under Minnesota Statutes, section 645.023, this section is effective without
166.30 local approval.

166.31 Sec. 14. Minnesota Statutes 2006, section 383B.77, subdivision 2, is amended to read:

166.32 Subd. 2. **Limitation.** This section does not limit or restrict any existing housing
166.33 and redevelopment authority or prevent a municipality from creating an authority. For
166.34 purposes of this subdivision, "housing and redevelopment authority" includes any

167.1 municipal department, agency, or authority of the city of Minneapolis which exercises the
167.2 powers of a housing and redevelopment authority pursuant to section 469.003 or other
167.3 law. The county authority shall notify a municipal authority by January 31 of each year
167.4 as to the activities the county authority plans to participate in within the municipality.
167.5 The municipal authority shall notify the county authority within 45 days of the date of
167.6 the notice from the county authority, if the municipal authority does not consent to the
167.7 activities of the county authority. ~~The county authority shall not exercise its powers in a~~
167.8 ~~municipality where a housing and redevelopment authority was created under Minnesota~~
167.9 ~~Statutes 1969, chapter 462, before June 8, 1971, except as provided in this subdivision.~~ If a
167.10 city housing and redevelopment authority requests the county housing and redevelopment
167.11 authority to exercise any power or perform any function of the municipal authority, the
167.12 county authority may do so.

167.13 **EFFECTIVE DATE.** Because the population of Hennepin County is more than
167.14 1,000,000, under Minnesota Statutes, section 645.023, this section is effective without
167.15 local approval.

167.16 Sec. 15. Minnesota Statutes 2006, section 410.32, is amended to read:

167.17 **410.32 CITIES MAY ISSUE CAPITAL NOTES FOR CAPITAL EQUIPMENT.**

167.18 (a) Notwithstanding any contrary provision of other law or charter, a home rule
167.19 charter city may, by resolution and without public referendum, issue capital notes subject
167.20 to the city debt limit to purchase capital equipment.

167.21 (b) For purposes of this section, "capital equipment" means:

167.22 (1) public safety equipment, ambulance and other medical equipment, road
167.23 construction and maintenance equipment, and other capital equipment; and

167.24 (2) computer hardware and software, whether bundled with machinery or equipment
167.25 or unbundled.

167.26 (c) The equipment or software must have an expected useful life at least as long as the
167.27 term of the notes. ~~The authority to issue capital notes for software expires on July 1, 2007.~~

167.28 (d) The notes shall be payable in not more than ten years and be issued on terms and
167.29 in the manner the city determines. The total principal amount of the capital notes issued
167.30 in a fiscal year shall not exceed 0.03 percent of the market value of taxable property
167.31 in the city for that year.

167.32 (e) A tax levy shall be made for the payment of the principal and interest on the
167.33 notes, in accordance with section 475.61, as in the case of bonds.

168.1 (f) Notes issued under this section shall require an affirmative vote of two-thirds of
168.2 the governing body of the city.

168.3 (g) Notwithstanding a contrary provision of other law or charter, a home rule charter
168.4 city may also issue capital notes subject to its debt limit in the manner and subject to the
168.5 limitations applicable to statutory cities pursuant to section 412.301.

168.6 Sec. 16. Minnesota Statutes 2006, section 412.301, is amended to read:

168.7 **412.301 FINANCING PURCHASE OF CERTAIN EQUIPMENT.**

168.8 (a) The council may issue certificates of indebtedness or capital notes subject to the
168.9 city debt limits to purchase capital equipment.

168.10 (b) For purposes of this section, "capital equipment" means:

168.11 (1) public safety equipment, ambulance and other medical equipment, road
168.12 construction and maintenance equipment, and other capital equipment; and

168.13 (2) computer hardware and software, whether bundled with machinery or equipment
168.14 or unbundled.

168.15 (c) The equipment or software must have an expected useful life at least as long as
168.16 the terms of the certificates or notes. ~~The authority to issue capital notes for software~~
168.17 ~~expires on July 1, 2007.~~

168.18 (d) Such certificates or notes shall be payable in not more than ten years and shall be
168.19 issued on such terms and in such manner as the council may determine.

168.20 (e) If the amount of the certificates or notes to be issued to finance any such purchase
168.21 exceeds 0.25 percent of the market value of taxable property in the city, they shall not
168.22 be issued for at least ten days after publication in the official newspaper of a council
168.23 resolution determining to issue them; and if before the end of that time, a petition asking
168.24 for an election on the proposition signed by voters equal to ten percent of the number of
168.25 voters at the last regular municipal election is filed with the clerk, such certificates or notes
168.26 shall not be issued until the proposition of their issuance has been approved by a majority
168.27 of the votes cast on the question at a regular or special election.

168.28 (f) A tax levy shall be made for the payment of the principal and interest on such
168.29 certificates or notes, in accordance with section 475.61, as in the case of bonds.

168.30 Sec. 17. Minnesota Statutes 2006, section 453A.02, subdivision 3, is amended to read:

168.31 Subd. 3. **City.** "City" means a city organized and existing under the laws of
168.32 Minnesota or a city charter adopted pursuant thereto, and authorized by such laws or
168.33 charter to engage in the local distribution and sale of gas, provided that any city so
168.34 engaged on January 1, 1979 is authorized to continue such distribution and sale, and every

city now or hereafter so authorized may exercise, either individually or as a member of a municipal gas agency, all of the powers granted in sections 453A.01 to 453A.12.

City also includes a city organized and existing under the laws of another state or a city charter adopted pursuant thereto which participates in a municipal gas agency with Minnesota cities.

Sec. 18. **[471.6175] TRUST FOR POSTEMPLOYMENT BENEFITS.**

Subdivision 1. **Authorization; establishment.** A political subdivision or other public entity that creates or has created an actuarial liability to pay postemployment benefits to employees or officers after their termination of service may establish a trust to pay those benefits. For purposes of this section, the term "postemployment benefits" means benefits giving rise to a liability under Statement No. 45 of the Governmental Accounting Standards Board and the term "trust" means a trust, a trust account, or a custodial account or contract authorized under section 401(f) of the Internal Revenue Code.

Subd. 2. **Purpose of trust.** The trust established under this section may only be used to pay postemployment benefits and may be either revocable or irrevocable.

Subd. 3. **Trust administrator.** The trust administrator of a trust established under this section shall be either:

(1) the Public Employees Retirement Association;

(2) a bank or banking association incorporated under the laws of the United States or of any state and authorized by the laws under which it is organized to exercise corporate trust powers; or

(3) an insurance company or agency qualified to do business in Minnesota which has at least five years' experience in investment products and services for group retirement benefits and which has a specialized department dedicated to services for retirement investment products.

A political subdivision or public entity may, in its discretion and in compliance with any applicable trust document, change trust administrators and transfer trust assets accordingly.

Subd. 4. **Account maintenance.** (a) A political subdivision or other public entity may establish a trust account to be held under the supervision of the trust administrator for the purposes of this section. A trust administrator shall establish a separate account for each participating political subdivision or public entity. The trust administrator may charge participating political subdivisions and public entities fees for reasonable administrative costs. The amount of any fees charged by the Public Employees Retirement Association is

170.1 appropriated to the association from the account. A trust administrator may establish other
170.2 reasonable terms and conditions for creation and maintenance of these accounts.

170.3 (b) The trust administrator must report to the political subdivision or other public
170.4 entity on the investment returns of invested trust assets and on all investment fees or costs
170.5 incurred by the trust. The annual rates of return, along with investment and administrative
170.6 fees and costs for the trust, must be disclosed in the political subdivision's or public entity's
170.7 annual financial audit in a manner prescribed by the state auditor.

170.8 (c) Effective for fiscal years beginning after December 31, 2009, the trust
170.9 administrator must report electronically to the state auditor the portfolio and performance
170.10 information specified in section 356.219, subdivision 3, in the manner prescribed by
170.11 the state auditor.

170.12 Subd. 5. **Investment.** (a) The assets of a trust or trust account shall be invested and
170.13 held as stipulated in paragraphs (b) to (e).

170.14 (b) The Public Employees Retirement Association must certify all money in the trust
170.15 accounts for which it is trust administrator to the State Board of Investment for investment
170.16 under section 11A.14, subject to the policies and procedures established by the State
170.17 Board of Investment. Investment earnings must be credited to the trust account of the
170.18 individual political subdivision or public entity.

170.19 (c) A trust administrator, other than the Public Employees Retirement Association,
170.20 must ensure that all money in the trust accounts for which it is trust administrator is
170.21 invested by a registered investment adviser, a bank investment trust department, or an
170.22 insurance company or agency retirement investment department. Investment earnings
170.23 must be credited to the trust account of the individual political subdivision or public entity.

170.24 (d) For trust assets invested by the State Board of Investment, the investment
170.25 restrictions shall be the same as those generally applicable to the State Board of
170.26 Investment. For trust assets invested by a trust administrator other than the Public
170.27 Employees Retirement Association, the assets may only be invested in investments
170.28 authorized under chapter 118A or section 356A.06, subdivision 7, in the manner specified
170.29 in the applicable trust document.

170.30 (e) A political subdivision or public entity may provide investment direction to a
170.31 trust administrator in compliance with any applicable trust document.

170.32 Subd. 6. **Limit on deposit.** A political subdivision or public entity may not
170.33 deposit money in a trust or trust account created pursuant to this section if the total
170.34 amount invested by that political subdivision or public entity would exceed the political
170.35 subdivision's or public entity's actuarially determined liabilities for postemployment

benefits due to officers and employees, as determined under the applicable standards of the Governmental Accounting Standards Board.

Subd. 7. Withdrawal of funds and termination of account. (a) For a revocable account, a political subdivision or public entity may withdraw some or all of its money or terminate the trust account. Money and accrued investment earnings withdrawn from a revocable account must be deposited in a fund separate and distinct from any other funds of the political subdivision or public entity. This money, with accrued investment earnings, must be used to pay legally enforceable postemployment benefits to former officers and employees, unless (i) there has been a change in state or federal law affecting that political subdivision's or public entity's liabilities for postemployment benefits, or (ii) there has been a change in the demographic composition of that political subdivision's or public entity's employees eligible for postemployment benefits, or (iii) there has been a change in the provisions or terms of the postemployment benefits in that political subdivision or public entity including, but not limited to, the portion of the costs eligible employees must pay to receive the benefits, or (iv) other factors exist that have a material effect on that political subdivision's or public entity's actuarially determined liabilities for postemployment benefits, in which event any amount in excess of 100 percent of that political subdivision's or public entity's actuarially determined liabilities for postemployment benefits, as determined under standards of the Government Accounting Standards Board, may be withdrawn and used for any purpose.

(b) For an irrevocable account, a political subdivision or public entity may withdraw money only:

(1) as needed to pay postemployment benefits owed to former officers and employees of the political subdivision or public entity; or

(2) when all postemployment benefit liability owed to former officers or employees of the political subdivision or public entity has been satisfied or otherwise defeased.

(c) A political subdivision or public entity requesting withdrawal of money from an account created under this section must do so at a time and in the manner required by the executive director of the Public Employees Retirement Association or specified in an applicable trust document. The political subdivision or public entity that created the trust must ensure that withdrawals comply with the requirements of this section.

(d) The legislature may not divert funds in these trusts or trust accounts for use for another purpose.

Subd. 8. Status of irrevocable trust. (a) All money in an irrevocable trust or trust account created in this section is held in trust for the exclusive benefit of former officers and employees of the participating political subdivision or public entity, and is not subject

172.1 to claims by creditors of the state, the participating political subdivision or public entity,
172.2 the current or former officers and employees of the political subdivision or public entity,
172.3 or the trust administrator.

172.4 (b) An irrevocable trust fund or trust account created in this section shall be deemed
172.5 an arrangement equivalent to a trust for all legal purposes.

172.6 **EFFECTIVE DATE.** This section is effective the day following final enactment,
172.7 and is applicable immediately to all political subdivisions or public entities subject to
172.8 Statement No. 45 of the Governmental Accounting Standards Board in 2007, to those
172.9 political subdivisions or public entities whose trusts or trust accounts are validated
172.10 by section 27, and to those political subdivisions or public entities that have begun
172.11 consideration of measures to implement Statement No. 45 in 2007. This section is
172.12 applicable on July 1, 2008, for all other political subdivisions or public entities.

172.13 Sec. 19. Minnesota Statutes 2006, section 473.39, is amended by adding a subdivision
172.14 to read:

172.15 Subd. 1m. **Obligations.** After July 1, 2007, in addition to other authority in this
172.16 section, the council may issue certificates of indebtedness, bonds, or other obligations
172.17 under this section in an amount not exceeding \$33,600,000 for capital expenditures as
172.18 prescribed in the council's regional transit master plan and transit capital improvement
172.19 program and for related costs, including the costs of issuance and sale of the obligations.

172.20 **APPLICATION AND EFFECTIVE DATE.** This section applies in the counties of
172.21 Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington, and is effective the
172.22 day following final enactment.

172.23 Sec. 20. Minnesota Statutes 2006, section 473.39, is amended by adding a subdivision
172.24 to read:

172.25 Subd. 5. **Anticipation of grants.** In addition to other authority granted in this
172.26 section, the council may exercise the authority granted to an issuing political subdivision
172.27 by section 475.522.

172.28 **APPLICATION AND EFFECTIVE DATE.** This section applies in the counties of
172.29 Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington, and is effective the
172.30 day following final enactment.

172.31 Sec. 21. Minnesota Statutes 2006, section 475.51, subdivision 4, is amended to read:

173.1 Subd. 4. **Net debt.** "Net debt" means the amount remaining after deducting from its
173.2 gross debt the amount of current revenues which are applicable within the current fiscal
173.3 year to the payment of any debt and the aggregate of the principal of the following:

173.4 (1) Obligations issued for improvements which are payable wholly or partly from the
173.5 proceeds of special assessments levied upon property specially benefited thereby, including
173.6 those which are general obligations of the municipality issuing them, if the municipality is
173.7 entitled to reimbursement in whole or in part from the proceeds of the special assessments.

173.8 (2) Warrants or orders having no definite or fixed maturity.

173.9 (3) Obligations payable wholly from the income from revenue producing
173.10 conveniences.

173.11 (4) Obligations issued to create or maintain a permanent improvement revolving
173.12 fund.

173.13 (5) Obligations issued for the acquisition, and betterment of public waterworks
173.14 systems, and public lighting, heating or power systems, and of any combination thereof or
173.15 for any other public convenience from which a revenue is or may be derived.

173.16 (6) Debt service loans and capital loans made to a school district under the provisions
173.17 of sections 126C.68 and 126C.69.

173.18 (7) Amount of all money and the face value of all securities held as a debt service
173.19 fund for the extinguishment of obligations other than those deductible under this
173.20 subdivision.

173.21 (8) Obligations to repay loans made under section 216C.37.

173.22 (9) Obligations to repay loans made from money received from litigation or
173.23 settlement of alleged violations of federal petroleum pricing regulations.

173.24 (10) Obligations issued to pay pension fund or other postemployment benefit
173.25 liabilities under section 475.52, subdivision 6, or any charter authority.

173.26 (11) Obligations issued to pay judgments against the municipality under section
173.27 475.52, subdivision 6, or any charter authority.

173.28 (12) All other obligations which under the provisions of law authorizing their
173.29 issuance are not to be included in computing the net debt of the municipality.

173.30 **EFFECTIVE DATE.** This section is effective for obligations issued after June
173.31 30, 2007.

173.32 Sec. 22. Minnesota Statutes 2006, section 475.52, subdivision 6, is amended to read:

173.33 Subd. 6. **Certain purposes.** Any municipality may issue bonds for paying
173.34 judgments against it; for refunding outstanding bonds; for funding floating indebtedness;
173.35 for funding actuarial liabilities to pay postemployment benefits to employees or officers

174.1 after their termination of service; or for funding all or part of the municipality's current
174.2 and future unfunded liability for a pension or retirement fund or plan referred to in
174.3 section 356.20, subdivision 2, as those liabilities are most recently computed pursuant
174.4 to sections 356.215 and 356.216. The board of trustees or directors of a pension fund or
174.5 relief association referred to in section 69.77 or chapter 422A must consent and must
174.6 be a party to any contract made under this section with respect to the fund held by it
174.7 for the benefit of and in trust for its members. For purposes of this section, the term
174.8 "postemployment benefits" means benefits giving rise to a liability under Statement No.
174.9 45 of the Governmental Accounting Standards Board.

174.10 Sec. 23. **[475.522] GRANT ANTICIPATION FINANCING OF**
174.11 **TRANSPORTATION OR TRANSIT PROJECTS.**

174.12 Subdivision 1. Definitions. For purposes of this section, the term "political
174.13 subdivision" means a county or a statutory or home rule charter city, and the term
174.14 "issuing political subdivision" means a political subdivision that issues obligations under
174.15 subdivision 2.

174.16 Subd. 2. Authorization. An issuing political subdivision may enter into agreements
174.17 with any other political subdivision of the state, within or without its jurisdiction, and any
174.18 state agency, with respect to federal grants for transportation or transit projects to be
174.19 received directly or indirectly by or on behalf of the political subdivision or agency,
174.20 under an executed grant agreement with the relevant federal agency. The agreements
174.21 may provide that the political subdivision or agency will pledge to the issuing political
174.22 subdivision all or a specified portion of the federal grants received by or on behalf of the
174.23 political subdivision or agency for a specified period of years, or until all obligations issued
174.24 by the issuing political subdivision under subdivision 3 with respect to those federal grants
174.25 have been paid or legally defeased. If the issuing political subdivision issues obligations
174.26 under subdivision 3, the agreements must provide the method by which the proceeds of
174.27 the obligations will be used to pay or reimburse the costs of the transportation or transit
174.28 projects relating to the federal grants described in the executed federal grant agreement.

174.29 Subd. 3. Issuance of obligations. In anticipation of any federal grants for
174.30 transportation or transit projects to be received directly or indirectly by any political
174.31 subdivision or agency as specified in subdivision 1, or by an issuing political subdivision
174.32 with respect to any transportation or transit projects within its jurisdiction, an issuing
174.33 political subdivision may issue its obligations payable from the collections of those
174.34 federal grants. The obligations may be issued in the principal amount the issuing political
174.35 subdivision determines provided that the estimated collections of the federal grants under

175.1 the relevant executed federal grant agreement in each year in which the obligations will
175.2 be outstanding must be at least equal to:

175.3 (1) if the obligations are to be issued as revenue obligations, 150 percent of the
175.4 maximum annual debt service on the obligations; or

175.5 (2) if the obligations are to be issued as general obligations, 110 percent of the
175.6 maximum annual debt service on the obligations.

175.7 Except as otherwise provided in this section, the issuing political subdivision shall
175.8 provide for the issuance, sale, and security of the obligations as provided in chapter 475,
175.9 and has the same powers and duties as a municipality issuing bonds under that law, except
175.10 that no election is required and the net debt limitations in chapter 475 do not apply to the
175.11 obligations. The issuing political subdivision may determine to issue the obligations as
175.12 revenue obligations, payable solely from the collections of the federal grants anticipated,
175.13 or may pledge its full faith and credit to the payment of the obligations.

175.14 Subd. 4. **Use of proceeds.** The proceeds of the obligations must be used:

175.15 (1) to pay or reimburse the costs of the transportation or transit projects relating to
175.16 the federal grants being anticipated;

175.17 (2) to pay the costs of issuance of the obligations, including credit enhancement;

175.18 (3) to pay interest on the obligations for a period not exceeding three years from
175.19 their date of issue; and

175.20 (4) if the full faith and credit of the issuing political subdivision is not pledged to the
175.21 payment of the obligations, to fund a debt service reserve fund for the obligations.

175.22 Sec. 24. Minnesota Statutes 2006, section 475.53, subdivision 1, is amended to read:

175.23 Subdivision 1. **Generally.** Except as otherwise provided in sections 475.51 to
175.24 475.74, no municipality, except a school district or a city of the first class, shall incur or
175.25 be subject to a net debt in excess of ~~two~~ three percent of the market value of taxable
175.26 property in the municipality.

175.27 **EFFECTIVE DATE.** This section is effective for obligations issued after June
175.28 30, 2007.

175.29 Sec. 25. Minnesota Statutes 2006, section 475.58, subdivision 1, is amended to read:

175.30 Subdivision 1. **Approval by electors; exceptions.** Obligations authorized by law or
175.31 charter may be issued by any municipality upon obtaining the approval of a majority of
175.32 the electors voting on the question of issuing the obligations, but an election shall not be
175.33 required to authorize obligations issued:

175.34 (1) to pay any unpaid judgment against the municipality;

- 176.1 (2) for refunding obligations;
- 176.2 (3) for an improvement or improvement program, which obligation is payable wholly
- 176.3 or partly from the proceeds of special assessments levied upon property specially benefited
- 176.4 by the improvement or by an improvement within the improvement program, or from tax
- 176.5 increments, as defined in section 469.174, subdivision 25, including obligations which are
- 176.6 the general obligations of the municipality, if the municipality is entitled to reimbursement
- 176.7 in whole or in part from the proceeds of such special assessments or tax increments and
- 176.8 not less than 20 percent of the cost of the improvement or the improvement program is to
- 176.9 be assessed against benefited property or is to be paid from the proceeds of federal grant
- 176.10 funds or a combination thereof, or is estimated to be received from tax increments;
- 176.11 (4) payable wholly from the income of revenue producing conveniences;
- 176.12 (5) under the provisions of a home rule charter which permits the issuance of
- 176.13 obligations of the municipality without election;
- 176.14 (6) under the provisions of a law which permits the issuance of obligations of a
- 176.15 municipality without an election;
- 176.16 (7) to fund pension or retirement fund or postemployment benefit liabilities pursuant
- 176.17 to section 475.52, subdivision 6;
- 176.18 (8) under a capital improvement plan under section 373.40; and
- 176.19 (9) under sections 469.1813 to 469.1815 (property tax abatement authority bonds), if
- 176.20 the proceeds of the bonds are not used for a purpose prohibited under section 469.176,
- 176.21 subdivision 4g, paragraph (b).

176.22 Sec. 26. Minnesota Statutes 2006, section 475.58, subdivision 3b, is amended to read:

176.23 Subd. 3b. **Street reconstruction.** (a) A municipality may, without regard to

176.24 the election requirement under subdivision 1, issue and sell obligations for street

176.25 reconstruction, if the following conditions are met:

176.26 (1) the streets are reconstructed under a street reconstruction plan that describes the

176.27 ~~streets to be reconstructed~~ street reconstruction to be financed, the estimated costs, and

176.28 any planned reconstruction of other streets in the municipality over the next five years,

176.29 and the plan and issuance of the obligations has been approved by a vote of all of the

176.30 members of the governing body present at the meeting following a public hearing for

176.31 which notice has been published in the official newspaper at least ten days but not more

176.32 than 28 days prior to the hearing; and

176.33 (2) if a petition requesting a vote on the issuance is signed by voters equal to

176.34 five percent of the votes cast in the last municipal general election and is filed with the

176.35 municipal clerk within 30 days of the public hearing, the municipality may issue the bonds

177.1 only after obtaining the approval of a majority of the voters voting on the question of
177.2 the issuance of the obligations.

177.3 (b) Obligations issued under this subdivision are subject to the debt limit of the
177.4 municipality and are not excluded from net debt under section 475.51, subdivision 4.

177.5 (c) For purposes of this subdivision, street reconstruction includes utility
177.6 replacement and relocation and other activities incidental to the street reconstruction, turn
177.7 lanes and other improvements having a substantial public safety function, realignments,
177.8 other modifications to intersect with state and county roads, and the local share of state
177.9 and county road projects.

177.10 (d) Except in the case of turn lanes, safety improvements, realignments, intersection
177.11 modifications, and the local share of state and county road projects, street reconstruction
177.12 does not include the portion of project cost allocable to widening a street or adding curbs
177.13 and gutters where none previously existed.

177.14 Sec. 27. **VALIDATION.**

177.15 Any trust or trust account or other custodial account or contract authorized under
177.16 section 401(f) of the Internal Revenue Code, created prior to June 6, 2006, to pay
177.17 postemployment benefits to employees or officers after termination of service, is hereby
177.18 validated, may continue in full force and effect, and shall have continuing authority
177.19 to accept new funds; however, this section does not validate or correct defects in any
177.20 previously created trust document. Any funds held by a validated trust or account
177.21 under this section may be invested as provided in Minnesota Statutes, section 471.6175,
177.22 subdivision 5. A validated trust or account shall have until January 1, 2008, to bring
177.23 its trust documents and procedures into compliance with Minnesota Statutes, section
177.24 471.6175.

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

177.26 Sec. 28. **TOWN OF CRANE LAKE, CERTIFICATES OF INDEBTEDNESS.**

177.27 Notwithstanding Minnesota Statutes, section 366.095, or any other law to the
177.28 contrary, the town board of the town of Crane Lake in St. Louis County may issue one
177.29 or more certificates of indebtedness in a total amount not to exceed \$225,000, which
177.30 are not subject to the debt limits of the town. The proceeds of the certificates must be
177.31 used to acquire property and pay other costs related to a land exchange with the United
177.32 States Forest Service. The certificates shall be payable in not more than 30 years and be
177.33 issued on the terms and in the manner as the board may determine. Minnesota Statutes,
177.34 sections 475.54, subdivision 1, and 475.56, paragraph (c), do not apply to the certificates

178.1 issued under this section. A tax levy shall be made to pay the principal and interest on the
178.2 certificates as in the case of bonds.

178.3 **EFFECTIVE DATE.** This section is effective the day after the governing body of
178.4 the town of Crane Lake and its chief clerical officer timely complete their compliance with
178.5 Minnesota Statutes, section 645.021, subdivisions 2 and 3.

178.6 Sec. 29. **CITY OF WINSTED; BONDING AUTHORITY.**

178.7 (a) The city of Winsted may issue general obligation bonds under Minnesota
178.8 Statutes, chapter 475, to finance the acquisition and betterment of a facility consisting of
178.9 a city hall, community center, and police station; park improvements, including trails
178.10 and an amphitheater; related public improvements; and substantial landscaping for the
178.11 improvements.

178.12 (b) The bonds may be issued as general obligations of the city without an election to
178.13 approve the bonds under Minnesota Statutes, section 475.58.

178.14 (c) The bonds are not included in computing any debt limitation applicable to the
178.15 city, including, but not limited to, the net debt limits under Minnesota Statutes, section
178.16 475.53, and the levy of taxes under Minnesota Statutes, section 475.61, to pay principal of
178.17 and interest on the bonds is not subject to any levy limitation.

178.18 (d) The aggregate principal amount of bonds used to pay costs of the acquisition and
178.19 betterment of the facility consisting of a city hall, community center, and police station;
178.20 park improvements, including trails and an amphitheater; related public improvements;
178.21 and substantial landscaping for the improvements may not exceed \$4,900,000, plus an
178.22 amount equal to the costs related to issuance of the bonds and capitalized interest.

178.23 **EFFECTIVE DATE.** This section is effective upon compliance by the governing
178.24 body of the city of Winsted with Minnesota Statutes, section 645.021, subdivision 3.

178.25 **ARTICLE 8**
178.26 **MINERALS**

178.27 Section 1. Minnesota Statutes 2006, section 276A.01, subdivision 3, is amended to
178.28 read:

178.29 Subd. 3. **Commercial-industrial property.** "Commercial-industrial property"
178.30 means the following categories of property, as defined in section 273.13, excluding that
178.31 portion of the property (i) that may, by law, constitute the tax base for a tax increment
178.32 pledged pursuant to section 469.042 or 469.162 or sections 469.174 to 469.178,

certification of which was requested prior to May 1, 1996, to the extent and while the tax increment is so pledged; or (ii) that is exempt from taxation under section 272.02:

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

(2) that portion of class 3 and class 5 property which is either used or zoned for use for any commercial or industrial purpose, including property that becomes taxable under section 6, except for such property which is, or, in the case of property under construction, will when completed be used exclusively for residential occupancy and the provision of services to residential occupants thereof. Property must be considered as used exclusively for residential occupancy only if each of not less than 80 percent of its occupied residential units is, or, in the case of property under construction, will when completed be occupied under an oral or written agreement for occupancy over a continuous period of not less than 30 days.

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

Sec. 2. Minnesota Statutes 2006, section 276A.04, is amended to read:

276A.04 INCREASE IN NET TAX CAPACITY.

By July 15 of 1997 and each subsequent year, the auditor of each county in the area shall determine the amount, if any, by which the net tax capacity determined in the preceding year pursuant to section 276A.03, of commercial-industrial property subject to taxation within each municipality in the county exceeds the net tax capacity in 1995 of commercial-industrial property subject to taxation within that municipality, including the total net tax capacity of property that becomes taxable under section 6. If a municipality is located in two or more counties within the area, the auditors of those counties shall certify the data required by section 276A.03 to the county auditor responsible for allocating the levies of that municipality between or among the affected counties. That county auditor shall determine the amount of the net excess, if any, for the municipality under this section, and certify that amount under section 276A.05. The increase in total net tax capacity determined by this section must be reduced by the amount of any decreases in the net tax capacity of commercial-industrial property resulting from any court decisions, court-related stipulation agreements, or abatements for a prior year, and only in the

180.1 amount of such decreases made during the 12-month period ending on May 1 of the
180.2 current assessment year, where the decreases, if originally reflected in the determination of
180.3 a prior year's net tax capacity under section 276A.03, would have resulted in a smaller
180.4 contribution from the municipality in that year. An adjustment for the decreases shall be
180.5 made only if the municipality made a contribution in a prior year based on the higher net
180.6 tax capacity of the commercial-industrial property.

180.7 Sec. 3. Minnesota Statutes 2006, section 298.22, is amended by adding a subdivision
180.8 to read:

180.9 Subd. 5a. **Forest trust.** The commissioner, upon the affirmative vote of a majority
180.10 of the members of the board, may purchase forest lands in the taconite assistance area
180.11 defined in under section 273.1341 with funds specifically authorized for the purchase. The
180.12 acquired forest lands must be held in trust for the benefit of the citizens of the taconite
180.13 assistance area as the Iron Range Miners' Memorial Forest. The forest trust lands shall be
180.14 managed and developed for recreation and economic development purposes. Proceeds
180.15 derived from the management of the lands and from the sale of timber or removal of
180.16 gravel or other minerals from these forest lands shall be deposited into an Iron Range
180.17 Miners' Memorial Forest account that is established within the state financial accounts.
180.18 Funds may be expended from the account upon approval of a majority of the members of
180.19 the board to purchase, manage, administer, convey interests in, and improve the forest
180.20 lands. By majority vote of the members of the board, money in the Iron Range Miners'
180.21 Memorial Forest account may be transferred into the corpus of the Douglas J. Johnson
180.22 economic protection trust fund established under sections 298.291 to 298.294. The
180.23 property acquired under the authority granted by this subdivision and income derived from
180.24 the property or the operation or management of the property are exempt from taxation
180.25 by the state or its political subdivisions.

180.26 Sec. 4. Minnesota Statutes 2006, section 298.2214, subdivision 2, is amended to read:

180.27 Subd. 2. **Iron Range Higher Education Committee; membership.** The members
180.28 of the committee shall consist of:

- 180.29 (1) one member appointed by the governor;
180.30 (2) one member appointed by the president of the University of Minnesota;
180.31 (3) two members ~~appointed by the commissioner of the~~ Iron Range resources and
180.32 rehabilitation appointed by the chair; ~~and~~
180.33 (4) the commissioner of Iron Range resources and rehabilitation; and
180.34 (5) the President of the Northeast Higher Education District.

181.1 Sec. 5. Minnesota Statutes 2006, section 298.24, subdivision 1, is amended to read:

181.2 Subdivision 1. **Imposed; calculation.** (a) For concentrate produced in 2001, 2002,
181.3 and 2003, there is imposed upon taconite and iron sulphides, and upon the mining and
181.4 quarrying thereof, and upon the production of iron ore concentrate therefrom, and upon
181.5 the concentrate so produced, a tax of \$2.103 per gross ton of merchantable iron ore
181.6 concentrate produced therefrom. For concentrates produced in 2005, the tax rate is the
181.7 same rate imposed for concentrates produced in 2004.

181.8 (b) For concentrates produced in 2006 and subsequent years, the tax rate shall be
181.9 equal to the preceding year's tax rate plus an amount equal to the preceding year's tax rate
181.10 multiplied by the percentage increase in the implicit price deflator from the fourth quarter
181.11 of the second preceding year to the fourth quarter of the preceding year. "Implicit price
181.12 deflator" means the implicit price deflator for the gross domestic product prepared by the
181.13 Bureau of Economic Analysis of the United States Department of Commerce.

181.14 (c) On concentrates produced in 1997 and thereafter, an additional tax is imposed
181.15 equal to three cents per gross ton of merchantable iron ore concentrate for each one
181.16 percent that the iron content of the product exceeds 72 percent, when dried at 212 degrees
181.17 Fahrenheit.

181.18 (d) The tax shall be imposed on the average of the production for the current year
181.19 and the previous two years. The rate of the tax imposed will be the current year's tax rate.
181.20 This clause shall not apply in the case of the closing of a taconite facility if the property
181.21 taxes on the facility would be higher if this clause and section 298.25 were not applicable.

181.22 (e) If the tax or any part of the tax imposed by this subdivision is held to be
181.23 unconstitutional, a tax of \$2.103 per gross ton of merchantable iron ore concentrate
181.24 produced shall be imposed.

181.25 (f) Consistent with the intent of this subdivision to impose a tax based upon the
181.26 weight of merchantable iron ore concentrate, the commissioner of revenue may indirectly
181.27 determine the weight of merchantable iron ore concentrate included in fluxed pellets by
181.28 subtracting the weight of the limestone, dolomite, or olivine derivatives or other basic
181.29 flux additives included in the pellets from the weight of the pellets. For purposes of this
181.30 paragraph, "fluxed pellets" are pellets produced in a process in which limestone, dolomite,
181.31 olivine, or other basic flux additives are combined with merchantable iron ore concentrate.
181.32 No subtraction from the weight of the pellets shall be allowed for binders, mineral and
181.33 chemical additives other than basic flux additives, or moisture.

181.34 (g)(1) Notwithstanding any other provision of this subdivision, for the first two years
181.35 of a plant's commercial production of direct reduced ore, no tax is imposed under this
181.36 section. As used in this paragraph, "commercial production" is production of more than

182.1 50,000 tons of direct reduced ore in the current year or in any prior year, "noncommercial
182.2 production" is production of 50,000 tons or less of direct reduced ore in any year, and
182.3 "direct reduced ore" is ore that results in a product that has an iron content of at least 75
182.4 percent. For the third year of a plant's commercial production of direct reduced ore, the
182.5 rate to be applied to direct reduced ore is 25 percent of the rate otherwise determined
182.6 under this subdivision. For the fourth commercial production year, the rate is 50 percent of
182.7 the rate otherwise determined under this subdivision; for the fifth commercial production
182.8 year, the rate is 75 percent of the rate otherwise determined under this subdivision; and for
182.9 all subsequent commercial production years, the full rate is imposed.

182.10 (2) Subject to clause (1), production of direct reduced ore in this state is subject to
182.11 the tax imposed by this section, but if that production is not produced by a producer
182.12 of taconite or iron sulfides, the production of taconite or iron sulfides consumed in the
182.13 production of direct reduced iron in this state is not subject to the tax imposed by this
182.14 section on taconite or iron sulfides.

182.15 (3) Notwithstanding any other provision of this subdivision, no tax is imposed
182.16 on direct reduced ore under this section during the facility's noncommercial production
182.17 of direct reduced ore. The taconite or iron sulphides consumed in the noncommercial
182.18 production of direct reduced ore is subject to the tax imposed by this section on taconite
182.19 and iron sulphides. Three-year average production of direct reduced ore does not
182.20 include production of direct reduced ore in any noncommercial year. Three-year average
182.21 production for a direct reduced ore facility that has noncommercial production is the
182.22 average of the commercial production of direct reduced ore for the current year and the
182.23 previous two commercial years.

182.24 (4) This paragraph applies only to plants for which all environmental permits have
182.25 been obtained and construction has begun before July 1, 2008.

182.26 Sec. 6. Minnesota Statutes 2006, section 298.25, is amended to read:

182.27 **298.25 TAXES ADDITIONAL TO OCCUPATION TAX; IN LIEU OF OTHER**
182.28 **TAXES.**

182.29 The taxes imposed under section 298.24 shall be in addition to the occupation tax
182.30 imposed upon the business of mining and producing iron ore. Except as herein otherwise
182.31 provided, such taxes shall be in lieu of all other taxes upon such taconite, iron sulphides,
182.32 and direct reduced ore or the lands in which they are contained, or upon the mining or
182.33 quarrying thereof, or the production of concentrate or direct reduced ore therefrom, or
182.34 upon the concentrate or direct reduced ore produced, or upon the machinery, equipment,
182.35 tools, supplies and buildings used in such mining, quarrying or production, or upon the

183.1 lands occupied by, or used in connection with, such mining, quarrying or production
183.2 facilities. If electric or steam power for the mining, transportation or concentration of
183.3 such taconite, concentrates or direct reduced ore produced therefrom is generated in
183.4 plants principally devoted to the generation of power for such purposes, the plants in
183.5 which such power is generated and all machinery, equipment, tools, supplies, transmission
183.6 and distribution lines used in the generation and distribution of such power, shall not be
183.7 considered to be machinery, equipment, tools, supplies and buildings used in the mining,
183.8 quarrying, or production of taconite, taconite concentrates or direct reduced ore within
183.9 the meaning of this section, and shall be subject to general property taxation. If part
183.10 ~~of the power generated in such a plant is used for purposes other than the mining or~~
183.11 ~~concentration of taconite or direct reduced ore or the transportation or loading of taconite,~~
183.12 ~~the concentrates thereof or direct reduced ore, a proportionate share of the value of such~~
183.13 ~~generating facilities, equal to the proportion that the power used for such other purpose~~
183.14 ~~bears to the generating capacity of the plant, shall be subject to the general property tax~~
183.15 ~~in the same manner as other property; provided, power generated in such a plant and~~
183.16 ~~exchanged for an equivalent amount of power which is used for the mining, transportation,~~
183.17 ~~or concentration of such taconite, concentrates or direct reduced ore produced therefrom,~~
183.18 ~~shall be considered as used for such purposes within the meaning of this section.~~ Nothing
183.19 herein shall prevent the assessment and taxation of the surface of reserve land containing
183.20 taconite and not occupied by such facilities or used in connection therewith at the value
183.21 thereof without regard to the taconite or iron sulphides therein, nor the assessment and
183.22 taxation of merchantable iron ore or other minerals, or iron-bearing materials other than
183.23 taconite or iron sulphides in such lands in the manner provided by law, nor the assessment
183.24 and taxation of facilities used in producing sulphur or sulphur products from iron sulphide
183.25 concentrates, or in refining such sulphur products, under the general property tax laws.
183.26 Nothing herein shall except from general taxation or from taxation as provided by other
183.27 laws any property used for residential or townsite purposes, including utility services
183.28 thereto. This section does not provide an exemption from general property taxation for ore
183.29 docks even if located at the site of a taconite production facility.

183.30 **EFFECTIVE DATE.** This section is effective for taxes levied in 2007, payable
183.31 in 2008, and thereafter.

183.32 Sec. 7. Minnesota Statutes 2006, section 298.28, subdivision 3, is amended to read:

183.33 Subd. 3. **Cities; towns.** (a) 12.5 cents per taxable ton, less any amount distributed
183.34 under subdivision 8, and paragraph (b), must be allocated to the taconite municipal aid
183.35 account to be distributed as provided in section 298.282.

184.1 (b) An amount must be allocated to towns or cities that is annually certified by
184.2 the county auditor of a county containing a taconite tax relief area as defined in section
184.3 273.134, paragraph (b), within which there is (1) an organized township if, as of January
184.4 2, 1982, more than 75 percent of the assessed valuation of the township consists of iron
184.5 ore or (2) a city if, as of January 2, 1980, more than 75 percent of the assessed valuation
184.6 of the city consists of iron ore.

184.7 (c) The amount allocated under paragraph (b) will be the portion of a township's or
184.8 city's certified levy equal to the proportion of (1) the difference between 50 percent of
184.9 January 2, 1982, assessed value in the case of a township and 50 percent of the January 2,
184.10 1980, assessed value in the case of a city and its current assessed value to (2) the sum of
184.11 its current assessed value plus the difference determined in (1), provided that the amount
184.12 distributed shall not exceed \$55 per capita in the case of a township or \$75 per capita in
184.13 the case of a city. For purposes of this limitation, population will be determined according
184.14 to the 1980 decennial census conducted by the United States Bureau of the Census. If the
184.15 current assessed value of the township exceeds 50 percent of the township's January 2,
184.16 1982, assessed value, or if the current assessed value of the city exceeds 50 percent of the
184.17 city's January 2, 1980, assessed value, this paragraph shall not apply. For purposes of this
184.18 paragraph, "assessed value," when used in reference to years other than 1980 or 1982,
184.19 means the appropriate net tax capacities multiplied by 10.2.

184.20 (d) In addition to other distributions under this subdivision, 3 cents per taxable ton
184.21 must be allocated for distribution to towns that are entirely located within the taconite tax
184.22 relief area defined in section 273.134, paragraph (b). The amount available under this
184.23 paragraph will be distributed to eligible towns on a per capita basis.

184.24 **EFFECTIVE DATE.** This section is effective for distributions in 2008 and
184.25 thereafter.

184.26 Sec. 8. Minnesota Statutes 2006, section 298.28, subdivision 4, is amended to read:

184.27 Subd. 4. **School districts.** (a) ~~17.15~~ 22.65 cents per taxable ton, plus the increase
184.28 provided in paragraph (d) must be allocated to qualifying school districts to be distributed,
184.29 based upon the certification of the commissioner of revenue, under paragraphs (b) and (c),
184.30 except as otherwise provided in paragraph (f).

184.31 (b) (i) 3.43 cents per taxable ton must be distributed to the school districts in which
184.32 the lands from which taconite was mined or quarried were located or within which the
184.33 concentrate was produced. The distribution must be based on the apportionment formula
184.34 prescribed in subdivision 2.

185.1 (ii) Three cents per taxable ton from each taconite facility must be distributed to
185.2 each affected school district for deposit in a fund dedicated to building maintenance
185.3 and repairs, as follows:

185.4 (1) proceeds from Keewatin Taconite or its successor are distributed to Independent
185.5 School Districts Nos. 316, Coleraine, and 319, Nashwauk-Keewatin, or their successor
185.6 districts;

185.7 (2) proceeds from the Hibbing Taconite Company or its successor are distributed to
185.8 Independent School Districts Nos. 695, Chisholm, and 701, Hibbing, or their successor
185.9 districts;

185.10 (3) proceeds from the Mittal Steel Company and Minntac or their successors are
185.11 distributed to Independent School Districts Nos. 712, Mountain Iron-Buhl, 706, Virginia,
185.12 2711, Mesabi East, and 2154, Eveleth-Gilbert, or their successor districts;

185.13 (4) proceeds from the Northshore Mining Company or its successor are distributed
185.14 to Independent School Districts Nos. 2142, St. Louis County, and 318, Lake Superior,
185.15 or their successor districts; and

185.16 (5) proceeds from United Taconite or its successor are distributed to Independent
185.17 School Districts Nos. 2142, St. Louis County, and 2154, Eveleth-Gilbert, or their
185.18 successor districts.

185.19 (c)(i) ~~13.72~~ 16.22 cents per taxable ton, less any amount distributed under paragraph
185.20 (e), shall be distributed to a group of school districts comprised of those school districts
185.21 which qualify as a tax relief area under section 273.134, paragraph (b), or in which there is
185.22 a qualifying municipality as defined by section 273.134, paragraph (a), in direct proportion
185.23 to school district indexes as follows: for each school district, its pupil units determined
185.24 under section 126C.05 for the prior school year shall be multiplied by the ratio of the
185.25 average adjusted net tax capacity per pupil unit for school districts receiving aid under
185.26 this clause as calculated pursuant to chapters 122A, 126C, and 127A for the school year
185.27 ending prior to distribution to the adjusted net tax capacity per pupil unit of the district.
185.28 Each district shall receive that portion of the distribution which its index bears to the sum
185.29 of the indices for all school districts that receive the distributions.

185.30 (ii) Notwithstanding clause (i), each school district that receives a distribution
185.31 under sections 298.018; 298.23 to 298.28, exclusive of any amount received under this
185.32 clause; 298.34 to 298.39; 298.391 to 298.396; 298.405; or any law imposing a tax on
185.33 severed mineral values after reduction for any portion distributed to cities and towns under
185.34 section 126C.48, subdivision 8, paragraph (5), that is less than the amount of its levy
185.35 reduction under section 126C.48, subdivision 8, for the second year prior to the year of the
185.36 distribution shall receive a distribution equal to the difference; the amount necessary to

make this payment shall be derived from proportionate reductions in the initial distribution to other school districts under clause (i).

(d) Any school district described in paragraph (c) where a levy increase pursuant to section 126C.17, subdivision 9, was authorized by referendum for taxes payable in 2001, shall receive a distribution of 21.3 cents per ton. Each district shall receive \$175 times the pupil units identified in section 126C.05, subdivision 1, enrolled in the second previous year or the 1983-1984 school year, whichever is greater, less the product of 1.8 percent times the district's taxable net tax capacity in the second previous year.

If the total amount provided by paragraph (d) is insufficient to make the payments herein required then the entitlement of \$175 per pupil unit shall be reduced uniformly so as not to exceed the funds available. Any amounts received by a qualifying school district in any fiscal year pursuant to paragraph (d) shall not be applied to reduce general education aid which the district receives pursuant to section 126C.13 or the permissible levies of the district. Any amount remaining after the payments provided in this paragraph shall be paid to the commissioner of Iron Range resources and rehabilitation who shall deposit the same in the taconite environmental protection fund and the Douglas J. Johnson economic protection trust fund as provided in subdivision 11.

Each district receiving money according to this paragraph shall reserve the lesser of the amount received under this paragraph or \$25 times the number of pupil units served in the district. It may use the money for early childhood programs or for outcome-based learning programs that enhance the academic quality of the district's curriculum. The outcome-based learning programs must be approved by the commissioner of education.

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

(f) Effective for the distribution in 2003 only, five percent of the distributions to school districts under paragraphs (b), (c), and (e); subdivision 6, paragraph (c); subdivision 11; and section 298.225, shall be distributed to the general fund. The remainder less any portion distributed to cities and towns under section 126C.48, subdivision 8, paragraph (5), shall be distributed to the Douglas J. Johnson economic protection trust fund created in section 298.292. Fifty percent of the amount distributed to the Douglas J. Johnson economic protection trust fund shall be made available for expenditure under section 298.293 as governed by section 298.296. Effective in 2003 only, 100 percent of the distributions to school districts under section 477A.15 less any portion distributed to cities and towns under section 126C.48, subdivision 8, paragraph (5), shall be distributed to the general fund.

187.1 **EFFECTIVE DATE.** This section is effective for distributions in 2008 and
187.2 thereafter.

187.3 Sec. 9. Minnesota Statutes 2006, section 298.28, subdivision 5, is amended to read:

187.4 Subd. 5. **Counties.** (a) 26.05 cents per taxable ton is allocated to counties to be
187.5 distributed, based upon certification by the commissioner of revenue, under paragraphs
187.6 (b) to ~~(d)~~ (c).

187.7 (b) ~~20.525~~ 15.525 cents per taxable ton shall be distributed to the county in which
187.8 the taconite is mined or quarried or in which the concentrate is produced, ~~less any~~
187.9 ~~amount which is to be distributed pursuant to paragraph (c).~~ The apportionment formula
187.10 prescribed in subdivision 2 is the basis for the distribution.

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

187.17 (d) ~~5.525~~ 10.525 cents per taxable ton shall be paid to the county from which the
187.18 taconite was mined, quarried or concentrated to be deposited in the county road and
187.19 bridge fund. If the mining, quarrying and concentrating, or separate steps in any of those
187.20 processes are carried on in more than one county, the commissioner shall follow the
187.21 apportionment formula prescribed in subdivision 2.

187.22 **EFFECTIVE DATE.** This section is effective for distributions in 2008 and
187.23 thereafter.

187.24 Sec. 10. Minnesota Statutes 2006, section 298.28, subdivision 6, is amended to read:

187.25 Subd. 6. **Property tax relief.** (a) In ~~2002~~ 2008 and thereafter, ~~33.9~~ 30.9 cents per
187.26 taxable ton, less any amount required to be distributed under paragraphs (b) and (c), or
187.27 section 298.2961, subdivision 5, must be allocated to St. Louis County acting as the
187.28 counties' fiscal agent, to be distributed as provided in sections 273.134 to 273.136.

187.29 (b) If an electric power plant owned by and providing the primary source of power
187.30 for a taxpayer mining and concentrating taconite is located in a county other than the
187.31 county in which the mining and the concentrating processes are conducted, .1875 cent per
187.32 taxable ton of the tax imposed and collected from such taxpayer shall be paid to the county.

187.33 (c) If an electric power plant owned by and providing the primary source of power
187.34 for a taxpayer mining and concentrating taconite is located in a school district other than

188.1 a school district in which the mining and concentrating processes are conducted, .4541
188.2 cent per taxable ton of the tax imposed and collected from the taxpayer shall be paid to
188.3 the school district.

188.4 Sec. 11. Minnesota Statutes 2006, section 298.28, is amended by adding a subdivision
188.5 to read:

188.6 Subd. 9d. **Iron Range higher education account.** Two cents per taxable ton must
188.7 be allocated to the Iron Range Resources and Rehabilitation Board to be deposited in
188.8 an Iron Range higher education account that is hereby created, to be used for higher
188.9 education programs conducted at educational institutions in the taconite assistance area
188.10 defined in section 273.1341. The Iron Range Higher Education committee under section
188.11 298.2214 and the Iron Range Resources and Rehabilitation Board must approve all
188.12 expenditures from the account.

188.13 **EFFECTIVE DATE.** This section is effective for production in 2008, distributions
188.14 in 2009, and thereafter.

188.15 Sec. 12. Minnesota Statutes 2006, section 298.292, subdivision 2, is amended to read:

188.16 Subd. 2. **Use of money.** Money in the Douglas J. Johnson economic protection trust
188.17 fund may be used for the following purposes:

188.18 (1) to provide loans, loan guarantees, interest buy-downs and other forms of
188.19 participation with private sources of financing, but a loan to a private enterprise shall be
188.20 for a principal amount not to exceed one-half of the cost of the project for which financing
188.21 is sought, and the rate of interest on a loan to a private enterprise shall be no less than the
188.22 lesser of eight percent or an interest rate three percentage points less than a full faith
188.23 and credit obligation of the United States government of comparable maturity, at the
188.24 time that the loan is approved;

188.25 (2) to fund reserve accounts established to secure the payment when due of the
188.26 principal of and interest on bonds issued pursuant to section 298.2211;

188.27 (3) to pay in periodic payments or in a lump sum payment any or all of the interest
188.28 on bonds issued pursuant to chapter 474 for the purpose of constructing, converting,
188.29 or retrofitting heating facilities in connection with district heating systems or systems
188.30 utilizing alternative energy sources; ~~and~~

188.31 (4) to invest in a venture capital fund or enterprise that will provide capital to other
188.32 entities that are engaging in, or that will engage in, projects or programs that have the
188.33 purposes set forth in subdivision 1. No investments may be made in a venture capital fund
188.34 or enterprise unless at least two other unrelated investors make investments of at least

189.1 \$500,000 in the venture capital fund or enterprise, and the investment by the Douglas
189.2 J. Johnson economic protection trust fund may not exceed the amount of the largest
189.3 investment by an unrelated investor in the venture capital fund or enterprise. For purposes
189.4 of this subdivision, an "unrelated investor" is a person or entity that is not related to
189.5 the entity in which the investment is made or to any individual who owns more than 40
189.6 percent of the value of the entity, in any of the following relationships: spouse, parent,
189.7 child, sibling, employee, or owner of an interest in the entity that exceeds ten percent of
189.8 the value of all interests in it. For purposes of determining the limitations under this
189.9 clause, the amount of investments made by an investor other than the Douglas J. Johnson
189.10 economic protection trust fund is the sum of all investments made in the venture capital
189.11 fund or enterprise during the period beginning one year before the date of the investment
189.12 by the Douglas J. Johnson economic protection trust fund; and

189.13 (5) to purchase forest land in the taconite assistance area defined in section 273.1341
189.14 to be held and managed as a public trust for the benefit of the area for the purposes
189.15 authorized in section 298.22, subdivision 5a.

189.16 Money from the trust fund shall be expended only in or for the benefit of the taconite
189.17 assistance area defined in section 273.1341.

189.18 Sec. 13. Minnesota Statutes 2006, section 298.296, subdivision 2, is amended to read:

189.19 Subd. 2. **Expenditure of funds.** (a) Before January 1, 2028, funds may be expended
189.20 on projects and for administration of the trust fund only from the net interest, earnings,
189.21 and dividends arising from the investment of the trust at any time, including net interest,
189.22 earnings, and dividends that have arisen prior to July 13, 1982, plus \$10,000,000 made
189.23 available for use in fiscal year 1983, except that any amount required to be paid out of the
189.24 trust fund to provide the property tax relief specified in Laws 1977, chapter 423, article
189.25 X, section 4, and to make school bond payments and payments to recipients of taconite
189.26 production tax proceeds pursuant to section 298.225, may be taken from the corpus of
189.27 the trust.

189.28 (b) Additionally, upon recommendation by the board, up to \$13,000,000 from the
189.29 corpus of the trust may be made available for use as provided in subdivision 4, and up to
189.30 \$10,000,000 from the corpus of the trust may be made available for use as provided in
189.31 section 298.2961.

189.32 (c) Additionally, an amount equal to 20 percent of the value of the corpus of the trust
189.33 on May 18, 2002, not including the funds authorized in paragraph (b), plus the amounts
189.34 made available under section 298.28, subdivision 4, and Laws 2002, chapter 377, article

190.1 8, section 17, may be expended on projects. Funds may be expended for projects under
190.2 this paragraph only if the project:

190.3 (1) is for the purposes established under section 298.292, subdivision 1, clause
190.4 (1) or (2); and

190.5 (2) is approved by the board upon an affirmative vote of at least ten of its members.

190.6 No money made available under this paragraph or paragraph (d) can be used for
190.7 administrative or operating expenses of the Iron Range Resources and Rehabilitation
190.8 Board or expenses relating to any facilities owned or operated by the board on May 18,
190.9 2002.

190.10 (d) Upon recommendation by a unanimous vote of all members of the board,
190.11 amounts in addition to those authorized under paragraphs (a), (b), and (c) may be
190.12 expended on projects described in section 298.292, subdivision 1.

190.13 (e) Annual administrative costs, not including detailed engineering expenses for the
190.14 projects, shall not exceed five percent of the net interest, dividends, and earnings arising
190.15 from the trust in the preceding fiscal year.

190.16 (f) Principal and interest received in repayment of loans made pursuant to this
190.17 section, and earnings on other investments made under section 298.292, subdivision 2,
190.18 clause (4), shall be deposited in the state treasury and credited to the trust. These receipts
190.19 are appropriated to the board for the purposes of sections 298.291 to 298.298.

190.20 (g) Additionally, notwithstanding section 298.293, upon affirmative vote of a
190.21 majority of the members of the board, money from the corpus of the trust may be expended
190.22 to purchase forest lands within the taconite assistance area as provided in sections 298.22,
190.23 subdivision 5a, and 298.292, subdivision 2, clause (5).

190.24 Sec. 14. Minnesota Statutes 2006, section 298.2961, subdivision 4, is amended to read:

190.25 Subd. 4. **Grant and loan fund.** (a) A fund is established to receive distributions
190.26 under section 298.28, subdivision 9b, and to make grants or loans as provided in this
190.27 subdivision. Any grant or loan made under this subdivision must be approved by
190.28 a majority of the members of the Iron Range Resources and Rehabilitation Board,
190.29 established under section 298.22.

190.30 (b) Distributions received in calendar year 2005 are allocated to the city of Virginia
190.31 for improvements and repairs to the city's steam heating system.

190.32 (c) Distributions received in calendar year 2006 are allocated to a project of the
190.33 public utilities commissions of the cities of Hibbing and Virginia to convert their electrical
190.34 generating plants to the use of biomass products, such as wood.

191.1 (d) Distributions received in calendar year 2007 must be paid to the city of Tower to
191.2 be used for the East Two Rivers project in or near the city of Tower.

191.3 (e) For distributions received in 2008, the first \$2,000,000 of the 2008 distribution
191.4 must be paid to St. Louis County for deposit in its county road and bridge fund to be used
191.5 for relocation of St. Louis County Road 715, commonly referred to as Pike River Road.
191.6 The remainder of the 2008 distribution ~~and the full~~ must be paid to St. Louis County for a
191.7 grant to the City of Virginia for connecting sewer and water lines to the St. Louis County
191.8 maintenance garage on Highway 135, further extending the lines to interconnect with the
191.9 city of Gilbert's sewer and water lines. The total amount of the distributions in 2009 and
191.10 subsequent years is allocated for projects under section 298.223, subdivision 1.

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

191.12 Sec. 15. Minnesota Statutes 2006, section 298.2961, subdivision 5, is amended to read:

191.13 Subd. 5. **Public works and local economic development fund.** For distributions in
191.14 2007 only, a special fund is established to receive 38.4 cents per ton that otherwise would
191.15 be allocated under section 298.28, subdivision 6. The following amounts are allocated to
191.16 St. Louis County acting as the fiscal agent for the recipients for the specific purposes:

191.17 (1) 13.4 cents per ton for the Central Iron Range Sanitary Sewer District for
191.18 construction of a combined wastewater facility and notwithstanding section 298.28,
191.19 subdivision 11, paragraph (a), or any other law, interest accrued on this money while held
191.20 by St. Louis County shall also be distributed to the recipient;

191.21 (2) six cents per ton to the city of Eveleth to redesign and design and construct
191.22 improvements to renovate its water treatment facility;

191.23 (3) one cent per ton for the East Range Joint Powers Board to acquire land for and to
191.24 design a central wastewater collection and treatment system;

191.25 (4) 0.5 cents per ton to the city of Hoyt Lakes to repair Leeds Road;

191.26 (5) 0.7 cents per ton to the city of Virginia to extend Eighth Street South;

191.27 (6) 0.7 cents per ton to the city of Mountain Iron to repair Hoover Road;

191.28 (7) 0.9 cents per ton to the city of Gilbert for alley repairs between Michigan and
191.29 Indiana Avenues and for repayment of a loan to the Minnesota Department of Employment
191.30 and Economic Development;

191.31 (8) 0.4 cents per ton to the city of Keewatin for a new city well;

191.32 (9) 0.3 cents per ton to the city of Grand Rapids for planning for a fire and hazardous
191.33 materials center;

191.34 (10) 0.9 cents per ton to Aitkin County Growth for an economic development
191.35 project for peat harvesting;

192.1 (11) 0.4 cents per ton to the city of Nashwauk to develop a comprehensive city plan;
192.2 (12) 0.4 cents per ton to the city of Taconite for development of a city comprehensive
192.3 plan;
192.4 (13) 0.3 cents per ton to the city of Marble for water and sewer infrastructure;
192.5 (14) 0.8 cents per ton to Aitkin County for improvements to the Long Lake
192.6 Environmental Learning Center;
192.7 (15) 0.3 cents per ton to the city of Coleraine for the Coleraine Technology Center;
192.8 (16) 0.5 cents per ton to the Economic Development Authority of the city of Grand
192.9 Rapids for planning for the North Central Research and Technology Laboratory;
192.10 (17) 0.6 cents per ton to the city of Bovey for sewer and water extension;
192.11 (18) 0.3 cents per ton to the city of Calumet for infrastructure improvements; and
192.12 (19) ten cents per ton to ~~an economic development authority in a city through which~~
192.13 ~~State Highway 1 passes, or a city in Independent School District No. 2142 that has an~~
192.14 ~~active mine~~, the commissioner of Iron Range Resources and Rehabilitation for deposit
192.15 in a Highway 1 Corridor Account established by the commissioner, to be distributed by
192.16 the commissioner to any of the cities of Babbitt, Cook, Ely, or Tower, for an economic
192.17 development project projects approved by the Iron Range Resources and Rehabilitation
192.18 Board; notwithstanding section 298.28, subdivision 11, paragraph (a), or any other law,
192.19 interest accrued on this money while held by St. Louis County or the commissioner
192.20 shall also be distributed to the recipient.

192.21 Sec. 16. Minnesota Statutes 2006, section 298.75, subdivision 1, is amended to read:

192.22 Subdivision 1. **Definitions.** Except as may otherwise be provided, the following
192.23 words, when used in this section, shall have the meanings herein ascribed to them.

192.24 ~~(1)~~ (a) "Aggregate material" shall mean means:

192.25 (1) nonmetallic natural mineral aggregate including, but not limited to sand, silica
192.26 sand, gravel, crushed rock, limestone, granite, and borrow, but only if the borrow is
192.27 transported on a public road, street, or highway; provided that nonmetallic aggregate
192.28 material shall does not include dimension stone and dimension granite; and

192.29 (2) taconite tailings, crushed rock, and architectural or dimension stone and
192.30 dimension granite removed from a taconite mine or the site of a previously operated
192.31 taconite mine.

192.32 Aggregate material must be measured or weighed after it has been extracted from
192.33 the pit, quarry, or deposit.

192.34 ~~(2)~~ (b) "Person" shall mean means any individual, firm, partnership, corporation,
192.35 organization, trustee, association, or other entity.

193.1 ~~(3)~~(c) "Operator" ~~shall mean~~ means any person engaged in the business of removing
193.2 aggregate material from the surface or subsurface of the soil, for the purpose of sale,
193.3 either directly or indirectly, through the use of the aggregate material in a marketable
193.4 product or service.

193.5 ~~(4)~~(d) "Extraction site" ~~shall mean~~ means a pit, quarry, or deposit containing
193.6 aggregate material and any contiguous property to the pit, quarry, or deposit which is used
193.7 by the operator for stockpiling the aggregate material.

193.8 ~~(5)~~(e) "Importer" ~~shall mean~~ means any person who buys aggregate material
193.9 produced from a county not listed in paragraph ~~(6)~~(f) or another state and causes the
193.10 aggregate material to be imported into a county in this state which imposes a tax on
193.11 aggregate material.

193.12 ~~(6)~~(f) "County" ~~shall mean~~ means the counties of Pope, Stearns, Benton, Sherburne,
193.13 Carver, Scott, Dakota, Le Sueur, Kittson, Marshall, Pennington, Red Lake, Polk, Norman,
193.14 Mahnomen, Clay, Becker, Carlton, St. Louis, Rock, Murray, Wilkin, Big Stone, Sibley,
193.15 Hennepin, Washington, Chisago, and Ramsey. County also means any other county whose
193.16 board has voted after a public hearing to impose the tax under this section and has notified
193.17 the commissioner of revenue of the imposition of the tax.

193.18 ~~(7)~~(g) "Borrow" ~~shall mean~~ means granular borrow, consisting of durable particles
193.19 of gravel and sand, crushed quarry or mine rock, crushed gravel or stone, or any
193.20 combination thereof, the ratio of the portion passing the (#200) sieve divided by the
193.21 portion passing the (1 inch) sieve may not exceed 20 percent by mass.

193.22 Sec. 17. Minnesota Statutes 2006, section 298.75, subdivision 3, is amended to read:

193.23 Subd. 3. **Report and remittance.** (a) By the 14th day following the last day of each
193.24 calendar quarter, every operator or importer shall make and file with the county auditor of
193.25 the county in which the aggregate material is removed or imported, a correct report under
193.26 oath, in such form and containing such information as the auditor shall require relative to
193.27 the quantity of aggregate material removed or imported during the preceding calendar
193.28 quarter. The report shall be accompanied by a remittance of the amount of tax due.

193.29 (b) If any of the proceeds of the tax is to be apportioned as provided in subdivision
193.30 2, the operator or importer shall also include on the report any relevant information
193.31 concerning the amount of aggregate material transported, the tax and the county of
193.32 destination. The county auditor shall notify the county treasurer of the amount of such
193.33 tax and the county to which it is due. The county treasurer shall remit the tax to the
193.34 appropriate county within 30 days, except as provided in paragraph (c).

194.1 (c) The proceeds of the tax on aggregate material as defined in subdivision 1,
194.2 paragraph (a), clause (2), must be remitted to the commissioner of iron range resources
194.3 and rehabilitation to be deposited in the taconite area environmental protection fund under
194.4 section 298.223, and used for the purposes of that fund.

194.5 Sec. 18. Minnesota Statutes 2006, section 298.75, subdivision 7, is amended to read:

194.6 Subd. 7. **Proceeds of taxes.** All money collected as taxes under this section on
194.7 aggregate material as defined in subdivision 1, paragraph (a), clause (1), shall be deposited
194.8 in the county treasury and credited as follows, for expenditure by the county board:

194.9 (a) Sixty percent to the county road and bridge fund for expenditure for the
194.10 maintenance, construction and reconstruction of roads, highways and bridges;

194.11 (b) Thirty percent to the road and bridge fund of those towns as determined by the
194.12 county board and to the general fund or other designated fund of those cities as determined
194.13 by the county board, to be expended for maintenance, construction and reconstruction of
194.14 roads, highways and bridges; and

194.15 (c) Ten percent to a special reserve fund which is hereby established, for expenditure
194.16 for the restoration of abandoned pits, quarries, or deposits located upon public and tax
194.17 forfeited lands within the county.

194.18 If there are no abandoned pits, quarries or deposits located upon public or tax
194.19 forfeited lands within the county, this portion of the tax shall be deposited in the county
194.20 road and bridge fund for expenditure for the maintenance, construction and reconstruction
194.21 of roads, highways and bridges.

194.22 Sec. 19. Minnesota Statutes 2006, section 298.75, is amended by adding a subdivision
194.23 to read:

194.24 Subd. 11. **Tax may be imposed; Otter Tail County.** (a) If Otter Tail County
194.25 does not impose a tax under this section and approves imposition of the tax under this
194.26 subdivision, the town of Scambler in Otter Tail County may impose the aggregate
194.27 materials tax under this section.

194.28 (b) For purposes of exercising the powers contained in this section, the "town" is
194.29 deemed to be the "county."

194.30 (c) All provisions in this section apply to the town of Scambler, except that all
194.31 proceeds of the tax must be retained by the town and used for the purposes described in
194.32 subdivision 7.

195.1 (d) If Otter Tail County imposes an aggregate materials tax under this section, the
195.2 tax imposed by the town of Scambler under this subdivision is repealed on the effective
195.3 date of the Otter Tail County tax.

195.4 **EFFECTIVE DATE.** This section is effective the day after the governing body
195.5 of the town of Scambler and its chief clerical officer comply with section 645.021,
195.6 subdivisions 2 and 3.

195.7 Sec. 20. **IRON RANGE RESOURCES AND REHABILITATION BOARD;**
195.8 **APPROPRIATION; RETIRE BONDS.**

195.9 Commencing with taxes payable in 2008 there is annually appropriated from
195.10 the distribution of the taconite production tax revenues to the taconite environmental
195.11 protection fund under Minnesota Statutes, section 298.28, subdivision 11, and to the
195.12 Douglas J. Johnson economic protection trust fund under Minnesota Statutes, section
195.13 298.28, subdivisions 9 and 11, in equal shares, an amount of \$500,000 per year.

195.14 The revenue received under this section shall be used only to retire Mesabi East
195.15 School District No. 2711 bonds in the amount of \$9,000,000 issued September 1, 2006,
195.16 and in the amount of \$6,250,000 issued March 1, 2007. The payments shall continue for a
195.17 period of ten years ending with taxes payable in 2017. Payments to the school district
195.18 shall be made on March 1.

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

195.20 Sec. 21. **APPROPRIATIONS; DEPARTMENT OF EDUCATION.**

195.21 Subdivision 1. **Department of Education** The sums indicated in this section are
195.22 appropriated from the general fund to the Department of Education. These appropriations
195.23 are added to any appropriations for the same purpose in 2007 H.F. No. 2245, if enacted,
195.24 for the fiscal years indicated.

195.25 Subd. 2. **General education aid.** For general education aid under Minnesota
195.26 Statutes, section 126C.13, subdivision 4:

195.27 \$ 1,041,000 2009

195.28 The 2009 appropriation includes \$0 for fiscal year 2008 and \$1,041,000 for fiscal
195.29 year 2009.

195.30 Sec. 22. **REPEALER.**

195.31 Minnesota Statutes 2006, section 126C.21, subdivision 4, is repealed.

ARTICLE 9
SPECIAL TAXES

Section 1. Minnesota Statutes 2006, section 291.215, subdivision 1, is amended to read:

Subdivision 1. **Determination.** All property includable in the Minnesota gross estate of a decedent shall be valued in accordance with the provisions of sections 2031 or 2032 and, if applicable, 2032A, of the Internal Revenue Code and any elections made in valuing the federal gross estate shall be applicable in valuing the Minnesota gross estate. ~~Values for purposes of the estate tax on both probate and nonprobate assets shall be the same as those finally determined for purposes of the federal estate tax on a decedent's estate.~~ The value of all property includable in the Minnesota gross estate of a decedent may be independently determined under those sections of the Internal Revenue Code for Minnesota estate tax purposes except:

- (1) to the extent provided in section 291.075; or
- (2) for property reported on a federal estate tax return with federal tax liability, the value of property accepted by the Internal Revenue Service following an audit of the return.

EFFECTIVE DATE. This section is effective retroactively for estates of decedents dying after December 31, 2005.

Sec. 2. Minnesota Statutes 2006, section 296A.18, subdivision 4, is amended to read:

Subd. 4. **All-terrain vehicle.** Approximately ~~0.15~~ 0.27 of one percent of all gasoline received in or produced or brought into this state, except gasoline used for aviation purposes, is being used for the operation of all-terrain vehicles in this state, and of the total revenue derived from the imposition of the gasoline fuel tax, ~~0.15~~ 0.27 of one percent is the amount of tax on fuel used in all-terrain vehicles operated in this state.

EFFECTIVE DATE. This section is effective for revenue received after June 30, 2008.

Sec. 3. Minnesota Statutes 2006, section 297F.09, subdivision 10, is amended to read:

Subd. 10. **Accelerated tax payment; cigarette or tobacco products distributor.** A cigarette or tobacco products distributor having a liability of \$120,000 or more during a fiscal year ending June 30, shall remit the June liability for the next year in the following manner:

197.1 (a) Two business days before June 30 of the year, the distributor shall remit the
197.2 actual May liability and ~~78~~ 85 percent of the estimated June liability to the commissioner
197.3 and file the return in the form and manner prescribed by the commissioner.

197.4 (b) On or before August 18 of the year, the distributor shall submit a return showing
197.5 the actual June liability and pay any additional amount of tax not remitted in June. A
197.6 penalty is imposed equal to ten percent of the amount of June liability required to be paid
197.7 in June, less the amount remitted in June. However, the penalty is not imposed if the
197.8 amount remitted in June equals the lesser of:

197.9 (1) ~~78~~ 85 percent of the actual June liability; or

197.10 (2) ~~78~~ 85 percent of the preceding May's liability.

197.11 **EFFECTIVE DATE.** This section is effective beginning with June 2009 tax
197.12 liabilities.

197.13 Sec. 4. Minnesota Statutes 2006, section 297F.21, subdivision 3, is amended to read:

197.14 Subd. 3. **Inventory; judicial determination; appeal; disposition of seized**
197.15 **property.** (a) Within ten days after the seizure of any alleged contraband, the person
197.16 making the seizure shall serve by certified mail an inventory of the property seized on the
197.17 person from whom the seizure was made, if known, and on any person known or believed
197.18 to have any right, title, interest, or lien in the property, at the last known address, and file
197.19 a copy with the commissioner. The notice must include an explanation of the right to
197.20 demand a judicial forfeiture determination.

197.21 (b) Within 60 days after the date of service of the inventory, which is the date of
197.22 mailing, the person from whom the property was seized or any person claiming an interest
197.23 in the property may file a demand for a judicial determination of the question as to whether
197.24 the property was lawfully subject to seizure and forfeiture. The demand must be in the
197.25 form of a civil complaint and must be filed with the court administrator in the county in
197.26 which the seizure occurred, together with proof of service of a copy of the complaint
197.27 on the commissioner of revenue, and the standard filing fee for civil actions unless the
197.28 petitioner has the right to sue in forma pauperis under section 563.01. If the value of the
197.29 seized property is \$7,500 or less, the claimant may file an action in conciliation court for
197.30 recovery of the property. If the value of the seized property is less than \$500, the claimant
197.31 does not have to pay the conciliation court filing fee.

197.32 (c) The complaint must be captioned in the name of the claimant as plaintiff and
197.33 the seized property as defendant, and must state with specificity the grounds on which
197.34 the claimant alleges the property was improperly seized and the plaintiff's interest in the
197.35 property seized. No responsive pleading is required of the commissioner, and no court

fees may be charged for the commissioner's appearance in the matter. The proceedings are governed by the Rules of Civil Procedure. Notwithstanding any law to the contrary, an action for the return of property seized under this section may not be maintained by or on behalf of any person who has been served with an inventory unless the person has complied with this subdivision. The court shall decide whether the alleged contraband is contraband, as defined in subdivision 1. The court shall hear the action without a jury and shall try and determine the issues of fact and law involved.

(d) When a judgment of forfeiture is entered, ~~the commissioner may~~, unless the judgment is stayed pending an appeal, ~~either~~ the commissioner:

(1) ~~deliver the forfeited cigarette packages or tobacco products to the commissioner of human services for use by patients in state institutions~~ may authorize the forfeited property to be used for the purpose of enforcing a criminal provision of state or federal law;

(2) shall cause the property in clause (1) forfeited cigarette packages or tobacco products not used under clause (1) to be destroyed, or and products used under clause (1) to be destroyed upon the completion of use; and

(3) may cause the forfeited property, other than forfeited cigarette packages or tobacco products, to be sold at public auction as provided by law.

The person making a sale, after deducting the expense of keeping the property, the fee for seizure, and the costs of the sale, shall pay all liens according to their priority, which are established as being bona fide and as existing without the lienor having any notice or knowledge that the property was being used or was intended to be used for or in connection with the violation. The balance of the proceeds must be paid 75 percent to the Department of Revenue for deposit as a supplement to its operating fund or similar fund for official use, and 25 percent to the county attorney or other prosecuting agency that handled the court proceeding, if there is one, for deposit as a supplement to its operating fund or similar fund for prosecutorial purposes. If there is no prosecuting authority involved in the forfeiture, the 25 percent of the proceeds otherwise designated for the prosecuting authority must be deposited into the general fund.

(e) If no demand for judicial determination is made, the property seized is considered forfeited to the state by operation of law and may be disposed of by the commissioner as provided in the case of a judgment of forfeiture.

EFFECTIVE DATE. This section is effective for forfeitures after June 30, 2007.

Sec. 5. Minnesota Statutes 2006, section 297G.09, subdivision 9, is amended to read:

199.1 Subd. 9. **Accelerated tax payment; penalty.** A person liable for tax under this
199.2 chapter having a liability of \$120,000 or more during a fiscal year ending June 30, shall
199.3 remit the June liability for the next year in the following manner:

199.4 (a) Two business days before June 30 of the year, the taxpayer shall remit the actual
199.5 May liability and ~~78~~ 85 percent of the estimated June liability to the commissioner and file
199.6 the return in the form and manner prescribed by the commissioner.

199.7 (b) On or before August 18 of the year, the taxpayer shall submit a return showing
199.8 the actual June liability and pay any additional amount of tax not remitted in June. A
199.9 penalty is imposed equal to ten percent of the amount of June liability required to be paid
199.10 in June less the amount remitted in June. However, the penalty is not imposed if the
199.11 amount remitted in June equals the lesser of:

199.12 (1) ~~78~~ 85 percent of the actual June liability; or

199.13 (2) ~~78~~ 85 percent of the preceding May liability.

199.14 **EFFECTIVE DATE.** This section is effective beginning with June 2009 tax
199.15 liabilities.

199.16 Sec. 6. Minnesota Statutes 2006, section 297I.15, is amended by adding a subdivision
199.17 to read:

199.18 Subd. 11. **Premiums paid to certain foreign insurance companies.** With respect
199.19 to the state employees group insurance program established under sections 43A.23 to
199.20 43A.31, premiums paid for life insurance and accidental death and dismemberment
199.21 insurance for eligible employees and dependents, including premiums paid by employees
199.22 or dependents for optional coverage, are exempt from the taxes imposed under this chapter
199.23 to the extent the premiums are paid to a foreign insurance company domiciled in a state
199.24 that exempts its state employee group life insurance program from premium taxes.

199.25 **EFFECTIVE DATE.** This section is effective for premiums paid after December
199.26 31, 2006.

199.27 Sec. 7. Minnesota Statutes 2006, section 383A.80, subdivision 4, is amended to read:

199.28 Subd. 4. **Expiration.** The authority to impose the tax under this section expires
199.29 January 1, ~~2008~~ 2013.

199.30 Sec. 8. Minnesota Statutes 2006, section 383A.81, subdivision 1, is amended to read:

199.31 Subdivision 1. **Creation.** An environmental response fund is created for the
199.32 purposes specified in this section. The taxes imposed by section 383A.80 must be

200.1 deposited in the fund. The board of county commissioners shall administer the fund either
200.2 as a county board; or a housing and redevelopment authority; ~~or a regional rail authority.~~

200.3 Sec. 9. Minnesota Statutes 2006, section 383A.81, subdivision 2, is amended to read:

200.4 Subd. 2. **Uses of fund.** The fund created in subdivision 1 must be used for the
200.5 following purposes:

200.6 (1) acquisition through purchase or condemnation of lands or property which are
200.7 polluted or contaminated with hazardous substances;

200.8 (2) paying the costs associated with indemnifying or holding harmless the
200.9 entity taking title to lands or property from any liability arising out of the ownership,
200.10 remediation, or use of the land or property;

200.11 (3) paying for the costs of remediating the acquired land or property; or

200.12 (4) paying the costs associated with remediating lands or property which are polluted
200.13 or contaminated with hazardous substances; ~~or~~

200.14 ~~(5) paying for the costs associated with improving the property for economic~~
200.15 ~~development, recreational, housing, transportation or rail traffic.~~

200.16 Sec. 10. Minnesota Statutes 2006, section 383B.80, subdivision 4, is amended to read:

200.17 Subd. 4. **Expiration.** The authority to impose the tax under this section expires
200.18 January 1, ~~2008~~ 2013.

200.19 Sec. 11. **[383C.798] COUNTY DEED AND MORTGAGE TAX.**

200.20 Subdivision 1. **Authority to impose; rate.** (a) The governing body of St. Louis
200.21 County may impose a mortgage registry and deed tax.

200.22 (b) The rate of the mortgage registry tax equals .0001 of the principal.

200.23 (c) The rate of the deed tax equals .0001 of the amount.

200.24 Subd. 2. **General law provisions apply.** The taxes under this section apply to
200.25 the same base and must be imposed, collected, administered, and enforced in the same
200.26 manner as provided under chapter 287 for the state mortgage registry and deed taxes.
200.27 All the provisions of chapter 287 apply to these taxes, except the rate is as specified in
200.28 subdivision 1, the term "St. Louis County" must be substituted for "the state," and the
200.29 revenue must be deposited as provided in subdivision 3.

200.30 Subd. 3. **Deposit of revenues.** All revenues from the tax are for the use of the
200.31 St. Louis County Board of Commissioners and must be deposited in the county's
200.32 environmental response fund under section 383C.799.

201.1 Subd. 4. **Initial implementation.** Documents presented for recording within 60
201.2 days after the date of imposition of the tax by the county that are acknowledged, sworn to
201.3 before a notary, or certified before the imposition date, must not be rejected for failure to
201.4 include the tax imposed under this section.

201.5 Subd. 5. **Expiration.** The authority to impose the tax under this section expires
201.6 January 1, 2013.

201.7 Sec. 12. **[383C.799] ENVIRONMENTAL RESPONSE FUND.**

201.8 Subdivision 1. **Creation.** An environmental response fund is created for the
201.9 purposes specified in this section. The taxes imposed under section 383C.798 must be
201.10 deposited in the fund. The Board of County Commissioners shall administer the fund
201.11 either as a county board or a housing and redevelopment authority.

201.12 Subd. 2. **Uses of fund.** The fund created in subdivision 1 must be used for the
201.13 following purposes:

201.14 (1) acquisition through purchase or condemnation of lands or property which are
201.15 polluted or contaminated with hazardous substances;

201.16 (2) paying the costs associated with indemnifying or holding harmless the
201.17 entity taking title to lands or property from any liability arising out of the ownership,
201.18 remediation, or use of the land or property;

201.19 (3) paying for the costs of remediating the acquired land or property; or

201.20 (4) paying the costs associated with remediating lands or property which are polluted
201.21 or contaminated with hazardous substances.

201.22 Subd. 3. **Matching funds.** In expending funds under this section, the county shall
201.23 seek matching funds from contamination cleanup funds administered by the commissioner
201.24 of the Department of Employment and Economic Development, the federal government,
201.25 the private sector, and any other source.

201.26 Subd. 4. **Bonds.** The county may pledge the proceeds from the taxes imposed by
201.27 section 383C.798 to bonds issued under this section and chapters 462, 469, and 475.

201.28 Subd. 5. **Land sales.** Land or property acquired under this section may be resold
201.29 at fair market value. Proceeds from the sale of the land must be deposited in the
201.30 environmental response fund.

201.31 Sec. 13. **[383D.75] COUNTY DEED AND MORTGAGE TAX.**

201.32 Subdivision 1. **Authority to impose; rate.** (a) The governing body of Dakota
201.33 County may impose a mortgage registry and deed tax.

201.34 (b) The rate of the mortgage registry tax equals .0001 of the principal.

202.1 (c) The rate of the deed tax equals .0001 of the amount.

202.2 Subd. 2. **General law provisions apply.** The taxes under this section apply to
202.3 the same base and must be imposed, collected, administered, and enforced in the same
202.4 manner as provided under chapter 287 for the state mortgage registry and deed taxes.
202.5 All the provisions of chapter 287 apply to these taxes, except the rate is as specified in
202.6 subdivision 1, the term "Dakota County" must be substituted for "the state," and the
202.7 revenue must be deposited as provided in subdivision 3.

202.8 Subd. 3. **Deposit of revenues.** All revenues from the tax are for the use of
202.9 the Dakota County Board of Commissioners and must be deposited in the county's
202.10 environmental response fund under section 383D.76.

202.11 Subd. 4. **Initial implementation.** Documents presented for recording within 60
202.12 days after the date of imposition of the tax by the county that are acknowledged, sworn to
202.13 before a notary, or certified before the imposition date, must not be rejected for failure to
202.14 include the tax imposed under this section.

202.15 Subd. 5. **Expiration.** The authority to impose the tax under this section expires
202.16 January 1, 2013.

202.17 Sec. 14. **[383D.76] ENVIRONMENTAL RESPONSE FUND.**

202.18 Subdivision 1. **Creation.** An environmental response fund is created for the
202.19 purposes specified in this section. The taxes imposed under section 383D.75 must be
202.20 deposited in the fund. The Board of County Commissioners shall administer the fund
202.21 either as a county board or a housing and redevelopment authority.

202.22 Subd. 2. **Uses of fund.** The fund created in subdivision 1 must be used for the
202.23 following purposes:

202.24 (1) acquisition through purchase or condemnation of lands or property which are
202.25 polluted or contaminated with hazardous substances;

202.26 (2) paying the costs associated with indemnifying or holding harmless the
202.27 entity taking title to lands or property from any liability arising out of the ownership,
202.28 remediation, or use of the land or property;

202.29 (3) paying for the costs of remediating the acquired land or property; or

202.30 (4) paying the costs associated with remediating lands or property which are polluted
202.31 or contaminated with hazardous substances.

202.32 Subd. 3. **Matching funds.** In expending funds under this section, the county shall
202.33 seek matching funds from contamination cleanup funds administered by the commissioner
202.34 of the Department of Employment and Economic Development, the Metropolitan Council,
202.35 the federal government, the private sector, and any other source.

203.1 Subd. 4. **Bonds.** The county may pledge the proceeds from the taxes imposed by
203.2 section 383D.75 to bonds issued under this chapter and chapters 462, 469, and 475.

203.3 Subd. 5. **Land sales.** Land or property acquired under this section may be resold
203.4 at fair market value. Proceeds from the sale of the land must be deposited in the
203.5 environmental response fund.

203.6 Sec. 15. **[383E.235] COUNTY DEED AND MORTGAGE TAX.**

203.7 Subdivision 1. **Authority to impose; rate.** (a) The governing body of Anoka
203.8 County may impose a mortgage registry and deed tax.

203.9 (b) The rate of the mortgage registry tax equals .0001 of the principal.

203.10 (c) The rate of the deed tax equals .0001 of the amount.

203.11 Subd. 2. **General law provisions apply.** The taxes under this section apply to
203.12 the same base and must be imposed, collected, administered, and enforced in the same
203.13 manner as provided under chapter 287 for the state mortgage registry and deed taxes.
203.14 All the provisions of chapter 287 apply to these taxes, except the rate is as specified
203.15 in subdivision 1, the term "Anoka County" must be substituted for "the state," and the
203.16 revenue must be deposited as provided in subdivision 3.

203.17 Subd. 3. **Deposit of revenues.** All revenues from the tax are for the use of the Anoka
203.18 County Board of Commissioners and must be deposited in the county's environmental
203.19 response fund under section 383E.236.

203.20 Subd. 4. **Initial implementation.** Documents presented for recording within 60
203.21 days after the date of imposition of the tax by the county that are acknowledged, sworn to
203.22 before a notary, or certified before the imposition date, must not be rejected for failure to
203.23 include the tax imposed under this section.

203.24 Subd. 5. **Expiration.** The authority to impose the tax under this section expires
203.25 January 1, 2013.

203.26 Sec. 16. **[383E.236] ENVIRONMENTAL RESPONSE FUND.**

203.27 Subdivision 1. **Creation.** An environmental response fund is created for the
203.28 purposes specified in this section. The taxes imposed under section 383E.235 must be
203.29 deposited in the fund. The Board of County Commissioners shall administer the fund
203.30 either as a county board or a housing and redevelopment authority.

203.31 Subd. 2. **Uses of fund.** The fund created in subdivision 1 must be used for the
203.32 following purposes:

203.33 (1) acquisition through purchase or condemnation of lands or property which are
203.34 polluted or contaminated with hazardous substances;

204.1 (2) paying the costs associated with indemnifying or holding harmless the
204.2 entity taking title to lands or property from any liability arising out of the ownership,
204.3 remediation, or use of the land or property;

204.4 (3) paying for the costs of remediating the acquired land or property; or

204.5 (4) paying the costs associated with remediating lands or property which are polluted
204.6 or contaminated with hazardous substances.

204.7 Subd. 3. **Matching funds.** In expending funds under this section, the county shall
204.8 seek matching funds from contamination cleanup funds administered by the commissioner
204.9 of the Department of Employment and Economic Development, the Metropolitan Council,
204.10 the federal government, the private sector, and any other source.

204.11 Subd. 4. **Bonds.** The county may pledge the proceeds from the taxes imposed by
204.12 section 383E.235 to bonds issued under this section and chapters 462, 469, and 475.

204.13 Subd. 5. **Land sales.** Land or property acquired under this section may be resold
204.14 at fair market value. Proceeds from the sale of the land must be deposited in the
204.15 environmental response fund.

204.16 Subd. 6. **DOT assistance.** The commissioner of transportation shall collaborate with
204.17 the county and any affected municipality by providing technical assistance and support in
204.18 cleaning up a contaminated site related to a trunk highway or railroad improvement.

204.19 Sec. 17. Laws 2003, chapter 128, article 1, section 172, as amended by Laws 2005,
204.20 First Special Session chapter 1, article 4, section 118, is amended to read:

204.21 Sec. 172. **TEMPORARY PETROFUND FEE EXEMPTION FOR**
204.22 **MINNESOTA COMMERCIAL AIRLINES.**

204.23 (a) A commercial airline providing regularly scheduled jet service and with its
204.24 corporate headquarters in Minnesota is exempt from the fee established in Minnesota
204.25 Statutes, section 115C.08, subdivision 3, until July 1, ~~2007~~ 2009, provided the airline
204.26 develops a plan approved by the commissioner of commerce demonstrating that the
204.27 savings from this exemption will go towards minimizing job losses in Minnesota, and to
204.28 support the airline's efforts to ~~avoid filing for~~ resolve federal bankruptcy ~~protections~~
204.29 proceedings.

204.30 (b) A commercial airline exempted from the fee is ineligible to receive
204.31 reimbursement under Minnesota Statutes, chapter 115C, until July 1, ~~2007~~ 2009. A
204.32 commercial airline that has a release during the fee exemption period is ineligible to
204.33 receive reimbursement under Minnesota Statutes, chapter 115C, for the costs incurred in
204.34 response to that release.

ARTICLE 10

DEPARTMENT INCOME AND FRANCHISE TAXES

Section 1. Minnesota Statutes 2006, section 270A.03, subdivision 5, is amended to read:

Subd. 5. **Debt.** (a) "Debt" means a legal obligation of a natural person to pay a fixed and certain amount of money, which equals or exceeds \$25 and which is due and payable to a claimant agency. The term includes criminal fines imposed under section 609.10 or 609.125, fines imposed for petty misdemeanors as defined in section 609.02, subdivision 4a, and restitution. The term also includes the co-payment for the appointment of a district public defender imposed under section 611.17, paragraph (c). A debt may arise under a contractual or statutory obligation, a court order, or other legal obligation, but need not have been reduced to judgment.

A debt includes any legal obligation of a current recipient of assistance which is based on overpayment of an assistance grant where that payment is based on a client waiver or an administrative or judicial finding of an intentional program violation; or where the debt is owed to a program wherein the debtor is not a client at the time notification is provided to initiate recovery under this chapter and the debtor is not a current recipient of food support, transitional child care, or transitional medical assistance.

(b) A debt does not include any legal obligation to pay a claimant agency for medical care, including hospitalization if the income of the debtor at the time when the medical care was rendered does not exceed the following amount:

- (1) for an unmarried debtor, an income of \$8,800 or less;
- (2) for a debtor with one dependent, an income of \$11,270 or less;
- (3) for a debtor with two dependents, an income of \$13,330 or less;
- (4) for a debtor with three dependents, an income of \$15,120 or less;
- (5) for a debtor with four dependents, an income of \$15,950 or less; and
- (6) for a debtor with five or more dependents, an income of \$16,630 or less.

~~The income amounts in this subdivision shall be adjusted for inflation for debts incurred in calendar years 2001 and thereafter. The dollar amount of each income level that applied to debts incurred in the prior year shall be increased in the same manner as provided in section 1(f) of the Internal Revenue Code of 1986, as amended through December 31, 2000, except that for the purposes of this subdivision the percentage increase shall be determined from the year starting September 1, 1999, and ending August 31, 2000, as the base year for adjusting for inflation for debts incurred after December 31, 2000.~~ (c) The commissioner shall adjust the income amounts in paragraph (b) by the

percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "1999" shall be substituted for the word "1992." For 2001, the commissioner shall then determine the percent change from the 12 months ending on August 31, 1999, to the 12 months ending on August 31, 2000, and in each subsequent year, from the 12 months ending on August 31, 1999, to the 12 months ending on August 31 of the year preceding the taxable year. The determination of the commissioner pursuant to this subdivision shall not be considered a "rule" and shall not be subject to the Administrative Procedure Act contained in chapter 14. The income amount as adjusted must be rounded to the nearest \$10 amount. If the amount ends in \$5, the amount is rounded up to the nearest \$10 amount.

(d) Debt also includes an agreement to pay a MinnesotaCare premium, regardless of the dollar amount of the premium authorized under section 256L.15, subdivision 1a.

EFFECTIVE DATE. This section is effective for debts incurred after December 31, 2006.

Sec. 2. Minnesota Statutes 2006, section 289A.08, subdivision 11, is amended to read:

Subd. 11. **Information included in income tax return.** (a) The return must state:

(1) the name of the taxpayer, or taxpayers, if the return is a joint return, and the address of the taxpayer in the same name or names and same address as the taxpayer has used in making the taxpayer's income tax return to the United States, ~~and must state;~~

(2) the date or dates of birth of the taxpayer or taxpayers;

(3) the Social Security number of the taxpayer, or taxpayers, if a Social Security number has been issued by the United States with respect to the taxpayers, ~~and must state;~~ and

(4) the amount of the taxable income of the taxpayer as it appears on the federal return for the taxable year to which the Minnesota state return applies.

(b) The taxpayer must attach to the taxpayer's Minnesota state income tax return a copy of the federal income tax return that the taxpayer has filed or is about to file for the period, unless the taxpayer is eligible to telefile the federal return and does file the Minnesota return by telefiling.

EFFECTIVE DATE. This section is effective for tax years beginning after December 31, 2006.

Sec. 3. Minnesota Statutes 2006, section 289A.09, subdivision 2, is amended to read:

Subd. 2. **Withholding statement to employee or payee and to commissioner.** (a)

A person required to deduct and withhold from an employee a tax under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2, or who would have been required to deduct and withhold a tax under section 290.92, subdivision 2a or 3, or persons required to withhold tax under section 290.923, subdivision 2, determined without regard to section 290.92, subdivision 19, if the employee or payee had claimed no more than one withholding exemption, or who paid wages or made payments not subject to withholding under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2, to an employee or person receiving royalty payments in excess of \$600, or who has entered into a voluntary withholding agreement with a payee under section 290.92, subdivision 20, must give every employee or person receiving royalty payments in respect to the remuneration paid by the person to the employee or person receiving royalty payments during the calendar year, on or before January 31 of the succeeding year, or, if employment is terminated before the close of the calendar year, within 30 days after the date of receipt of a written request from the employee if the 30-day period ends before January 31, a written statement showing the following:

(1) name of the person;

(2) the name of the employee or payee and the employee's or payee's Social Security account number;

(3) the total amount of wages as that term is defined in section 290.92, subdivision 1, paragraph (1); the total amount of remuneration subject to withholding under section 290.92, subdivision 20; the amount of sick pay as required under section 6051(f) of the Internal Revenue Code; and the amount of royalties subject to withholding under section 290.923, subdivision 2; and

(4) the total amount deducted and withheld as tax under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2.

(b) The statement required to be furnished by ~~this~~ paragraph (a) with respect to any remuneration must be furnished at those times, must contain the information required, and must be in the form the commissioner prescribes.

(c) The commissioner may prescribe rules providing for reasonable extensions of time, not in excess of 30 days, to employers or payers required to give the statements to their employees or payees under this subdivision.

(d) A duplicate of any statement made under this subdivision and in accordance with rules prescribed by the commissioner, along with a reconciliation in the form the commissioner prescribes of the statements for the calendar year, including a reconciliation

of the quarterly returns required to be filed under subdivision 1, must be filed with the commissioner on or before February 28 of the year after the payments were made.

(e) If an employer cancels the employer's Minnesota withholding account number required by section 290.92, subdivision 24, the information required by paragraph (d), must be filed with the commissioner within 30 days of the end of the quarter in which the employer cancels its account number.

(f) The employer must submit the statements required to be sent to the commissioner ~~on magnetic media, if the magnetic media was~~ in the same manner required to satisfy the federal reporting requirements of section 6011(e) of the Internal Revenue Code and the regulations issued under it. For wages paid in calendar year 2007, an employer must submit statements to the commissioner required by this section by electronic means if the employer is required to send more than 100 statements to the commissioner, even though the employer is not required to submit the returns federally by electronic means. For calendar year 2008, the 100 statements threshold is reduced to 50, and for calendar year 2009, the threshold is reduced to 25, and for 2010 and after, the threshold is reduced to ten.

(g) A "third-party bulk filer" as defined in section 290.92, subdivision 30, paragraph (a), clause (2), must submit the returns required by this subdivision and subdivision 1, paragraph (a), with the commissioner by electronic means.

EFFECTIVE DATE. This section is effective for wages paid after December 31, 2006.

Sec. 4. Minnesota Statutes 2006, section 289A.12, subdivision 14, is amended to read:

Subd. 14. **Regulated investment companies; reporting exempt-interest dividends.** (a) A regulated investment company paying \$10 or more in exempt-interest dividends to an individual who is a resident of Minnesota must make a return indicating the amount of the exempt-interest dividends, the name, address, and Social Security number of the recipient, and any other information that the commissioner specifies. The return must be provided to the shareholder no later than 30 days after the close of the taxable year. The return provided to the shareholder must include a clear statement, in the form prescribed by the commissioner, that the exempt-interest dividends must be included in the computation of Minnesota taxable income. ~~The commissioner may by notice and demand require the~~ regulated investment company is required in a manner prescribed by the commissioner to file a copy of the return with the commissioner.

(b) This subdivision applies to regulated investment companies required to register under chapter 80A.

(c) For purposes of this subdivision, the following definitions apply.

209.1 (1) "Exempt-interest dividends" mean exempt-interest dividends as defined in
209.2 section 852(b)(5) of the Internal Revenue Code, but does not include the portion of
209.3 exempt-interest dividends that are not required to be added to federal taxable income
209.4 under section 290.01, subdivision 19a, clause (1)(ii).

209.5 (2) "Regulated investment company" means regulated investment company as
209.6 defined in section 851(a) of the Internal Revenue Code or a fund of the regulated
209.7 investment company as defined in section 851(g) of the Internal Revenue Code.

209.8 **EFFECTIVE DATE.** This section is effective for tax years beginning after
209.9 December 31, 2006.

209.10 Sec. 5. Minnesota Statutes 2006, section 289A.18, subdivision 1, is amended to read:

209.11 Subdivision 1. **Individual income, fiduciary income, corporate franchise, and**
209.12 **entertainment taxes; partnership and S corporation returns; information returns;**
209.13 **mining company returns.** The returns required to be made under sections 289A.08 and
209.14 289A.12 must be filed at the following times:

209.15 (1) returns made on the basis of the calendar year must be filed on April 15 following
209.16 the close of the calendar year, except that returns of corporations must be filed on March
209.17 15 following the close of the calendar year;

209.18 (2) returns made on the basis of the fiscal year must be filed on the 15th day of the
209.19 fourth month following the close of the fiscal year, except that returns of corporations
209.20 must be filed on the 15th day of the third month following the close of the fiscal year;

209.21 (3) returns for a fractional part of a year must be filed on the 15th day of the fourth
209.22 month following the end of the month in which falls the last day of the period for which
209.23 the return is made, except that the returns of corporations must be filed on the 15th day of
209.24 the third month following the end of the tax year of the unitary group in which falls the
209.25 last day of the period for which the return is made;

209.26 (4) in the case of a final return of a decedent for a fractional part of a year, the return
209.27 must be filed on the 15th day of the fourth month following the close of the 12-month
209.28 period that began with the first day of that fractional part of a year;

209.29 (5) in the case of the return of a cooperative association, returns must be filed on or
209.30 before the 15th day of the ninth month following the close of the taxable year;

209.31 (6) if a corporation has been divested from a unitary group and files a return for
209.32 a fractional part of a year in which it was a member of a unitary business that files a
209.33 combined report under section 290.34, subdivision 2, the divested corporation's return
209.34 must be filed on the 15th day of the third month following the close of the common
209.35 accounting period that includes the fractional year;

210.1 (7) returns of entertainment entities must be filed on April 15 following the close of
210.2 the calendar year;

210.3 (8) returns required to be filed under section 289A.08, subdivision 4, must be filed
210.4 on the 15th day of the fifth month following the close of the taxable year;

210.5 (9) returns of mining companies must be filed on May 1 following the close of the
210.6 calendar year; and

210.7 (10) returns required to be filed with the commissioner under section 289A.12,
210.8 subdivision 2; or 4 to 10, ~~or 14~~, must be filed within 30 days after being demanded by
210.9 the commissioner.

210.10 **EFFECTIVE DATE.** This section is effective for tax years beginning after
210.11 December 31, 2006.

210.12 Sec. 6. Minnesota Statutes 2006, section 289A.60, subdivision 8, is amended to read:

210.13 Subd. 8. ~~Penalty for~~ **Penalties; failure to file informational return; incorrect**
210.14 **taxpayer identification number.** (a) In the case of a failure to file an informational return
210.15 required by section 289A.12 with the commissioner on the date prescribed (determined
210.16 with regard to any extension of time for filing), the person failing to file the return shall pay
210.17 a penalty of \$50 for each failure or in the case of a partnership, S corporation, or fiduciary
210.18 return, \$50 for each partner, shareholder, or beneficiary; but the total amount imposed on
210.19 the delinquent person for all failures during any calendar year must not exceed \$25,000. If
210.20 a failure to file a return is due to intentional disregard of the filing requirement, then the
210.21 penalty imposed under the preceding sentence must not be less than an amount equal to:

210.22 (1) in the case of a return not described in clause (2) or (3), ten percent of the
210.23 aggregate amount of the items required to be reported;

210.24 (2) in the case of a return required to be filed under section 289A.12, subdivision 5,
210.25 five percent of the gross proceeds required to be reported; and

210.26 (3) in the case of a return required to be filed under section 289A.12, subdivision 9,
210.27 relating to direct sales, \$100 for each failure; however, the total amount imposed on the
210.28 delinquent person for intentional failures during a calendar year must not exceed \$50,000.
210.29 The penalty must be collected in the same manner as a delinquent income tax.

210.30 (b) If a partnership or S corporation files a partnership or S corporation return with
210.31 an incorrect tax identification number used for a partner or shareholder after being notified
210.32 by the commissioner that the identification number is incorrect, the partnership or S
210.33 corporation must pay a penalty of \$50 for each such incorrect number.

211.1 **EFFECTIVE DATE.** This section is effective for returns filed after December
211.2 31, 2007.

211.3 Sec. 7. Minnesota Statutes 2006, section 289A.60, subdivision 12, is amended to read:

211.4 Subd. 12. **Penalties relating to property tax refunds.** (a) If it is determined that a
211.5 property tax refund claim is excessive and was negligently prepared, a claimant is liable
211.6 for a penalty of ten percent of the ~~corrected claim must be~~ disallowed claim. If the claim
211.7 has been paid, the amount disallowed must be recovered by assessment and collection.

211.8 (b) An owner who without reasonable cause fails to give a certificate of rent
211.9 constituting property tax to a renter, as required by section 290A.19, paragraph (a), is
211.10 liable to the commissioner for a penalty of \$100 for each failure.

211.11 (c) If the owner or managing agent knowingly gives rent certificates that report total
211.12 rent constituting property taxes in excess of the amount of actual rent constituting property
211.13 taxes paid on the rented part of a property, the owner or managing agent is liable for a
211.14 penalty equal to the greater of (1) \$100 or (2) 50 percent of the excess that is reported. An
211.15 overstatement of rent constituting property taxes is presumed to be knowingly made if it
211.16 exceeds by ten percent or more the actual rent constituting property taxes.

211.17 **EFFECTIVE DATE.** This section is effective for property tax refund claims filed
211.18 on or after July 1, 2007.

211.19 Sec. 8. Minnesota Statutes 2006, section 289A.60, subdivision 27, is amended to read:

211.20 Subd. 27. **Reportable transaction understatement.** (a) If a taxpayer has a
211.21 reportable transaction understatement for any taxable year, an amount equal to 20 percent
211.22 of the amount of the reportable transaction understatement must be added to the tax.

211.23 (b)(1) For purposes of this subdivision, "reportable transaction understatement"
211.24 means the product of:

211.25 (i) the amount of the increase, if any, in taxable income that results from a difference
211.26 between the proper tax treatment of an item to which this section applies and the taxpayer's
211.27 treatment of that item as shown on the taxpayer's tax return; and

211.28 (ii) the highest rate of tax imposed on the taxpayer under section 290.06 determined
211.29 without regard to the understatement.

211.30 (2) For purposes of clause (1)(i), any reduction of the excess of deductions allowed
211.31 for the taxable year over gross income for that year, and any reduction in the amount of
211.32 capital losses which would, without regard to section 1211 of the Internal Revenue Code,
211.33 be allowed for that year, must be treated as an increase in taxable income.

211.34 (c) This subdivision applies to any item that is attributable to:

212.1 (1) any listed transaction under section 289A.121; and
212.2 (2) any reportable transaction, other than a listed transaction, if a significant purpose
212.3 of that transaction is the avoidance or evasion of federal income tax liability.

212.4 (d) Paragraph (a) applies by substituting "30 percent" for "20 percent" with respect
212.5 to the portion of any reportable transaction understatement with respect to which the
212.6 disclosure requirements of section 289A.121, subdivision 5, and section 6664(d)(2)(A)
212.7 of the Internal Revenue Code are not met.

212.8 (e)(1) No penalty applies under this subdivision with respect to any portion of a
212.9 reportable transaction understatement if the taxpayer shows that there was reasonable
212.10 cause for the portion and that the taxpayer acted in good faith with respect to the portion.
212.11 This paragraph applies only if:

212.12 (i) the relevant facts affecting the tax treatment of the item are adequately disclosed
212.13 as required under section 289A.121;

212.14 (ii) there is or was substantial authority for the treatment; and

212.15 (iii) the taxpayer reasonably believed that the treatment was more likely than not
212.16 the proper treatment.

212.17 (2) A taxpayer who did not adequately disclose under section 289A.121 meets
212.18 the requirements of clause (1)(i), if the commissioner abates the penalty imposed by
212.19 subdivision 26, paragraph (d), under section 270C.34 subdivision 26, paragraph (g).

212.20 (3) For purposes of clause (1)(iii), a taxpayer is treated as having a reasonable belief
212.21 with respect to the tax treatment of an item only if the belief:

212.22 (i) is based on the facts and law that exist when the return of tax which includes the
212.23 tax treatment is filed; and

212.24 (ii) relates solely to the taxpayer's chances of success on the merits of the treatment
212.25 and does not take into account the possibility that a return will not be audited, the
212.26 treatment will not be raised on audit, or the treatment will be resolved through settlement
212.27 if it is raised.

212.28 (4) An opinion of a tax advisor may not be relied upon to establish the reasonable
212.29 belief of a taxpayer if:

212.30 (i) the tax advisor:

212.31 (A) is a material advisor, as defined in section 289A.121, and participates in the
212.32 organization, management, promotion, or sale of the transaction or is related (within the
212.33 meaning of section 267(b) or 707(b)(1) of the Internal Revenue Code) to any person
212.34 who so participates;

212.35 (B) is compensated directly or indirectly by a material advisor with respect to the
212.36 transaction;

213.1 (C) has a fee arrangement with respect to the transaction which is contingent on all
213.2 or part of the intended tax benefits from the transaction being sustained; or

213.3 (D) has a disqualifying financial interest with respect to the transaction, as
213.4 determined under United States Treasury regulations prescribed to implement the
213.5 provisions of section 6664(d)(3)(B)(ii)(IV) of the Internal Revenue Code; or

213.6 (ii) the opinion:

213.7 (A) is based on unreasonable factual or legal assumptions, including assumptions
213.8 as to future events;

213.9 (B) unreasonably relies on representations, statements, findings, or agreements of
213.10 the taxpayer or any other person;

213.11 (C) does not identify and consider all relevant facts; or

213.12 (D) fails to meet any other requirement as the Secretary of the Treasury may
213.13 prescribe under federal law.

213.14 (f) The penalty imposed by this subdivision applies in lieu of the penalty imposed
213.15 under subdivision 4.

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

213.17 Sec. 9. Minnesota Statutes 2006, section 289A.60, is amended by adding a subdivision
213.18 to read:

213.19 **Subd. 28. Preparer identification number.** Any Minnesota individual income tax
213.20 return or claim for refund prepared by a "tax refund or return preparer" as defined in
213.21 subdivision 13, paragraph (f), shall bear the identification number the preparer is required
213.22 to use federally under section 6109(a)(4) of the Internal Revenue Code. A tax refund
213.23 or return preparer who prepares a Minnesota individual income tax return or claim for
213.24 refund and fails to include the required number on the return or claim is subject to a
213.25 penalty of \$50 for each failure.

213.26 **EFFECTIVE DATE.** This section is effective for returns prepared for tax years
213.27 beginning after December 31, 2006.

213.28 Sec. 10. Minnesota Statutes 2006, section 290.01, subdivision 19b, as amended by
213.29 Laws 2007, chapter 1, section 2, is amended to read:

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

214.1 (1) net interest income on obligations of any authority, commission, or
214.2 instrumentality of the United States to the extent includable in taxable income for federal
214.3 income tax purposes but exempt from state income tax under the laws of the United States;
214.4 (2) if included in federal taxable income, the amount of any overpayment of income
214.5 tax to Minnesota or to any other state, for any previous taxable year, whether the amount
214.6 is received as a refund or as a credit to another taxable year's income tax liability;
214.7 (3) the amount paid to others, less the amount used to claim the credit allowed under
214.8 section 290.0674, not to exceed \$1,625 for each qualifying child in grades kindergarten
214.9 to 6 and \$2,500 for each qualifying child in grades 7 to 12, for tuition, textbooks, and
214.10 transportation of each qualifying child in attending an elementary or secondary school
214.11 situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a
214.12 resident of this state may legally fulfill the state's compulsory attendance laws, which
214.13 is not operated for profit, and which adheres to the provisions of the Civil Rights Act
214.14 of 1964 and chapter 363A. For the purposes of this clause, "tuition" includes fees or
214.15 tuition as defined in section 290.0674, subdivision 1, clause (1). As used in this clause,
214.16 "textbooks" includes books and other instructional materials and equipment purchased
214.17 or leased for use in elementary and secondary schools in teaching only those subjects
214.18 legally and commonly taught in public elementary and secondary schools in this state.
214.19 Equipment expenses qualifying for deduction includes expenses as defined and limited in
214.20 section 290.0674, subdivision 1, clause (3). "Textbooks" does not include instructional
214.21 books and materials used in the teaching of religious tenets, doctrines, or worship, the
214.22 purpose of which is to instill such tenets, doctrines, or worship, nor does it include books
214.23 or materials for, or transportation to, extracurricular activities including sporting events,
214.24 musical or dramatic events, speech activities, driver's education, or similar programs. For
214.25 purposes of the subtraction provided by this clause, "qualifying child" has the meaning
214.26 given in section 32(c)(3) of the Internal Revenue Code;
214.27 (4) income as provided under section 290.0802;
214.28 (5) to the extent included in federal adjusted gross income, income realized on
214.29 disposition of property exempt from tax under section 290.491;
214.30 (6) to the extent not deducted in determining federal taxable income by an individual
214.31 who does not itemize deductions for federal income tax purposes for the taxable year, an
214.32 amount equal to 50 percent of the excess of charitable contributions over \$500 allowable
214.33 as a deduction for the taxable year under section 170(a) of the Internal Revenue Code and
214.34 under the provisions of Public Law 109-1;

215.1 (7) for taxable years beginning before January 1, 2008, the amount of the federal
215.2 small ethanol producer credit allowed under section 40(a)(3) of the Internal Revenue Code
215.3 which is included in gross income under section 87 of the Internal Revenue Code;

215.4 (8) for individuals who are allowed a federal foreign tax credit for taxes that do not
215.5 qualify for a credit under section 290.06, subdivision 22, an amount equal to the carryover
215.6 of subnational foreign taxes for the taxable year, but not to exceed the total subnational
215.7 foreign taxes reported in claiming the foreign tax credit. For purposes of this clause,
215.8 "federal foreign tax credit" means the credit allowed under section 27 of the Internal
215.9 Revenue Code, and "carryover of subnational foreign taxes" equals the carryover allowed
215.10 under section 904(c) of the Internal Revenue Code minus national level foreign taxes to
215.11 the extent they exceed the federal foreign tax credit;

215.12 (9) in each of the five tax years immediately following the tax year in which an
215.13 addition is required under subdivision 19a, clause (7), or 19c, clause ~~(15)~~ (14), in the case
215.14 of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth
215.15 of the delayed depreciation. For purposes of this clause, "delayed depreciation" means
215.16 the amount of the addition made by the taxpayer under subdivision 19a, clause (7), or
215.17 subdivision 19c, clause ~~(15)~~ (14), in the case of a shareholder of an S corporation, minus
215.18 the positive value of any net operating loss under section 172 of the Internal Revenue
215.19 Code generated for the tax year of the addition. The resulting delayed depreciation
215.20 cannot be less than zero;

215.21 (10) job opportunity building zone income as provided under section 469.316;

215.22 (11) to the extent included in federal taxable income, the amount of compensation
215.23 paid to members of the Minnesota National Guard or other reserve components of the
215.24 United States military for active service performed in Minnesota, excluding compensation
215.25 for services performed under the Active Guard Reserve (AGR) program. For purposes of
215.26 this clause, "active service" means (i) state active service as defined in section 190.05,
215.27 subdivision 5a, clause (1); (ii) federally funded state active service as defined in section
215.28 190.05, subdivision 5b; or (iii) federal active service as defined in section 190.05,
215.29 subdivision 5c, but "active service" excludes services performed exclusively for purposes
215.30 of basic combat training, advanced individual training, annual training, and periodic
215.31 inactive duty training; special training periodically made available to reserve members;
215.32 and service performed in accordance with section 190.08, subdivision 3;

215.33 (12) to the extent included in federal taxable income, the amount of compensation
215.34 paid to Minnesota residents who are members of the armed forces of the United States or
215.35 United Nations for active duty performed outside Minnesota;

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

(14) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19a, clause (8), or 19c, clause ~~(16)~~ (15), in the case of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the addition made by the taxpayer under subdivision 19a, clause (8), or 19c, clause ~~(16)~~ (15), in the case of a shareholder of a corporation that is an S corporation, minus the positive value of any net operating loss under section 172 of the Internal Revenue Code generated for the tax year of the addition. If the net operating loss exceeds the addition for the tax year, a subtraction is not allowed under this clause;

(15) to the extent included in federal taxable income, compensation paid to a nonresident who is a service member as defined in United States Code, title 10, section 101(a)(5), for military service as defined in the Service Member Civil Relief Act, Public Law 108-189, section 101(2); and

(16) international economic development zone income as provided under section 469.325.

EFFECTIVE DATE. Clauses (11) and (12) are effective retroactively for taxable years beginning after December 31, 2004.

Sec. 11. Minnesota Statutes 2006, section 290.01, subdivision 19c, is amended to read:

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

(1) the amount of any deduction taken for federal income tax purposes for income, excise, or franchise taxes based on net income or related minimum taxes, including but not limited to the tax imposed under section 290.0922, paid by the corporation to Minnesota,

217.1 another state, a political subdivision of another state, the District of Columbia, or any
217.2 foreign country or possession of the United States;

217.3 (2) interest not subject to federal tax upon obligations of: the United States, its
217.4 possessions, its agencies, or its instrumentalities; the state of Minnesota or any other
217.5 state, any of its political or governmental subdivisions, any of its municipalities, or any
217.6 of its governmental agencies or instrumentalities; the District of Columbia; or Indian
217.7 tribal governments;

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

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

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

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

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

217.19 (8) the exempt foreign trade income of a foreign sales corporation under sections
217.20 921(a) and 291 of the Internal Revenue Code;

217.21 (9) the amount of percentage depletion deducted under sections 611 through 614 and
217.22 291 of the Internal Revenue Code;

217.23 ~~(10) for certified pollution control facilities placed in service in a taxable year~~
217.24 ~~beginning before December 31, 1986, and for which amortization deductions were elected~~
217.25 ~~under section 169 of the Internal Revenue Code of 1954, as amended through December~~
217.26 ~~31, 1985, the amount of the amortization deduction allowed in computing federal taxable~~
217.27 ~~income for those facilities;~~

217.28 ~~(11)~~ the amount of any deemed dividend from a foreign operating corporation
217.29 determined pursuant to section 290.17, subdivision 4, paragraph (g);

217.30 ~~(12)~~ (11) the amount of a partner's pro rata share of net income which does not flow
217.31 through to the partner because the partnership elected to pay the tax on the income under
217.32 section 6242(a)(2) of the Internal Revenue Code;

217.33 ~~(13)~~ (12) the amount of net income excluded under section 114 of the Internal
217.34 Revenue Code;

218.1 ~~(14)~~ (13) any increase in subpart F income, as defined in section 952(a) of the
218.2 Internal Revenue Code, for the taxable year when subpart F income is calculated without
218.3 regard to the provisions of section 103 of Public Law 109-222;

218.4 ~~(15)~~ (14) 80 percent of the depreciation deduction allowed under section
218.5 168(k)(1)(A) and (k)(4)(A) of the Internal Revenue Code. For purposes of this clause, if
218.6 the taxpayer has an activity that in the taxable year generates a deduction for depreciation
218.7 under section 168(k)(1)(A) and (k)(4)(A) and the activity generates a loss for the taxable
218.8 year that the taxpayer is not allowed to claim for the taxable year, "the depreciation
218.9 allowed under section 168(k)(1)(A) and (k)(4)(A)" for the taxable year is limited to excess
218.10 of the depreciation claimed by the activity under section 168(k)(1)(A) and (k)(4)(A)
218.11 over the amount of the loss from the activity that is not allowed in the taxable year. In
218.12 succeeding taxable years when the losses not allowed in the taxable year are allowed, the
218.13 depreciation under section 168(k)(1)(A) and (k)(4)(A) is allowed;

218.14 ~~(16)~~ (15) 80 percent of the amount by which the deduction allowed by section 179 of
218.15 the Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal
218.16 Revenue Code of 1986, as amended through December 31, 2003;

218.17 ~~(17)~~ (16) to the extent deducted in computing federal taxable income, the amount of
218.18 the deduction allowable under section 199 of the Internal Revenue Code; and

218.19 ~~(18)~~ (17) the exclusion allowed under section 139A of the Internal Revenue Code
218.20 for federal subsidies for prescription drug plans.

218.21 **EFFECTIVE DATE.** This section is effective for tax years beginning after
218.22 December 31, 2006.

218.23 Sec. 12. Minnesota Statutes 2006, section 290.01, subdivision 19d, is amended to read:

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

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

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

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

219.1 (4) amounts disallowed for intangible drilling costs due to differences between
219.2 this chapter and the Internal Revenue Code in taxable years beginning before January
219.3 1, 1987, as follows:

219.4 (i) to the extent the disallowed costs are represented by physical property, an amount
219.5 equal to the allowance for depreciation under Minnesota Statutes 1986, section 290.09,
219.6 subdivision 7, subject to the modifications contained in subdivision 19e; and

219.7 (ii) to the extent the disallowed costs are not represented by physical property, an
219.8 amount equal to the allowance for cost depletion under Minnesota Statutes 1986, section
219.9 290.09, subdivision 8;

219.10 (5) the deduction for capital losses pursuant to sections 1211 and 1212 of the
219.11 Internal Revenue Code, except that:

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

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

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

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

219.24 (6) an amount for interest and expenses relating to income not taxable for federal
219.25 income tax purposes, if (i) the income is taxable under this chapter and (ii) the interest and
219.26 expenses were disallowed as deductions under the provisions of section 171(a)(2), 265 or
219.27 291 of the Internal Revenue Code in computing federal taxable income;

219.28 (7) in the case of mines, oil and gas wells, other natural deposits, and timber for
219.29 which percentage depletion was disallowed pursuant to subdivision 19c, clause ~~(11)~~ (9), a
219.30 reasonable allowance for depletion based on actual cost. In the case of leases the deduction
219.31 must be apportioned between the lessor and lessee in accordance with rules prescribed
219.32 by the commissioner. In the case of property held in trust, the allowable deduction must
219.33 be apportioned between the income beneficiaries and the trustee in accordance with the
219.34 pertinent provisions of the trust, or if there is no provision in the instrument, on the basis
219.35 of the trust's income allocable to each;

220.1 ~~(8) for certified pollution control facilities placed in service in a taxable year~~
220.2 ~~beginning before December 31, 1986, and for which amortization deductions were elected~~
220.3 ~~under section 169 of the Internal Revenue Code of 1954, as amended through December~~
220.4 ~~31, 1985, an amount equal to the allowance for depreciation under Minnesota Statutes~~
220.5 ~~1986, section 290.09, subdivision 7;~~

220.6 ~~(9)~~ amounts included in federal taxable income that are due to refunds of income,
220.7 excise, or franchise taxes based on net income or related minimum taxes paid by the
220.8 corporation to Minnesota, another state, a political subdivision of another state, the
220.9 District of Columbia, or a foreign country or possession of the United States to the extent
220.10 that the taxes were added to federal taxable income under section 290.01, subdivision 19c,
220.11 clause (1), in a prior taxable year;

220.12 ~~(10)~~ (9) 80 percent of royalties, fees, or other like income accrued or received from a
220.13 foreign operating corporation or a foreign corporation which is part of the same unitary
220.14 business as the receiving corporation;

220.15 ~~(11)~~ (10) income or gains from the business of mining as defined in section 290.05,
220.16 subdivision 1, clause (a), that are not subject to Minnesota franchise tax;

220.17 ~~(12)~~ (11) the amount of disability access expenditures in the taxable year which are
220.18 not allowed to be deducted or capitalized under section 44(d)(7) of the Internal Revenue
220.19 Code;

220.20 ~~(13)~~ (12) the amount of qualified research expenses not allowed for federal income
220.21 tax purposes under section 280C(c) of the Internal Revenue Code, but only to the extent
220.22 that the amount exceeds the amount of the credit allowed under section 290.068;

220.23 ~~(14)~~ (13) the amount of salary expenses not allowed for federal income tax purposes
220.24 due to claiming the Indian employment credit under section 45A(a) of the Internal
220.25 Revenue Code;

220.26 ~~(15) the amount of any refund of environmental taxes paid under section 59A of the~~
220.27 ~~Internal Revenue Code;~~

220.28 ~~(16)~~ (14) for taxable years beginning before January 1, 2008, the amount of the
220.29 federal small ethanol producer credit allowed under section 40(a)(3) of the Internal
220.30 Revenue Code which is included in gross income under section 87 of the Internal Revenue
220.31 Code;

220.32 ~~(17)~~ (15) for a corporation whose foreign sales corporation, as defined in section
220.33 922 of the Internal Revenue Code, constituted a foreign operating corporation during any
220.34 taxable year ending before January 1, 1995, and a return was filed by August 15, 1996,
220.35 claiming the deduction under section 290.21, subdivision 4, for income received from
220.36 the foreign operating corporation, an amount equal to 1.23 multiplied by the amount of

221.1 income excluded under section 114 of the Internal Revenue Code, provided the income is
221.2 not income of a foreign operating company;

221.3 ~~(18)~~ (16) any decrease in subpart F income, as defined in section 952(a) of the
221.4 Internal Revenue Code, for the taxable year when subpart F income is calculated without
221.5 regard to the provisions of section ~~614~~ 103 of Public Law ~~107-147~~ 109-222;

221.6 ~~(19)~~ (17) in each of the five tax years immediately following the tax year in which an
221.7 addition is required under subdivision 19c, clause ~~(15)~~ (14), an amount equal to one-fifth
221.8 of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the
221.9 amount of the addition made by the taxpayer under subdivision 19c, clause ~~(15)~~ (14). The
221.10 resulting delayed depreciation cannot be less than zero; and

221.11 ~~(20)~~ (18) in each of the five tax years immediately following the tax year in which an
221.12 addition is required under subdivision 19c, clause ~~(16)~~ (15), an amount equal to one-fifth
221.13 of the amount of the addition.

221.14 **EFFECTIVE DATE.** The amendment to clause (2) is effective the day following
221.15 final enactment. The rest of this section is effective for taxable years beginning after
221.16 December 31, 2006.

221.17 Sec. 13. Minnesota Statutes 2006, section 290.06, subdivision 33, is amended to read:

221.18 Subd. 33. **Bovine testing credit.** (a) An owner of cattle in Minnesota may take a
221.19 credit against the tax due under this chapter for an amount equal to one-half the expenses
221.20 incurred during the taxable year to conduct tuberculosis testing on those cattle.

221.21 (b) If the amount of credit which the taxpayer is eligible to receive under this
221.22 subdivision exceeds the taxpayer's tax liability under this chapter, the commissioner of
221.23 revenue shall refund the excess to the taxpayer.

221.24 (c) The amount necessary to pay claims for the refund provided in this subdivision is
221.25 appropriated from the general fund to the commissioner of revenue.

221.26 (d) Expenses incurred in a calendar year in which tuberculosis testing of cattle in
221.27 Minnesota is not federally required are not allowed in claiming the credit under paragraph
221.28 (a).

221.29 **EFFECTIVE DATE.** This section is effective for tax years beginning after
221.30 December 31, 2007.

221.31 Sec. 14. Minnesota Statutes 2006, section 290.067, subdivision 2b, is amended to read:

221.32 Subd. 2b. **Inflation adjustment.** The commissioner shall adjust the dollar amount
221.33 of the income threshold at which the maximum credit begins to be reduced under

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222.1 subdivision 2 ~~must be adjusted for inflation. The commissioner shall make the inflation~~
222.2 ~~adjustments in accordance with section 1(f) of the Internal Revenue Code except that for~~
222.3 ~~the purposes of this subdivision the percentage increase must be determined from the year~~
222.4 ~~starting September 1, 1999, and ending August 31, 2000, as the base year for adjusting~~
222.5 ~~for inflation for the tax year beginning after December 31, 2000. The determination of~~
222.6 ~~the commissioner under this subdivision is not a rule under the Administrative Procedure~~
222.7 ~~Act. by the percentage determined pursuant to the provisions of section 1(f) of the Internal~~
222.8 Revenue Code, except that in section 1(f)(3)(B) the word "1999" shall be substituted for
222.9 the word "1992." For 2001, the commissioner shall then determine the percent change
222.10 from the 12 months ending on August 31, 1999, to the 12 months ending on August 31,
222.11 2000, and in each subsequent year, from the 12 months ending on August 31, 1999, to the
222.12 12 months ending on August 31 of the year preceding the taxable year. The determination
222.13 of the commissioner pursuant to this subdivision must not be considered a "rule" and is
222.14 not subject to the Administrative Procedure Act contained in chapter 14. The threshold
222.15 amount as adjusted must be rounded to the nearest \$10 amount. If the amount ends in
222.16 \$5, the amount is rounded up to the nearest \$10 amount.

222.17 **EFFECTIVE DATE.** This section is effective for tax years beginning after
222.18 December 31, 2006.

222.19 Sec. 15. Minnesota Statutes 2006, section 290.0671, subdivision 7, is amended to read:

222.20 Subd. 7. **Inflation adjustment.** The earned income amounts used to calculate the
222.21 credit and the income thresholds at which the maximum credit begins to be reduced in
222.22 subdivision 1 must be adjusted for inflation. The commissioner shall ~~make the inflation~~
222.23 ~~adjustments in accordance with section 1(f) of the Internal Revenue Code except that for~~
222.24 ~~the purposes of this subdivision the percentage increase shall be determined from the year~~
222.25 ~~starting September 1, 1999, and ending August 31, 2000, as the base year for adjusting for~~
222.26 ~~inflation for the tax year beginning after December 31, 2000.~~ adjust by the percentage
222.27 determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except
222.28 that in section 1(f)(3)(B) the word "1999" shall be substituted for the word "1992." For
222.29 2001, the commissioner shall then determine the percent change from the 12 months
222.30 ending on August 31, 1999, to the 12 months ending on August 31, 2000, and in each
222.31 subsequent year, from the 12 months ending on August 31, 1999, to the 12 months ending
222.32 on August 31 of the year preceding the taxable year. The earned income thresholds as
222.33 adjusted for inflation must be rounded to the nearest \$10 amount. If the amount ends
222.34 in \$5, the amount is rounded up to the nearest \$10 amount. The determination of the
222.35 commissioner under this subdivision is not a rule under the Administrative Procedure Act.

223.1 **EFFECTIVE DATE.** This section is effective for tax years beginning after
223.2 December 31, 2006.

223.3 Sec. 16. Minnesota Statutes 2006, section 290.091, subdivision 3, is amended to read:

223.4 Subd. 3. **Exemption amount.** (a) For purposes of computing the alternative
223.5 minimum tax, the exemption amount is:

223.6 ~~(1) for taxable years beginning before January 1, 2006, the exemption determined~~
223.7 ~~under section 55(d) of the Internal Revenue Code, as amended through December 31,~~
223.8 ~~1992; and~~

223.9 ~~(2)~~₂ for taxable years beginning after December 31, 2005, \$60,000 for married
223.10 couples filing joint returns, \$30,000 for married individuals filing separate returns, estates,
223.11 and trusts, and \$45,000 for unmarried individuals.

223.12 (b) The exemption amount determined under this subdivision is subject to the phase
223.13 out under section 55(d)(3) of the Internal Revenue Code, except that alternative minimum
223.14 taxable income as determined under this section must be substituted in the computation of
223.15 the phase out.

223.16 (c) For taxable years beginning after December 31, 2006, the exemption amount
223.17 under paragraph (a), clause (2), must be adjusted for inflation. ~~The commissioner shall~~
223.18 ~~make the inflation adjustments in accordance with section 1(f) of the Internal Revenue~~
223.19 ~~Code except that for the purposes of this subdivision the percentage increase must be~~
223.20 ~~determined from the year starting September 1, 2005, and ending August 31, 2006, as the~~
223.21 ~~base year for adjusting for inflation for the tax year beginning after December 31, 2006.~~

223.22 The commissioner shall adjust the exemption amount by the percentage determined
223.23 pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in
223.24 section 1(f)(3)(B) the word "2005" shall be substituted for the word "1992." For 2007,
223.25 the commissioner shall then determine the percent change from the 12 months ending on
223.26 August 31, 2005, to the 12 months ending on August 31, 2006, and in each subsequent
223.27 year, from the 12 months ending on August 31, 2005, to the 12 months ending on August
223.28 31 of the year preceding the taxable year. The exemption amount as adjusted must be
223.29 rounded to the nearest \$10. If the amount ends in \$5, it must be rounded up to the nearest
223.30 \$10 amount. The determination of the commissioner under this subdivision is not a rule
223.31 under the Administrative Procedure Act.

223.32 **EFFECTIVE DATE.** This section is effective for tax years beginning after
223.33 December 31, 2006.

223.34 Sec. 17. Minnesota Statutes 2006, section 290.0921, subdivision 3, is amended to read:

224.1 Subd. 3. **Alternative minimum taxable income.** "Alternative minimum taxable
224.2 income" is Minnesota net income as defined in section 290.01, subdivision 19, and
224.3 includes the adjustments and tax preference items in sections 56, 57, 58, and 59(d), (e),
224.4 (f), and (h) of the Internal Revenue Code. If a corporation files a separate company
224.5 Minnesota tax return, the minimum tax must be computed on a separate company basis.
224.6 If a corporation is part of a tax group filing a unitary return, the minimum tax must be
224.7 computed on a unitary basis. The following adjustments must be made.

224.8 (1) For purposes of the depreciation adjustments under section 56(a)(1) and
224.9 56(g)(4)(A) of the Internal Revenue Code, the basis for depreciable property placed in
224.10 service in a taxable year beginning before January 1, 1990, is the adjusted basis for federal
224.11 income tax purposes, including any modification made in a taxable year under section
224.12 290.01, subdivision 19e, or Minnesota Statutes 1986, section 290.09, subdivision 7,
224.13 paragraph (c).

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

224.18 (2) The portion of the depreciation deduction allowed for federal income tax
224.19 purposes under section 168(k) of the Internal Revenue Code that is required as an addition
224.20 under section 290.01, subdivision 19c, clause ~~(16)~~ (14), is disallowed in determining
224.21 alternative minimum taxable income.

224.22 (3) The subtraction for depreciation allowed under section 290.01, subdivision
224.23 19d, clause ~~(19)~~ (17), is allowed as a depreciation deduction in determining alternative
224.24 minimum taxable income.

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

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

224.29 (6) The special rule for dividends from section 936 companies under section
224.30 56(g)(4)(C)(iii) does not apply.

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

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

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

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

225.5 (11) For purposes of calculating the tax preference for accelerated depreciation or
225.6 amortization on certain property placed in service before January 1, 1987, under section
225.7 57(a)(7) of the Internal Revenue Code, the deduction allowable for the taxable year is the
225.8 deduction allowed under section 290.01, subdivision 19e.

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

225.12 (12) For purposes of calculating the adjustment for adjusted current earnings in
225.13 section 56(g) of the Internal Revenue Code, the term "alternative minimum taxable
225.14 income" as it is used in section 56(g) of the Internal Revenue Code, means alternative
225.15 minimum taxable income as defined in this subdivision, determined without regard to the
225.16 adjustment for adjusted current earnings in section 56(g) of the Internal Revenue Code.

225.17 (13) For purposes of determining the amount of adjusted current earnings under
225.18 section 56(g)(3) of the Internal Revenue Code, no adjustment shall be made under section
225.19 56(g)(4) of the Internal Revenue Code with respect to (i) the amount of foreign dividend
225.20 gross-up subtracted as provided in section 290.01, subdivision 19d, clause (1), (ii) the
225.21 amount of refunds of income, excise, or franchise taxes subtracted as provided in section
225.22 290.01, subdivision 19d, clause ~~(10)~~ (8), or (iii) the amount of royalties, fees or other like
225.23 income subtracted as provided in section 290.01, subdivision 19d, clause ~~(11)~~ (9).

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

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

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

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

225.32 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
225.33 December 31, 2006.

225.34 Sec. 18. Minnesota Statutes 2006, section 290.191, subdivision 8, is amended to read:

226.1 Subd. 8. **Deposit; definition.** (a) "Deposit," as used in subdivision 7 6, paragraph
226.2 (n), has the meanings in this subdivision.

226.3 (b) "Deposit" means the unpaid balance of money or its equivalent received or
226.4 held by a financial institution in the usual course of business and for which it has given
226.5 or is obligated to give credit, either conditionally or unconditionally, to a commercial,
226.6 checking, savings, time, or thrift account whether or not advance notice is required to
226.7 withdraw the credited funds, or which is evidenced by its certificate of deposit, thrift
226.8 certificate, investment certificate, or certificate of indebtedness, or other similar name, or a
226.9 check or draft drawn against a deposit account and certified by the financial institution,
226.10 or a letter of credit or a traveler's check on which the financial institution is primarily
226.11 liable. However, without limiting the generality of the term "money or its equivalent," any
226.12 such account or instrument must be regarded as evidencing the receipt of the equivalent
226.13 of money when credited or issued in exchange for checks or drafts or for a promissory
226.14 note upon which the person obtaining the credit or instrument is primarily or secondarily
226.15 liable, or for a charge against a deposit account, or in settlement of checks, drafts, or other
226.16 instruments forwarded to the bank for collection.

226.17 (c) "Deposit" means trust funds received or held by the financial institution, whether
226.18 held in the trust department or held or deposited in any other department of the financial
226.19 institution.

226.20 (d) "Deposit" means money received or held by a financial institution, or the credit
226.21 given for money or its equivalent received or held by a financial institution, in the usual
226.22 course of business for a special or specific purpose, regardless of the legal relationship so
226.23 established. Under this paragraph, "deposit" includes, but is not limited to, escrow funds,
226.24 funds held as security for an obligation due to the financial institution or others, including
226.25 funds held as dealers reserves, or for securities loaned by the financial institution, funds
226.26 deposited by a debtor to meet maturing obligations, funds deposited as advance payment
226.27 on subscriptions to United States government securities, funds held for distribution or
226.28 purchase of securities, funds held to meet its acceptances or letters of credit, and withheld
226.29 taxes. It does not include funds received by the financial institution for immediate
226.30 application to the reduction of an indebtedness to the receiving financial institution, or
226.31 under condition that the receipt of the funds immediately reduces or extinguishes the
226.32 indebtedness.

226.33 (e) "Deposit" means outstanding drafts, including advice or another such institution,
226.34 cashier's checks, money orders, or other officer's checks issued in the usual course
226.35 of business for any purpose, but not including those issued in payment for services,
226.36 dividends, or purchases or other costs or expenses of the financial institution itself.

227.1 (f) "Deposit" means money or its equivalent held as a credit balance by a financial
227.2 institution on behalf of its customer if the entity is engaged in soliciting and holding such
227.3 balances in the regular course of its business.

227.4 (g) Interinstitution fund transfers are not deposits.

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

227.6 Sec. 19. Minnesota Statutes 2006, section 290A.03, subdivision 7, is amended to read:

227.7 Subd. 7. **Dependent.** "Dependent" means any person who is considered a
227.8 dependent under sections 151 and 152 of the Internal Revenue Code. ~~In the case of a son,~~
227.9 ~~stepson, daughter, or stepdaughter of the claimant, amounts received as a Minnesota~~
227.10 ~~family investment program grant, allowance to or on behalf of the child, surplus food, or~~
227.11 ~~other relief in kind supplied by a governmental agency must not be taken into account~~
227.12 ~~in determining whether the child received more than half of the child's support from~~
227.13 ~~the claimant.~~

227.14 **EFFECTIVE DATE.** This section is effective for property tax refunds based on
227.15 rents paid after December 31, 2006, and property taxes payable after December 31, 2007.

227.16 Sec. 20. Minnesota Statutes 2006, section 291.215, subdivision 1, is amended to read:

227.17 Subdivision 1. **Determination.** All property includable in the Minnesota gross
227.18 estate of a decedent shall be valued in accordance with the provisions of sections 2031 or
227.19 2032 and, if applicable, 2032A, of the Internal Revenue Code and any elections made in
227.20 valuing the federal gross estate shall be applicable in valuing the Minnesota gross estate.
227.21 ~~Values for purposes of the estate tax on both probate and nonprobate assets shall be the~~
227.22 ~~same as those finally determined for purposes of the federal estate tax on a decedent's~~
227.23 ~~estate.~~ Except as otherwise provided in section 291.075, the value of all property
227.24 includable in the Minnesota gross estate of a decedent may be independently determined
227.25 under those sections for Minnesota estate tax purposes.

227.26 **EFFECTIVE DATE.** This section is effective retroactively for estates of decedents
227.27 dying after December 31, 2005.

227.28 Sec. 21. **TRANSITION; POLLUTION CONTROL FACILITIES**
227.29 **AMORTIZATION.**

227.30 The amount of additions to federal taxable income pursuant to Minnesota Statutes,
227.31 section 290.01, subdivision 19c, clause (10), that are properly subtractable pursuant
227.32 to Minnesota Statutes, section 290.01, subdivision 19d, clause (8), for taxable years

228.1 beginning after December 31, 2006, and have not been subtracted pursuant to Minnesota
228.2 Statutes, section 290.01, subdivision 19d, clause (8), are subtractable in the taxpayer's first
228.3 taxable year beginning after December 31, 2006.

228.4 **ARTICLE 11**

228.5 **DEPARTMENT SALES AND USE TAXES**

228.6 Section 1. Minnesota Statutes 2006, section 289A.40, subdivision 2, is amended to
228.7 read:

228.8 Subd. 2. **Bad debt loss.** If a claim relates to an overpayment because of a failure to
228.9 deduct a loss due to a bad debt or to a security becoming worthless, the claim is considered
228.10 timely if filed within seven years from the date prescribed for the filing of the return. A
228.11 claim relating to an overpayment of taxes under chapter 297A must be filed within 3-1/2
228.12 years from the date ~~prescribed for filing the return, plus any extensions granted for filing~~
228.13 ~~the return, but only if filed within the extended time~~ when the bad debt was (1) written off
228.14 as uncollectible in the taxpayer's books and records, and (2) either eligible to be deducted
228.15 for federal income tax purposes or would have been eligible for a bad debt deduction for
228.16 federal income tax purposes if the taxpayer were required to file a federal income tax
228.17 return, or within one year from the date the taxpayer's federal income tax return is timely
228.18 filed claiming the bad debt deduction, whichever period is later. The refund or credit is
228.19 limited to the amount of overpayment attributable to the loss. "Bad debt" for purposes
228.20 of this subdivision, has the same meaning as that term is used in United States Code,
228.21 title 26, section 166, except that for a claim relating to an overpayment of taxes under
228.22 chapter 297A the following are excluded from the calculation of bad debt: financing
228.23 charges or interest; sales or use taxes charged on the purchase price; uncollectible amounts
228.24 on property that remain in the possession of the seller until the full purchase price is
228.25 paid; expenses incurred in attempting to collect any debt; and repossessed property. For
228.26 purposes of reporting a payment received on previously claimed bad debt under chapter
228.27 297A, any payments made on a debt or account are applied first proportionally to the
228.28 taxable price of the property or service and the sales tax on it, and secondly to interest,
228.29 service charges, and any other charges.

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

228.31 Sec. 2. Minnesota Statutes 2006, section 289A.56, is amended by adding a subdivision
228.32 to read:

229.1 Subd. 8. **Border city zone refunds.** Notwithstanding subdivision 3, for refunds
229.2 payable under section 469.1734, subdivision 6, interest is computed from 90 days after the
229.3 refund claim is filed with the commissioner.

229.4 **EFFECTIVE DATE.** This section is effective for refund claims filed on or after
229.5 July 1, 2007.

229.6 Sec. 3. Minnesota Statutes 2006, section 289A.60, subdivision 25, is amended to read:

229.7 Subd. 25. **Penalty for failure to properly complete sales and use tax return.** A
229.8 person who fails to report local ~~sales tax~~ taxes required to be reported on a sales and use
229.9 tax return or who fails to report local ~~sales tax~~ taxes on separate tax lines on the sales
229.10 and use tax return is subject to a penalty of five percent of the amount of tax not properly
229.11 reported on the return. A person who files a consolidated tax return but fails to report
229.12 location information is subject to a \$500 penalty for each return not containing location
229.13 information. In addition, the commissioner may revoke the privilege for a taxpayer to
229.14 file consolidated returns and may require the taxpayer to separately register each location
229.15 and to file a tax return for each location.

229.16 **EFFECTIVE DATE.** This section is effective for returns filed after June 30, 2007.

229.17 Sec. 4. Minnesota Statutes 2006, section 289A.60, is amended by adding a subdivision
229.18 to read:

229.19 Subd. 29. **Penalty for failure to report liquor sales.** In the case of a failure to file
229.20 an informational return required by section 297A.8155 with the commissioner on or before
229.21 the date prescribed, the person failing to file the report shall pay a penalty of \$500 each
229.22 failure. If a failure to file a report is intentional, the penalty shall be \$1,000 each failure.

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

229.24 Sec. 5. Minnesota Statutes 2006, section 297A.61, subdivision 3, is amended to read:

229.25 Subd. 3. **Sale and purchase.** (a) "Sale" and "purchase" include, but are not limited
229.26 to, each of the transactions listed in this subdivision.

229.27 (b) Sale and purchase include:

229.28 (1) any transfer of title or possession, or both, of tangible personal property, whether
229.29 absolutely or conditionally, for a consideration in money or by exchange or barter; and

229.30 (2) the leasing of or the granting of a license to use or consume, for a consideration
229.31 in money or by exchange or barter, tangible personal property, other than a manufactured
229.32 home used for residential purposes for a continuous period of 30 days or more.

230.1 (c) Sale and purchase include the production, fabrication, printing, or processing of
230.2 tangible personal property for a consideration for consumers who furnish either directly or
230.3 indirectly the materials used in the production, fabrication, printing, or processing.

230.4 (d) Sale and purchase include the preparing for a consideration of food.
230.5 Notwithstanding section 297A.67, subdivision 2, taxable food includes, but is not limited
230.6 to, the following:

- 230.7 (1) prepared food sold by the retailer;
- 230.8 (2) soft drinks;
- 230.9 (3) candy;
- 230.10 (4) dietary supplements; and
- 230.11 (5) all food sold through vending machines.

230.12 (e) A sale and a purchase includes the furnishing for a consideration of electricity,
230.13 gas, water, or steam for use or consumption within this state.

230.14 (f) A sale and a purchase includes the transfer for a consideration of prewritten
230.15 computer software whether delivered electronically, by load and leave, or otherwise.

230.16 (g) A sale and a purchase includes the furnishing for a consideration of the following
230.17 services:

230.18 (1) the privilege of admission to places of amusement, recreational areas, or athletic
230.19 events, and the making available of amusement devices, tanning facilities, reducing
230.20 salons, steam baths, turkish baths, health clubs, and spas or athletic facilities;

230.21 (2) lodging and related services by a hotel, rooming house, resort, campground,
230.22 motel, or trailer camp, including furnishing the guest of the facility with access to
230.23 telecommunication services, and the granting of any similar license to use real property
230.24 in a specific facility, other than the renting or leasing of it for a continuous period of
230.25 30 days or more under an enforceable written agreement that may not be terminated
230.26 without prior notice;

230.27 (3) nonresidential parking services, whether on a contractual, hourly, or other
230.28 periodic basis, except for parking at a meter;

230.29 (4) the granting of membership in a club, association, or other organization if:

230.30 (i) the club, association, or other organization makes available for the use of its
230.31 members sports and athletic facilities, without regard to whether a separate charge is
230.32 assessed for use of the facilities; and

230.33 (ii) use of the sports and athletic facility is not made available to the general public
230.34 on the same basis as it is made available to members.

230.35 Granting of membership means both onetime initiation fees and periodic membership
230.36 dues. Sports and athletic facilities include golf courses; tennis, racquetball, handball, and

231.1 squash courts; basketball and volleyball facilities; running tracks; exercise equipment;
231.2 swimming pools; and other similar athletic or sports facilities;

231.3 (5) delivery of aggregate materials ~~and concrete block~~ by a third party, excluding
231.4 delivery of aggregate material used in road construction, and delivery of concrete block by
231.5 a third party if the delivery would be subject to the sales tax if provided by the seller of the
231.6 ~~aggregate material or concrete block~~; and

231.7 (6) services as provided in this clause:

231.8 (i) laundry and dry cleaning services including cleaning, pressing, repairing, altering,
231.9 and storing clothes, linen services and supply, cleaning and blocking hats, and carpet,
231.10 drapery, upholstery, and industrial cleaning. Laundry and dry cleaning services do not
231.11 include services provided by coin operated facilities operated by the customer;

231.12 (ii) motor vehicle washing, waxing, and cleaning services, including services
231.13 provided by coin operated facilities operated by the customer, and rustproofing,
231.14 undercoating, and towing of motor vehicles;

231.15 (iii) building and residential cleaning, maintenance, and disinfecting services and
231.16 pest control and exterminating services;

231.17 (iv) detective, security, burglar, fire alarm, and armored car services; but not
231.18 including services performed within the jurisdiction they serve by off-duty licensed peace
231.19 officers as defined in section 626.84, subdivision 1, or services provided by a nonprofit
231.20 organization for monitoring and electronic surveillance of persons placed on in-home
231.21 detention pursuant to court order or under the direction of the Minnesota Department
231.22 of Corrections;

231.23 (v) pet grooming services;

231.24 (vi) lawn care, fertilizing, mowing, spraying and sprigging services; garden planting
231.25 and maintenance; tree, bush, and shrub pruning, bracing, spraying, and surgery; indoor
231.26 plant care; tree, bush, shrub, and stump removal, except when performed as part of a land
231.27 clearing contract as defined in section 297A.68, subdivision 40; and tree trimming for
231.28 public utility lines. Services performed under a construction contract for the installation of
231.29 shrubbery, plants, sod, trees, bushes, and similar items are not taxable;

231.30 (vii) massages, except when provided by a licensed health care facility or
231.31 professional or upon written referral from a licensed health care facility or professional for
231.32 treatment of illness, injury, or disease; and

231.33 (viii) the furnishing of lodging, board, and care services for animals in kennels and
231.34 other similar arrangements, but excluding veterinary and horse boarding services.

231.35 In applying the provisions of this chapter, the terms "tangible personal property"
231.36 and "retail sale" include taxable services listed in clause (6), items (i) to (vi) and (viii),

232.1 and the provision of these taxable services, unless specifically provided otherwise.

232.2 Services performed by an employee for an employer are not taxable. Services performed
232.3 by a partnership or association for another partnership or association are not taxable if
232.4 one of the entities owns or controls more than 80 percent of the voting power of the
232.5 equity interest in the other entity. Services performed between members of an affiliated
232.6 group of corporations are not taxable. For purposes of the preceding sentence, "affiliated
232.7 group of corporations" means those entities that would be classified as members of an
232.8 affiliated group as defined under United States Code, title 26, section 1504, disregarding
232.9 the exclusions in section 1504(b).

232.10 For purposes of clause (5), "road construction" means construction of (1) public
232.11 roads, (2) cartways, and (3) private roads in townships located outside of the seven-county
232.12 metropolitan area up to the point of the emergency response location sign.

232.13 (h) A sale and a purchase includes the furnishing for a consideration of tangible
232.14 personal property or taxable services by the United States or any of its agencies or
232.15 instrumentalities, or the state of Minnesota, its agencies, instrumentalities, or political
232.16 subdivisions.

232.17 (i) A sale and a purchase includes the furnishing for a consideration
232.18 of telecommunications services, ~~including~~ ancillary services associated with
232.19 telecommunication services, cable television services and, direct satellite services, and
232.20 ring tones. Telecommunications Telecommunication services include, but are not limited
232.21 to, the following services, as defined in section 297A.669: air-to-ground radiotelephone
232.22 service, mobile telecommunication service, postpaid calling service, prepaid calling
232.23 service, prepaid wireless calling service, and private communication services. The
232.24 services in this paragraph are taxed to the extent allowed under federal law.

232.25 (j) A sale and a purchase includes the furnishing for a consideration of installation if
232.26 the installation charges would be subject to the sales tax if the installation were provided
232.27 by the seller of the item being installed.

232.28 (k) A sale and a purchase includes the rental of a vehicle by a motor vehicle dealer
232.29 to a customer when (1) the vehicle is rented by the customer for a consideration, or (2)
232.30 the motor vehicle dealer is reimbursed pursuant to a service contract as defined in section
232.31 65B.29, subdivision 1, clause (1).

232.32 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
232.33 June 30, 2007, except that the amendments to paragraphs (g), clause (2), and (i), are
232.34 effective for sales and purchases made on or after January 1, 2008.

232.35 Sec. 6. Minnesota Statutes 2006, section 297A.61, subdivision 4, is amended to read:

233.1 Subd. 4. **Retail sale.** (a) A "retail sale" means any sale, lease, or rental for any
233.2 purpose, other than resale, sublease, or subrent of items by the purchaser in the normal
233.3 course of business as defined in subdivision 21.

233.4 (b) A sale of property used by the owner only by leasing it to others or by holding it
233.5 in an effort to lease it, and put to no use by the owner other than resale after the lease or
233.6 effort to lease, is a sale of property for resale.

233.7 (c) A sale of master computer software that is purchased and used to make copies for
233.8 sale or lease is a sale of property for resale.

233.9 (d) A sale of building materials, supplies, and equipment to owners, contractors,
233.10 subcontractors, or builders for the erection of buildings or the alteration, repair, or
233.11 improvement of real property is a retail sale in whatever quantity sold, whether the sale is
233.12 for purposes of resale in the form of real property or otherwise.

233.13 (e) A sale of carpeting, linoleum, or similar floor covering to a person who provides
233.14 for installation of the floor covering is a retail sale and not a sale for resale since a sale
233.15 of floor covering which includes installation is a contract for the improvement of real
233.16 property.

233.17 (f) A sale of shrubbery, plants, sod, trees, and similar items to a person who provides
233.18 for installation of the items is a retail sale and not a sale for resale since a sale of
233.19 shrubbery, plants, sod, trees, and similar items that includes installation is a contract for
233.20 the improvement of real property.

233.21 (g) A sale of tangible personal property that is awarded as prizes is a retail sale and
233.22 is not considered a sale of property for resale.

233.23 (h) A sale of tangible personal property utilized or employed in the furnishing or
233.24 providing of services under subdivision 3, paragraph (g), clause (1), including, but not
233.25 limited to, property given as promotional items, is a retail sale and is not considered a
233.26 sale of property for resale.

233.27 (i) A sale of tangible personal property used in conducting lawful gambling under
233.28 chapter 349 or the State Lottery under chapter 349A, including, but not limited to,
233.29 property given as promotional items, is a retail sale and is not considered a sale of
233.30 property for resale.

233.31 (j) A sale of machines, equipment, or devices that are used to furnish, provide, or
233.32 dispense goods or services, including, but not limited to, coin-operated devices, is a retail
233.33 sale and is not considered a sale of property for resale.

233.34 (k) In the case of a lease, a retail sale occurs (1) when an obligation to make a lease
233.35 payment becomes due under the terms of the agreement or the trade practices of the
233.36 lessor or (2) in the case of a lease of a motor vehicle, as defined in section 297B.01,

234.1 subdivision 5, but excluding vehicles with a manufacturer's gross vehicle weight rating
234.2 greater than 10,000 pounds and rentals of vehicles for not more than 28 days, at the time
234.3 the lease is executed.

234.4 (l) In the case of a conditional sales contract, a retail sale occurs upon the transfer of
234.5 title or possession of the tangible personal property.

234.6 (m) A sale of a bundled transaction in which one or more of the products included
234.7 in the bundle is a taxable product is a retail sale, except that if one of the products
234.8 is a telecommunication service, ancillary service, Internet access, or audio or video
234.9 programming service, and the seller has maintained books and records identifying through
234.10 reasonable and verifiable standards the portions of the price that are attributable to the
234.11 distinct and separately identifiable products, then the products are not considered part of a
234.12 bundled transaction. For purposes of this paragraph:

234.13 (1) the books and records maintained by the seller must be maintained in the regular
234.14 course of business, and do not include books and records created and maintained by the
234.15 seller primarily for tax purposes;

234.16 (2) books and records maintained in the regular course of business include, but are
234.17 not limited to, financial statements, general ledgers, invoicing and billing systems and
234.18 reports, and reports for regulatory tariffs and other regulatory matters; and

234.19 (3) books and records are maintained primarily for tax purposes when the books
234.20 and records identify taxable and nontaxable portions of the price, but the seller maintains
234.21 other books and records that identify different prices attributable to the distinct products
234.22 included in the same bundled transaction.

234.23 **EFFECTIVE DATE.** This section is effective for sales and purchases made on
234.24 or after January 1, 2008.

234.25 Sec. 7. Minnesota Statutes 2006, section 297A.61, subdivision 7, is amended to read:

234.26 Subd. 7. **Sales price.** (a) "Sales price" means the measure subject to sales tax, and
234.27 means the total amount of consideration, including cash, credit, personal property, and
234.28 services, for which personal property or services are sold, leased, or rented, valued in
234.29 money, whether received in money or otherwise, without any deduction for the following:

234.30 (1) the seller's cost of the property sold;

234.31 (2) the cost of materials used, labor or service cost, interest, losses, all costs of
234.32 transportation to the seller, all taxes imposed on the seller, and any other expenses of
234.33 the seller;

234.34 (3) charges by the seller for any services necessary to complete the sale, other than
234.35 delivery and installation charges;

235.1 (4) delivery charges, except the percentage of the delivery charge allocated to
235.2 delivery of tax exempt property, when the delivery charge is allocated by using either (i) a
235.3 percentage based on the total sales price of the taxable property compared to the total sales
235.4 price of all property in the shipment, or (ii) a percentage based on the total weight of the
235.5 taxable property compared to the total weight of all property in the shipment; and

235.6 (5) installation charges; and

235.7 ~~(6) the value of exempt property given to the purchaser when taxable and exempt~~
235.8 ~~personal property have been bundled together and sold by the seller as a single product~~
235.9 ~~or piece of merchandise.~~

235.10 (b) Sales price does not include:

235.11 (1) discounts, including cash, terms, or coupons, that are not reimbursed by a third
235.12 party and that are allowed by the seller and taken by a purchaser on a sale;

235.13 (2) interest, financing, and carrying charges from credit extended on the sale of
235.14 personal property or services, if the amount is separately stated on the invoice, bill of sale,
235.15 or similar document given to the purchaser; and

235.16 (3) any taxes legally imposed directly on the consumer that are separately stated on
235.17 the invoice, bill of sale, or similar document given to the purchaser.

235.18 (c) Sales price includes consideration received by the seller from third parties if:

235.19 (1) the seller actually receives consideration from a party other than the purchaser
235.20 and the consideration is directly related to a price reduction or discount on the sale;

235.21 (2) the seller has an obligation to pass the price reduction or discount through to
235.22 the purchaser;

235.23 (3) the amount of the consideration attributable to the sale is fixed and determinable
235.24 by the seller at the time of the sale of the item to the purchaser; and

235.25 (4) one of the following criteria is met:

235.26 (i) the purchaser presents a coupon, certificate, or other documentation to the seller
235.27 to claim a price reduction or discount when the coupon, certificate, or documentation is
235.28 authorized, distributed, or granted by a third party with the understanding that the third
235.29 party will reimburse any seller to whom the coupon, certificate, or documentation is
235.30 presented;

235.31 (ii) the purchaser identifies himself or herself to the seller as a member of a group or
235.32 organization entitled to a price reduction or discount. A "preferred customer" card that is
235.33 available to any customer does not constitute membership in such a group; or

235.34 (iii) the price reduction or discount is identified as a third-party price reduction or
235.35 discount on the invoice received by the purchaser or on a coupon, certificate, or other
235.36 documentation presented by the purchaser.

236.1 **EFFECTIVE DATE.** This section is effective for sales and purchases made on or
236.2 after January 1, 2008, except that the amendment to paragraph (a), clause (4), is effective
236.3 the day following final enactment.

236.4 Sec. 8. Minnesota Statutes 2006, section 297A.61, subdivision 10, is amended to read:

236.5 Subd. 10. **Tangible personal property.** (a) "Tangible personal property" means
236.6 personal property that can be seen, weighed, measured, felt, or touched, or that is in any
236.7 other manner perceptible to the senses. "Tangible personal property" includes, but is not
236.8 limited to, electricity, water, gas, steam, and prewritten computer software, ~~and prepaid~~
236.9 ~~calling cards.~~

236.10 (b) Tangible personal property does not include:

236.11 (1) large ponderous machinery and equipment used in a business or production
236.12 activity which at common law would be considered to be real property;

236.13 (2) property which is subject to an ad valorem property tax;

236.14 (3) property described in section 272.02, subdivision 9, clauses (a) to (d); and

236.15 (4) property described in section 272.03, subdivision 2, clauses (3) and (5).

236.16 **EFFECTIVE DATE.** This section is effective for sales and purchases made on
236.17 or after January 1, 2008.

236.18 Sec. 9. Minnesota Statutes 2006, section 297A.61, subdivision 24, is amended to read:

236.19 Subd. 24. **Telecommunications services.** (a) "Telecommunications services" means
236.20 the electronic transmission, conveyance, or routing of voice, data, audio, video, or any
236.21 other information or signals to a point, or between or among points, ~~by or through any~~
236.22 ~~electronic, satellite, optical, microwave, or other medium or method now in existence or~~
236.23 ~~hereafter devised, regardless of the protocol used for such transmission, conveyance,~~
236.24 ~~or routing.~~

236.25 (b) Telecommunications services ~~includes the furnishing for consideration of access~~
236.26 ~~to telephone services by a hotel to its guests.~~ include transmission, conveyance, or routing
236.27 in which computer processing applications are used to act on the form, code, or protocol
236.28 of the content for purposes of transmission, conveyance, or routing, without regard to
236.29 whether the service is referred to as voice over Internet protocol services or is classified by
236.30 the Federal Communications Commission as enhanced or value added.

236.31 (c) Telecommunications services do not include:

236.32 ~~(1) services purchased with a prepaid telephone calling card;~~

236.33 ~~(2) private communication service purchased by an agent acting on behalf of the~~
236.34 ~~State Lottery;~~

237.1 ~~(3) information services; and~~
237.2 ~~(4) purchases of telecommunications when the purchaser uses the purchased services~~
237.3 ~~as a component part of or integrates such service into another telecommunications service~~
237.4 ~~that is sold by the purchaser in the normal course of business.~~

237.5 ~~(d) For purposes of this subdivision, "information services" means the offering of~~
237.6 ~~the capability for generating, acquiring, storing, transforming, processing, retrieving,~~
237.7 ~~utilizing, or making available information.~~

237.8 (1) data processing and information services that allow data to be generated,
237.9 acquired, stored, processed, or retrieved and delivered by an electronic transmission to
237.10 a purchaser when the purchaser's primary purpose for the underlying transaction is the
237.11 processed data or information;

237.12 (2) installation or maintenance of wiring or equipment on a customer's premises;

237.13 (3) tangible personal property;

237.14 (4) advertising, including, but not limited to, directory advertising;

237.15 (5) billing and collection services provided to third parties;

237.16 (6) Internet access service;

237.17 (7) radio and television audio and video programming services, regardless of the
237.18 medium, including the furnishing of transmission, conveyance, and routing of such
237.19 services by the programming service provider. Radio and television audio and video
237.20 programming services includes, but is not limited to, cable service as defined in United
237.21 States Code, title 47, section 522(6), and audio and video programming services delivered
237.22 by commercial mobile radio service providers, as defined in Code of Federal Regulations,
237.23 title 47, section 20.3;

237.24 (8) ancillary services; or

237.25 (9) digital products delivered electronically, including, but not limited to, software,
237.26 music, video, reading materials, or ring tones.

237.27 **EFFECTIVE DATE.** This section is effective for sales and purchases made on
237.28 or after January 1, 2008.

237.29 Sec. 10. Minnesota Statutes 2006, section 297A.61, is amended by adding a
237.30 subdivision to read:

237.31 Subd. 38. **Bundled transaction.** (a) "Bundled transaction" means the retail sale
237.32 of two or more products when the products are otherwise distinct and identifiable, and
237.33 the products are sold for one nonitemized price. As used in this subdivision, "product"
237.34 includes tangible personal property, services, intangibles, and digital goods, but does not
237.35 include real property or services to real property. A bundled transaction does not include

238.1 the sale of any products in which the sales price varies, or is negotiable, based on the
238.2 selection by the purchaser of the products included in the transaction.

238.3 (b) For purposes of this subdivision, "distinct and identifiable" products does not
238.4 include:

238.5 (1) packaging and other materials, such as containers, boxes, sacks, bags, and
238.6 bottles, wrapping, labels, tags, and instruction guides, that accompany the retail sale of the
238.7 products and are incidental or immaterial to the retail sale. Examples of packaging that are
238.8 incidental or immaterial include grocery sacks, shoe boxes, dry cleaning garment bags,
238.9 and express delivery envelopes and boxes;

238.10 (2) a promotional product provided free of charge with the required purchase of
238.11 another product. A promotional product is provided free of charge if the sales price of
238.12 another product, which is required to be purchased in order to receive the promotional
238.13 product, does not vary depending on the inclusion of the promotional product; and

238.14 (3) items included in the definition of sales price.

238.15 (c) For purposes of this subdivision, the term "one nonitemized price" does not
238.16 include a price that is separately identified by product on binding sales or other supporting
238.17 sales-related documentation made available to the customer in paper or electronic form
238.18 including, but not limited to an invoice, bill of sale, receipt, contract, service agreement,
238.19 lease agreement, periodic notice of rates and services, rate card, or price list.

238.20 (d) A transaction that otherwise meets the definition of a bundled transaction is
238.21 not a bundled transaction if it is:

238.22 (1) the retail sale of tangible personal property and a service and the tangible
238.23 personal property is essential to the use of the service, and is provided exclusively in
238.24 connection with the service, and the true object of the transaction is the service;

238.25 (2) the retail sale of services if one service is provided that is essential to the use or
238.26 receipt of a second service and the first service is provided exclusively in connection with
238.27 the second service and the true object of the transaction is the second service;

238.28 (3) a transaction that includes taxable products and nontaxable products and the
238.29 purchase price or sales price of the taxable products is de minimis; or

238.30 (4) the retail sale of exempt tangible personal property and taxable tangible personal
238.31 property if:

238.32 (i) the transaction includes food and food ingredients, drugs, durable medical
238.33 equipment, mobility enhancing equipment, over-the-counter drugs, prosthetic devices,
238.34 or medical supplies; and

238.35 (ii) the seller's purchase price or sales price of the taxable tangible personal property
238.36 is 50 percent or less of the total purchase price or sales price of the bundled tangible

239.1 personal property. Sellers must not use a combination of the purchase price and sales
239.2 price of the tangible personal property when making the 50 percent determination for
239.3 a transaction.

239.4 (e) For purposes of this subdivision, "purchase price" means the measure subject to
239.5 use tax on purchases made by the seller, and "de minimis" means that the seller's purchase
239.6 price or sales price of the taxable products is ten percent or less of the total purchase
239.7 price or sales price of the bundled products. Sellers shall use either the purchase price
239.8 or the sales price of the products to determine if the taxable products are de minimis.
239.9 Sellers must not use a combination of the purchase price and sales price of the products
239.10 to determine if the taxable products are de minimis. Sellers shall use the full term of a
239.11 service contract to determine if the taxable products are de minimis.

239.12 **EFFECTIVE DATE.** This section is effective for sales and purchases made on
239.13 or after January 1, 2008.

239.14 Sec. 11. Minnesota Statutes 2006, section 297A.61, is amended by adding a
239.15 subdivision to read:

239.16 Subd. 39. **Ancillary services.** "Ancillary services" means services that are
239.17 associated with or incidental to the provision of telecommunications services, including,
239.18 but not limited to, conference bridging service, detailed telecommunications billing,
239.19 directory assistance, vertical service, and voice mail services.

239.20 **EFFECTIVE DATE.** This section is effective for sales and purchases made on
239.21 or after January 1, 2008.

239.22 Sec. 12. Minnesota Statutes 2006, section 297A.61, is amended by adding a
239.23 subdivision to read:

239.24 Subd. 40. **Conference bridging service.** "Conference bridging service" means an
239.25 ancillary service that links two or more participants of an audio or video conference call
239.26 and may include the provision of a telephone number. Conference bridging service does
239.27 not include the telecommunications services used to reach the conference bridge.

239.28 **EFFECTIVE DATE.** This section is effective for sales and purchases made on
239.29 or after January 1, 2008.

239.30 Sec. 13. Minnesota Statutes 2006, section 297A.61, is amended by adding a
239.31 subdivision to read:

240.1 Subd. 41. **Detailed telecommunications billing service.** "Detailed
240.2 telecommunications billing service" means an ancillary service of separately stating
240.3 information pertaining to individual calls on a customer's billing statement.

240.4 **EFFECTIVE DATE.** This section is effective for sales and purchases made on
240.5 or after January 1, 2008.

240.6 Sec. 14. Minnesota Statutes 2006, section 297A.61, is amended by adding a
240.7 subdivision to read:

240.8 Subd. 42. **Directory assistance.** "Directory assistance" means an ancillary service
240.9 of providing telephone number information or address information, or both.

240.10 **EFFECTIVE DATE.** This section is effective for sales and purchases made on
240.11 or after January 1, 2008.

240.12 Sec. 15. Minnesota Statutes 2006, section 297A.61, is amended by adding a
240.13 subdivision to read:

240.14 Subd. 43. **Vertical service.** "Vertical service" means an ancillary service that is
240.15 offered in connection with one or more telecommunications services and which offers
240.16 advanced calling features that allow customers to identify callers and to manage multiple
240.17 calls and call connections, including conference bridging services.

240.18 **EFFECTIVE DATE.** This section is effective for sales and purchases made on
240.19 or after January 1, 2008.

240.20 Sec. 16. Minnesota Statutes 2006, section 297A.61, is amended by adding a
240.21 subdivision to read:

240.22 Subd. 44. **Voice mail service.** "Voice mail service" means an ancillary service that
240.23 enables the customer to store, send, or receive recorded messages. Voice mail service
240.24 does not include any vertical services that the customer may be required to have in order
240.25 to utilize the voice mail service.

240.26 **EFFECTIVE DATE.** This section is effective for sales and purchases made on
240.27 or after January 1, 2008.

240.28 Sec. 17. Minnesota Statutes 2006, section 297A.61, is amended by adding a
240.29 subdivision to read:

241.1 Subd. 45. **Ring tone.** "Ring tone" means a digitized sound file that is downloaded
241.2 onto a device and that may be used to alert the customer of a telecommunication service
241.3 with respect to a communication.

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

241.5 Sec. 18. Minnesota Statutes 2006, section 297A.61, is amended by adding a
241.6 subdivision to read:

241.7 Subd. 46. **Fur clothing.** "Fur clothing" means human wearing apparel that is
241.8 required by the Federal Fur Products Labeling Act, United States Code, title 15, section
241.9 69, to be labeled as a fur product, and the value of the fur components in the product
241.10 is more than three times the value of the next most valuable tangible component. For
241.11 purposes of this subdivision, "fur" means any animal skin or part of an animal skin with
241.12 hair, fleece, or fur fibers attached to it, either in its raw or processed state, but does not
241.13 include animal skins that have been converted into leather or suede, or from which the
241.14 hair, fleece, or fur fiber has been completely removed in processing the skins.

241.15 **EFFECTIVE DATE.** This section is effective for sales and purchases made on or
241.16 after July 1, 2007.

241.17 Sec. 19. Minnesota Statutes 2006, section 297A.63, subdivision 1, is amended to read:

241.18 Subdivision 1. **Use of tangible personal property or taxable services.** (a) For the
241.19 privilege of using, storing, distributing, or consuming in Minnesota tangible personal
241.20 property or taxable services purchased for use, storage, distribution, or consumption in
241.21 this state, a use tax is imposed on a person in Minnesota. The tax is imposed on the
241.22 purchase price of retail sales of the tangible personal property or taxable services at the
241.23 rate of tax imposed under section 297A.62. A person that purchases property from a
241.24 Minnesota retailer and returns the tangible personal property to a point within Minnesota,
241.25 except in the course of interstate commerce, after it was delivered outside of Minnesota,
241.26 is subject to the use tax.

241.27 (b) No tax is imposed under paragraph (a) if the tax imposed by section 297A.62
241.28 was paid on the sales price of the tangible personal property or taxable services.

241.29 (c) No tax is imposed under paragraph (a) if the purchase meets the requirements for
241.30 exemption under section 297A.67, subdivision 21.

241.31 (d) When a transaction otherwise meets the definition of a bundled transaction, but
241.32 is not a bundled transaction under section 297A.61, subdivision 38, paragraph (d), and
241.33 the seller's purchase price of the taxable product or taxable tangible personal property is

242.1 equal to or greater than \$100, then use tax is imposed on the purchase price of the taxable
242.2 product or taxable personal property. For purposes of this paragraph, "purchase price"
242.3 means the measure subject to use tax on purchases made by the seller.

242.4 **EFFECTIVE DATE.** This section is effective for sales and purchases made on
242.5 or after January 1, 2008.

242.6 Sec. 20. Minnesota Statutes 2006, section 297A.665, is amended to read:

242.7 **297A.665 PRESUMPTION OF TAX; BURDEN OF PROOF.**

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

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

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

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

242.14 ~~However, the seller may take from the purchaser at the time of the sale a fully completed~~
242.15 ~~exemption certificate which conclusively relieves the seller from collecting and remitting~~
242.16 ~~the tax. This~~ However, a seller is relieved of liability if:

242.17 (1) the seller obtains a fully completed exemption certificate or all the relevant
242.18 information required by section 297A.72, subdivision 2, at the time of the sale or within
242.19 90 days after the date of the sale; or

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

242.24 (i) obtains in good faith a fully completed exemption certificate or all the relevant
242.25 information required by section 297A.72, subdivision 2, from the purchaser; or

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

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

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

242.29 (2) solicits purchasers to participate in the unlawful claim of an exemption. If a
242.30 ~~seller claiming that certain sales are exempt is not in possession of the required exemption~~
242.31 ~~certificates within 60 days after receiving written notice from the commissioner that the~~
242.32 ~~certificates are required, deductions claimed by the seller that required delivery of the~~
242.33 ~~certificates must be disallowed. If the certificates are delivered to the commissioner within~~
242.34 ~~the 60-day period, the commissioner may verify the reason or basis for the exemption~~

243.1 ~~claimed in the certificates before allowing any deductions. A deduction must not be~~
243.2 ~~granted on the basis of certificates delivered to the commissioner after the 60-day period.~~

243.3 ~~(e)~~ (d) A purchaser of tangible personal property or any items listed in section
243.4 297A.63 that are shipped or brought to Minnesota by the purchaser has the burden
243.5 of proving that the property was not purchased from a retailer for storage, use, or
243.6 consumption in Minnesota.

243.7 **EFFECTIVE DATE.** This section is effective for sales and purchases made on
243.8 or after January 1, 2008.

243.9 Sec. 21. Minnesota Statutes 2006, section 297A.669, subdivision 3, is amended to read:

243.10 Subd. 3. **Defined telecommunications services sourcing.** The sale of the following
243.11 telecommunication services shall be sourced to each level of taxing jurisdiction in
243.12 paragraphs (a) to (d).

243.13 (a) A sale of mobile telecommunications services, other than air-to-ground
243.14 radiotelephone service and prepaid calling service, is sourced to the customer's place of
243.15 primary use as required by the Mobile Telecommunications Sourcing Act.

243.16 (b) A sale of postpaid calling service is sourced to the origination point of the
243.17 telecommunications signal as first identified by either:

243.18 (1) the seller's telecommunications system; or

243.19 (2) information received by the seller from its service provider, where the system
243.20 used to transport such signals is not that of the seller.

243.21 (c) A sale of prepaid calling service or prepaid wireless calling service is sourced in
243.22 accordance with section 297A.668, subdivision 2. However, in the case of a sale of ~~mobile~~
243.23 ~~telecommunications service that is a prepaid telecommunications~~ wireless calling service,
243.24 the rule provided in section 297A.668, subdivision 2, paragraph (f), shall include as an
243.25 option the location associated with the mobile telephone number.

243.26 (d) A sale of a private communication service is sourced as follows:

243.27 (1) service for a separate charge related to a customer channel termination point is
243.28 sourced to each level of jurisdiction in which the customer channel termination point
243.29 is located;

243.30 (2) service where all customer termination points are located entirely within one
243.31 jurisdiction or levels of jurisdiction is sourced in such jurisdiction in which the customer
243.32 channel termination points are located;

243.33 (3) service for segments of a channel between two customer channel termination
243.34 points located in different jurisdictions and which segment of channel are separately

244.1 charged is sourced 50 percent in each level of jurisdiction in which the customer channel
244.2 termination points are located; and

244.3 (4) service for segments of a channel located in more than one jurisdiction or
244.4 levels of jurisdiction and which segments are not separately billed is sourced in each
244.5 jurisdiction based on the percentage determined by dividing the number of customer
244.6 channel termination points in the jurisdiction by the total number of customer channel
244.7 termination points.

244.8 **EFFECTIVE DATE.** This section is effective for sales and purchases made on
244.9 or after January 1, 2008.

244.10 Sec. 22. Minnesota Statutes 2006, section 297A.669, subdivision 13, is amended to
244.11 read:

244.12 Subd. 13. **Postpaid calling service.** "Postpaid calling service," for purposes of
244.13 this section, means the telecommunications service obtained by making a payment
244.14 on a call-by-call basis either through the use of a credit card or payment mechanism
244.15 such as a bank card, travel card, credit card, or debit card, or by a charge made to
244.16 a telephone number that is not associated with the origination or termination of the
244.17 telecommunications service. A postpaid calling service includes a telecommunications
244.18 service, except a prepaid wireless calling service, that would be a prepaid calling service
244.19 except it is not exclusively a telecommunication service.

244.20 **EFFECTIVE DATE.** This section is effective for sales and purchases made on
244.21 or after January 1, 2008.

244.22 Sec. 23. Minnesota Statutes 2006, section 297A.669, subdivision 14, is amended to
244.23 read:

244.24 Subd. 14. **Prepaid calling service.** "Prepaid calling service," for purposes of this
244.25 section, means a telecommunications service that:

244.26 (1) provides the right to access exclusively telecommunications services, ~~which;~~

244.27 (2) must be paid for in advance ~~and which;~~

244.28 (3) enables the origination of calls using an access number or authorization code,
244.29 whether manually or electronically dialed; ~~and that~~

244.30 (4) is sold in predetermined units or dollars of which the number declines with
244.31 use in a known amount.

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

245.1 Sec. 24. Minnesota Statutes 2006, section 297A.669, is amended by adding a
245.2 subdivision to read:

245.3 Subd. 14a. **Prepaid wireless calling service.** "Prepaid wireless calling service," for
245.4 purposes of this section, means a telecommunications service that:

245.5 (1) provides the right to utilize mobile wireless service as well as other
245.6 nontelecommunications services, including the download of digital products delivered
245.7 electronically, content, and ancillary services;

245.8 (2) must be paid for in advance; and

245.9 (3) is sold in predetermined units or dollars of which the number declines with
245.10 use in a known amount.

245.11 **EFFECTIVE DATE.** This section is effective for sales and purchases made on
245.12 or after January 1, 2008.

245.13 Sec. 25. Minnesota Statutes 2006, section 297A.669, is amended by adding a
245.14 subdivision to read:

245.15 Subd. 17. **Ancillary service.** The sale of an ancillary service is sourced to the
245.16 customer's place of primary use.

245.17 **EFFECTIVE DATE.** This section is effective for sales and purchases made on
245.18 or after January 1, 2008.

245.19 Sec. 26. Minnesota Statutes 2006, section 297A.67, subdivision 7, is amended to read:

245.20 Subd. 7. **Drugs; medical devices.** (a) Sales of the following drugs and medical
245.21 devices are exempt:

245.22 (1) drugs for human use, including over-the-counter drugs;

245.23 (2) single-use finger-pricking devices for the extraction of blood and other single-use
245.24 devices and single-use diagnostic agents used in diagnosing, monitoring, or treating
245.25 diabetes;

245.26 (3) insulin and medical oxygen for human use, regardless of whether prescribed
245.27 or sold over the counter;

245.28 (4) prosthetic devices;

245.29 (5) durable medical equipment for home use only;

245.30 (6) mobility enhancing equipment; ~~and~~

245.31 (7) prescription corrective eyeglasses; and

245.32 (8) kidney dialysis equipment, including repair and replacement parts.

245.33 (b) For purposes of this subdivision:

246.1 (1) "Drug" means a compound, substance, or preparation, and any component of
246.2 a compound, substance, or preparation, other than food and food ingredients, dietary
246.3 supplements, or alcoholic beverages that is:

246.4 (i) recognized in the official United States Pharmacopoeia, official Homeopathic
246.5 Pharmacopoeia of the United States, or official National Formulary, and supplement
246.6 to any of them;

246.7 (ii) intended for use in the diagnosis, cure, mitigation, treatment, or prevention
246.8 of disease; or

246.9 (iii) intended to affect the structure or any function of the body.

246.10 (2) "Durable medical equipment" means equipment, including repair and
246.11 replacement parts, but not including mobility enhancing equipment, that:

246.12 (i) can withstand repeated use;

246.13 (ii) is primarily and customarily used to serve a medical purpose;

246.14 (iii) generally is not useful to a person in the absence of illness or injury; and

246.15 (iv) is not worn in or on the body.

246.16 (3) "Mobility enhancing equipment" means equipment, including repair and
246.17 replacement parts, but not including durable medical equipment, that:

246.18 (i) is primarily and customarily used to provide or increase the ability to move from
246.19 one place to another and that is appropriate for use either in a home or a motor vehicle;

246.20 (ii) is not generally used by persons with normal mobility; and

246.21 (iii) does not include any motor vehicle or equipment on a motor vehicle normally
246.22 provided by a motor vehicle manufacturer.

246.23 (4) "Over-the-counter drug" means a drug that contains a label that identifies the
246.24 product as a drug as required by Code of Federal Regulations, title 21, section 201.66. The
246.25 label must include a "drug facts" panel or a statement of the active ingredients with a list of
246.26 those ingredients contained in the compound, substance, or preparation. Over-the-counter
246.27 drugs do not include grooming and hygiene products, regardless of whether they otherwise
246.28 meet the definition. "Grooming and hygiene products" are soaps, cleaning solutions,
246.29 shampoo, toothpaste, mouthwash, antiperspirants, and suntan lotions and sunscreens.

246.30 (5) "Prescribed" and "prescription" means a direction in the form of an order,
246.31 formula, or recipe issued in any form of oral, written, electronic, or other means of
246.32 transmission by a duly licensed health care professional.

246.33 (6) "Prosthetic device" means a replacement, corrective, or supportive device,
246.34 including repair and replacement parts, worn on or in the body to:

246.35 (i) artificially replace a missing portion of the body;

246.36 (ii) prevent or correct physical deformity or malfunction; or

247.1 (iii) support a weak or deformed portion of the body.

247.2 Prosthetic device does not include corrective eyeglasses.

247.3 (7) "Kidney dialysis equipment" means equipment that:

247.4 (i) is used to remove waste products that build up in the blood when the kidneys are
247.5 not able to do so on their own; and

247.6 (ii) can withstand repeated use, including multiple use by a single patient.

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

247.8 Sec. 27. Minnesota Statutes 2006, section 297A.67, subdivision 8, is amended to read:

247.9 Subd. 8. **Clothing.** (a) Clothing is exempt. For purposes of this subdivision,
247.10 "clothing" means all human wearing apparel suitable for general use.

247.11 (b) Clothing includes, but is not limited to, aprons, household and shop; athletic
247.12 supporters; baby receiving blankets; bathing suits and caps; beach capes and coats; belts
247.13 and suspenders; boots; coats and jackets; costumes; children and adult diapers, including
247.14 disposable; ear muffs; footlets; formal wear; garters and garter belts; girdles; gloves and
247.15 mittens for general use; hats and caps; hosiery; insoles for shoes; lab coats; neckties;
247.16 overshoes; pantyhose; rainwear; rubber pants; sandals; scarves; shoes and shoe laces;
247.17 slippers; sneakers; socks and stockings; steel-toed boots; underwear; uniforms, athletic
247.18 and nonathletic; and wedding apparel.

247.19 (c) Clothing does not include the following:

247.20 (1) belt buckles sold separately;

247.21 (2) costume masks sold separately;

247.22 (3) patches and emblems sold separately;

247.23 (4) sewing equipment and supplies, including but not limited to, knitting needles,
247.24 patterns, pins, scissors, sewing machines, sewing needles, tape measures, and thimbles;

247.25 (5) sewing materials that become part of clothing, including but not limited to,
247.26 buttons, fabric, lace, thread, yarn, and zippers;

247.27 (6) clothing accessories or equipment;

247.28 (7) sports or recreational equipment; and

247.29 (8) protective equipment.

247.30 Clothing also does not include ~~apparel made from fur if a uniform definition of "apparel~~
247.31 ~~made from fur" is developed by the member states of the Streamlined Sales and Use Tax~~
247.32 ~~Agreement~~ "fur clothing" as defined in section 297A.61, subdivision 46.

247.33 For purposes of this subdivision, "clothing accessories or equipment" means
247.34 incidental items worn on the person or in conjunction with clothing. Clothing accessories

248.1 and equipment include, but are not limited to, briefcases; cosmetics; hair notions, including
248.2 barrettes, hair bows, and hairnets; handbags; handkerchiefs; jewelry; nonprescription
248.3 sunglasses; umbrellas; wallets; watches; and wigs and hairpieces. "Sports or recreational
248.4 equipment" means items designed for human use and worn in conjunction with an athletic
248.5 or recreational activity that are not suitable for general use. Sports and recreational
248.6 equipment includes, but is not limited to, ballet and tap shoes; cleated or spiked athletic
248.7 shoes; gloves, including, but not limited to, baseball, bowling, boxing, hockey, and golf
248.8 gloves; goggles; hand and elbow guards; life preservers and vests; mouth guards; roller
248.9 and ice skates; shin guards; shoulder pads; ski boots; waders; and wetsuits and fins.
248.10 "Protective equipment" means items for human wear and designed as protection of the
248.11 wearer against injury or disease or as protection against damage or injury of other persons
248.12 or property but not suitable for general use. Protective equipment includes, but is not
248.13 limited to, breathing masks; clean room apparel and equipment; ear and hearing protectors;
248.14 face shields; finger guards; hard hats; helmets; paint or dust respirators; protective gloves;
248.15 safety glasses and goggles; safety belts; tool belts; and welders gloves and masks.

248.16 **EFFECTIVE DATE.** This section is effective for sales and purchases made on or
248.17 after July 1, 2007.

248.18 Sec. 28. Minnesota Statutes 2006, section 297A.67, subdivision 9, is amended to read:

248.19 Subd. 9. **Baby products.** Breast pumps, baby bottles and nipples, pacifiers, teething
248.20 rings, and infant syringes are exempt.

248.21 **EFFECTIVE DATE.** This section is effective for sales and purchases made on or
248.22 after the day following final enactment.

248.23 Sec. 29. Minnesota Statutes 2006, section 297A.68, subdivision 11, is amended to read:

248.24 Subd. 11. **Advertising materials.** Materials designed to advertise and promote the
248.25 sale of merchandise or services are exempt if these materials are mailed or transferred to a
248.26 person outside the state for use solely outside the state. Mailing and reply envelopes and
248.27 cards and other shipping materials including, but not limited to, boxes, labels, containers,
248.28 and banding, used exclusively in connection with these advertising and promotional
248.29 materials are included in this exemption. The exemption applies regardless of where the
248.30 mailing occurs. The storage of these materials in the state for the purpose of subsequently
248.31 shipping or otherwise transferring the material out of state is also exempt if the other
248.32 conditions in this subdivision are met. For purposes of this subdivision, materials that have
248.33 a primary purpose other than advertising, such as fulfilling a legal obligation or furnishing

249.1 nonadvertising information, are not materials designed to advertise and promote the sale
249.2 of merchandise or services even if they do include advertising content.

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

249.4 Sec. 30. Minnesota Statutes 2006, section 297A.68, subdivision 16, is amended to read:

249.5 Subd. 16. **Packing materials.** Packing materials used to pack and ship household
249.6 goods and that are provided to and remain with the customer of a for-hire carrier are
249.7 exempt if the ultimate destination of the goods is outside Minnesota and if the ~~goods~~
249.8 packing materials are not later returned to a point within Minnesota, except in the course
249.9 of interstate commerce. This exemption does not apply to tools, equipment, pads, or
249.10 accessories owned or leased by the for-hire carrier.

249.11 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
249.12 June 30, 2007.

249.13 Sec. 31. Minnesota Statutes 2006, section 297A.68, subdivision 35, is amended to read:

249.14 Subd. 35. **Telecommunications, cable television, and direct satellite equipment.**

249.15 (a) Telecommunications, cable television, or direct satellite machinery and equipment
249.16 purchased or leased for use directly by a telecommunications, cable television, or
249.17 direct satellite service provider primarily in the provision of telecommunications, cable
249.18 television, or direct satellite services that are ultimately to be sold at retail are exempt,
249.19 regardless of whether purchased by the owner, a contractor, or a subcontractor.

249.20 (b) For purposes of this subdivision, "telecommunications, cable television, or direct
249.21 satellite machinery and equipment" includes, but is not limited to:

249.22 (1) machinery, equipment, and fixtures utilized in receiving, initiating,
249.23 amplifying, processing, transmitting, retransmitting, recording, switching, or monitoring
249.24 telecommunications, cable television, or direct satellite services, such as computers,
249.25 transformers, amplifiers, routers, bridges, repeaters, multiplexers, and other items
249.26 performing comparable functions;

249.27 (2) machinery, equipment, and fixtures used in the transportation of
249.28 telecommunications, cable television, or direct satellite services, radio transmitters and
249.29 receivers, satellite equipment, microwave equipment, and other transporting media, but
249.30 not wire, cable, fiber, poles, or conduit;

249.31 (3) ancillary machinery, equipment, and fixtures that regulate, control, protect, or
249.32 enable the machinery in clauses (1) and (2) to accomplish its intended function, such as
249.33 auxiliary power supply, test equipment, towers, heating, ventilating, and air conditioning

250.1 equipment necessary to the operation of the telecommunications, cable television, or direct
250.2 satellite equipment; and software necessary to the operation of the telecommunications,
250.3 cable television, or direct satellite equipment; and

250.4 (4) repair and replacement parts, including accessories, whether purchased as spare
250.5 parts, repair parts, or as upgrades or modifications to qualified machinery or equipment.

250.6 ~~(c) For purposes of this subdivision, "telecommunications services" means~~
250.7 ~~telecommunications services as defined in section 297A.61, subdivision 24, paragraphs~~
250.8 ~~(a), (c), and (d).~~

250.9 **EFFECTIVE DATE.** This section is effective for sales and purchases made on
250.10 or after January 1, 2008.

250.11 Sec. 32. Minnesota Statutes 2006, section 297A.69, subdivision 2, is amended to read:

250.12 Subd. 2. **Materials consumed in agricultural production.** Materials stored, used,
250.13 or consumed in agricultural production of personal property intended to be sold ultimately
250.14 at retail are exempt, whether or not the item becomes an ingredient or constituent part
250.15 of the property produced. Materials that qualify for this exemption include, but are not
250.16 limited to, the following:

250.17 (1) feeds, seeds, trees, fertilizers, and herbicides, including when purchased for use
250.18 by farmers in a federal or state farm or conservation program;

250.19 (2) materials sold to a veterinarian to be used or consumed in the care, medication,
250.20 and treatment of agricultural production animals and horses;

250.21 (3) chemicals, including chemicals used for cleaning food processing machinery
250.22 and equipment;

250.23 (4) materials, including chemicals, fuels, and electricity purchased by persons
250.24 engaged in agricultural production to treat waste generated as a result of the production
250.25 process;

250.26 (5) fuels, electricity, gas, and steam used or consumed in the production process,
250.27 ~~except that including~~ electricity, gas, or steam used for space heating, cooling, or lighting
250.28 ~~is exempt if (i) it is in excess of the average climate control or lighting for the production~~
250.29 ~~area, and (ii) it is necessary to produce that particular product~~ of facilities housing
250.30 agricultural animals;

250.31 (6) petroleum products and lubricants;

250.32 (7) packaging materials, including returnable containers used in packaging food and
250.33 beverage products; and

250.34 (8) accessory tools and equipment that are separate detachable units with an ordinary
250.35 useful life of less than 12 months used in producing a direct effect upon the product.

251.1 Machinery, equipment, implements, tools, accessories, appliances, contrivances, and
251.2 furniture and fixtures, except those listed in this clause are not included within this
251.3 exemption.

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

251.5 Sec. 33. Minnesota Statutes 2006, section 297A.70, subdivision 7, is amended to read:

251.6 Subd. 7. **Hospitals and outpatient surgical centers.** (a) Sales, except for those
251.7 listed in paragraph (c), to a hospital are exempt, if the items purchased are used in
251.8 providing hospital services. For purposes of this subdivision, "hospital" means a hospital
251.9 organized and operated for charitable purposes within the meaning of section 501(c)(3) of
251.10 the Internal Revenue Code, and licensed under chapter 144 or by any other jurisdiction,
251.11 and "hospital services" are services authorized or required to be performed by a "hospital"
251.12 under chapter 144.

251.13 (b) Sales, except for those listed in paragraph (c), to an outpatient surgical center
251.14 are exempt, if the items purchased are used in providing outpatient surgical services. For
251.15 purposes of this subdivision, "outpatient surgical center" means an outpatient surgical
251.16 center organized and operated for charitable purposes within the meaning of section
251.17 501(c)(3) of the Internal Revenue Code, and licensed under chapter 144 or by any other
251.18 jurisdiction. For the purposes of this subdivision, "outpatient surgical services" means:
251.19 (1) services authorized or required to be performed by an outpatient surgical center under
251.20 chapter 144; and (2) urgent care. For purposes of this subdivision, "urgent care" means
251.21 health services furnished to a person whose medical condition is sufficiently acute to
251.22 require treatment unavailable through, or inappropriate to be provided by, a clinic or
251.23 physician's office, but not so acute as to require treatment in a hospital emergency room.

251.24 (c) This exemption does not apply to the following products and services:

251.25 (1) purchases made by a clinic, physician's office, or any other medical facility not
251.26 operating as a hospital or outpatient surgical center, even though the clinic, office, or
251.27 facility may be owned and operated by a hospital or outpatient surgical center;

251.28 (2) sales under section 297A.61, subdivision 3, paragraph (g), clause (2), and
251.29 prepared food, candy, and soft drinks;

251.30 (3) building and construction materials used in constructing buildings or facilities
251.31 that will not be used principally by the hospital or outpatient surgical center;

251.32 (4) building, construction, or reconstruction materials purchased by a contractor
251.33 or a subcontractor as a part of a lump-sum contract or similar type of contract with a
251.34 guaranteed maximum price covering both labor and materials for use in the construction,
251.35 alteration, or repair of a hospital or outpatient surgical center; or

252.1 (5) the leasing of a motor vehicle as defined in section 297B.01, subdivision 5.

252.2 (d) A limited liability company also qualifies for exemption under this subdivision if
252.3 (1) it consists of a sole member that would qualify for the exemption, and (2) the items
252.4 purchased qualify for the exemption.

252.5 (e) An entity that contains both a hospital and a nonprofit unit may claim this
252.6 exemption on purchases made for both the hospital and nonprofit unit provided that:

252.7 (1) the nonprofit unit would have qualified for exemption under subdivision 4; and
252.8 (2) the items purchased would have qualified for the exemption.

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

252.10 Sec. 34. Minnesota Statutes 2006, section 297A.70, is amended by adding a
252.11 subdivision to read:

252.12 Subd. 18. **Private communication service for State Lottery.** Private
252.13 communication service, as defined in section 297A.61, subdivision 26, is exempt if the
252.14 service is purchased by an agent acting on behalf of the State Lottery.

252.15 **EFFECTIVE DATE.** This section is effective for sales and purchases made on
252.16 or after January 1, 2008.

252.17 Sec. 35. Minnesota Statutes 2006, section 297A.72, is amended to read:

252.18 **297A.72 EXEMPTION CERTIFICATES.**

252.19 Subd. 2. **Content and form of exemption certificate.** An exemption certificate
252.20 must be substantially in the form prescribed by the commissioner ~~and~~. To be fully
252.21 completed, the exemption certificate must:

252.22 (1) either be signed by the purchaser if it is a paper form, or meet the requirements
252.23 of section 270C.304 if in electronic form;

252.24 (2) bear the name and address of the purchaser; ~~and~~

252.25 (3) indicate the ~~sales tax account~~ identification number, ~~if any,~~ issued to the
252.26 purchaser; as follows:

252.27 (i) the purchaser's Minnesota tax identification number;

252.28 (ii) if the purchaser does not have a Minnesota tax identification number, then the
252.29 purchaser's state tax identification number that is issued by a state other than Minnesota,
252.30 and the name of that state;

252.31 (iii) if the purchaser does not have an identification number described in either item

252.32 (i) or (ii), then the purchaser's federal Employer Identification Number; or

253.1 (iv) if the purchaser does not have an identification number described in item (i), (ii),
253.2 or (iii), then either the number of the purchaser's state-issued driver's license, if valid in
253.3 the state of issue, or if the purchaser does not have a driver's license, a valid state-issued
253.4 identification number, and the name of the state of issue;

253.5 (4) indicate the purchaser's type of business, using a business-type coding system
253.6 prescribed by the commissioner; and

253.7 (5) indicate the reason for the exemption, using an exemption reason coding system
253.8 prescribed by the commissioner.

253.9 Subd. 3. **Purchaser requirement.** A blanket exemption certificate is an exemption
253.10 certificate used for continuing future purchases. A purchaser using a blanket exemption
253.11 certificate must update it as needed to accurately reflect the information that is required
253.12 under subdivision 2.

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

253.14 Sec. 36. **[297A.8155] LIQUOR REPORTING REQUIREMENTS; PENALTY.**

253.15 A person who sells liquor, as defined in section 295.75, subdivision 1, in Minnesota
253.16 to a retailer that sells liquor, shall file with the commissioner an annual informational
253.17 report, in the form and manner prescribed by the commissioner, indicating the volume of
253.18 liquor sold to each retailer in the previous calendar year. The report must be filed on or
253.19 before February 28 of each calendar year beginning in 2008. A person failing to file this
253.20 report is subject to the penalty imposed under Minnesota Statutes, section 289A.60.

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

253.22 Sec. 37. Minnesota Statutes 2006, section 297A.90, subdivision 2, is amended to read:

253.23 Subd. 2. **Payment of tax.** (a) Persons who are registered as retailers may make
253.24 purchases in this state or import property into this state without payment of the sales or use
253.25 taxes imposed by this chapter at the time of purchase or importation, if the purchases or
253.26 importations come within the provisions of this section and are made in strict compliance
253.27 with the rules of the commissioner.

253.28 (b) A person described in subdivision 1 may elect to pay directly to the commissioner
253.29 any sales or use tax that may be due under this chapter for the acquisition of mobile
253.30 transportation equipment and parts and accessories attached or to be attached to such
253.31 equipment registered under section 168.187.

253.32 (c) The total cost of such equipment and parts and accessories attached or to be
253.33 attached to such equipment must be multiplied by a fraction. The numerator of the fraction

254.1 is the Minnesota mileage as reported on the current pro rata application provided for in
254.2 section 168.187 and the denominator of the fraction is the total mileage reported on the
254.3 current pro rata registration application. The amount so determined must be multiplied by
254.4 the tax rate to obtain the tax due.

254.5 In computing the tax under this section "sales price" does not include the amount of any
254.6 ~~tax, except any manufacturer's or importer's excise tax, imposed by the United States~~
254.7 ~~upon or with respect to retail sales, whether~~ taxes imposed directly on the retailer or the
254.8 consumer that are separately stated on the invoice, bill of sale, or similar document given
254.9 to the purchaser.

254.10 (d) A retailer covered by this section shall make a return and remit to the
254.11 commissioner the tax due for the preceding calendar month in accordance with sections
254.12 289A.11 and 289A.20, subdivision 4.

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

254.14 Sec. 38. Minnesota Statutes 2006, section 297B.035, subdivision 1, is amended to read:

254.15 Subdivision 1. **Ordinary course of business.** Except as provided in this section,
254.16 motor vehicles purchased solely for resale in the ordinary course of business by any motor
254.17 vehicle dealer, as defined in section 168.011, subdivision 21, who is licensed under section
254.18 168.27, subdivision 2 or 3, including vehicles which bear dealer plates as authorized by
254.19 section 168.27, subdivision 16, shall be exempt from the provisions of this chapter.

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

254.21 Sec. 39. Minnesota Statutes 2006, section 469.1734, subdivision 6, is amended to read:

254.22 Subd. 6. **Sales tax exemption; equipment; construction materials.** (a) The gross
254.23 receipts from the sale of machinery and equipment and repair parts are exempt from
254.24 taxation under chapter 297A, if the machinery and equipment:

- 254.25 (1) are used in connection with a trade or business;
254.26 (2) are placed in service in a city that is authorized to designate a zone under section
254.27 469.1731, regardless of whether the machinery and equipment are used in a zone; and
254.28 (3) have a useful life of 12 months or more.

254.29 (b) The gross receipts from the sale of construction materials are exempt, if they are
254.30 used to construct:

- 254.31 (1) a facility for use in a trade or business located in a city that is authorized to
254.32 designate a zone under section 469.1731, regardless of whether the facility is located in a
254.33 zone; or

255.1 (2) housing that is located in a zone.

255.2 The exemptions under this paragraph apply regardless of whether the purchase is made by
255.3 the owner, the user, or a contractor.

255.4 (c) A purchaser may claim an exemption under this subdivision for tax on the
255.5 purchases up to, but not exceeding:

255.6 (1) the amount of the tax credit certificates received from the city, less

255.7 (2) any tax credit certificates used under the provisions of subdivisions 4 and 5, and
255.8 section 469.1732, subdivision 2.

255.9 (d) The tax on sales of items exempted under this subdivision shall be imposed and
255.10 collected as if the applicable rate under section 297A.62 applied. Upon application by the
255.11 purchaser, on forms prescribed by the commissioner, a refund equal to the tax paid shall
255.12 be paid to the purchaser. The application must include sufficient information to permit
255.13 the commissioner to verify the sales tax paid and the eligibility of the claimant to receive
255.14 the credit. No more than two applications for refunds may be filed under this subdivision
255.15 in a calendar year. The provisions of section 289A.40 apply to the refunds payable
255.16 under this subdivision. There is annually appropriated to the commissioner of revenue
255.17 the amount required to make the refunds, which must be deducted from the amount of
255.18 the city's allocation under section 469.169, subdivision 12, that remains available and its
255.19 limitation under section 469.1735.

255.20 (e) The amount to be refunded shall bear interest at the rate in section 270C.405
255.21 from ~~the date~~ 90 days after the refund claim is filed with the commissioner.

255.22 **EFFECTIVE DATE.** This section is effective for refund claims filed on or after
255.23 July 1, 2007.

255.24 Sec. 40. **FUR TAX PAYMENTS.**

255.25 (a) Furriers must file the annual return, required by Minnesota Statutes, section
255.26 295.60, subdivision 5, which otherwise would be due March 15, 2008, by September
255.27 15, 2007.

255.28 (b) If a furrier is required by Minnesota Statutes, section 295.60, subdivision 3, to
255.29 make installments of quarterly estimates, then the furrier shall make the last installment by
255.30 July 15, 2007.

255.31 **EFFECTIVE DATE.** Effective July 1, 2007, for sales and purchases made prior to
255.32 July 1, 2007.

255.33 Sec. 41. **REPEALER.**

- 256.1 (a) Minnesota Statutes 2006, section 295.60, is repealed.
256.2 (b) Minnesota Statutes 2006, section 297A.61, subdivision 20, is repealed.
256.3 (c) Minnesota Statutes 2006, section 297A.668, subdivision 6, is repealed.
256.4 (d) Minnesota Statutes 2006, section 297A.67, subdivision 22, is repealed.

256.5 **EFFECTIVE DATE.** Paragraph (a) is effective for sales and purchases made on
256.6 or after July 1, 2007; paragraph (b) is effective for sales and purchases made on or after
256.7 January 1, 2008; and paragraphs (c) and (d) are effective the day following final enactment.

256.8 **ARTICLE 12**

256.9 **DEPARTMENT PROPERTY TAXES**

256.10 Section 1. Minnesota Statutes 2006, section 270.071, subdivision 7, is amended to read:

256.11 Subd. 7. **Flight property.** "Flight property" means all aircraft and flight equipment
256.12 used in connection therewith, including spare flight equipment. Flight property also
256.13 includes computers and computer software used in operating, controlling, or regulating
256.14 aircraft and flight equipment.

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

256.16 Sec. 2. Minnesota Statutes 2006, section 270.072, subdivision 2, is amended to read:

256.17 Subd. 2. **Assessment of flight property.** ~~The Flight property of all that is owned~~
256.18 by, or is leased, loaned, or otherwise made available to an airline companies company
256.19 operating in Minnesota shall be assessed and appraised annually by the commissioner
256.20 with reference to its value on January 2 of the assessment year in the manner prescribed
256.21 by sections 270.071 to 270.079. Aircraft with a gross weight of less than 30,000 pounds
256.22 and used on intermittent or irregularly timed flights shall be excluded from the provisions
256.23 of sections 270.071 to 270.079.

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

256.25 Sec. 3. Minnesota Statutes 2006, section 270.072, subdivision 3, is amended to read:

256.26 Subd. 3. **Report by airline company.** Each year, on or before July 1, every airline
256.27 company engaged in air commerce in this state shall file with the commissioner ~~on or~~
256.28 ~~before the time fixed by the commissioner~~ a report under oath setting forth specifically
256.29 the information prescribed by the commissioner to enable the commissioner to make the
256.30 assessment required in sections 270.071 to 270.079, unless the commissioner determines
256.31 that the airline company or person should be excluded from filing because its activities do

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257.1 not constitute air commerce as defined herein. ~~A penalty of five percent of the tax being~~
257.2 ~~assessed is imposed on a late filing of the annual report. If the report is not filed within~~
257.3 ~~30 days, an additional penalty of five percent of the assessed tax is imposed for each~~
257.4 ~~additional 30 days or fraction of 30 days until the return is filed. The penalty imposed~~
257.5 ~~under this section must not exceed the lesser of \$25,000 or 25 percent of the assessed tax.~~

257.6 **EFFECTIVE DATE.** This section is effective beginning January 2, 2007, for taxes
257.7 payable in 2008 and thereafter.

257.8 Sec. 4. Minnesota Statutes 2006, section 270.072, subdivision 6, is amended to read:

257.9 Subd. 6. **Airflight property tax lien.** The tax imposed under sections 270.071 to
257.10 270.079 is a lien on all real and personal property within this state of the airline company
257.11 in whose name the property is assessed. ~~For purposes of sections 270C.62 and 270C.63,~~
257.12 ~~the date of assessment for the tax imposed under sections 270.071 to 270.079 is~~ The lien
257.13 attaches on January 2 of each year for the taxes payable in the following year.

257.14 **EFFECTIVE DATE.** This section is effective beginning January 2, 2007, for taxes
257.15 payable in 2008 and thereafter.

257.16 Sec. 5. **[270.0725] PENALTIES.**

257.17 Subdivision 1. **Penalty for late filing.** If an airline company does not file its annual
257.18 report by the date designated in section 270.072, subdivision 3, a penalty of five percent
257.19 of the tax being assessed is imposed on that company. On August 1, and on the first day
257.20 of each succeeding calendar month, an additional five percent penalty is imposed if the
257.21 report has not yet been filed. For each airline company, the penalties imposed under
257.22 this subdivision for any one year are limited to the lesser of \$25,000 or 25 percent of
257.23 the assessed tax.

257.24 Subd. 2. **Penalty for repeated instances of late filing.** If there is a pattern of
257.25 repeated failures by an airline company to timely file the report required by this section, a
257.26 penalty of ten percent of the tax being assessed is imposed on that company.

257.27 Subd. 3. **Penalty for frivolous report.** If an airline company files a frivolous annual
257.28 report, a penalty of 25 percent of the tax being assessed is imposed on that company. A
257.29 frivolous report under this section is a report that would fulfill the criteria for a frivolous
257.30 return under section 289A.60, subdivision 7, notwithstanding the restriction in section
257.31 289A.01. In a proceeding involving the issue of whether or not an airline company is
257.32 liable for this penalty, the burden of proof is on the commissioner.

258.1 Subd. 4. **Penalty for fraudulent report.** If an airline company files a false or
258.2 fraudulent annual report with intent to evade or defeat the tax, a penalty equal to 50
258.3 percent of the tax being assessed is imposed on that company.

258.4 Subd. 5. **Penalties added to tax.** Penalties imposed under this section are added to
258.5 the tax and collected as a part of it.

258.6 **EFFECTIVE DATE.** This section is effective for annual reports due on or after
258.7 July 1, 2007.

258.8 Sec. 6. **[270.0735] EXAMINATION; INVESTIGATIONS; SUBPOENAS.**

258.9 In addition to the powers granted to the commissioner in this chapter, and in order to
258.10 determine net tax capacities and issue notices of net tax capacity and tax under sections
258.11 270.071 to 270.079, the commissioner has the powers contained in sections 270C.31 and
258.12 270C.32, for which purpose the word "taxpayer" as defined in section 270C.01 includes
258.13 an airline company.

258.14 **EFFECTIVE DATE.** This section is effective beginning January 2, 2007, for taxes
258.15 payable in 2008 and thereafter.

258.16 Sec. 7. Minnesota Statutes 2006, section 270.074, subdivision 3, is amended to read:

258.17 Subd. 3. **Tax capacity.** (a) The net tax capacity of the flight property of every airline
258.18 company ~~shall have a tax capacity of~~ is 70 percent of the value thereof apportioned to this
258.19 state under subdivision 1, except that the net tax capacity of quiet aircraft ~~shall have a~~
258.20 ~~tax capacity of~~ is 40 percent of the value determined under subdivision 1. ~~Quiet aircraft~~
258.21 ~~shall include~~ "Quiet aircraft" means turboprops and aircraft defined as stage III or IV by
258.22 the Federal Aeronautics Administration. If, in the opinion of the commissioner, other
258.23 aircraft may be qualified as quiet aircraft, the commissioner may adopt rules providing
258.24 additional qualifications.

258.25 (b) The flight property of an airline company that owns or leases aircraft the majority
258.26 of which are turboprops, and which provides, during six months or more of the year that
258.27 taxes are levied, scheduled passenger service to three or more airports inside or outside of
258.28 this state that serve small or medium sized communities, shall be assessed at 50 percent of
258.29 the assessment percentage otherwise set by paragraph (a).

258.30 **EFFECTIVE DATE.** This section is effective beginning January 2, 2007, for taxes
258.31 payable in 2008 and thereafter.

258.32 Sec. 8. Minnesota Statutes 2006, section 270.076, subdivision 1, is amended to read:

259.1 Subdivision 1. **Appeal.** ~~Any airline company against which a tax has been imposed~~
259.2 ~~under sections 270.071 to 270.079 shall have the right to appeal within 60 days from the~~
259.3 ~~date of notice of the levy of the tax~~ The notices of net tax capacity and of tax required
259.4 under section 270.075, subdivision 2, are orders of the commissioner. These orders must
259.5 be issued in conformance with section 270C.33, subdivisions 1 and 2, but are not subject
259.6 to administrative review under section 270C.35. These orders may be appealed to the Tax
259.7 Court in the manner provided by law in section 271.06 for appealing official orders of
259.8 the commissioner that do not deal with valuation, assessment, or taxation for property
259.9 tax purposes, and the provisions of section 273.125, subdivisions 4 and 5, and chapter
259.10 278 do not apply.

259.11 **EFFECTIVE DATE.** This section is effective beginning January 2, 2007, for taxes
259.12 payable in 2008 and thereafter.

259.13 Sec. 9. Minnesota Statutes 2006, section 270.41, subdivision 1, is amended to read:

259.14 Subdivision 1. **Creation; purpose; powers.** A Board of Assessors is created.
259.15 The board shall ~~establish, conduct,~~ review, supervise, coordinate, and approve courses
259.16 in assessment practices, and establish criteria for determining assessor's qualifications.
259.17 The board shall also consider other matters relating to assessment administration brought
259.18 before it by the commissioner of revenue. The board may grant, renew, suspend, or revoke
259.19 an assessor's license.

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

259.21 Sec. 10. Minnesota Statutes 2006, section 270.41, is amended by adding a subdivision
259.22 to read:

259.23 Subd. 1a. **Definition.** For purposes of sections 270.41 to 270.50, "board" means
259.24 the Board of Assessors.

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

259.26 Sec. 11. Minnesota Statutes 2006, section 270.41, subdivision 2, is amended to read:

259.27 Subd. 2. **Members.** The board shall consist of nine members, who shall be
259.28 appointed by the commissioner of revenue, in the manner provided herein. The members
259.29 shall include:

259.30 (1) two from the Department of Revenue;

259.31 (2) two county assessors;

260.1 (3) two assessors who are not county assessors, one of whom shall be a township
260.2 assessor;

260.3 (4) one from the private appraisal field holding a professional appraisal designation;
260.4 and

260.5 (5) two public members as defined by section 214.02.

260.6 The appointment provided in clauses (2) and (3) may be made from ~~two lists~~ a list
260.7 of not less than three names ~~each, one~~ submitted to the commissioner of revenue by the
260.8 Minnesota Association of Assessing Officers or its successor organization containing
260.9 recommendations for the appointment of appointees described in ~~clause~~ clauses (2);
260.10 ~~and one by the Minnesota Association of Assessors, Inc. or its successor organization~~
260.11 ~~containing recommendations for the appointees described in clause (3) and (3).~~ The lists
260.12 list must be submitted 30 days before the commencement of the term. In the case of a
260.13 vacancy, a new list shall be furnished to the commissioner ~~by the respective organization~~
260.14 immediately. A member of the board who is no longer engaged in the capacity ~~listed~~
260.15 ~~above~~ that was the basis of appointment is disqualified from membership in the board.

260.16 The board shall annually elect a chair and a ~~secretary~~ vice-chair of the board.

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

260.18 Sec. 12. Minnesota Statutes 2006, section 270.41, subdivision 3, is amended to read:

260.19 Subd. 3. **Licenses; refusal or revocation.** The board may refuse to grant or renew,
260.20 or may suspend or revoke, a license of an applicant or licensee for any of the following
260.21 causes or acts:

260.22 (1) failure to complete required training;

260.23 (2) inefficiency or neglect of duty;

260.24 (3) ~~"unprofessional conduct" which means knowingly neglecting to perform a duty~~
260.25 ~~required by law, or violation of the laws of this state relating to the assessment of property~~
260.26 ~~or unlawfully exempting property or knowingly and intentionally listing property on the~~
260.27 ~~tax list at substantially less than its market value or the level required by law in order to~~
260.28 ~~gain favor or benefit, or knowingly and intentionally misclassifying property in order to~~
260.29 ~~gain favor or benefit~~ failure to comply with the Code of Conduct and Ethics for Licensed
260.30 Minnesota Assessors adopted by the board pursuant to Laws 2005, First Special Session
260.31 chapter 3, article 1, section 38;

260.32 (4) conviction of a crime involving moral turpitude; or

260.33 (5) any other cause or act that in the board's opinion warrants a refusal to issue
260.34 or suspension or revocation of a license.

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

261.2 Sec. 13. Minnesota Statutes 2006, section 270.41, subdivision 5, is amended to read:

261.3 Subd. 5. **Prohibited activity.** ~~An assessor, deputy assessor, assistant assessor,~~
261.4 ~~appraiser,~~ A licensed assessor or other person employed by an assessment jurisdiction
261.5 or contracting with an assessment jurisdiction for the purpose of valuing or classifying
261.6 property for property tax purposes is prohibited from making appraisals or analyses,
261.7 accepting an appraisal assignment, or preparing an appraisal report as defined in section
261.8 82B.02, subdivisions 2 to 5, on any property within the assessment jurisdiction where the
261.9 individual is employed or performing the duties of the assessor under contract. Violation
261.10 of this prohibition shall result in immediate revocation of the individual's license to assess
261.11 property for property tax purposes. This prohibition must not be construed to prohibit an
261.12 individual from carrying out any duties required for the proper assessment of property
261.13 for property tax purposes. If a formal resolution has been adopted by the governing body
261.14 of a governmental unit, which specifies the purposes for which such work will be done,
261.15 this prohibition does not apply to appraisal activities undertaken on behalf of and at the
261.16 request of the governmental unit that has employed or contracted with the individual.
261.17 The resolution may only allow appraisal activities which are related to condemnations,
261.18 right-of-way acquisitions, or special assessments.

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

261.20 Sec. 14. Minnesota Statutes 2006, section 270.44, is amended to read:

261.21 **270.44 CHARGES FOR COURSES, EXAMINATIONS OR MATERIALS.**

261.22 The board shall charge the following fees:

- 261.23 (1) \$105 for a senior accredited Minnesota assessor license;
261.24 (2) \$80 for an accredited Minnesota assessor license;
261.25 (3) \$65 for a certified Minnesota assessor specialist license;
261.26 (4) \$55 for a certified Minnesota assessor license;
261.27 ~~(5) \$50 for a course challenge examination;~~
261.28 ~~(6)~~ (5) \$35 for grading a form appraisal;
261.29 ~~(7)~~ (6) \$60 for grading a narrative appraisal;
261.30 ~~(8)~~ (7) \$30 for a reinstatement fee;
261.31 ~~(9)~~ (8) \$25 for a record retention fee; and
261.32 ~~(10)~~ (9) \$20 for an educational transcript; and
261.33 ~~(11) \$30 for all retests of board-sponsored educational courses.~~

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

262.2 Sec. 15. Minnesota Statutes 2006, section 270.45, is amended to read:

262.3 **270.45 DISPOSITION OF FEES.**

262.4 All fees so established and collected shall be paid to the commissioner of finance for
262.5 deposit in the general fund. The expenses of carrying out the provisions of sections 270.41
262.6 to 270.53 shall be paid from appropriations made to the board of Assessors.

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

262.8 Sec. 16. Minnesota Statutes 2006, section 270.46, is amended to read:

262.9 **270.46 TRAINING COURSES, ~~ESTABLISHMENT, OTHER COURSES,~~**
262.10 **REGULATION.**

262.11 The board shall ~~establish~~ review and approve training courses on assessment
262.12 practices ~~and shall review and approve courses on assessment practices, techniques of~~
262.13 assessment, and ethics offered by schools, colleges ~~and~~ universities ~~as well as courses that~~
262.14 ~~are offered by any units of government on techniques of assessment. Courses shall be~~
262.15 ~~established in various places throughout the state and be offered on regular intervals, units~~
262.16 of government, and other entities.

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

262.18 Sec. 17. Minnesota Statutes 2006, section 270.47, is amended to read:

262.19 **270.47 RULES.**

262.20 The board shall ~~establish the~~ adopt rules necessary to accomplish the purpose of
262.21 ~~section~~ sections 270.41 to 270.51, and shall establish criteria required of assessing officials
262.22 in the state. Separate criteria may be established depending upon the responsibilities of the
262.23 assessor. ~~The board shall prepare and give examinations from time to time to determine~~
262.24 ~~whether assessing officials possess the necessary qualifications for performing the~~
262.25 ~~functions of the office. Such tests shall be given immediately upon completion of courses~~
262.26 ~~required by the board, or to persons who already possess the requisite qualifications under~~
262.27 ~~the rules of the board. An action of the board in refusing to grant or renew a license or in~~
262.28 suspending or revoking a license is subject to review in accordance with chapter 14.

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

263.1 Sec. 18. Minnesota Statutes 2006, section 270.48, is amended to read:

263.2 **270.48 LICENSURE OF QUALIFIED PERSONS.**

263.3 The board ~~shall~~ may license persons as possessing the necessary qualifications of an
263.4 assessing official. Different levels of licensure may be established as to classes of property
263.5 which assessors may be certified to assess at the discretion of the board. Every person,
263.6 except a local or county assessor, regularly employed by the assessor to assist in making
263.7 decisions regarding valuing and classifying property for assessment purposes ~~shall be~~
263.8 ~~required to~~ must become licensed within three years of the date of employment. Licensure
263.9 shall be required for local and county assessors as ~~otherwise~~ provided in ~~sections 270.41~~
263.10 ~~to 270.53~~ section 273.061 and rules adopted by the board.

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

263.12 Sec. 19. Minnesota Statutes 2006, section 270.50, is amended to read:

263.13 **270.50 EMPLOYMENT OF LICENSED ASSESSORS.**

263.14 No assessor shall be employed who has not been licensed as qualified by the board,
263.15 provided the time to comply may be extended after application to the board upon a
263.16 showing that licensed assessors are not available for employment. The board may license
263.17 ~~that~~ a county or local assessor who has not received the training, but possesses the
263.18 necessary qualifications for performing the functions of the office by the passage of an
263.19 approved examination or may waive the examination if such person has demonstrated
263.20 competence in performing the functions of the office for a period of time the board deems
263.21 reasonable. ~~The county or local assessing district shall assume the cost of training of its~~
263.22 ~~assessors in courses approved by the board for the purpose of obtaining the assessor's~~
263.23 ~~license to the extent of course fees, mileage, meals and lodging, and recognized travel~~
263.24 ~~expenses not paid by the state. If the governing body of any township or city fails to~~
263.25 ~~employ an assessor as required by sections 270.41 to 270.53, the assessment shall be~~
263.26 ~~made by the county assessor.~~

263.27 ~~In the case of cities incorporated or townships organized after April 11, 1974, except~~
263.28 ~~cities or towns located in Ramsey county or which have elected a county assessor system~~
263.29 ~~in accordance with section 273.055, the board shall allow the city or town 90 days from~~
263.30 ~~the date of incorporation or organization to employ a licensed assessor.~~

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

264.1 Sec. 20. Minnesota Statutes 2006, section 270C.306, is amended to read:

264.2 **270C.306 COMMISSIONER MAY REQUIRE SOCIAL SECURITY OR**
264.3 **IDENTIFYING NUMBERS ON FORMS.**

264.4 Notwithstanding the provisions of any other law except section 272.115, the
264.5 commissioner may require that a form required to be filed with the commissioner include
264.6 the Social Security number, federal employer identification number, or Minnesota
264.7 taxpayer identification number of the taxpayer or applicant.

264.8 **EFFECTIVE DATE.** This section is effective July 1, 2007.

264.9 Sec. 21. Minnesota Statutes 2006, section 270C.34, subdivision 1, is amended to read:

264.10 Subdivision 1. **Authority.** (a) The commissioner may abate, reduce, or refund any
264.11 penalty or interest that is imposed by a law administered by the commissioner as a result
264.12 of the late payment of tax or late filing of a return, if the failure to timely pay the tax or
264.13 failure to timely file the return is due to reasonable cause, or if the taxpayer is located
264.14 in a presidentially declared disaster area.

264.15 (b) The commissioner shall abate any part of a penalty or additional tax charge
264.16 under section 289A.25, subdivision 2, or 289A.26, subdivision 4, attributable to erroneous
264.17 advice given to the taxpayer in writing by an employee of the department acting in
264.18 an official capacity, if the advice:

264.19 (1) was reasonably relied on and was in response to a specific written request of the
264.20 taxpayer; and

264.21 (2) was not the result of failure by the taxpayer to provide adequate or accurate
264.22 information.

264.23 (c) The commissioner may abate a penalty imposed under section 270.0725,
264.24 subdivision 1 or 2, if the failure to timely file is due to reasonable cause, or if the airline
264.25 company is located in a presidentially declared disaster area.

264.26 **EFFECTIVE DATE.** This section is effective July 1, 2007.

264.27 Sec. 22. Minnesota Statutes 2006, section 272.02, subdivision 64, is amended to read:

264.28 Subd. 64. **Job opportunity building zone property.** (a) Improvements to real
264.29 property, and personal property, classified under section 273.13, subdivision 24, and
264.30 located within a job opportunity building zone, designated under section 469.314, are
264.31 exempt from ad valorem taxes levied under chapter 275.

(b) Improvements to real property, and tangible personal property, of an agricultural production facility located within an agricultural processing facility zone, designated under section 469.314, is exempt from ad valorem taxes levied under chapter 275.

(c) For property to qualify for exemption under paragraph (a), the occupant must be a qualified business, as defined in section 469.310.

(d) The exemption applies beginning for the first assessment year after designation of the job opportunity building zone by the commissioner of employment and economic development. The exemption applies to each assessment year that begins during the duration of the job opportunity building zone. To be exempt, the property must be occupied by July 1 of the assessment year by a qualified business that has signed the business subsidy agreement and relocation agreement, if required, by July 1 of the assessment year. This exemption does not apply to:

(1) the levy under section 475.61 or similar levy provisions under any other law to pay general obligation bonds; or

(2) a levy under section 126C.17, if the levy was approved by the voters before the designation of the job opportunity building zone.

(e) Except for property of a business that was exempt under this subdivision for taxes payable in 2007, a business must notify the county assessor in writing of eligibility under this subdivision by July 1 in order to begin receiving the exemption under this subdivision for taxes payable in the following year. The business need not annually notify the county assessor of its continued exemption under this subdivision, but must notify the county assessor immediately if the exemption no longer applies.

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

Sec. 23. Minnesota Statutes 2006, section 272.115, subdivision 1, is amended to read:

Subdivision 1. **Requirement.** Except as otherwise provided in subdivision 5, whenever any real estate is sold for a consideration in excess of \$1,000, whether by warranty deed, quitclaim deed, contract for deed or any other method of sale, the grantor, grantee or the legal agent of either shall file a certificate of value with the county auditor in the county in which the property is located when the deed or other document is presented for recording. Contract for deeds are subject to recording under section 507.235, subdivision 1. Value shall, in the case of any deed not a gift, be the amount of the full actual consideration thereof, paid or to be paid, including the amount of any lien or liens assumed. The items and value of personal property transferred with the real property must be listed and deducted from the sale price. The certificate of value shall include the classification to which the property belongs for the purpose of determining the fair

266.1 market value of the property. The certificate shall include financing terms and conditions
266.2 of the sale which are necessary to determine the actual, present value of the sale price
266.3 for purposes of the sales ratio study. The commissioner of revenue shall promulgate
266.4 administrative rules specifying the financing terms and conditions which must be included
266.5 on the certificate. ~~Pursuant to the authority of the commissioner of revenue in section~~
266.6 ~~270C.306,~~ The certificate of value must include the Social Security number or the federal
266.7 employer identification number of the grantors and grantees. However, a married person
266.8 who is not an owner of record and who is signing a conveyance instrument along with
266.9 the person's spouse solely to release and convey their marital interest, if any, in the real
266.10 property being conveyed is not a grantor for the purpose of the preceding sentence. A
266.11 statement in the deed that is substantially in the following form is sufficient to allow the
266.12 county auditor to accept a certificate for filing without the Social Security number of the
266.13 named spouse: " (Name) claims no ownership interest in the real property being conveyed
266.14 and is executing this instrument solely to release and convey a marital interest, if any, in
266.15 that real property." The identification numbers of the grantors and grantees are private
266.16 data on individuals or nonpublic data as defined in section 13.02, subdivisions 9 and 12,
266.17 but, notwithstanding that section, the private or nonpublic data may be disclosed to the
266.18 commissioner of revenue for purposes of tax administration. The information required to
266.19 be shown on the certificate of value is limited to the information required as of the date of
266.20 the acknowledgment on the deed or other document to be recorded.

266.21 **EFFECTIVE DATE.** This section is effective for certificates of value filed on or
266.22 after July 1, 2007.

266.23 Sec. 24. Minnesota Statutes 2006, section 273.05, is amended by adding a subdivision
266.24 to read:

266.25 **Subd. 3. Cities and townships; employment of licensed assessor.** In the case
266.26 of cities or townships, except cities or towns located in Ramsey County or which have
266.27 elected a county assessor system in accordance with section 273.055, the commissioner
266.28 shall allow the city or town 90 days from the date of incorporation or organization to
266.29 employ a licensed assessor.

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

266.31 Sec. 25. **[273.0535] COUNTY OR LOCAL ASSESSING DISTRICT TO ASSUME**
266.32 **COST OF TRAINING.**

267.1 The county or local assessing district must assume the cost of training its assessors
267.2 in courses approved by the board for the purpose of obtaining the assessor's license to
267.3 the extent of course fees, mileage, meals, and lodging, and recognized travel expenses
267.4 not paid by the state.

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

267.6 Sec. 26. Minnesota Statutes 2006, section 273.111, subdivision 3, is amended to read:

267.7 Subd. 3. **Requirements.** (a) Real estate consisting of ten acres or more or a nursery
267.8 or greenhouse, and qualifying for classification as class 1b, 2a, or 2b under section 273.13,
267.9 shall be entitled to valuation and tax deferment under this section only if it is primarily
267.10 devoted to agricultural use, and meets the qualifications in subdivision 6, and either:

267.11 (1) is the homestead of the owner, or of a surviving spouse, child, or sibling of the
267.12 owner or is real estate which is farmed with the real estate which contains the homestead
267.13 property; or

267.14 (2) has been in possession of the applicant, the applicant's spouse, parent, or sibling,
267.15 or any combination thereof, for a period of at least seven years prior to application for
267.16 benefits under the provisions of this section, or is real estate which is farmed with the
267.17 real estate which qualifies under this clause and is within four townships or cities or
267.18 combination thereof from the qualifying real estate; or

267.19 (3) is the homestead of a shareholder in a family farm corporation as defined in
267.20 section 500.24, notwithstanding the fact that legal title to the real estate may be held in the
267.21 name of the family farm corporation; or

267.22 (4) is in the possession of a nursery or greenhouse or an entity owned by a proprietor,
267.23 partnership, or corporation which also owns the nursery or greenhouse operations on
267.24 the parcel or parcels.

267.25 (b) Valuation of real estate under this section is limited to parcels the ownership of
267.26 which is in noncorporate entities except for:

267.27 (1) family farm corporations organized pursuant to section 500.24; and

267.28 (2) corporations that derive 80 percent or more of their gross receipts from the
267.29 wholesale or retail sale of horticultural or nursery stock.

267.30 ~~Corporate entities who previously qualified for tax deferment pursuant to this section~~
267.31 ~~and who continue to otherwise qualify under subdivisions 3 and 6 for a period of at least~~
267.32 ~~three years following the effective date of Laws 1983, chapter 222, section 8, will not be~~
267.33 ~~required to make payment of the previously deferred taxes, notwithstanding the provisions~~
267.34 ~~of subdivision 9. Special assessments are payable at the end of the three-year period~~
267.35 ~~or at time of sale, whichever comes first.~~

268.1 (c) Land that previously qualified for tax deferment under this section and no longer
268.2 qualifies because it is not primarily used for agricultural purposes but would otherwise
268.3 qualify under subdivisions 3 and 6 for a period of at least three years will not be required
268.4 to make payment of the previously deferred taxes, notwithstanding the provisions of
268.5 subdivision 9. Sale of the land prior to the expiration of the three-year period requires
268.6 payment of deferred taxes as follows: sale in the year the land no longer qualifies requires
268.7 payment of the current year's deferred taxes plus payment of deferred taxes for the two
268.8 prior years; sale during the second year the land no longer qualifies requires payment of
268.9 the current year's deferred taxes plus payment of the deferred taxes for the prior year; and
268.10 sale during the third year the land no longer qualifies requires payment of the current
268.11 year's deferred taxes. Deferred taxes shall be paid even if the land qualifies pursuant to
268.12 subdivision 11a. When such property is sold or no longer qualifies under this paragraph, or
268.13 at the end of the three-year period, whichever comes first, all deferred special assessments
268.14 plus interest are payable in equal installments spread over the time remaining until the last
268.15 maturity date of the bonds issued to finance the improvement for which the assessments
268.16 were levied. If the bonds have matured, the deferred special assessments plus interest
268.17 are payable within 90 days. The provisions of section 429.061, subdivision 2, apply
268.18 to the collection of these installments. Penalties are not imposed on any such special
268.19 assessments if timely paid.

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

268.21 Sec. 27. Minnesota Statutes 2006, section 273.117, is amended to read:

268.22 **273.117 CONSERVATION PROPERTY TAX VALUATION.**

268.23 The value of real property which is subject to a conservation restriction or easement
268.24 ~~shall be entitled to reduced valuation under this section~~ may be adjusted by the assessor if:

268.25 (a) The restriction or easement is for a conservation purpose as defined in section
268.26 84.64, subdivision 2, and is recorded on the property;

268.27 (b) The property is being used in accordance with the terms of the conservation
268.28 restriction or easement.

268.29 **EFFECTIVE DATE.** This section is effective for taxes levied in 2007, payable
268.30 in 2008, and thereafter.

268.31 Sec. 28. Minnesota Statutes 2006, section 273.121, is amended to read:

268.32 **273.121 VALUATION OF REAL PROPERTY, NOTICE.**

269.1 Any county assessor or city assessor having the powers of a county assessor, valuing
269.2 or classifying taxable real property shall in each year notify those persons whose property
269.3 is to be included on the assessment roll that year if the person's address is known to the
269.4 assessor, otherwise the occupant of the property. The notice shall be in writing and shall be
269.5 sent by ordinary mail at least ten days before the meeting of the local board of appeal and
269.6 equalization under section 274.01 or the review process established under section 274.13,
269.7 subdivision 1c. Upon written request by the owner of the property, the assessor may send
269.8 the notice in electronic form or by electronic mail instead of on paper or by ordinary mail.
269.9 It shall contain: (1) the market value for the current and prior assessment, (2) the limited
269.10 market value under section 273.11, subdivision 1a, for the current and prior assessment,
269.11 (3) the qualifying amount of any improvements under section 273.11, subdivision 16,
269.12 for the current assessment, (4) the market value subject to taxation after subtracting the
269.13 amount of any qualifying improvements for the current assessment, (5) the classification
269.14 of the property for the current and prior assessment, (6) a note that if the property is
269.15 homestead and at least 45 years old, improvements made to the property may be eligible
269.16 for a valuation exclusion under section 273.11, subdivision 16, (7) the assessor's office
269.17 address, and (8) the dates, places, and times set for the meetings of the local board of
269.18 appeal and equalization, the review process established under section 274.13, subdivision
269.19 1c, and the county board of appeal and equalization. The commissioner of revenue shall
269.20 specify the form of the notice. The assessor shall attach to the assessment roll a statement
269.21 that the notices required by this section have been mailed. Any assessor who is not
269.22 provided sufficient funds from the assessor's governing body to provide such notices,
269.23 may make application to the commissioner of revenue to finance such notices. The
269.24 commissioner of revenue shall conduct an investigation and, if satisfied that the assessor
269.25 does not have the necessary funds, issue a certification to the commissioner of finance
269.26 of the amount necessary to provide such notices. The commissioner of finance shall
269.27 issue a warrant for such amount and shall deduct such amount from any state payment
269.28 to such county or municipality. The necessary funds to make such payments are hereby
269.29 appropriated. Failure to receive the notice shall in no way affect the validity of the
269.30 assessment, the resulting tax, the procedures of any board of review or equalization, or
269.31 the enforcement of delinquent taxes by statutory means.

269.32 **EFFECTIVE DATE.** This section is effective for notices required in 2008 and
269.33 thereafter.

269.34 Sec. 29. Minnesota Statutes 2006, section 273.123, subdivision 2, is amended to read:

270.1 Subd. 2. **Reassessment of homestead property.** The county assessor shall reassess
270.2 all homestead property located within a disaster or emergency area which is physically
270.3 damaged by the disaster or emergency and shall adjust the valuation for taxes payable the
270.4 following year to reflect the loss in market value caused by the damage as follows: Subtract
270.5 the market value of the property as reassessed from the market value of the property as
270.6 assessed under section 273.01 for January 1 of the year in which the disaster or emergency
270.7 occurred; multiply the remainder by a fraction, the numerator of which is the number of
270.8 full months remaining in the year on the date the disaster or emergency occurred, and the
270.9 denominator of which is 12; subtract the product of the calculation from the market value
270.10 of the property as assessed for January 1 of the year in which the disaster or emergency
270.11 occurred; the remainder is the estimated market value to be used for taxes payable the
270.12 following year. The assessor shall report to the county auditor the net tax capacity based
270.13 on the assessment of January 1 of for the year in which the disaster or emergency occurred
270.14 and the net tax capacity based on the reassessment made pursuant to this subdivision.

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

270.16 Sec. 30. Minnesota Statutes 2006, section 273.123, subdivision 3, is amended to read:

270.17 Subd. 3. **Computation of local tax rates.** ~~When computing~~ Local tax rates; must
270.18 be computed by the county auditor shall use based upon the valuation as of January 2 as
270.19 reported by the assessor for the assessment made on January 1 of the year in which the
270.20 disaster or emergency occurred, and as returned by the local, county, and state boards of
270.21 review and equalization and the commissioner of revenue.

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

270.23 Sec. 31. Minnesota Statutes 2006, section 273.124, subdivision 13, is amended to read:

270.24 Subd. 13. **Homestead application.** (a) A person who meets the homestead
270.25 requirements under subdivision 1 must file a homestead application with the county
270.26 assessor to initially obtain homestead classification.

270.27 (b) ~~On or before January 2, 1993, each county assessor shall mail a homestead~~
270.28 ~~application to the owner of each parcel of property within the county which was~~
270.29 ~~classified as homestead for the 1992 assessment year. The format and contents of a~~
270.30 ~~uniform homestead application shall be prescribed by the commissioner of revenue. The~~
270.31 ~~commissioner shall consult with the chairs of the house and senate tax committees on the~~
270.32 ~~contents of the homestead application form. The application must clearly inform the~~
270.33 ~~taxpayer that this application must be signed by all owners who occupy the property or~~

271.1 by the qualifying relative and returned to the county assessor in order for the property to
271.2 ~~continue receiving~~ receive homestead treatment. ~~The envelope containing the homestead~~
271.3 ~~application shall clearly identify its contents and alert the taxpayer of its necessary~~
271.4 ~~immediate response.~~

271.5 (c) Every property owner applying for homestead classification must furnish to the
271.6 county assessor the Social Security number of each occupant who is listed as an owner
271.7 of the property on the deed of record, the name and address of each owner who does not
271.8 occupy the property, and the name and Social Security number of each owner's spouse who
271.9 occupies the property. The application must be signed by each owner who occupies the
271.10 property and by each owner's spouse who occupies the property, or, in the case of property
271.11 that qualifies as a homestead under subdivision 1, paragraph (c), by the qualifying relative.

271.12 If a property owner occupies a homestead, the property owner's spouse may not
271.13 claim another property as a homestead unless the property owner and the property owner's
271.14 spouse file with the assessor an affidavit or other proof required by the assessor stating that
271.15 the property qualifies as a homestead under subdivision 1, paragraph (e).

271.16 Owners or spouses occupying residences owned by their spouses and previously
271.17 occupied with the other spouse, either of whom fail to include the other spouse's name
271.18 and Social Security number on the homestead application or provide the affidavits or
271.19 other proof requested, will be deemed to have elected to receive only partial homestead
271.20 treatment of their residence. The remainder of the residence will be classified as
271.21 nonhomestead residential. When an owner or spouse's name and Social Security number
271.22 appear on homestead applications for two separate residences and only one application is
271.23 signed, the owner or spouse will be deemed to have elected to homestead the residence for
271.24 which the application was signed.

271.25 The Social Security numbers or affidavits or other proofs of the property owners
271.26 and spouses are private data on individuals as defined by section 13.02, subdivision 12,
271.27 but, notwithstanding that section, the private data may be disclosed to the commissioner
271.28 of revenue, or, for purposes of proceeding under the Revenue Recapture Act to recover
271.29 personal property taxes owing, to the county treasurer.

271.30 (d) If residential real estate is occupied and used for purposes of a homestead by a
271.31 relative of the owner and qualifies for a homestead under subdivision 1, paragraph (c), in
271.32 order for the property to receive homestead status, a homestead application must be filed
271.33 with the assessor. The Social Security number of each relative and spouse of a relative
271.34 occupying the property ~~and the Social Security number of each owner who is related to an~~
271.35 ~~occupant of the property~~ shall be required on the homestead application filed under this
271.36 subdivision. If a different relative of the owner subsequently occupies the property, the

owner of the property must notify the assessor within 30 days of the change in occupancy. The Social Security number of a relative or relative's spouse occupying the property is private data on individuals as defined by section 13.02, subdivision 12, but may be disclosed to the commissioner of revenue, or, for the purposes of proceeding under the Revenue Recapture Act to recover personal property taxes owing, to the county treasurer.

(e) The homestead application shall also notify the property owners that the application filed under this section will not be mailed annually and that if the property is granted homestead status for ~~the 1993 assessment, or any assessment year thereafter,~~ that same property shall remain classified as homestead until the property is sold or transferred to another person, or the owners, the spouse of the owner, or the relatives no longer use the property as their homestead. Upon the sale or transfer of the homestead property, a certificate of value must be timely filed with the county auditor as provided under section 272.115. Failure to notify the assessor within 30 days that the property has been sold, transferred, or that the owner, the spouse of the owner, or the relative is no longer occupying the property as a homestead, shall result in the penalty provided under this subdivision and the property will lose its current homestead status.

(f) If the homestead application is not returned within 30 days, the county will send a second application to the present owners of record. The notice of proposed property taxes prepared under section 275.065, subdivision 3, shall reflect the property's classification. ~~Beginning with assessment year 1993 for all properties,~~ If a homestead application has not been filed with the county by December 15, the assessor shall classify the property as nonhomestead for the current assessment year for taxes payable in the following year, provided that the owner may be entitled to receive the homestead classification by proper application under section 375.192.

(g) At the request of the commissioner, each county must give the commissioner a list that includes the name and Social Security number of each occupant of homestead property who is the property owner and the property owner's spouse ~~occupying the property, or, qualifying~~ relative of a property owner, ~~applying for homestead classification under this subdivision~~ or a spouse of a qualifying relative. The commissioner shall use the information provided on the lists as appropriate under the law, including for the detection of improper claims by owners, or relatives of owners, under chapter 290A.

(h) If the commissioner finds that a property owner may be claiming a fraudulent homestead, the commissioner shall notify the appropriate counties. Within 90 days of the notification, the county assessor shall investigate to determine if the homestead classification was properly claimed. If the property owner does not qualify, the county assessor shall notify the county auditor who will determine the amount of homestead

benefits that had been improperly allowed. For the purpose of this section, "homestead benefits" means the tax reduction resulting from the classification as a homestead under section 273.13, the taconite homestead credit under section 273.135, the residential homestead and agricultural homestead credits under section 273.1384, and the supplemental homestead credit under section 273.1391.

The county auditor shall send a notice to the person who owned the affected property at the time the homestead application related to the improper homestead was filed, demanding reimbursement of the homestead benefits plus a penalty equal to 100 percent of the homestead benefits. The person notified may appeal the county's determination by serving copies of a petition for review with county officials as provided in section 278.01 and filing proof of service as provided in section 278.01 with the Minnesota Tax Court within 60 days of the date of the notice from the county. Procedurally, the appeal is governed by the provisions in chapter 271 which apply to the appeal of a property tax assessment or levy, but without requiring any prepayment of the amount in controversy. If the amount of homestead benefits and penalty is not paid within 60 days, and if no appeal has been filed, the county auditor shall certify the amount of taxes and penalty to the county treasurer. The county treasurer will add interest to the unpaid homestead benefits and penalty amounts at the rate provided in section 279.03 for real property taxes becoming delinquent in the calendar year during which the amount remains unpaid. Interest may be assessed for the period beginning 60 days after demand for payment was made.

If the person notified is the current owner of the property, the treasurer may add the total amount of homestead benefits, penalty, interest, and costs to the ad valorem taxes otherwise payable on the property by including the amounts on the property tax statements under section 276.04, subdivision 3. The amounts added under this paragraph to the ad valorem taxes shall include interest accrued through December 31 of the year preceding the taxes payable year for which the amounts are first added. These amounts, when added to the property tax statement, become subject to all the laws for the enforcement of real or personal property taxes for that year, and for any subsequent year.

If the person notified is not the current owner of the property, the treasurer may collect the amounts due under the Revenue Recapture Act in chapter 270A, or use any of the powers granted in sections 277.20 and 277.21 without exclusion, to enforce payment of the homestead benefits, penalty, interest, and costs, as if those amounts were delinquent tax obligations of the person who owned the property at the time the application related to the improperly allowed homestead was filed. The treasurer may relieve a prior owner of personal liability for the homestead benefits, penalty, interest, and costs, and instead extend those amounts on the tax lists against the property as provided in this paragraph

274.1 to the extent that the current owner agrees in writing. On all demands, billings, property
274.2 tax statements, and related correspondence, the county must list and state separately the
274.3 amounts of homestead benefits, penalty, interest and costs being demanded, billed or
274.4 assessed.

274.5 (i) Any amount of homestead benefits recovered by the county from the property
274.6 owner shall be distributed to the county, city or town, and school district where the
274.7 property is located in the same proportion that each taxing district's levy was to the total
274.8 of the three taxing districts' levy for the current year. Any amount recovered attributable
274.9 to taconite homestead credit shall be transmitted to the St. Louis County auditor to be
274.10 deposited in the taconite property tax relief account. Any amount recovered that is
274.11 attributable to supplemental homestead credit is to be transmitted to the commissioner of
274.12 revenue for deposit in the general fund of the state treasury. The total amount of penalty
274.13 collected must be deposited in the county general fund.

274.14 (j) If a property owner has applied for more than one homestead and the county
274.15 assessors cannot determine which property should be classified as homestead, the county
274.16 assessors will refer the information to the commissioner. The commissioner shall make
274.17 the determination and notify the counties within 60 days.

274.18 (k) In addition to lists of homestead properties, the commissioner may ask the
274.19 counties to furnish lists of all properties and the record owners. The Social Security
274.20 numbers and federal identification numbers that are maintained by a county or city
274.21 assessor for property tax administration purposes, and that may appear on the lists retain
274.22 their classification as private or nonpublic data; but may be viewed, accessed, and used by
274.23 the county auditor or treasurer of the same county for the limited purpose of assisting the
274.24 commissioner in the preparation of microdata samples under section 270C.12.

274.25 (l) On or before April 30 each year beginning in 2007, each county must provide the
274.26 commissioner with the following data for each parcel of homestead property by electronic
274.27 means as defined in section 289A.02, subdivision 8:

274.28 (i) the property identification number assigned to the parcel for purposes of taxes
274.29 payable in the current year;

274.30 (ii) the name and Social Security number of each occupant of homestead property
274.31 who is the property owner and, property owner's spouse, as shown on the tax rolls for the
274.32 current and the prior assessment year qualifying relative of a property owner, or spouse
274.33 of a qualifying relative;

274.34 (iii) the classification of the property under section 273.13 for taxes payable in the
274.35 current year and in the prior year;

275.1 (iv) an indication of whether the property was classified as a homestead for taxes
275.2 payable in the current year ~~or for taxes payable in the prior year~~ because of occupancy by
275.3 a relative of the owner or by a spouse of a relative;

275.4 (v) the property taxes payable as defined in section 290A.03, subdivision 13, for the
275.5 current year and the prior year;

275.6 (vi) the market value of improvements to the property first assessed for tax purposes
275.7 for taxes payable in the current year;

275.8 (vii) the assessor's estimated market value assigned to the property for taxes payable
275.9 in the current year and the prior year;

275.10 (viii) the taxable market value assigned to the property for taxes payable in the
275.11 current year and the prior year;

275.12 (ix) whether there are delinquent property taxes owing on the homestead;

275.13 (x) the unique taxing district in which the property is located; and

275.14 (xi) such other information as the commissioner decides is necessary.

275.15 The commissioner shall use the information provided on the lists as appropriate
275.16 under the law, including for the detection of improper claims by owners, or relatives
275.17 of owners, under chapter 290A.

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

275.19 Sec. 32. Minnesota Statutes 2006, section 273.1398, subdivision 4, is amended to read:

275.20 Subd. 4. **Disparity reduction credit.** (a) Beginning with taxes payable in 1989,
275.21 class 4a, class 3a, and class 3b property qualifies for a disparity reduction credit if: (1)
275.22 the property is located in a border city that has an enterprise zone designated pursuant
275.23 to section 469.168, subdivision 4; (2) the property is located in a city with a population
275.24 greater than 2,500 and less than 35,000 according to the 1980 decennial census; (3) the
275.25 city is adjacent to a city in another state or immediately adjacent to a city adjacent to a city
275.26 in another state; and (4) the adjacent city in the other state has a population of greater than
275.27 5,000 and less than 75,000 according to the 1980 decennial census.

275.28 (b) The credit is an amount sufficient to reduce (i) the taxes levied on class 4a
275.29 property to 2.3 percent of the property's market value and (ii) the tax on class 3a and class
275.30 3b property to 2.3 percent of market value.

275.31 (c) The county auditor shall annually certify the costs of the credits to the
275.32 Department of Revenue. The department shall reimburse local governments for the
275.33 property taxes foregone as the result of the credits in proportion to their total levies.

276.1 **EFFECTIVE DATE.** This section is effective retroactively for taxes payable in
276.2 2001 and thereafter.

276.3 Sec. 33. Minnesota Statutes 2006, section 273.33, subdivision 2, is amended to read:

276.4 Subd. 2. **Listing and assessment by commissioner.** The personal property,
276.5 consisting of the pipeline system of mains, pipes, and equipment attached thereto, of
276.6 pipeline companies and others engaged in the operations or business of transporting
276.7 natural gas, gasoline, crude oil, or other petroleum products by pipelines, shall be listed
276.8 with and assessed by the commissioner of revenue and the values provided to the city
276.9 or county assessor by order. This subdivision shall not apply to the assessment of
276.10 the products transported through the pipelines nor to the lines of local commercial gas
276.11 companies engaged primarily in the business of distributing gas to consumers at retail nor
276.12 to pipelines used by the owner thereof to supply natural gas or other petroleum products
276.13 exclusively for such owner's own consumption and not for resale to others. If more than
276.14 85 percent of the natural gas or other petroleum products actually transported over the
276.15 pipeline is used for the owner's own consumption and not for resale to others, then this
276.16 subdivision shall not apply; provided, however, that in that event, the pipeline shall be
276.17 assessed in proportion to the percentage of gas actually transported over such pipeline that
276.18 is not used for the owner's own consumption. On or before June 30, the commissioner
276.19 shall certify to the auditor of each county, the amount of such personal property assessment
276.20 against each company in each district in which such property is located.

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

276.22 Sec. 34. Minnesota Statutes 2006, section 273.37, subdivision 2, is amended to read:

276.23 Subd. 2. **Listing and assessment by commissioner.** Transmission lines of less
276.24 than 69 kv, transmission lines of 69 kv and above located in an unorganized township,
276.25 and distribution lines, and equipment attached thereto, having a fixed situs outside the
276.26 corporate limits of cities except distribution lines taxed as provided in sections 273.40
276.27 and 273.41, shall be listed with and assessed by the commissioner of revenue in the
276.28 county where situated and the values provided to the city or county assessor by order.
276.29 The commissioner shall assess such property at the percentage of market value fixed by
276.30 law; and, on or before June 30, shall certify to the auditor of each county in which such
276.31 property is located the amount of the assessment made against each company and person
276.32 owning such property.

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

277.1 Sec. 35. Minnesota Statutes 2006, section 273.371, subdivision 1, is amended to read:

277.2 Subdivision 1. **Report required.** Every electric light, power, gas, water, express,
277.3 stage, and transportation company and pipeline doing business in Minnesota shall
277.4 annually file with the commissioner on or before March 31 a report under oath setting
277.5 forth the information prescribed by the commissioner to enable the commissioner to make
277.6 valuations, recommended valuations, and equalization required under sections 273.33,
277.7 273.35, 273.36, ~~and~~ 273.37, and 273.3711. If all the required information is not available
277.8 on March 31, the company or pipeline shall file the information that is available on or
277.9 before March 31, and the balance of the information as soon as it becomes available.

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

277.11 Sec. 36. **[273.3711] RECOMMENDED AND ORDERED VALUES.**

277.12 For purposes of sections 273.33, 273.35, 273.36, 273.37, 273.371, and 273.372,
277.13 all values not required to be listed and assessed by the commissioner of revenue are
277.14 recommended values.

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

277.16 Sec. 37. Minnesota Statutes 2006, section 274.01, subdivision 1, is amended to read:

277.17 Subdivision 1. **Ordinary board; meetings, deadlines, grievances.** (a) The town
277.18 board of a town, or the council or other governing body of a city, is the board of appeal
277.19 and equalization except (1) in cities whose charters provide for a board of equalization or
277.20 (2) in any city or town that has transferred its local board of review power and duties to
277.21 the county board as provided in subdivision 3. The county assessor shall fix a day and
277.22 time when the board or the board of equalization shall meet in the assessment districts
277.23 of the county. Notwithstanding any law or city charter to the contrary, a city board of
277.24 equalization shall be referred to as a board of appeal and equalization. On or before
277.25 February 15 of each year the assessor shall give written notice of the time to the city or
277.26 town clerk. Notwithstanding the provisions of any charter to the contrary, the meetings
277.27 must be held between April 1 and May 31 each year. The clerk shall give published and
277.28 posted notice of the meeting at least ten days before the date of the meeting.

277.29 The board shall meet at the office of the clerk to review the assessment and
277.30 classification of property in the town or city. No changes in valuation or classification
277.31 which are intended to correct errors in judgment by the county assessor may be made by
277.32 the county assessor after the board has adjourned in those cities or towns that hold a
277.33 local board of review; however, corrections of errors that are merely clerical in nature or

changes that extend homestead treatment to property are permitted after adjournment until the tax extension date for that assessment year. The changes must be fully documented and maintained in the assessor's office and must be available for review by any person. A copy of the changes made during this period in those cities or towns that hold a local board of review must be sent to the county board no later than December 31 of the assessment year.

(b) The board shall determine whether the taxable property in the town or city has been properly placed on the list and properly valued by the assessor. If real or personal property has been omitted, the board shall place it on the list with its market value, and correct the assessment so that each tract or lot of real property, and each article, parcel, or class of personal property, is entered on the assessment list at its market value. No assessment of the property of any person may be raised unless the person has been duly notified of the intent of the board to do so. On application of any person feeling aggrieved, the board shall review the assessment or classification, or both, and correct it as appears just. The board may not make an individual market value adjustment or classification change that would benefit the property if the owner or other person having control over the property has refused the assessor access to inspect the property and the interior of any buildings or structures as provided in section 273.20. A board member shall not participate in any actions of the board which result in market value adjustments or classification changes to property owned by the board member, the spouse, parent, stepparent, child, stepchild, grandparent, grandchild, brother, sister, uncle, aunt, nephew, or niece of a board member, or property in which a board member has a financial interest. The relationship may be by blood or marriage.

(c) A local board may reduce assessments upon petition of the taxpayer but the total reductions must not reduce the aggregate assessment made by the county assessor by more than one percent. If the total reductions would lower the aggregate assessments made by the county assessor by more than one percent, none of the adjustments may be made. The assessor shall correct any clerical errors or double assessments discovered by the board without regard to the one percent limitation.

(d) A local board does not have authority to grant an exemption or to order property removed from the tax rolls.

(e) A majority of the members may act at the meeting, and adjourn from day to day until they finish hearing the cases presented. The assessor shall attend, with the assessment books and papers, and take part in the proceedings, but must not vote. The county assessor, or an assistant delegated by the county assessor shall attend the meetings. The board shall list separately, on a form appended to the assessment book, all omitted property added to the list by the board and all items of property increased or decreased, with the market

value of each item of property, added or changed by the board, placed opposite the item.

The county assessor shall enter all changes made by the board in the assessment book.

(f) Except as provided in subdivision 3, if a person fails to appear in person, by counsel, or by written communication before the board after being duly notified of the board's intent to raise the assessment of the property, or if a person feeling aggrieved by an assessment or classification fails to apply for a review of the assessment or classification, the person may not appear before the county board of appeal and equalization for a review of the assessment or classification. This paragraph does not apply if an assessment was made after the local board meeting, as provided in section 273.01, or if the person can establish not having received notice of market value at least five days before the local board meeting.

(g) The local board must complete its work and adjourn within 20 days from the time of convening stated in the notice of the clerk, unless a longer period is approved by the commissioner of revenue. No action taken after that date is valid. All complaints about an assessment or classification made after the meeting of the board must be heard and determined by the county board of equalization. A nonresident may, at any time, before the meeting of the board file written objections to an assessment or classification with the county assessor. The objections must be presented to the board at its meeting by the county assessor for its consideration.

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

Sec. 38. Minnesota Statutes 2006, section 274.13, subdivision 1, is amended to read:

Subdivision 1. **Members; meetings; rules for equalizing assessments.** The county commissioners, or a majority of them, with the county auditor, or, if the auditor cannot be present, the deputy county auditor, or, if there is no deputy, the court administrator of the district court, shall form a board for the equalization of the assessment of the property of the county, including the property of all cities whose charters provide for a board of equalization. This board shall be referred to as the county board of appeal and equalization. The board shall meet annually, on the date specified in section 274.14, at the office of the auditor. Each member shall take an oath to fairly and impartially perform duties as a member. Members shall not participate in any actions of the board which result in market value adjustments or classification changes to property owned by the board member, the spouse, parent, stepparent, child, stepchild, grandparent, grandchild, brother, sister, uncle, aunt, nephew, or niece of a board member, or property in which a board member has a financial interest. The relationship may be by blood or marriage. The board shall examine and compare the returns of the assessment of property of the towns or districts, and

equalize them so that each tract or lot of real property and each article or class of personal property is entered on the assessment list at its market value, subject to the following rules:

(1) The board shall raise the valuation of each tract or lot of real property which in its opinion is returned below its market value to the sum believed to be its market value. The board must first give notice of intention to raise the valuation to the person in whose name it is assessed, if the person is a resident of the county. The notice must fix a time and place for a hearing.

(2) The board shall reduce the valuation of each tract or lot which in its opinion is returned above its market value to the sum believed to be its market value.

(3) The board shall raise the valuation of each class of personal property which in its opinion is returned below its market value to the sum believed to be its market value. It shall raise the aggregate value of the personal property of individuals, firms, or corporations, when it believes that the aggregate valuation, as returned, is less than the market value of the taxable personal property possessed by the individuals, firms, or corporations, to the sum it believes to be the market value. The board must first give notice to the persons of intention to do so. The notice must set a time and place for a hearing.

(4) The board shall reduce the valuation of each class of personal property that is returned above its market value to the sum it believes to be its market value. Upon complaint of a party aggrieved, the board shall reduce the aggregate valuation of the individual's personal property, or of any class of personal property for which the individual is assessed, which in its opinion has been assessed at too large a sum, to the sum it believes was the market value of the individual's personal property of that class.

(5) The board must not reduce the aggregate value of all the property of its county, as submitted to the county board of equalization, with the additions made by the auditor under this chapter, by more than one percent of its whole valuation. The board may raise the aggregate valuation of real property, and of each class of personal property, of the county, or of any town or district of the county, when it believes it is below the market value of the property, or class of property, to the aggregate amount it believes to be its market value.

(6) The board shall change the classification of any property which in its opinion is not properly classified.

(7) The board does not have the authority to grant an exemption or to order property removed from the tax rolls.

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

**Sec. 39. [274.135] COUNTY BOARDS; APPEALS AND EQUALIZATION
COURSE AND MEETING REQUIREMENTS.**

281.1 Subdivision 1. **Handbook for county boards.** By no later than January 1, 2009, the
281.2 commissioner of revenue must develop a handbook detailing procedures, responsibilities,
281.3 and requirements for county boards of appeal and equalization. The handbook must
281.4 include, but need not be limited to, the role of the county board in the assessment process,
281.5 the legal and policy reasons for fair and impartial appeal and equalization hearings, county
281.6 board meeting procedures that foster fair and impartial assessment reviews and other best
281.7 practices recommendations, quorum requirements for county boards, and explanations
281.8 of alternate methods of appeal.

281.9 Subd. 2. **Appeals and equalization course.** Beginning in 2009, and each year
281.10 thereafter, there must be at least one member at each meeting of a county board of appeal
281.11 and equalization who has attended an appeals and equalization course developed or
281.12 approved by the commissioner within the last four years, as certified by the commissioner.
281.13 The course may be offered in conjunction with a meeting of the Minnesota Association
281.14 of Assessment Officers. The course content must include, but need not be limited to, a
281.15 review of the handbook developed by the commissioner under subdivision 1.

281.16 Subd. 3. **Proof of compliance; transfer of duties.** (a) Any county that
281.17 conducts county boards of appeal and equalization meetings must provide proof to the
281.18 commissioner by December 1, 2009, and each year thereafter, that it is in compliance
281.19 with the requirements of subdivision 2. Beginning in 2009, this notice must also verify
281.20 that there was a quorum of voting members at each meeting of the board of appeal and
281.21 equalization in the current year. A county that does not comply with these requirements
281.22 is deemed to have transferred its board of appeal and equalization powers to the special
281.23 board of equalization appointed pursuant to section 274.13, subdivision 2, beginning
281.24 with the following year's assessment and continuing unless the powers are reinstated
281.25 under paragraph (c). A county that does not comply with the requirements of subdivision
281.26 2 and has not appointed a special board of equalization shall appoint a special board of
281.27 equalization before the following year's assessment.

281.28 (b) The county shall notify the taxpayers when the board of appeal and equalization
281.29 for a county has been transferred to the special board of equalization under this subdivision
281.30 and, prior to the meeting time of the special board of equalization, the county shall make
281.31 available to those taxpayers a procedure for a review of the assessments, including, but
281.32 not limited to, open book meetings. This alternate review process must take place in
281.33 April and May.

281.34 (c) A county board whose powers are transferred to the special board of equalization
281.35 under this subdivision may be reinstated by resolution of the county board and upon proof
281.36 of compliance with the requirements of subdivision 2. The resolution and proofs must be

282.1 provided to the commissioner by December 1 in order to be effective for the following
282.2 year's assessment.

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

282.4 Sec. 40. Minnesota Statutes 2006, section 275.065, subdivision 3, is amended to read:

282.5 Subd. 3. **Notice of proposed property taxes.** (a) The county auditor shall prepare
282.6 and the county treasurer shall deliver after November 10 and on or before November 24
282.7 each year, by first class mail to each taxpayer at the address listed on the county's current
282.8 year's assessment roll, a notice of proposed property taxes. Upon written request by
282.9 the taxpayer, the treasurer may send the notice in electronic form or by electronic mail
282.10 instead of on paper or by ordinary mail.

282.11 (b) The commissioner of revenue shall prescribe the form of the notice.

282.12 (c) The notice must inform taxpayers that it contains the amount of property taxes
282.13 each taxing authority proposes to collect for taxes payable the following year. In the case
282.14 of a town, or in the case of the state general tax, the final tax amount will be its proposed
282.15 tax. In the case of taxing authorities required to hold a public meeting under subdivision 6,
282.16 the notice must clearly state that each taxing authority, including regional library districts
282.17 established under section 134.201, and including the metropolitan taxing districts as
282.18 defined in paragraph (i), but excluding all other special taxing districts and towns, will
282.19 hold a public meeting to receive public testimony on the proposed budget and proposed or
282.20 final property tax levy, or, in case of a school district, on the current budget and proposed
282.21 property tax levy. It must clearly state the time and place of each taxing authority's
282.22 meeting, a telephone number for the taxing authority that taxpayers may call if they have
282.23 questions related to the notice, and an address where comments will be received by mail.

282.24 (d) The notice must state for each parcel:

282.25 (1) the market value of the property as determined under section 273.11, and used
282.26 for computing property taxes payable in the following year and for taxes payable in the
282.27 current year as each appears in the records of the county assessor on November 1 of the
282.28 current year; and, in the case of residential property, whether the property is classified as
282.29 homestead or nonhomestead. The notice must clearly inform taxpayers of the years to
282.30 which the market values apply and that the values are final values;

282.31 (2) the items listed below, shown separately by county, city or town, and state general
282.32 tax, net of the residential and agricultural homestead credit under section 273.1384, voter
282.33 approved school levy, other local school levy, and the sum of the special taxing districts,
282.34 and as a total of all taxing authorities:

282.35 (i) the actual tax for taxes payable in the current year; and

283.1 (ii) the proposed tax amount.

283.2 If the county levy under clause (2) includes an amount for a lake improvement
283.3 district as defined under sections 103B.501 to 103B.581, the amount attributable for that
283.4 purpose must be separately stated from the remaining county levy amount.

283.5 In the case of a town or the state general tax, the final tax shall also be its proposed
283.6 tax unless the town changes its levy at a special town meeting under section 365.52. If a
283.7 school district has certified under section 126C.17, subdivision 9, that a referendum will
283.8 be held in the school district at the November general election, the county auditor must
283.9 note next to the school district's proposed amount that a referendum is pending and that,
283.10 if approved by the voters, the tax amount may be higher than shown on the notice. In
283.11 the case of the city of Minneapolis, the levy for the Minneapolis Library Board and the
283.12 levy for Minneapolis Park and Recreation shall be listed separately from the remaining
283.13 amount of the city's levy. In the case of the city of St. Paul, the levy for the St. Paul
283.14 Library Agency must be listed separately from the remaining amount of the city's levy.
283.15 In the case of Ramsey County, any amount levied under section 134.07 may be listed
283.16 separately from the remaining amount of the county's levy. In the case of a parcel where
283.17 tax increment or the fiscal disparities areawide tax under chapter 276A or 473F applies,
283.18 the proposed tax levy on the captured value or the proposed tax levy on the tax capacity
283.19 subject to the areawide tax must each be stated separately and not included in the sum of
283.20 the special taxing districts; and

283.21 (3) the increase or decrease between the total taxes payable in the current year and
283.22 the total proposed taxes, expressed as a percentage.

283.23 For purposes of this section, the amount of the tax on homesteads qualifying under
283.24 the senior citizens' property tax deferral program under chapter 290B is the total amount
283.25 of property tax before subtraction of the deferred property tax amount.

283.26 (e) The notice must clearly state that the proposed or final taxes do not include
283.27 the following:

283.28 (1) special assessments;

283.29 (2) levies approved by the voters after the date the proposed taxes are certified,
283.30 including bond referenda and school district levy referenda;

283.31 (3) a levy limit increase approved by the voters by the first Tuesday after the first
283.32 Monday in November of the levy year as provided under section 275.73;

283.33 (4) amounts necessary to pay cleanup or other costs due to a natural disaster
283.34 occurring after the date the proposed taxes are certified;

283.35 (5) amounts necessary to pay tort judgments against the taxing authority that become
283.36 final after the date the proposed taxes are certified; and

284.1 (6) the contamination tax imposed on properties which received market value
284.2 reductions for contamination.

284.3 (f) Except as provided in subdivision 7, failure of the county auditor to prepare or
284.4 the county treasurer to deliver the notice as required in this section does not invalidate the
284.5 proposed or final tax levy or the taxes payable pursuant to the tax levy.

284.6 (g) If the notice the taxpayer receives under this section lists the property as
284.7 nonhomestead, and satisfactory documentation is provided to the county assessor by the
284.8 applicable deadline, and the property qualifies for the homestead classification in that
284.9 assessment year, the assessor shall reclassify the property to homestead for taxes payable
284.10 in the following year.

284.11 (h) In the case of class 4 residential property used as a residence for lease or rental
284.12 periods of 30 days or more, the taxpayer must either:

284.13 (1) mail or deliver a copy of the notice of proposed property taxes to each tenant,
284.14 renter, or lessee; or

284.15 (2) post a copy of the notice in a conspicuous place on the premises of the property.

284.16 The notice must be mailed or posted by the taxpayer by November 27 or within
284.17 three days of receipt of the notice, whichever is later. A taxpayer may notify the county
284.18 treasurer of the address of the taxpayer, agent, caretaker, or manager of the premises to
284.19 which the notice must be mailed in order to fulfill the requirements of this paragraph.

284.20 (i) For purposes of this subdivision, subdivisions 5a and 6, "metropolitan special
284.21 taxing districts" means the following taxing districts in the seven-county metropolitan area
284.22 that levy a property tax for any of the specified purposes listed below:

284.23 (1) Metropolitan Council under section 473.132, 473.167, 473.249, 473.325,
284.24 473.446, 473.521, 473.547, or 473.834;

284.25 (2) Metropolitan Airports Commission under section 473.667, 473.671, or 473.672;
284.26 and

284.27 (3) Metropolitan Mosquito Control Commission under section 473.711.

284.28 For purposes of this section, any levies made by the regional rail authorities in the
284.29 county of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington under chapter
284.30 398A shall be included with the appropriate county's levy and shall be discussed at that
284.31 county's public hearing.

284.32 (j) The governing body of a county, city, or school district may, with the consent
284.33 of the county board, include supplemental information with the statement of proposed
284.34 property taxes about the impact of state aid increases or decreases on property tax
284.35 increases or decreases and on the level of services provided in the affected jurisdiction.
284.36 This supplemental information may include information for the following year, the current

285.1 year, and for as many consecutive preceding years as deemed appropriate by the governing
285.2 body of the county, city, or school district. It may include only information regarding:
285.3 (1) the impact of inflation as measured by the implicit price deflator for state and
285.4 local government purchases;
285.5 (2) population growth and decline;
285.6 (3) state or federal government action; and
285.7 (4) other financial factors that affect the level of property taxation and local services
285.8 that the governing body of the county, city, or school district may deem appropriate to
285.9 include.

285.10 The information may be presented using tables, written narrative, and graphic
285.11 representations and may contain instruction toward further sources of information or
285.12 opportunity for comment.

285.13 **EFFECTIVE DATE.** This section is effective for notices required in 2007 and
285.14 thereafter, for taxes payable in 2008 and thereafter.

285.15 Sec. 41. Minnesota Statutes 2006, section 275.065, subdivision 5a, is amended to read:

285.16 Subd. 5a. **Public advertisement.** (a) A city that has a population of more than
285.17 2,500, county, a metropolitan special taxing district as defined in subdivision 3, paragraph
285.18 (i), a regional library district established under section 134.201, or school district shall
285.19 advertise in a newspaper a notice of its intent to adopt a budget and property tax levy or,
285.20 in the case of a school district, to review its current budget and proposed property taxes
285.21 payable in the following year, at a public hearing, if a public hearing is required under
285.22 subdivision 6. The notice must be published not less than two business days nor more
285.23 than six business days before the hearing.

285.24 The advertisement must be at least one-eighth page in size of a standard-size or a
285.25 tabloid-size newspaper. The advertisement must not be placed in the part of the newspaper
285.26 where legal notices and classified advertisements appear. The advertisement must be
285.27 published in an official newspaper of general circulation in the taxing authority. The
285.28 newspaper selected must be one of general interest and readership in the community, and
285.29 not one of limited subject matter. The advertisement must appear in a newspaper that is
285.30 published at least once per week.

285.31 For purposes of this section, the metropolitan special taxing district's advertisement
285.32 must only be published in the Minneapolis Star and Tribune and the Saint Paul Pioneer
285.33 Press.

285.34 In addition to other requirements, a county and a city having a population of
285.35 more than 2,500 must show in the public advertisement required under this subdivision

the current local tax rate, the proposed local tax rate if no property tax levy increase is adopted, and the proposed rate if the proposed levy is adopted. For purposes of this subdivision, "local tax rate" means the city's or county's net tax capacity levy divided by the city's or county's taxable net tax capacity.

(b) Subject to the provisions of paragraph (g), the advertisement for school districts, metropolitan special taxing districts, and regional library districts must be in the following form, except that the notice for a school district may include references to the current budget in regard to proposed property taxes.

"NOTICE OF
PROPOSED PROPERTY TAXES

(School District/Metropolitan
Special Taxing District/Regional
Library District) of

The governing body of will soon hold budget hearings and vote on the property taxes for (metropolitan special taxing district/regional library district services that will be provided in (year)/school district services that will be provided in (year) and (year)).

NOTICE OF PUBLIC HEARING:

All concerned citizens are invited to attend a public hearing and express their opinions on the proposed (school district/metropolitan special taxing district/regional library district) budget and property taxes, or in the case of a school district, its current budget and proposed property taxes, payable in the following year. The hearing will be held on (Month/Day/Year) at (Time) at (Location, Address)."

(c) Subject to the provisions of paragraph (g), the advertisement for cities and counties must be in the following form.

"NOTICE OF PROPOSED
TOTAL BUDGET AND PROPERTY TAXES

The (city/county) governing body or board of commissioners will hold a public hearing to discuss the budget and to vote on the amount of property taxes to collect for services the (city/county) will provide in (year).

SPENDING: The total budget amounts below compare (city's/county's) (year) total actual budget with the amount the (city/county) proposes to spend in (year).

(Year) Total Actual Budget	Proposed (Year) Budget	Change from (Year)-(Year)
\$.....	\$.....	%

287.1 TAXES: The property tax amounts below compare that portion of the current budget
287.2 levied in property taxes in (city/county) for (year) with the property taxes the (city/county)
287.3 proposes to collect in (year).

287.4	(Year) Property	Proposed (Year)	Change from
287.5	Taxes	Property Taxes	(Year)-(Year)
287.6	\$.....	\$.....	%

287.7 LOCAL TAX RATE COMPARISON: The current local tax rate, the local tax rate if no tax
287.8 levy increase is adopted, and the proposed local tax rate if the proposed levy is adopted.

287.9	(Year) Tax Rate	(Year) Tax Rate if NO	(Year) Proposed
287.10		Levy Increase	Tax Rate
287.11			

287.12 ATTEND THE PUBLIC HEARING

287.13 All (city/county) residents are invited to attend the public hearing of the (city/county) to
287.14 express your opinions on the budget and the proposed amount of (year) property taxes.
287.15 The hearing will be held on:

287.16 (Month/Day/Year/Time)
287.17 (Location/Address)

287.18 If the discussion of the budget cannot be completed, a time and place for continuing the
287.19 discussion will be announced at the hearing. You are also invited to send your written
287.20 comments to:

287.21 (City/County)
287.22 (Location/Address)"

287.23 (d) For purposes of this subdivision, the budget amounts listed on the advertisement
287.24 mean:

287.25 (1) for cities, the total government fund expenditures, as defined by the state auditor
287.26 under section 471.6965, less any expenditures for improvements or services that are
287.27 specially assessed or charged under chapter 429, 430, 435, or the provisions of any other
287.28 law or charter; and

287.29 (2) for counties, the total government fund expenditures, as defined by the state
287.30 auditor under section 375.169, less any expenditures for direct payments to recipients or
287.31 providers for the human service aids listed below:

- 287.32 (i) Minnesota family investment program under chapters 256J and 256K;
287.33 (ii) medical assistance under sections 256B.041, subdivision 5, and 256B.19,
287.34 subdivision 1;
287.35 (iii) general assistance medical care under section 256D.03, subdivision 6;
287.36 (iv) general assistance under section 256D.03, subdivision 2;

288.1 (v) emergency assistance under section 256J.48;
288.2 (vi) Minnesota supplemental aid under section 256D.36, subdivision 1;
288.3 (vii) preadmission screening under section 256B.0911, and alternative care grants
288.4 under section 256B.0913;
288.5 (viii) general assistance medical care claims processing, medical transportation and
288.6 related costs under section 256D.03, subdivision 4;
288.7 (ix) medical transportation and related costs under section 256B.0625, subdivisions
288.8 17 to 18a;
288.9 (x) group residential housing under section 256I.05, subdivision 8, transferred from
288.10 programs in clauses (iv) and (vi); or
288.11 (xi) any successor programs to those listed in clauses (i) to (x).
288.12 (e) A city with a population of over 500 but not more than 2,500 that is required to
288.13 hold a public hearing under subdivision 6 must advertise by posted notice as defined in
288.14 section 645.12, subdivision 1. The advertisement must be posted at the time provided in
288.15 paragraph (a). It must be in the form required in paragraph (b).
288.16 (f) For purposes of this subdivision, the population of a city is the most recent
288.17 population as determined by the state demographer under section 4A.02.
288.18 (g) The commissioner of revenue, ~~subject to the approval of the chairs of the house~~
288.19 ~~and senate tax committees~~, shall annually prescribe the specific form and format of the
288.20 advertisements required under this subdivision, including such details as font size and
288.21 style, and spacing for the required items. The commissioner may prescribe alternate and
288.22 additional language for the advertisement for a taxing authority or for groups of taxing
288.23 authorities. At least two weeks before November 29 each year, the commissioner shall
288.24 provide a copy of the prescribed advertisements to the chairs of the committees of the
288.25 house of representatives and the senate with jurisdiction over taxes.

288.26 **EFFECTIVE DATE.** This section is effective for advertisements in 2007 and
288.27 thereafter, for proposed taxes payable in 2008 and thereafter.

288.28 Sec. 42. Minnesota Statutes 2006, section 275.067, is amended to read:

288.29 **275.067 SPECIAL TAXING DISTRICTS; ORGANIZATION DATE;**
288.30 **CERTIFICATION OF LEVY OR SPECIAL ASSESSMENTS.**

288.31 Special taxing districts as defined in section 275.066 organized on or before July 1 in
288.32 a the current calendar year may, and special taxing districts organized in a prior year that
288.33 have not previously certified a levy to the county auditor, are allowed to certify a levy to
288.34 the county auditor in that same the current year for property taxes or special assessments

289.1 to be payable in the following calendar year to the extent that the special taxing district is
289.2 authorized by statute or special act to levy taxes or special assessments, but only if the
289.3 county auditor receives written notice from the district on or before July 1 of the current
289.4 year that the district may be certifying a levy in the current year, and the notice includes a
289.5 complete list or other description of the tax parcels in the district and a map showing the
289.6 boundaries of the district. Special taxing districts organized after July 1 in a calendar year
289.7 may not certify a levy of property taxes or special assessments to the county auditor under
289.8 the powers granted to them by statute or special act and subject to the requirements of
289.9 this section until the following calendar year. All special taxing districts must notify the
289.10 county auditor by July 1 in order for its boundaries for the levy to be certified that year
289.11 to be different than its boundaries for levies certified in prior years, and the notice must
289.12 include a complete list or other description of the tax parcels within the new boundaries
289.13 and a map showing the new boundaries of the district.

289.14 **EFFECTIVE DATE.** This section is effective for taxes payable in 2008 and
289.15 thereafter.

289.16 Sec. 43. Minnesota Statutes 2006, section 276.04, is amended by adding a subdivision
289.17 to read:

289.18 **Subd. 5. Electronic tax statements.** Upon written request by the owner of real
289.19 property located in the county, or by the owner's agent, a county may send tax statements
289.20 by electronic means instead of by mailing. For the purposes of the payment deadlines
289.21 specified in section 279.01, the postmark date on the envelope containing these property
289.22 tax statements is the date the statements were sent by electronic means.

289.23 **EFFECTIVE DATE.** This section is effective for tax statements for taxes payable
289.24 in 2008 and thereafter.

289.25 Sec. 44. Minnesota Statutes 2006, section 277.01, subdivision 2, is amended to read:

289.26 **Subd. 2. Partial payments.** The county treasurer may accept payments of more or
289.27 less than the exact amount of a tax installment due. Payments must be applied first to the
289.28 oldest installment that is due but which has not been fully paid. If the accepted payment is
289.29 less than the amount due, ~~payments must be~~ the payment is applied first to the penalty
289.30 accrued for the year ~~the payment is made~~ or the installment being paid. Acceptance of
289.31 partial payment of tax does not constitute a waiver of the minimum payment required as a
289.32 condition for filing an appeal under section 278.03 or any other law, nor does it affect the
289.33 order of payment of delinquent taxes under section 280.39.

290.1 **EFFECTIVE DATE.** This section is effective for payments made on or after the
290.2 day following final enactment.

290.3 Sec. 45. Minnesota Statutes 2006, section 279.01, subdivision 1, is amended to read:

290.4 Subdivision 1. **Due dates; penalties.** Except as provided in subdivision 3 or 4, on
290.5 May 16 or 21 days after the postmark date on the envelope containing the property tax
290.6 statement, whichever is later, a penalty ~~shall accrue~~ accrues and thereafter ~~be~~ is charged
290.7 upon all unpaid taxes on real estate on the current lists in the hands of the county treasurer.
290.8 The penalty ~~shall be~~ is at a rate of two percent on homestead property until May 31 and
290.9 four percent on June 1. The penalty on nonhomestead property ~~shall be~~ is at a rate of four
290.10 percent until May 31 and eight percent on June 1. This penalty ~~shall~~ does not accrue until
290.11 June 1 of each year, or 21 days after the postmark date on the envelope containing the
290.12 property tax statements, whichever is later, on commercial use real property used for
290.13 seasonal residential recreational purposes and classified as class 1c or 4c, and on other
290.14 commercial use real property classified as class 3a, provided that over 60 percent of the
290.15 gross income earned by the enterprise on the class 3a property is earned during the months
290.16 of May, June, July, and August. ~~Any property owner of such class 3a property who pays~~
290.17 In order for the first half of the tax due on the class 3a property to be paid after May 15
290.18 and before June 1, or 21 days after the postmark date on the envelope containing the
290.19 property tax statement, whichever is later, ~~shall~~ without penalty, the owner of the property
290.20 must attach an affidavit to the payment attesting to compliance with the income provision
290.21 of this subdivision. Thereafter, for both homestead and nonhomestead property, on the
290.22 first day of each month beginning July 1, up to and including October 1 following, an
290.23 additional penalty of one percent for each month ~~shall accrue~~ accrues and ~~be~~ is charged on
290.24 all such unpaid taxes provided that if the due date was extended beyond May 15 as the
290.25 result of any delay in mailing property tax statements no additional penalty shall accrue
290.26 if the tax is paid by the extended due date. If the tax is not paid by the extended due
290.27 date, then all penalties that would have accrued if the due date had been May 15 shall be
290.28 charged. When the taxes against any tract or lot exceed \$50, one-half thereof may be paid
290.29 prior to May 16 or 21 days after the postmark date on the envelope containing the property
290.30 tax statement, whichever is later; and, if so paid, no penalty ~~shall attach~~ attaches; the
290.31 remaining one-half ~~shall~~ may be paid at any time prior to October 16 following, without
290.32 penalty; but, if not so paid, then a penalty of two percent ~~shall accrue~~ accrues thereon for
290.33 homestead property and a penalty of four percent on nonhomestead property. Thereafter,
290.34 for homestead property, on the first day of November an additional penalty of four percent
290.35 ~~shall accrue~~ accrues and on the first day of December following, an additional penalty of

291.1 two percent ~~shall accrue~~ accrues and ~~be is~~ charged on all such unpaid taxes. Thereafter,
291.2 for nonhomestead property, on the first day of November and December following, an
291.3 additional penalty of four percent for each month ~~shall accrue~~ accrues and ~~be is~~ charged
291.4 on all such unpaid taxes. If one-half of such taxes ~~shall are not be~~ paid prior to May 16 or
291.5 21 days after the postmark date on the envelope containing the property tax statement,
291.6 whichever is later, the same may be paid at any time prior to October 16, with accrued
291.7 penalties to the date of payment added, and thereupon no penalty ~~shall attach~~ attaches to
291.8 the remaining one-half until October 16 following.

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

291.11 A county may provide by resolution that in the case of a property owner that has
291.12 multiple tracts or parcels with aggregate taxes exceeding \$50, payments may be made in
291.13 installments as provided in this subdivision.

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

291.22 **EFFECTIVE DATE.** This section is effective for payments made on or after the
291.23 day following final enactment.

291.24 Sec. 46. Minnesota Statutes 2006, section 290B.03, subdivision 2, is amended to read:

291.25 Subd. 2. **Qualifying homestead; defined.** Qualifying homestead property is defined
291.26 as the dwelling occupied as the homeowner's principal residence and so much of the land
291.27 surrounding it as is reasonably necessary for use of the dwelling as a home and any other
291.28 property used for purposes of a homestead as defined in section 273.13, subdivisions
291.29 22 and 23, but not to exceed one acre. The homestead may be part of a multidwelling
291.30 building and the land on which it is built. Property is not qualifying homestead property if
291.31 a person or entity other than the applicant or the applicant's spouse holds an interest in the
291.32 property as the vendor under a contract for deed or as a remainderperson.

291.33 **EFFECTIVE DATE.** This section is effective for applications submitted on or
291.34 after January 1, 2007.

292.1 Sec. 47. Minnesota Statutes 2006, section 290C.02, subdivision 3, is amended to read:

292.2 Subd. 3. **Claimant.** (a) "Claimant" means:

292.3 (1) a person, as that term is defined in section 290.01, subdivision 2, who owns
292.4 forest land in Minnesota and files an application authorized by the Sustainable Forest
292.5 Incentive Act. ~~Claimant includes;~~

292.6 (2) a purchaser or grantee if property enrolled in the program was sold or transferred
292.7 after the original application was filed and prior to the annual incentive payment being
292.8 made; or

292.9 (3) an owner of land previously covered by an auxiliary forest contract that
292.10 automatically qualifies for inclusion in the Sustainable Forest Incentive Act program
292.11 pursuant to section 88.49, subdivision 9a, or 88.491, subdivision 2.

292.12 The purchaser or grantee must notify the commissioner in writing of the sale or
292.13 transfer of the property. Owners of land that qualifies for inclusion pursuant to section
292.14 88.49, subdivision 9a, or 88.491, subdivision 2, must notify the commissioner in writing
292.15 of the expiration of the auxiliary forest contract or land trade with a governmental unit and
292.16 submit an application to the commissioner by August 15 in order to be eligible to receive a
292.17 payment by October 1 of that same year. For purposes of section 290C.11, claimant also
292.18 includes any person bound by the covenant required in section 290C.04.

292.19 (b) No more than one claimant is entitled to a payment under this chapter with
292.20 respect to any tract, parcel, or piece of land enrolled under this chapter that has been
292.21 assigned the same parcel identification number. When enrolled forest land is owned by
292.22 two or more persons, the owners must determine between them which person is eligible to
292.23 claim the payments provided under sections 290C.01 to 290C.11. In the case of property
292.24 sold or transferred, the former owner and the purchaser or grantee must determine between
292.25 them which person is eligible to claim the payments provided under sections 290C.01 to
292.26 290C.11. The owners, transferees, or grantees must notify the commissioner in writing
292.27 which person is eligible to claim the payments.

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

292.29 Sec. 48. Minnesota Statutes 2006, section 290C.04, is amended to read:

292.30 **290C.04 APPLICATIONS.**

292.31 (a) A landowner may apply to enroll forest land for the sustainable forest incentive
292.32 program under this chapter. The claimant must complete, sign, and submit an application
292.33 to the commissioner by September 30 in order for the land to become eligible beginning
292.34 in the next year. The application shall be on a form prescribed by the commissioner and

293.1 must include the information the commissioner deems necessary. At a minimum, the
293.2 application must show the following information for the land and the claimant: (i) the
293.3 claimant's Social Security number or state or federal business tax registration number and
293.4 date of birth, (ii) the claimant's address, (iii) the claimant's signature, (iv) the county's
293.5 parcel identification numbers for the tax parcels that completely contain the claimant's
293.6 forest land that is sought to be enrolled, (v) the number of acres eligible for enrollment
293.7 in the program, (vi) the approved plan writer's signature and identification number, and
293.8 (vii) proof, in a form specified by the commissioner, that the claimant has executed and
293.9 acknowledged in the manner required by law for a deed, and recorded, a covenant that the
293.10 land is not and shall not be developed in a manner inconsistent with the requirements and
293.11 conditions of this chapter. The covenant shall state in writing that the covenant is binding
293.12 on the claimant and the claimant's successor or assignee, and that it runs with the land
293.13 for a period of not less than eight years. The commissioner shall specify the form of the
293.14 covenant and provide copies upon request. The covenant must include a legal description
293.15 that encompasses all the forest land that the claimant wishes to enroll under this section or
293.16 the certificate of title number for that land if it is registered land.

293.17 (b) In all cases, the commissioner shall notify the claimant within 90 days after
293.18 receipt of a completed application that either the land has or has not been approved for
293.19 enrollment. A claimant whose application is denied may appeal the denial as provided in
293.20 section ~~290C.11, paragraph (a)~~ 290C.13.

293.21 (c) Within 90 days after the denial of an application, or within 90 days after the
293.22 final resolution of any appeal related to the denial, the commissioner shall execute and
293.23 acknowledge a document releasing the land from the covenant required under this chapter.
293.24 The document must be mailed to the claimant and is entitled to be recorded.

293.25 (d) The Social Security numbers collected from individuals under this section are
293.26 private data as provided in section 13.355. The federal business tax registration number
293.27 and date of birth data collected under this section are also private data on individuals or
293.28 nonpublic data, as defined in section 13.02, subdivisions 9 and 12, but may be shared
293.29 with county assessors for purposes of tax administration and with county treasurers for
293.30 purposes of the revenue recapture under chapter 270A.

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

293.32 Sec. 49. Minnesota Statutes 2006, section 290C.05, is amended to read:

293.33 **290C.05 ANNUAL CERTIFICATION.**

On or before July 1 of each year, beginning with the year after the original claimant has received an approved application, the commissioner shall send each claimant enrolled under the sustainable forest incentive program a certification form. For purposes of this section, the original claimant is the person that filed the first application under section 290C.04 to enroll the land in the program. The claimant must sign the certification, attesting that the requirements and conditions for continued enrollment in the program are currently being met, and must return the signed certification form to the commissioner by August 15 of that same year. If the claimant does not return an annual certification form by the due date, the provisions in section 290C.11 apply.

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

Sec. 50. Minnesota Statutes 2006, section 290C.11, is amended to read:

290C.11 PENALTIES FOR REMOVAL.

(a) If the commissioner determines that land enrolled in the sustainable forest incentive program is in violation of the conditions for enrollment as specified in section 290C.03, the commissioner shall notify the claimant of the intent to remove all enrolled land from the sustainable forest incentive program. The claimant has 60 days to appeal this determination under the provisions of section 290C.13. ~~The appeal must be made in writing to the commissioner, who shall, within 60 days, notify the claimant as to the outcome of the appeal. Within 60 days after the commissioner denies an appeal, or within 120 days after the commissioner received a written appeal if the commissioner has not made a determination in that time, the owner may appeal to Tax Court under chapter 271 as if the appeal is from an order of the commissioner.~~

(b) If the commissioner determines the land is to be removed from the sustainable forest incentive program, the claimant is liable for payment to the commissioner in the amount equal to the payments received under this chapter for the previous four-year period, plus interest. The claimant has 90 days to satisfy the payment for removal of land from the sustainable forest incentive program under this section. If the penalty is not paid within the 90-day period under this paragraph, the commissioner shall certify the amount to the county auditor for collection as a part of the general ad valorem real property taxes on the land in the following taxes payable year.

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

Sec. 51. **[290C.13] APPEALS.**

Subdivision 1. **Claimant right to reconsideration.** A claimant may obtain reconsideration by the commissioner of a determination removing enrolled land from the sustainable forest incentive program, a determination denying an application to enroll land in the program, or a denial of part or all of an incentive payment by filing an administrative appeal under subdivision 4. A claimant cannot obtain reconsideration under this section if the action taken by the commissioner is the outcome of an administrative appeal.

Subd. 2. **Appeal by claimant.** A claimant who wishes to seek administrative review must follow the procedures in subdivision 4.

Subd. 3. **Notice date.** For purposes of this section, the term "notice date" means the date of the determination removing enrolled land or the date of the notice denying an application to enroll land or denying part or all of an incentive payment.

Subd. 4. **Time and content for administrative appeal.** Within 60 days after the notice date, the claimant must file a written appeal with the commissioner. The appeal need not be in any particular form but must contain the following information:

(1) name and address of the claimant;

(2) if a corporation, the state of incorporation of the claimant, and the principal place of business of the corporation;

(3) the Minnesota or federal business identification number or Social Security number of the claimant;

(4) the date;

(5) the periods involved and the amount of payment involved for each year or period;

(6) the findings in the notice that the claimant disputes;

(7) a summary statement that the claimant relies on for each exception; and

(8) the claimant's signature or signature of the claimant's duly authorized agent.

Subd. 5. **Extensions.** When requested in writing and within the time allowed for filing an administrative appeal, the commissioner may extend the time for filing an appeal for a period not more than 30 days from the expiration of the 60 days from the notice date.

Subd. 6. **Determination of appeal.** On the basis of applicable law and available information, the commissioner shall determine the validity, if any, in whole or in part, of the appeal and notify the claimant of the decision. This notice must be in writing and contain the basis for the determination.

Subd. 7. **Agreement determining issues under appeal.** When it appears to be in the best interests of the state, the commissioner may settle the amount of any incentive payments, payments owed by the claimant under section 290C.11, paragraph (b), penalties, or interest that the commissioner has under consideration by virtue of an appeal filed under this section. An agreement must be in writing and signed by the commissioner and

296.1 the claimant, or the claimant's representative authorized by the claimant to enter into an
296.2 agreement. The agreement is final and conclusive and, except upon a showing of fraud or
296.3 malfeasance, or misrepresentation of a material fact, the case must not be reopened as to
296.4 the matters agreed upon.

296.5 Subd. 8. **Appeal to Tax Court.** Within 60 days after the commissioner denies
296.6 an appeal, or within 120 days after the commissioner received a written appeal if the
296.7 commissioner has not made a determination in that time, the claimant may appeal to Tax
296.8 Court under chapter 271 as if the appeal is from an order of the commissioner.

296.9 Subd. 9. **Exemption from Administrative Procedure Act.** This section is not
296.10 subject to chapter 14.

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

296.12 Sec. 52. **REPEALER.**

296.13 (a) Minnesota Statutes 2006, section 270.073, is repealed.

296.14 (b) Minnesota Statutes 2006, sections 270.41, subdivision 4; 270.43; 270.51; 270.52;
296.15 and 270.53, are repealed.

296.16 **EFFECTIVE DATE.** Paragraph (a) of this section is effective beginning January 2,
296.17 2007, for taxes payable in 2008 and thereafter. Paragraph (b) of this section is effective
296.18 the day following final enactment.

296.19 **ARTICLE 13**

296.20 **DEPARTMENT SPECIAL TAXES**

296.21 Section 1. Minnesota Statutes 2006, section 62I.06, subdivision 6, is amended to read:

296.22 Subd. 6. ~~**Deficits**~~ **Deficit assessments.** The association shall certify to the
296.23 commissioner the estimated amount of any deficit remaining after the stabilization reserve
296.24 fund has been exhausted and payment of the maximum final premium for all policyholders
296.25 of the association. Within 60 days after the certification, the commissioner shall authorize
296.26 the association to recover the members' respective shares of the deficit by assessing
296.27 all members an amount sufficient to fully fund the obligations of the association. The
296.28 assessment of each member shall be determined in the manner provided in section 62I.07.
296.29 An assessment made pursuant to this section shall be deductible by the member from ~~past~~
296.30 ~~or future~~ premium taxes due the state as provided in section 297I.20, subdivision 2.

296.31 **EFFECTIVE DATE.** This section is effective for tax returns due on or after January
296.32 1, 2008.

297.1 Sec. 2. Minnesota Statutes 2006, section 71A.04, subdivision 1, is amended to read:

297.2 Subdivision 1. **Premium tax.** The attorney-in-fact, ~~in lieu of all taxes, state, county,~~
297.3 ~~and municipal,~~ shall file with the commissioner of revenue all returns and pay to the
297.4 commissioner of revenue all amounts required under chapter 297I.

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

297.6 Sec. 3. Minnesota Statutes 2006, section 287.22, is amended to read:

297.7 **287.22 EXEMPTIONS.**

297.8 The tax imposed by section 287.21 does not apply to:

297.9 (1) An executory contract for the sale of real property under which the purchaser is
297.10 entitled to or does take possession of the real property, or any assignment or cancellation
297.11 of the contract;

297.12 (2) A mortgage or an amendment, assignment, extension, partial release, or
297.13 satisfaction of a mortgage;

297.14 (3) A will;

297.15 (4) A plat;

297.16 (5) A lease, amendment of lease, assignment of lease, or memorandum of lease;

297.17 (6) A deed, instrument, or writing in which the United States or any agency or
297.18 instrumentality thereof is the grantor, assignor, transferor, conveyor, grantee, or assignee;

297.19 (7) A deed for a cemetery lot or lots;

297.20 (8) A deed of distribution by a personal representative;

297.21 (9) A deed to or from a co-owner partitioning their undivided interest in the same
297.22 piece of real property;

297.23 (10) A deed or other instrument of conveyance issued pursuant to a permanent
297.24 school fund land exchange under section 92.121 and related laws;

297.25 (11) A referee's or sheriff's certificate of sale in a mortgage or lien foreclosure sale;

297.26 (12) A referee's, sheriff's, or certificate holder's certificate of redemption from a
297.27 mortgage or lien foreclosure sale issued ~~to the redeeming mortgagor or licensee~~ pursuant to
297.28 section 580.23 or other statute applicable to redemption by an owner of real property;

297.29 (13) A deed, instrument, or writing which grants, creates, modifies, or terminates an
297.30 easement; and

297.31 (14) A decree of marriage dissolution, as defined in section 287.01, subdivision 4,
297.32 or a deed or other instrument between the parties to the dissolution made pursuant to
297.33 the terms of the decree.

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

298.1 Sec. 4. Minnesota Statutes 2006, section 287.2205, is amended to read:

298.2 **287.2205 TAX-FORFEITED LAND.**

298.3 Before a state deed for tax-forfeited land may be issued, the deed tax must be paid
298.4 by the purchaser of tax-forfeited land whether the purchase is the result of a public
298.5 auction or private sale or a repurchase of tax-forfeited land. State agencies and local
298.6 units of government that acquire tax-forfeited land by purchase or any other means are
298.7 subject to this section. The deed tax is \$1.65 for a conveyance of tax-forfeited lands to a
298.8 governmental subdivision for an authorized public use under section 282.01, subdivision
298.9 1a, or for redevelopment purposes under section 282.01, subdivision 1b.

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

298.11 Sec. 5. Minnesota Statutes 2006, section 295.52, subdivision 4, is amended to read:

298.12 Subd. 4. **Use tax; prescription drugs.** (a) A person that receives prescription drugs
298.13 for resale or use in Minnesota, other than from a wholesale drug distributor that is subject
298.14 to tax under subdivision 3, is subject to a tax equal to the price paid to the wholesale drug
298.15 distributor multiplied by the tax percentage specified in this section. Liability for the tax is
298.16 incurred when prescription drugs are received or delivered in Minnesota by the person.

298.17 ~~(b) A person that receives prescription drugs for use in Minnesota from a nonresident~~
298.18 ~~pharmacy required to be registered under section 151.19 is subject to a tax equal to~~
298.19 ~~the price paid by the nonresident pharmacy to the wholesale drug distributor or the~~
298.20 ~~price received by the nonresident pharmacy, whichever is lower, multiplied by the tax~~
298.21 ~~percentage specified in this section. Liability for the tax is incurred when prescription~~
298.22 ~~drugs are received in Minnesota by the person.~~

298.23 ~~(c)~~ (b) A tax imposed under this subdivision does not apply to purchases by an
298.24 individual for personal consumption.

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

298.26 Sec. 6. Minnesota Statutes 2006, section 295.52, subdivision 4a, is amended to read:

298.27 Subd. 4a. **Tax collection.** A wholesale drug distributor with nexus in Minnesota,
298.28 who is not subject to tax under subdivision 3, on all or a particular transaction ~~or a~~
298.29 ~~nonresident pharmacy with nexus in Minnesota,~~ is required to collect the tax imposed
298.30 under subdivision 4, from the purchaser of the drugs and give the purchaser a receipt
298.31 for the tax paid. The tax collected shall be remitted to the commissioner in the manner
298.32 prescribed by section 295.55, subdivision 3.

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

299.2 Sec. 7. Minnesota Statutes 2006, section 295.54, subdivision 2, is amended to read:

299.3 Subd. 2. **Pharmacy refund.** A pharmacy may claim an annual refund against the
299.4 total amount of tax, if any, the pharmacy owes during that calendar year under section
299.5 295.52, subdivision 2. The refund shall equal the amount paid by the pharmacy to a
299.6 wholesale drug distributor subject to tax under section 295.52, subdivision 3, for legend
299.7 drugs delivered by the pharmacy outside of Minnesota, multiplied by the tax percentage
299.8 specified in section 295.52. If the amount of the refund exceeds the tax liability of the
299.9 pharmacy under section 295.52, subdivision ~~4~~ 2, the commissioner shall provide the
299.10 pharmacy with a refund equal to the excess amount. Each qualifying pharmacy must apply
299.11 for the refund on the annual return as provided under section 295.55, subdivision 5. The
299.12 refund must be claimed within one year of the due date of the return. Interest on refunds
299.13 paid under this subdivision will begin to accrue 60 days after the date a claim for refund is
299.14 filed. For purposes of this subdivision, the date a claim is filed is the due date of the return
299.15 or the date of the actual claim for refund, whichever is later.

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

299.17 Sec. 8. Minnesota Statutes 2006, section 297F.06, subdivision 4, is amended to read:

299.18 Subd. 4. **Tobacco products use tax.** The tobacco products use tax does not apply to
299.19 the possession, use, or storage of tobacco products ~~that~~ if (1) the tobacco products have an
299.20 aggregate cost in any calendar month to the consumer of \$100 \$50 or less, and (2) the
299.21 tobacco products were carried into this state by that consumer.

299.22 **EFFECTIVE DATE.** This section is effective for the possession, use, or storage of
299.23 tobacco products on or after July 1, 2007.

299.24 Sec. 9. Minnesota Statutes 2006, section 297F.25, is amended by adding a subdivision
299.25 to read:

299.26 Subd. 3a. **Consumer use tax; use tax return; cigarette consumer.** (a) On or before
299.27 the 18th day of each calendar month, a consumer who, during the preceding calendar
299.28 month, has acquired title to or possession of cigarettes for use or storage in this state, upon
299.29 which the sales tax imposed by this section has not been paid, shall file a return with the
299.30 commissioner showing the quantity of cigarettes so acquired or possessed. The return
299.31 must be made in the form and manner prescribed by the commissioner, and must contain

300.1 any other information required by the commissioner. The return must be accompanied by
300.2 a remittance for the full unpaid sales tax liability shown by it.

300.3 (b) The tax imposed under paragraph (a) does not apply if (1) the consumer has
300.4 acquired title to or possession of cigarettes for use or storage in this state in quantities
300.5 of 200 or fewer in the month, and (2) the cigarettes were carried into this state by that
300.6 consumer.

300.7 **EFFECTIVE DATE.** This section is effective for cigarettes which a consumer has
300.8 acquired title to or possession of on or after July 1, 2007.

300.9 Sec. 10. Minnesota Statutes 2006, section 297I.06, subdivision 1, is amended to read:

300.10 Subdivision 1. **Insurance policies surcharge.** (a) Except as otherwise provided in
300.11 subdivision 2, each licensed insurer engaged in writing policies of homeowner's insurance
300.12 authorized in section 60A.06, subdivision 1, clause (1)(c), or commercial fire policies or
300.13 commercial nonliability policies shall collect a surcharge equal to 0.65 percent of the
300.14 gross premiums and assessments, less return premiums, on direct business received by
300.15 the company, or by its agents for it, for homeowner's insurance policies, commercial fire
300.16 policies, and commercial nonliability insurance policies in this state.

300.17 (b) The surcharge amount collected under paragraph (a) or subdivision 2, paragraph
300.18 (b), may not be considered premium for any other purpose. The surcharge amount
300.19 under paragraph (a) must be separately stated on either a billing or policy declaration or
300.20 document containing similar information sent to an insured.

300.21 (c) Amounts collected by the commissioner under this section must be deposited in
300.22 the fire safety account established pursuant to subdivision 3.

300.23 **EFFECTIVE DATE.** This section is effective July 1, 2007, and applies to policies
300.24 written or renewed on or after July 1, 2007.

300.25 Sec. 11. Minnesota Statutes 2006, section 297I.06, subdivision 2, is amended to read:

300.26 Subd. 2. **Exemptions.** (a) This section does not apply to a farmers' mutual fire
300.27 insurance company or township mutual fire insurance company in Minnesota organized
300.28 under chapter 67A.

300.29 (b) An insurer described in section 297I.05, subdivisions 3 and 4, authorized to
300.30 transact business in Minnesota shall elect to remit to the Department of Revenue for
300.31 deposit in the fire safety account either (1) the surcharge amount ~~collected~~ imposed under
300.32 ~~this section~~ subdivision 1 on all premiums subject to that surcharge, or (2) a surcharge of
300.33 one-half of one percent on the gross fire premiums and assessments, less return premiums,

301.1 on all direct business received by the insurer or agents of the insurer in Minnesota, in
301.2 cash or otherwise, during the year.

301.3 (c) The election must be made prior to July 1, 2007, for policies written or renewed
301.4 between July 1, 2007, and December 31, 2007, and by December 31 of each year for
301.5 insurance for policies written or renewed in the succeeding calendar year. An insurer
301.6 who elects to remit the one-half of one percent surcharge on gross fire premiums and
301.7 assessments must not charge the insured the surcharge imposed under subdivision 1.

301.8 ~~(c)~~ (d) For purposes of this subdivision, "gross fire premiums and assessments"
301.9 includes premiums on policies covering fire risks only on automobiles, whether written or
301.10 under floater form or otherwise.

301.11 **EFFECTIVE DATE.** The requirement for certain insurers to make an election
301.12 before July 1, 2007, is effective the day following final enactment. The rest of this section
301.13 is effective July 1, 2007, and applies to insurance policies written or renewed on or after
301.14 that date.

301.15 Sec. 12. Minnesota Statutes 2006, section 297I.20, subdivision 2, is amended to read:

301.16 Subd. 2. **Joint Underwriting Association offset.** An insurance company may offset
301.17 against its premium tax liability to this state any amount paid for an assessment made
301.18 pursuant to section 62I.06, subdivision 6, ~~shall be deductible by the member from past~~
301.19 ~~or future premium taxes due the state.~~ The offset against premium tax liability must be
301.20 claimed beginning with the taxable year that the assessment is paid. To the extent that the
301.21 allowable offset exceeds the tax liability, the remaining offset must be carried forward to
301.22 succeeding taxable years until the entire offset has been credited against the insurance
301.23 company's liability for premium tax under this chapter.

301.24 **EFFECTIVE DATE.** This section is effective for tax returns due on or after January
301.25 1, 2008.

301.26 Sec. 13. Minnesota Statutes 2006, section 297I.40, subdivision 5, is amended to read:

301.27 Subd. 5. **Definition of tax.** The term "tax" as used in this section means the tax
301.28 imposed by section 297I.05, subdivisions 1 to 6, 11, and 12, paragraphs (a), clauses (1)
301.29 to (5), (b), and ~~(c)~~ (d), ~~without regard to the retaliatory provisions of section 297I.05,~~
301.30 ~~subdivision 11, and the~~ less any offset in section 297I.20.

301.31 **EFFECTIVE DATE.** This section is effective for tax returns due on or after January
301.32 1, 2008.

ARTICLE 14

DEPARTMENT MISCELLANEOUS

Section 1. Minnesota Statutes 2006, section 16D.04, subdivision 1, is amended to read:

Subdivision 1. **Duties.** The commissioner shall provide services to the state and ~~its~~ referring agencies to collect debts owed the state referred for collection under this chapter. The commissioner is not a collection agency as defined by section 332.31, subdivision 3, and is not licensed, bonded, or regulated by the commissioner of commerce under sections 332.31 to 332.35 or 332.38 to 332.45. The commissioner is subject to section 332.37, except clause (9), (10), (12), or (19). Debts referred to the commissioner for collection under section 256.9792 may in turn be referred by the commissioner to the enterprise. An audited financial statement may not be required as a condition of debt placement with a private agency if the private agency: (1) has errors and omissions coverage under a professional liability policy in an amount of at least \$1,000,000; or (2) has a fidelity bond to cover actions of its employees, in an amount of at least \$100,000. In cases of debts referred under section 256.9792, the provisions of this chapter and section 256.9792 apply to the extent they are not in conflict. If they are in conflict, the provisions of section 256.9792 control. For purposes of this chapter, the referring agency for such debts remains the Department of Human Services.

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

Sec. 2. Minnesota Statutes 2006, section 16D.04, subdivision 2, is amended to read:

Subd. 2. **Agency participation.** (a) A referring agency ~~may, at its option, must~~ refer, by electronic means, debts to the commissioner for collection. ~~The ultimate~~ Responsibility for the debt, including the reporting of the debt to the commissioner of finance and the decision with regard to the continuing collection and uncollectibility of the debt, remains with the referring agency.

(b) Before a debt becomes 121 days past due, a referring agency may refer the debt to the commissioner for collection at any time after a debt becomes delinquent and uncontested and the debtor has no further administrative appeal of the amount of the debt. When a debt owed to a ~~state~~ referring agency becomes 121 days past due, the ~~state~~ referring agency must refer the debt to the commissioner for collection. This requirement does not apply if there is a dispute over the amount or validity of the debt, if the debt is the subject of legal action or administrative proceedings, or the agency determines that the debtor is adhering to acceptable payment arrangements. The commissioner, ~~in consultation with the commissioner of finance,~~ may provide that certain types of debt need not be

303.2 referred to the commissioner for collection under this paragraph. Methods and procedures
303.3 for referral must follow internal guidelines prepared by the commissioner of finance.

303.4 (c) If the referring agency is a court, the court must furnish a debtor's Social Security
303.5 number to the commissioner when the court refers the debt.

303.6 **EFFECTIVE DATE.** This section is effective for debts referred on or after January
303.7 1, 2008.

303.8 Sec. 3. Minnesota Statutes 2006, section 16D.11, subdivision 2, is amended to read:

303.9 Subd. 2. **Computation.** At the time a debt is referred, the amount of collection
303.10 costs is equal to ~~15~~ 17 percent of the debt, ~~or 25 percent of the debt remaining unpaid if~~
303.11 ~~the commissioner or private collection agency has to take enforced collection action~~
303.12 ~~by serving a summons and complaint on or entering judgment against the debtor, or by~~
303.13 ~~utilizing any of the remedies authorized under section 16D.08, subdivision 2, except for~~
303.14 ~~the remedies in sections 270C.32 and 270C.65 or when referred by the commissioner for~~
303.15 ~~additional collection activity by a private collection agency.~~ If, after referral of a debt to
303.16 a private collection agency, the debtor requests cancellation of collection costs under
303.17 subdivision 3, the debt must be returned to the commissioner for resolution of the request.

303.18 **EFFECTIVE DATE.** This section is effective for debts referred on or after January
303.19 1, 2008.

303.20 Sec. 4. Minnesota Statutes 2006, section 16D.11, subdivision 7, is amended to read:

303.21 Subd. 7. **Adjustment of rate.** By June 1 of each year, the commissioner of finance
303.22 shall determine the rate of collection costs for debts referred to the enterprise during
303.23 the next fiscal year. The rate is a percentage of the debts in an amount that most nearly
303.24 equals the costs of the enterprise necessary to process and collect referred debts under this
303.25 chapter. In no event ~~shall the rate of collection costs when a debt is first referred exceed~~
303.26 ~~three-fifths of the maximum collection costs, and in no event shall the rate of the maximum~~
303.27 collection costs exceed 25 percent of the debt. Determination of the rate of collection costs
303.28 under this section is not subject to the fee setting requirements of section 16A.1285.

303.29 **EFFECTIVE DATE.** This section is effective January 1, 2008.

303.30 Sec. 5. **[270C.435] REFUNDS NOT SUBJECT TO ATTACHMENT OR**
303.31 **GARNISHMENT.**

304.1 No amount of a tax refund or other payment payable by the commissioner to
304.2 a taxpayer is assignable or subject to execution, levy, attachment, garnishment, lien
304.3 foreclosure, or other legal process, except as specifically provided by law.

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

304.5 Sec. 6. Minnesota Statutes 2006, section 270C.446, subdivision 2, is amended to read:

304.6 Subd. 2. **Required and excluded tax preparers.** (a) Subject to the limitations
304.7 of paragraph (b), the commissioner must publish lists of tax preparers as defined in
304.8 section 289A.60, subdivision 13, paragraph (f), who have been convicted under section
304.9 289A.63 or assessed penalties in excess of \$1,000 under section 289A.60, subdivision
304.10 13, paragraph (a).

304.11 (b) For the purposes of this section, tax preparers are not subject to publication if:

304.12 (1) an administrative or court action contesting the penalty has been filed or served
304.13 and is unresolved at the time when notice would be given under subdivision 3;

304.14 (2) an appeal period to contest the penalty has not expired; or

304.15 (3) the commissioner has been notified that the tax preparer is deceased.

304.16 **EFFECTIVE DATE.** This section is effective for penalties on returns filed after
304.17 December 31, 2007.

304.18 Sec. 7. Minnesota Statutes 2006, section 270C.56, subdivision 1, is amended to read:

304.19 Subdivision 1. **Liability imposed.** A person who, either singly or jointly with
304.20 others, has the control of, supervision of, or responsibility for filing returns or reports,
304.21 paying taxes, or collecting or withholding and remitting taxes and who fails to do so, or
304.22 a person who is liable under any other law, is liable for the payment of taxes, penalties,
304.23 and interest arising under chapters 295, 296A, 297A, 297F, and 297G, or sections 290.92
304.24 and 297E.02, and, for the taxes listed in this subdivision, the applicable penalties for
304.25 nonpayment under section 289A.60.

304.26 **EFFECTIVE DATE.** This section is effective for personal liability assessments
304.27 made on or after the day following final enactment.

304.28 Sec. 8. Minnesota Statutes 2006, section 270C.63, subdivision 9, is amended to read:

304.29 Subd. 9. **Period of limitations.** The lien imposed by this section shall,
304.30 notwithstanding any other provision of law to the contrary, be enforceable from the time
304.31 the lien arises and for ten years from the date of filing the notice of lien, which must be
304.32 filed by the commissioner within five years after the date of assessment of the tax or final

administrative or judicial determination of the assessment. A notice of lien filed at the Office of the Secretary of State may be transcribed to any county within ten years after the date of its filing, but the transcription does not extend the period during which the lien is enforceable. A notice of lien filed in one county may be transcribed to the secretary of state or to any other county within ten years after the date of its filing, but the transcription shall not extend the period during which the lien is enforceable. A notice of lien may be renewed by the commissioner before the expiration of the ten-year period for an additional ten years. The taxpayer must receive written notice of the renewal.

EFFECTIVE DATE. This section is effective for liens transcribed on or after the day following final enactment.

Sec. 9. Minnesota Statutes 2006, section 424A.10, subdivision 3, is amended to read:

Subd. 3. **State reimbursement.** (a) ~~By February 15 of each year, the treasurer of the relief association shall apply to the commissioner of revenue~~ Each year, to be eligible for state reimbursement of the amount of supplemental benefits paid under subdivision 2 during the preceding calendar year, the relief association must apply to the commissioner of revenue by February 15. By March 15 the commissioner shall reimburse the relief association for the amount of the supplemental benefits paid to qualified recipients.

(b) The commissioner of revenue shall prescribe the form of and supporting information that must be supplied as part of the application for state reimbursement. The commissioner of revenue shall reimburse the relief association by paying the reimbursement amount to the treasurer of the municipality where the association is located. Within 30 days after receipt, the municipal treasurer shall transmit the state reimbursement to the treasurer of the association if the association has filed a financial report with the municipality. If the relief association has not filed a financial report with the municipality, the municipal treasurer shall delay transmission of the reimbursement payment to the association until the complete financial report is filed. If the association has dissolved or has been removed as a trustee of state aid, the treasurer shall deposit the money in a special account in the municipal treasury, and the money may be disbursed only for the purposes and in the manner provided in section 424A.08. When paid to the association,

~~(c)~~ the reimbursement payment must be deposited in the special fund of the relief association.

~~(d)~~ (c) A sum sufficient to make the payments is appropriated from the general fund to the commissioner of revenue.

EFFECTIVE DATE. This section is effective January 1, 2007, and thereafter.

ARTICLE 15

MISCELLANEOUS

Section 1. Minnesota Statutes 2006, section 3.987, subdivision 1, is amended to read:

Subdivision 1. **Local impact notes.** The commissioner of finance shall coordinate the development of a local impact note for any proposed legislation introduced after June 30, 1997, ~~or any rule proposed after December 31, 1999,~~ upon request of the chair or the ranking minority member of either legislative Tax Committee. Upon receipt of a request to prepare a local impact note, the commissioner must notify the authors of the proposed legislation ~~or, for an administrative rule, the head of the relevant executive agency or department,~~ that the request has been made. The local impact note must be made available to the public upon request. If the action is among the exceptions listed in section 3.988, a local impact note need not be requested nor prepared. The commissioner shall make a reasonable and timely estimate of the local fiscal impact on each type of political subdivision that would result from the proposed legislation. The commissioner of finance may require any political subdivision or the commissioner of an administrative agency of the state to supply in a timely manner any information determined to be necessary to determine local fiscal impact. The political subdivision, its representative association, or commissioner shall convey the requested information to the commissioner of finance with a signed statement to the effect that the information is accurate and complete to the best of its ability. The political subdivision, its representative association, or commissioner, when requested, shall update its determination of local fiscal impact based on actual cost or revenue figures, improved estimates, or both. Upon completion of the note, the commissioner must provide a copy to the authors of the proposed legislation ~~or, for an administrative rule, to the head of the relevant executive agency or department.~~

Sec. 2. Minnesota Statutes 2006, section 3.988, subdivision 3, is amended to read:

Subd. 3. **Miscellaneous exceptions.** A local impact note or an attachment as provided in section 3.987, subdivision 2, need not be prepared for the cost of a mandated action if the law, ~~including a rulemaking,~~ containing the mandate:

- (1) accommodates a specific local request;
- (2) results in no new local government duties;
- (3) leads to revenue losses from exemptions to taxes;
- (4) provided only clarifying or conforming, nonsubstantive charges on local government;

(5) imposes additional net local costs that are minor (an amount less than or equal to one-half of one percent of the local revenue base as defined in section 477A.011, subdivision 27, or \$50,000, whichever is less for any single local government if the mandate does not apply statewide or less than \$1,000,000 if the mandate is statewide);

(6) is a law or executive order enacted before July 1, 1997, or a rule initially implementing a law enacted before July 1, 1997;

(7) implements something other than a law or executive order, such as a federal, court, or voter-approved mandate;

(8) results in savings that equal or exceed costs;

(9) requires the holding of elections;

(10) ensures due process or equal protection;

(11) provides for the notification and conduct of public meetings;

(12) establishes the procedures for administrative and judicial review of actions taken by political subdivisions;

(13) protects the public from malfeasance, misfeasance, or nonfeasance by officials of political subdivisions;

(14) relates directly to financial administration, including the levy, assessment, and collection of taxes;

(15) relates directly to the preparation and submission of financial audits necessary to the administration of state laws; or

(16) requires uniform standards to apply to public and private institutions without differentiation.

Sec. 3. Minnesota Statutes 2006, section 3.989, subdivision 2, is amended to read:

Subd. 2. **Report Compilation of local impact notes.** The commissioner of finance shall prepare by ~~September 1, 2000, and by~~ September 1 of each even-numbered year ~~thereafter, a report compilation of the costs of local mandates established after June 30, 1997~~ key impact notes requested by the legislature during the previous biennial session as provided in section 3.987. The commissioner may consult with local government representatives and legislative fiscal staff to determine which local impact notes were key.

~~The commissioner shall include the statewide total of the statement of costs of local mandates after June 30, 1997, as a notation in the state biennial budget.~~

Sec. 4. Minnesota Statutes 2006, section 3.989, subdivision 3, is amended to read:

Subd. 3. **Certain political subdivisions; report.** The political subdivisions that have opted to administer class B state mandates shall report to the commissioner of

finance by September 1, 1998, and by September 1 of each year thereafter, identifying each instance when revenue for a class B state mandate has fallen below 85 percent of the total cost of the program and the political subdivision intends to cease administration of the program.

The commissioner shall forward a copy of the report to the chairs of the appropriate funding committees of the senate and the house ~~for proposed inclusion of the shortfall as a line item appropriation in the state budget for the next fiscal year.~~

The political subdivision may exercise its option to cease administration only if the legislature has failed to include the shortfall as an appropriation in the state budget for the next fiscal year.

Sec. 5. Minnesota Statutes 2006, section 16A.103, subdivision 1a, is amended to read:

Subd. 1a. **Forecast parameters.** The forecast must assume the continuation of current laws and reasonable estimates of projected growth in the national and state economies and affected populations. Revenue must be estimated for all sources provided for in current law. Expenditures must be estimated for all obligations imposed by law and those projected to occur as a result of inflation and variables outside the control of the legislature. ~~Expenditure estimates must not include an allowance for inflation.~~ A general inflation estimate must not include inflation on debt service or on programs for which a statutory growth factor is already included in the forecast.

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

Sec. 6. Minnesota Statutes 2006, section 16A.103, subdivision 1b, is amended to read:

Subd. 1b. **Forecast variable.** In determining the rate of inflation, the application of inflation, the amount of state bonding as it affects debt service, the calculation of investment income, and the other variables to be included in the expenditure part of the forecast, the commissioner must consult with the chairs and lead minority members of the senate ~~State Government~~ Finance Committee and the house Ways and Means Committee, and legislative fiscal staff. This consultation must occur at least three weeks before the forecast is to be released. No later than two weeks prior to the release of the forecast, the commissioner must inform the chairs and lead minority members of the senate ~~State Government~~ Finance Committee and the house Ways and Means Committee, and legislative fiscal staff of any changes in these variables from the previous forecast.

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

Sec. 7. Minnesota Statutes 2006, section 16A.103, subdivision 2, is amended to read:

Subd. 2. **Local revenue.** In February and November of each year, the commissioner of revenue shall prepare and deliver to the governor and the legislature forecasts of revenue to be received by school districts as a group, counties as a group, and the group of cities and towns that have a population of more than 2,500. The forecasts must assume the continuation of current laws, projections of valuation changes in real property, and reasonable estimates of projected growth in the national and state economies and affected populations. Revenue must be estimated for property taxes, state and federal aids, local sales taxes, if any, and a single projection for all other revenue for each group of affected local governmental units. ~~As part of the February forecast, the commissioner of revenue shall report to the governor and legislature on which groups of local government units exceeded the revenue targets of the governor and legislature in the most recent biennium.~~

Sec. 8. Minnesota Statutes 2006, section 16A.152, subdivision 1b, is amended to read:

Subd. 1b. **Budget reserve increase.** On July 1, ~~2003~~ 2007, the commissioner of finance shall transfer ~~\$300,000,000~~ \$150,000,000 to the budget reserve account in the general fund. ~~On July 1, 2004, the commissioner of finance shall transfer \$296,000,000 to the budget reserve account in the general fund.~~ The ~~amounts~~ amount necessary for this purpose ~~are~~ is appropriated from the general fund.

Sec. 9. Minnesota Statutes 2006, section 16A.152, subdivision 2, is amended to read:

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

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

(2) the budget reserve account established in subdivision 1a until that account reaches ~~\$653,000,000~~ \$803,000,000;

~~(3) the amount necessary to increase the aid payment schedule for school district aids and credits payments in section 127A.45 to not more than 90 percent rounded to the nearest tenth of a percent without exceeding the amount available and with any remaining funds deposited in the budget reserve; and \$22,300,000 to the Minnesota minerals 21st century fund created in section 116J.423; and~~

(4) the tax volatility reduction account until that account reaches the amount designated for transfer in the current biennium as provided in subdivision 8, paragraph (c).

~~(4) the amount necessary to restore all or a portion of the net aid reductions under section 127A.441 and to reduce the property tax revenue recognition shift under section 123B.75, subdivision 5, paragraph (c), and Laws 2003, First Special Session chapter 9, article 5, section 34, as amended by Laws 2003, First Special Session chapter 23, section 20, by the same amount.~~

(b) If on the basis of a forecast of general fund revenues and expenditures, the commissioner of finance determines that there will be a positive unrestricted budgetary general fund balance at the close of the next biennium, the commissioner of finance must allocate money to the tax volatility reduction account until that account reaches the amount designated for transfer in the next biennium as provided in subdivision 8, paragraph (f).

(c) The amounts necessary to meet the requirements of ~~this section~~ paragraph (a) are appropriated from the general fund within two weeks after the forecast is released ~~or, in the case of transfers under paragraph (a), clauses (3) and (4), as necessary to meet the appropriations schedules otherwise established in statute.~~ The amount necessary to meet the requirements of paragraph (b) are transferred from the general fund on the first day of the next biennium.

~~(e) To the extent that a positive unrestricted budgetary general fund balance is projected, appropriations under this section must be made before section 16A.1522 takes effect.~~

~~(d) The commissioner of finance shall certify the total dollar amount of the reductions under paragraph (a), clauses (3) and (4), to the commissioner of education. The commissioner of education shall increase the aid payment percentage and reduce the property tax shift percentage by these amounts and apply those reductions to the current fiscal year and thereafter.~~

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

Sec. 10. Minnesota Statutes 2006, section 16A.152, is amended by adding a subdivision to read:

Subd. 8. Tax volatility reduction account. (a) A tax volatility reduction account is created in the general fund.

(b) Beginning with the November 2007 economic forecast and for each subsequent economic forecast, the commissioner of finance, in consultation with the commissioner of revenue, shall estimate the revenue gain or loss anticipated for the current biennium and the next biennium, as a result of changes in taxpayer behavior in anticipation of (1) the

311.1 sunset of favorable federal income tax rates for capital gains income under Public Law
311.2 108-27; (2) the extension of the sunset referenced in (1); or (3) any other federal law that
311.3 changes federal income tax rates for capital gains income.

311.4 (c) If the commissioner estimates a revenue gain under paragraph (b) for the current
311.5 biennium, and if the amount of gain estimated for the current biennium is more than the
311.6 amount forecast to be in the tax volatility reduction account at the close of the current
311.7 biennium, then the difference is designated for transfer to the tax volatility reduction
311.8 account.

311.9 (d) If the commissioner estimates a revenue gain under paragraph (b) for the current
311.10 biennium, and if the amount of gain estimated for the current biennium is less than the
311.11 amount forecast to be in the tax volatility reduction account at the close of the current
311.12 biennium, then the difference is transferred from the tax volatility reduction account
311.13 to the general fund.

311.14 (e) If the commissioner estimates a revenue loss under paragraph (b) in the current
311.15 biennium, then the amount adequate to offset the loss, to the extent it is available, is
311.16 transferred from the tax volatility reduction account to the general fund.

311.17 (f) If the commissioner estimates a revenue gain for the next biennium under
311.18 paragraph (b), and if the amount of gain estimated for the next biennium is more than
311.19 the amount forecast to be in the tax volatility reduction account at the close of the next
311.20 biennium, then the difference is designated for transfer to the tax volatility reduction
311.21 account on the first day of the next biennium.

311.22 (g) If the commissioner estimates a revenue gain for the next biennium under
311.23 paragraph (b), and if the amount of gain estimated for the next biennium is less than
311.24 the amount forecast to be in the tax volatility reduction account at the close of the next
311.25 biennium, then the difference is transferred from the tax volatility reduction account to the
311.26 general fund on the first day of the next biennium.

311.27 (h) If the commissioner estimates a revenue loss under paragraph (a) in the next
311.28 biennium, then the amount adequate to offset the loss, to the extent it is available, is
311.29 transferred from the tax volatility reduction account to the general fund on the first day of
311.30 the next biennium.

311.31 (i) For purposes of this subdivision "economic forecast" means the economic
311.32 forecast prepared according to section 16A.103.

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

311.34 Sec. 11. Minnesota Statutes 2006, section 80A.28, subdivision 1, as amended by Laws
311.35 2007, chapter 57, article 3, section 34, is amended to read:

312.1 Subdivision 1. **Registration or notice filing fee.** (a) There shall be a filing fee of
312.2 \$100 for every application for registration or notice filing. There shall be an additional fee
312.3 of one-tenth of one percent of the maximum aggregate offering price at which the securities
312.4 are to be offered in this state, and the maximum combined fees shall not exceed \$300.

312.5 (b) When an application for registration is withdrawn before the effective date or a
312.6 preeffective stop order is entered under section 80A.13, subdivision 1, all but the \$100
312.7 filing fee shall be returned. If an application to register securities is denied, the total of all
312.8 fees received shall be retained.

312.9 (c) Where a filing is made in connection with a federal covered security under
312.10 section 18(b)(2) of the Securities Act of 1933, there is a fee of \$100 for every initial filing.
312.11 If the filing is made in connection with redeemable securities issued by an open end
312.12 management company or unit investment trust, as defined in the Investment Company Act
312.13 of 1940, there is an additional annual fee of 1/20 of one percent of the maximum aggregate
312.14 offering price at which the securities are to be offered in this state during the notice filing
312.15 period. The fee must be paid at the time of the initial filing and thereafter in connection
312.16 with each renewal no later than July 1 of each year and must be sufficient to cover the
312.17 shares the issuer expects to sell in this state over the next 12 months. If during a current
312.18 notice filing the issuer determines it is likely to sell shares in excess of the shares for
312.19 which fees have been paid to the commissioner, the issuer shall submit an amended notice
312.20 filing to the commissioner under section 80A.122, subdivision 1, clause (3), together with
312.21 a fee of 1/20 of one percent of the maximum aggregate offering price of the additional
312.22 shares. Shares for which a fee has been paid, but which have not been sold at the time
312.23 of expiration of the notice filing, may not be sold unless an additional fee to cover the
312.24 shares has been paid to the commissioner as provided in this section and section 80A.122,
312.25 subdivision 4a. If the filing is made in connection with redeemable securities issued by
312.26 such a company or trust, there is no maximum fee for securities filings made according to
312.27 this paragraph. If the filing is made in connection with any other federal covered security
312.28 under Section 18(b)(2) of the Securities Act of 1933, there is an additional fee of one-tenth
312.29 of one percent of the maximum aggregate offering price at which the securities are to be
312.30 offered in this state, and the combined fees shall not exceed \$300. ~~Beginning with fiscal~~
312.31 ~~year 2001 and continuing each fiscal year thereafter, as of the last day of each fiscal year,~~
312.32 ~~the commissioner shall determine the total amount of all fees that were collected under~~
312.33 ~~this paragraph in connection with any filings made for that fiscal year for securities of an~~
312.34 ~~open-end investment company on behalf of a security that is a federal covered security~~
312.35 ~~pursuant to section 18(b)(2) of the Securities Act of 1933. To the extent the total fees~~
312.36 ~~collected by the commissioner in connection with these filings exceed \$25,600,000 in a~~

313.1 ~~fiscal year, the commissioner shall refund, on a pro rata basis, to all persons who paid any~~
313.2 ~~fees for that fiscal year, the amount of fees collected by the commissioner in excess of~~
313.3 ~~\$25,600,000. No individual refund is required of amounts of \$100 or less for a fiscal year.~~

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

313.5 Sec. 12. Minnesota Statutes 2006, section 80A.65, subdivision 1, as amended by Laws
313.6 2007, chapter 57, article 3, section 35, is amended to read:

313.7 Subdivision 1. **Registration or notice filing fee.** (a) There shall be a filing fee of
313.8 \$100 for every application for registration or notice filing. There shall be an additional fee
313.9 of one-tenth of one percent of the maximum aggregate offering price at which the securities
313.10 are to be offered in this state, and the maximum combined fees shall not exceed \$300.

313.11 (b) When an application for registration is withdrawn before the effective date
313.12 or a preeffective stop order is entered under section 80A.54, all but the \$100 filing fee
313.13 shall be returned. If an application to register securities is denied, the total of all fees
313.14 received shall be retained.

313.15 (c) Where a filing is made in connection with a federal covered security under
313.16 section 18(b)(2) of the Securities Act of 1933, there is a fee of \$100 for every initial filing.
313.17 If the filing is made in connection with redeemable securities issued by an open end
313.18 management company or unit investment trust, as defined in the Investment Company Act
313.19 of 1940, there is an additional annual fee of 1/20 of one percent of the maximum aggregate
313.20 offering price at which the securities are to be offered in this state during the notice filing
313.21 period. The fee must be paid at the time of the initial filing and thereafter in connection
313.22 with each renewal no later than July 1 of each year and must be sufficient to cover the
313.23 shares the issuer expects to sell in this state over the next 12 months. If during a current
313.24 notice filing the issuer determines it is likely to sell shares in excess of the shares for which
313.25 fees have been paid to the administrator, the issuer shall submit an amended notice filing
313.26 to the administrator under section 80A.50, together with a fee of 1/20 of one percent of the
313.27 maximum aggregate offering price of the additional shares. Shares for which a fee has
313.28 been paid, but which have not been sold at the time of expiration of the notice filing, may
313.29 not be sold unless an additional fee to cover the shares has been paid to the administrator
313.30 as provided in this section and section 80A.50. If the filing is made in connection with
313.31 redeemable securities issued by such a company or trust, there is no maximum fee for
313.32 securities filings made according to this paragraph. If the filing is made in connection
313.33 with any other federal covered security under Section 18(b)(2) of the Securities Act of
313.34 1933, there is an additional fee of one-tenth of one percent of the maximum aggregate
313.35 offering price at which the securities are to be offered in this state, and the combined fees

shall not exceed \$300. ~~Beginning with fiscal year 2001 and continuing each fiscal year thereafter, as of the last day of each fiscal year, the administrator shall determine the total amount of all fees that were collected under this paragraph in connection with any filings made for that fiscal year for securities of an open-end investment company on behalf of a security that is a federal covered security pursuant to section 18(b)(2) of the Securities Act of 1933. To the extent the total fees collected by the administrator in connection with these filings exceed \$25,600,000 in a fiscal year, the administrator shall refund, on a pro rata basis, to all persons who paid any fees for that fiscal year, the amount of fees collected by the administrator in excess of \$25,600,000. No individual refund is required of amounts of \$100 or less for a fiscal year.~~

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

Sec. 13. Minnesota Statutes 2006, section 270A.03, subdivision 2, is amended to read:

Subd. 2. **Claimant agency.** "Claimant agency" means any state agency, as defined by section 14.02, subdivision 2, the regents of the University of Minnesota, any district court of the state, any county, any statutory or home rule charter city, including a city that is presenting a claim for a municipal hospital or a public library or a municipal ambulance service, a hospital district, a private nonprofit hospital that leases its building from the county or city in which it is located, any public agency responsible for child support enforcement, any public agency responsible for the collection of court-ordered restitution, and any public agency established by general or special law that is responsible for the administration of a low-income housing program, and the Minnesota collection enterprise as defined in section 16D.02, subdivision 8, for the purpose of collecting the costs imposed under section 16D.11. A county may act as a claimant agency on behalf of an ambulance service licensed under chapter 144E if the ambulance service's primary service area is located at least in part within the county, but more than one county may not act as a claimant agency for a licensed ambulance service with respect to the same debt.

Sec. 14. Minnesota Statutes 2006, section 270A.10, is amended to read:

270A.10 PRIORITY OF CLAIMS.

If two or more debts, in a total amount exceeding the debtor's refund, are submitted for setoff, the priority of payment shall be as follows: ~~First, any~~

(1) delinquent tax obligations of the debtor which are owed to the department shall be satisfied. Secondly, the refund shall be applied to;

315.1 (2) debts for child support based on the order in time in which the commissioner
315.2 received the debts. ~~Thirdly, the refund shall be applied to;~~
315.3 (3) payment of restitution obligations. ~~Fourthly, the refund shall be applied to;~~
315.4 (4) claims brought for a hospital or an ambulance service;
315.5 (5) the remaining debts based on the order in time in which the commissioner
315.6 received the debts.

315.7 Sec. 15. Minnesota Statutes 2006, section 270C.03, subdivision 1, is amended to read:

315.8 Subdivision 1. **Powers and duties.** The commissioner shall have and exercise
315.9 the following powers and duties:

315.10 (1) administer and enforce the assessment and collection of taxes;

315.11 (2) make determinations, corrections, and assessments with respect to taxes,
315.12 including interest, additions to taxes, and assessable penalties;

315.13 (3) use statistical or other sampling techniques consistent with generally accepted
315.14 auditing standards in examining returns or records and making assessments;

315.15 (4) investigate the tax laws of other states and countries, and formulate and submit
315.16 to the legislature such legislation as the commissioner may deem expedient to prevent
315.17 evasions of state revenue laws and to secure just and equal taxation and improvement in
315.18 the system of state revenue laws;

315.19 (5) consult and confer with the governor upon the subject of taxation, the
315.20 administration of the laws in regard thereto, and the progress of the work of the
315.21 department, and furnish the governor, from time to time, such assistance and information
315.22 as the governor may require relating to tax matters;

315.23 (6) execute and administer any agreement with the secretary of the treasury or the
315.24 Bureau of Alcohol, Tobacco, Firearms, and Explosives in the Department of Justice of the
315.25 United States or a representative of another state regarding the exchange of information
315.26 and administration of the state revenue laws;

315.27 (7) require town, city, county, and other public officers to report information as to the
315.28 collection of taxes received from licenses and other sources, and such other information
315.29 as may be needful in the work of the commissioner, in such form as the commissioner
315.30 may prescribe;

315.31 (8) authorize the use of unmarked motor vehicles to conduct seizures or criminal
315.32 investigations pursuant to the commissioner's authority; ~~and~~

315.33 (9) maintain toll-free telephone access for taxpayer assistance for calls from
315.34 locations within the state; and

316.1 (10) exercise other powers and authority and perform other duties required of or
316.2 imposed upon the commissioner by law.

316.3 **EFFECTIVE DATE.** This section is effective January 1, 2008.

316.4 Sec. 16. **[270C.21] TAXPAYER ASSISTANCE GRANTS.**

316.5 When the commissioner awards grants to nonprofit organizations to coordinate,
316.6 facilitate, encourage, and aid in the provision of taxpayer assistance services, the
316.7 commissioner must provide public notice of the grants in a timely manner so that the
316.8 grant process is completed and grants are awarded by October 1, in order for recipient
316.9 organizations to adequately plan expenditures for the filing season. At the time the
316.10 commissioner provides public notice, the commissioner must also notify nonprofit
316.11 organizations that received grants in the previous biennium.

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

316.13 Sec. 17. **RUNWAY SAFETY AND AIRPORT ZONING ADVISORY TASK**
316.14 **FORCE; APPROPRIATION.**

316.15 Subdivision 1. **Task force established.** An advisory task force on runway safety
316.16 and airport zoning is established to study and make recommendations regarding best
316.17 practices for safety implications of airport zoning at Minneapolis-St. Paul International
316.18 Airport. The task force shall study:

316.19 (1) current law and public policy related to runway safety and airport zoning;

316.20 (2) existing studies and literature regarding best practices for safety at domestic
316.21 and international airports;

316.22 (3) land use policies beyond the federal runway protection zone at airports
316.23 comparable to Minneapolis-St. Paul International Airport, including, but not limited to:

316.24 (i) laws, regulations, ordinances, and policies in force regarding runway safety
316.25 and zoning;

316.26 (ii) nature of ownership of the land beyond the federal runway protection zone;

316.27 (iii) the levels of government with zoning authority over the land; and

316.28 (iv) the impact on zoning and land use of the presence on the land of public roads
316.29 and highways, bodies of water such as rivers and lakes, and other land uses;

316.30 (4) the appropriate extent and nature of state oversight in establishing runway safety
316.31 zones and land use near airports;

316.32 (5) use of indemnification agreements; and

317.1 (6) other issues relating to land use and zoning areas around airports as determined
317.2 by the task force.

317.3 Subd. 2. **Membership.** (a) The task force includes the following voting members:

317.4 (1) three members of the senate, two appointed by the majority leader and one
317.5 appointed by the minority leader;

317.6 (2) three members of the house of representatives, two appointed by the speaker of
317.7 the house of representatives and one appointed by the minority leader;

317.8 (3) the chair and ranking minority member of the house of representatives
317.9 Transportation Finance Division;

317.10 (4) the chair and ranking minority member of the senate Transportation Budget
317.11 and Policy Division;

317.12 (5) the chair and ranking minority member of the senate State and Local Government
317.13 Operations and Oversight Committee; and

317.14 (6) the chair and ranking minority member of the house of representatives Local
317.15 Government and Metropolitan Affairs Committee.

317.16 (b) The task force also includes the following nonvoting members:

317.17 (1) the director of the Department of Transportation Office of Aeronautics;

317.18 (2) the chair of the Metropolitan Council or a designee;

317.19 (3) a representative of the Metropolitan Airports Commission;

317.20 (4) a representative of the Airline Pilots Association;

317.21 (5) a representative of the Air Transport Association;

317.22 (6) a representative of the Minnesota Business Aviation Association;

317.23 (7) a representative of the Federal Aviation Administration;

317.24 (8) a representative of the Minnesota Council of Airports; and

317.25 (9) one representative selected by each of the governing bodies of the following

317.26 local units of government: Hennepin County, and the cities of Bloomington, Eagan,

317.27 Mendota, Mendota Heights, Minneapolis, Richfield, and St. Paul.

317.28 (c) The chair of the senate Transportation Budget and Policy Division shall convene

317.29 the first meeting of the task force within two weeks after the legislative members have

317.30 been appointed to the task force. The members shall elect a chair from their membership

317.31 at the first meeting. Task force members must be appointed no later than August 1, 2007.

317.32 Subd. 3. **Report.** By February 15, 2008, the task force shall report its

317.33 recommendations to the chairs of the legislative committees with jurisdiction over state

317.34 aviation policy and the Metropolitan Airports Commission.

317.35 Subd. 4. **Expenses.** Per diem and expenses for public members of the task force are

317.36 as provided for under Minnesota Statutes, section 15.059.

318.1 Subd. 5. **Expiration.** This section expires one month after the submission of the
318.2 report as required under subdivision 3.

318.3 Subd. 6. **Appropriation.** \$100,000 in fiscal year 2008 is appropriated from the
318.4 general fund to the Legislative Coordinating Commission for the administrative expenses
318.5 of the Runway Safety and Airport Zoning Advisory Task Force, and for other costs
318.6 relating to the preparation of the report required by the task force, including the costs of
318.7 hiring a consultant, if needed. Any amount of this appropriation remaining after fiscal
318.8 year 2008 must revert to the general fund.

318.9 **EFFECTIVE DATE.** This section is effective July 1, 2007.

318.10 Sec. 18. **DATA UPDATE.**

318.11 The commissioner of revenue must continue to maintain, update, and make available
318.12 the information required under Laws 1987, chapter 268, article 7, section 1, subdivision
318.13 6, paragraph (b). The commissioner must provide the most complete and current data
318.14 available, when requested, to the chairs of the senate and house of representatives
318.15 committees on taxes.

318.16 Sec. 19. **FINANCIAL MANAGEMENT.**

318.17 Notwithstanding the provisions of Minnesota Statutes, section 16A.1522,
318.18 subdivision 4, the commissioner of finance shall designate any positive general fund
318.19 budgetary balance on June 30, 2007, as an unrestricted balance. Money so designated shall
318.20 remain available for general fund appropriations authorized in fiscal years 2008 and 2009.

318.21 Sec. 20. **APPROPRIATIONS.**

318.22 (a) \$510,000 is appropriated for fiscal year 2008 from the general fund to the
318.23 commissioner of revenue to administer this act.

318.24 (b) Of this amount:

318.25 (i) \$150,000 in fiscal year 2008 is for the fiscal disparities study required under
318.26 article 2;

318.27 (ii) \$73,000 in fiscal year 2008 is for administering 1099 reporting requirements
318.28 under article 4;

318.29 (iii) \$87,000 in fiscal year 2008 is for the sales tax report required under article 5; and

318.30 (iv) \$200,000 in fiscal year 2008 for preparing the data under section 18, provided
318.31 that this appropriation must only be spent for those costs and the legislature intends that
318.32 this appropriation not be used to supplant other funding for the functions of the research
318.33 division of the Department of Revenue or to allow diversion of funds to other purposes

319.1 under the provisions of Minnesota Statutes, section 16A.285, or any other provision of
319.2 law. Any unused portion of this appropriation carries over to fiscal year 2009.

319.3 (c) \$100,000 is appropriated from the general fund for fiscal year 2008 to the
319.4 commissioner of employment and economic development for a grant to the city of
319.5 Austin to assist in the payment of costs related to the construction of the bioscience
319.6 research facilities for a research institute to conduct cancer research under a collaboration
319.7 agreement with the Mayo Clinic.

319.8 (d) All of these appropriations are onetime and are not added to the agency's base
319.9 budget.

319.10 Sec. 21. **APPROPRIATION; ST. PAUL RIVER CENTRE DEBT SERVICE**
319.11 **COSTS.**

319.12 \$2,000,000 is appropriated from the general fund to the commissioner of employment
319.13 and economic development in fiscal year 2010 for a grant to the city of St. Paul to be used
319.14 to pay, redeem, or refund debt service costs incurred for the River Centre Campus.

319.15 Sec. 22. **REPEALER.**

319.16 Minnesota Statutes 2006, section 16A.1522, is repealed.

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16A.1522 REBATE REQUIREMENTS.

Subdivision 1. **Forecast.** If, on the basis of a forecast of general fund revenues and expenditures in November of an even-numbered year or February of an odd-numbered year, the commissioner projects a positive unrestricted budgetary general fund balance at the close of the biennium that exceeds one-half of one percent of total general fund biennial revenues, the commissioner shall designate the entire balance as available for rebate to the taxpayers of this state.

Subd. 2. **Plan.** If the commissioner designates an amount for rebate in either forecast, the governor shall present a plan to the legislature for rebating that amount. The plan must provide for payments to begin no later than August 15 of the odd-numbered year. By April 15 of each odd-numbered year, the legislature shall enact, modify, or reject the plan presented by the governor.

Subd. 3. **Certification.** By July 15 of each odd-numbered year, based on a preliminary analysis of the general fund balance at the end of the fiscal year June 30, the commissioner of finance shall certify to the commissioner of revenue the amount available for rebate.

Subd. 4. **Transfer to tax relief account.** Any positive unrestricted budgetary general fund balance on June 30 of an odd-numbered year is appropriated to the commissioner for transfer to the tax relief account.

Subd. 5. **Appropriation.** A sum sufficient to pay any rebate due under the plan enacted under subdivision 2 is appropriated from the general fund to the commissioner of revenue.

126C.21 DEDUCTIONS FROM GENERAL EDUCATION AID.

Subd. 4. **Taconite deductions.** For districts that have revenue under sections 298.018; 298.225; 298.24 to 298.28, excluding 298.26 and 298.28, subdivision 4, paragraph (d); 298.34 to 298.39; 298.391 to 298.396; 298.405; and 477A.15, or any law imposing a tax upon severed mineral values; the general education aid must be reduced in the final adjustment payment by (1) the amount of the revenue recognized pursuant to those sections for the fiscal year to which the final adjustment is attributable, less (2) the amount that was calculated, pursuant to section 126C.48, subdivision 8, as a reduction of the levy attributable to the fiscal year to which the final adjustment is attributable. If the final adjustment of a district's general education aid for a fiscal year is a negative amount because of this subdivision, the next fiscal year's general education aid to that district must be reduced by this negative amount in the following manner: there must be withheld from each scheduled general education aid payment due the district in such fiscal year, 15 percent of the total negative amount, until the total negative amount has been withheld. The amount reduced from general education aid pursuant to this subdivision must reduce revenue in the fiscal year to which the final adjustment payment is attributable.

270.073 EXAMINATIONS AND INVESTIGATIONS.

Subdivision 1. **Powers of commissioner.** For the purpose of determining the correctness of any statement, the commissioner shall have the power to examine or cause to be examined any books, papers, records, or memoranda relevant to the determination of the net tax capacity of flight property as herein provided, including the airline company's retained copy of any return or statement made to the United States of America or any state for any year, whether such books, papers, records, or memoranda are the property of or in the possession of the airline company or any other person. The commissioner shall have the right to inspect the originals of such reports with or without obtaining copies from the company. The commissioner shall have further power to require the attendance of any airline company or other person having knowledge or information in the premises, to compel the production of books, papers, records, or memoranda by persons so required to attend, to take testimony on matters material to such determination and to administer oaths or affirmations.

Subd. 2. **Appointments of others; powers of subpoena.** For the purpose of making such examinations, the commissioner may appoint such persons as the commissioner may deem necessary. Such persons shall have the rights and powers with reference to the examining of books, papers, records, or memoranda, and with reference to the subpoenaing of witnesses, administering of oaths and affirmations, and taking of testimony, which are conferred upon the commissioner hereby. The court administrator of any court of record, upon demand of any such person, shall issue a subpoena for the attendance of any witness or the production of any books, papers, records, or memoranda before such person. The commissioner may also issue subpoenas for the appearance of witnesses before the commissioner or before such persons. Disobedience of

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subpoenas so issued shall be punished by the district court of the district in which the subpoena is issued as for a contempt of the district court.

Subd. 3. **Assessment on available information.** If any airline company shall refuse or neglect to make the statement required by this section to the commissioner, or shall refuse or neglect to permit an inspection and examination of its property, its records, books, accounts or other papers when requested by the commissioner, or shall refuse or neglect to appear before the commissioner or a person appointed under subdivision 2 when required so to do, the commissioner shall assess the tax provided for by sections 270.071 to 270.079 against the airline company according to the commissioner's best judgment on available information, and such airline company shall be estopped to question or impeach the action or determination of the commissioner, except upon proof of fraud on the part of the commissioner; and the commissioner may add to the assessment a penalty not exceeding ten percent of the assessment.

270.41 BOARD OF ASSESSORS.

Subd. 4. **Rules.** The Board of Assessors may adopt rules under chapter 14, defining or interpreting grounds for refusing to grant or renew, and for suspending or revoking a license under this section. An action of the Board of Assessors in refusing to grant or renew a license or in suspending or revoking a license is subject to review in accordance with chapter 14.

270.43 COMPENSATION AND EXPENSES.

Members of the board shall receive no compensation but shall be entitled to actual expenses for the performance of their duties.

270.51 PREVIOUSLY ACCREDITED ASSESSORS.

All assessors previously accredited by the commissioner of revenue shall be considered as qualified under sections 270.41 to 270.53 and shall be so licensed.

270.52 COSTS OF MAKING ASSESSMENTS.

The cost of making any assessment provided in sections 270.41 to 270.53 shall be charged to the assessment district involved. The county auditor shall certify the costs incurred to the appropriate governing body not later than August 1 of each year, and if unpaid as of September 1, the county auditor shall levy a tax upon the taxable property of such taxing district sufficient to pay such costs. The amount so collected shall be credited to the general revenue fund of the county.

270.53 EXISTING CONTRACTS FOR ASSESSMENT OF PROPERTY.

Sections 270.41 to 270.53 shall not supersede existing contracts executed pursuant to section 273.072 or 471.59 except to the extent that such contracts may conflict with section 270.50 nor preclude contracts between a taxing district and the county for the assessment of property by the county assessor.

290A.04 REFUND ALLOWABLE.

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

Household Income	Percent of Income	Percent Paid by Claimant	Maximum State Refund
\$0 to 1,189	1.0 percent	15 percent	\$1,450
1,190 to 2,379	1.1 percent	15 percent	\$1,450
2,380 to 3,589	1.2 percent	15 percent	\$1,410
3,590 to 4,789	1.3 percent	20 percent	\$1,410
4,790 to 5,979	1.4 percent	20 percent	\$1,360

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5,980 to 8,369	1.5 percent	20 percent	\$1,360
8,370 to 9,559	1.6 percent	25 percent	\$1,310
9,560 to 10,759	1.7 percent	25 percent	\$1,310
10,760 to 11,949	1.8 percent	25 percent	\$1,260
11,950 to 13,139	1.9 percent	30 percent	\$1,260
13,140 to 14,349	2.0 percent	30 percent	\$1,210
14,350 to 16,739	2.1 percent	30 percent	\$1,210
16,740 to 17,929	2.2 percent	35 percent	\$1,160
17,930 to 19,119	2.3 percent	35 percent	\$1,160
19,120 to 20,319	2.4 percent	35 percent	\$1,110
20,320 to 25,099	2.5 percent	40 percent	\$1,110
25,100 to 28,679	2.6 percent	40 percent	\$1,070
28,680 to 35,849	2.7 percent	40 percent	\$1,070
35,850 to 41,819	2.8 percent	45 percent	\$ 970
41,820 to 47,799	3.0 percent	45 percent	\$ 970
47,800 to 53,779	3.2 percent	45 percent	\$ 870
53,780 to 59,749	3.5 percent	50 percent	\$ 780
59,750 to 65,729	4.0 percent	50 percent	\$ 680
65,730 to 69,319	4.0 percent	50 percent	\$ 580
69,320 to 71,719	4.0 percent	50 percent	\$ 480
71,720 to 74,619	4.0 percent	50 percent	\$ 390
74,620 to 77,519	4.0 percent	50 percent	\$ 290

The payment made to a claimant shall be the amount of the state refund calculated under this subdivision. No payment is allowed if the claimant's household income is \$77,520 or more.

295.60 SPECIAL FUR CLOTHING TAX.

Subdivision 1. **Imposition.** If clothing made of fur is not subject to the sales tax under chapter 297A, a tax is imposed on each furrier equal to 6.5 percent of gross revenues from retail sales in Minnesota of clothing made from fur.

Subd. 1a. **Use tax; credit for taxes paid.** (a) A person that receives fur clothing for use or storage in Minnesota, other than from a furrier that paid the tax under subdivision 1, is subject to tax at the rate imposed under subdivision 1. Liability for the tax is incurred when the person has possession of the fur clothing in Minnesota. The tax must be remitted to the commissioner in the manner prescribed by subdivision 3.

(b) A person that has paid taxes to another jurisdiction on the same transaction and is subject to tax under this section is entitled to a credit for the tax legally due and paid to another jurisdiction to the extent of the lesser of (1) the tax actually paid to the other jurisdiction, or (2) the amount of tax imposed by Minnesota on the transaction subject to tax in the other jurisdiction.

Subd. 1b. **Tax collection required.** A furrier with nexus in Minnesota, who is not subject to tax under subdivision 1, is required to collect the tax imposed under subdivision 1a from the purchaser of the clothing made from fur and give the purchaser a receipt for the tax paid. The tax collected must be remitted to the commissioner in the manner prescribed by subdivision 3.

Subd. 1c. **Taxes paid to another jurisdiction; credit.** A furrier that has paid taxes to another jurisdiction measured by gross revenue and is subject to tax under this section on the same gross revenues is entitled to a credit for the tax legally due and paid to another jurisdiction to the extent of the lesser of (1) the tax actually paid to the other jurisdiction, or (2) the amount of tax imposed by Minnesota on the gross revenues subject to tax in the other taxing jurisdictions.

Subd. 2. **Definitions.** (a) For purposes of this section, the following terms have the meanings given.

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

(c) "Furrier" means a retailer that sells clothing made of fur.

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(d) "Clothing made of fur" means articles of clothing made of fur on the hide or pelt, and articles of clothing of which such fur is the component material of chief value, but only if such value is more than three times the value of the next most valuable material.

(e) "Retail sale" has the meaning given in section 297A.61, subdivision 4.

(f) "Delivered outside of Minnesota" means fur clothing which the furrier delivers to a common carrier for delivery outside Minnesota, places in the United States mail or parcel post directed to the purchaser outside Minnesota, or delivers to the purchaser outside Minnesota by means of the seller's own delivery vehicles, and which is not returned to a point within Minnesota, except in the course of interstate commerce.

Subd. 2a. **Exemptions.** Payments received by a furrier for clothing made of fur delivered outside of Minnesota are exempt from gross revenues subject to the fur clothing tax.

Subd. 3. **Payment.** (a) Each furrier shall make estimated payments of the taxes for the calendar year in quarterly installments to the commissioner by April 15, July 15, October 15, and January 15 of the following calendar year.

(b) Estimated tax payments are not required if:

(1) the tax for the current calendar year is less than \$500; or

(2) the tax for the previous calendar year is less than \$500, if the taxpayer had a tax liability and was doing business the entire year.

(c) Underpayment of estimated installments bear interest at the rate specified in section 270C.40, from the due date of the payment until paid or until the due date of the annual return, whichever comes first. An underpayment of an estimated installment is the difference between the amount paid and the lesser of (1) the tax for the actual gross revenues received during the quarter, or (2) one-quarter of the total tax for the previous calendar year if the taxpayer had a tax liability and was doing business the entire year.

Subd. 4. **Electronic funds transfer payments.** A taxpayer with an aggregate tax liability of \$120,000 or more during a fiscal year ending June 30 must remit all liabilities by electronic means.

Subd. 5. **Annual return.** The taxpayer must file an annual return reconciling the estimated payments by March 15 of the following calendar year.

Subd. 6. **Form of returns.** The estimated payments and annual return must contain the information and be in the form prescribed by the commissioner.

Subd. 7. **Application of other chapters.** Unless specifically provided otherwise by this section, the interest, criminal penalties, and refunds provisions in chapter 289A, the civil penalty provisions applicable to withholding and sales taxes under section 289A.60, and the audit, assessment, appeal, collection, enforcement, and administrative provisions of chapters 270C and 289A, apply to taxes imposed under this section.

Subd. 8. **Interest on overpayments.** Interest must be paid on an overpayment refunded or credited to the taxpayer from the date of payment of the tax until the date the refund is paid or credited. For purposes of this subdivision, the date of payment is the due date of the return or the date of actual payment of the tax, whichever is later.

Subd. 9. **Deposit of revenues.** The commissioner shall deposit all revenues, including penalties and interest, derived from the tax imposed by this section in the general fund.

297A.61 DEFINITIONS.

Subd. 20. **Prepaid telephone calling card.** "Prepaid telephone calling card" means any card or other similar arrangement, including a prepaid authorization number, that permits its holder to obtain telephone services and pay for such services in advance.

297A.668 SOURCING OF SALE; SITUS IN THIS STATE.

Subd. 6. **Multiple points of use.** (a) Notwithstanding the provisions of subdivisions 2 to 5, a business purchaser that is not a holder of a direct pay permit that knows at the time of its purchase of a digital good, computer software delivered electronically, or a service that the digital good, computer software delivered electronically, or service will be concurrently available for use in more than one jurisdiction shall deliver to the seller in conjunction with its purchase a multiple points of use exemption certificate disclosing this fact.

(b) Upon receipt of the multiple points of use exemption certificate, the seller is relieved of the obligation to collect, pay, or remit the applicable tax and the purchaser is obligated to collect, pay, or remit the applicable tax on a direct pay basis.

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(c) A purchaser delivering the multiple points of use exemption certificate may use any reasonable, but consistent and uniform, method of apportionment that is supported by the purchaser's business records as they exist at the time of the consummation of the sale.

(d) The multiple points of use exemption certificate remains in effect for all future sales by the seller to the purchaser until it is revoked in writing, except as to the subsequent sale's specific apportionment that is governed by the principle of paragraph (c) and the facts existing at the time of the sale.

(e) A holder of a direct pay permit is not required to deliver a multiple points or use exemption certificate to the seller. A direct pay permit holder shall follow the provisions of paragraph (c) in apportioning the tax due on a digital good, computer software delivered electronically, or a service that will be concurrently available for use in more than one jurisdiction.

297A.67 GENERAL EXEMPTIONS.

Subd. 22. **Property brought into Minnesota by nonresident.** All articles of tangible personal property brought into Minnesota by a person who was a nonresident of this state immediately prior to bringing such property into this state for the person's use, storage, or consumption are exempt from the use tax imposed by section 297A.63.

469.174 DEFINITIONS.

Subd. 29. **Qualified housing district.** "Qualified housing district" means:

(1) a housing district for a residential rental project or projects in which the only properties receiving assistance from revenues derived from tax increments from the district meet the rent restriction requirements and the low-income occupancy test for a qualified low-income housing project under section 42(g) of the Internal Revenue Code of 1986, as amended through December 31, 2002, regardless of whether the project actually receives a low-income housing credit; or

(2) a housing district for a single-family homeownership project or projects, if 95 percent or more of the homes receiving assistance from tax increments from the district are purchased by qualified purchasers. A qualified purchaser means the first purchaser of a home after the tax increment assistance is provided whose income is at or below 85 percent of the median gross income for a family of the same size as the purchaser. Median gross income is the greater of (i) area median gross income, or (ii) the statewide median gross income, as determined by the secretary of Housing and Urban Development.

473F.08 NET TAX CAPACITY.

Subd. 3a. **Bloomington computation.** Beginning in 1987 and each subsequent year through 1998, the city of Bloomington shall determine the interest payments for that year for the bonds which have been sold for the highway improvements pursuant to Laws 1986, chapter 391, section 2, paragraph (g). Effective for property taxes payable in 1988 through property taxes payable in 1999, after the Hennepin County auditor has computed the areawide portion of the levy for the city of Bloomington pursuant to subdivision 3, clause (a), the auditor shall annually add a dollar amount to the city of Bloomington's areawide portion of the levy equal to the amount which has been certified to the auditor by the city of Bloomington for the interest payments for that year for the bonds which were sold for highway improvements. The total areawide portion of the levy for the city of Bloomington including the additional amount for interest repayment certified pursuant to this subdivision shall be certified by the Hennepin County auditor to the administrative auditor pursuant to subdivision 5. The Hennepin County auditor shall distribute to the city of Bloomington the additional areawide portion of the levy computed pursuant to this subdivision at the same time that payments are made to the other counties pursuant to subdivision 7a. For property taxes payable from the year 2009 through 2018, the Hennepin County auditor shall adjust Bloomington's contribution to the areawide gross tax capacity upward each year by a value equal to ten percent of the total additional areawide levy distributed to Bloomington under this subdivision from 1988 to 1999, divided by the areawide tax rate for taxes payable in the previous year.