

A bill for an act

relating to taxation; making policy, technical, administrative, and clarifying changes to various taxes and tax-related provisions; changing provisions relating to revenue recapture, sustainable forest management incentive program, publication of certain tax preparers, and certain firefighters' supplemental benefits reimbursement applications; providing for training, licensing, and oversight of assessors; changing airflight property tax penalties; amending Minnesota Statutes 2006, sections 62I.06, subdivision 6; 71A.04, subdivision 1; 270.071, subdivision 7; 270.072, subdivisions 2, 3, 6; 270.074, subdivision 3; 270.076, subdivision 1; 270.41, subdivisions 1, 2, 3, 5, by adding a subdivision; 270.44; 270.45; 270.46; 270.47; 270.48; 270.50; 270A.03, subdivision 5; 270C.306; 270C.34, subdivision 1; 270C.446, subdivision 2; 272.02, subdivision 64; 272.115, subdivision 1; 273.05, by adding a subdivision; 273.111, subdivision 3; 273.117; 273.121; 273.123, subdivisions 2, 3; 273.124, subdivisions 13, 21; 273.13, subdivisions 22, 25; 273.1398, subdivision 4; 273.33, subdivision 2; 273.37, subdivision 2; 273.371, subdivision 1; 274.01, subdivision 1; 274.13, subdivision 1; 275.065, subdivisions 3, 5a; 275.067; 276.04, by adding a subdivision; 277.01, subdivision 2; 279.01, subdivision 1; 287.22; 287.2205; 289A.09, subdivision 2; 289A.12, subdivision 14; 289A.18, subdivision 1; 289A.40, subdivision 2; 289A.56, by adding a subdivision; 289A.60, subdivision 27; 290.01, subdivision 19d; 290.06, subdivision 33; 290.067, subdivision 2b; 290.0671, subdivision 7; 290.0677, subdivision 1; 290.091, subdivision 3; 290.191, subdivision 8; 290A.03, subdivision 7; 290C.02, subdivision 3; 290C.04; 290C.05; 290C.11; 291.215, subdivision 1; 295.52, subdivisions 4, 4a; 295.54, subdivision 2; 297A.61, subdivisions 3, 7, 10, 24, by adding subdivisions; 297A.665; 297A.669, subdivisions 3, 13, 14, by adding subdivisions; 297A.67, subdivision 9; 297A.68, subdivisions 11, 16, 35; 297A.70, subdivision 7, by adding a subdivision; 297A.72; 297A.90, subdivision 2; 297B.035, subdivision 1; 297F.25, by adding a subdivision; 297I.06, subdivisions 1, 2; 297I.20, subdivision 2; 297I.40, subdivision 5; 424A.10, subdivision 3; 469.1734, subdivision 6; proposing coding for new law in Minnesota Statutes, chapters 270; 270C; 273; 274; 290C; repealing Minnesota Statutes 2006, sections 270.073; 270.41, subdivision 4; 270.43; 270.51; 270.52; 270.53; 279.01, subdivision 2; 297A.61, subdivision 20; 297A.668, subdivision 6; 297A.67, subdivision 22.

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

ARTICLE 1

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.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;

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(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 25, and for calendar year 2009 and thereafter, 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. 3. 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.

(1) "Exempt-interest dividends" mean exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue Code, but does not include the portion of exempt-interest dividends that are not required to be added to federal taxable income under section 290.01, subdivision 19a, clause (1)(ii).

(2) "Regulated investment company" means regulated investment company as defined in section 851(a) of the Internal Revenue Code or a fund of the regulated investment company as defined in section 851(g) of the Internal Revenue Code.

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

Sec. 4. Minnesota Statutes 2006, section 289A.18, subdivision 1, is amended to read:

Subdivision 1. **Individual income, fiduciary income, corporate franchise, and entertainment taxes; partnership and S corporation returns; information returns; mining company returns.** The returns required to be made under sections 289A.08 and 289A.12 must be filed at the following times:

(1) returns made on the basis of the calendar year must be filed on April 15 following the close of the calendar year, except that returns of corporations must be filed on March 15 following the close of the calendar year;

(2) returns made on the basis of the fiscal year must be filed on the 15th day of the fourth month following the close of the fiscal year, except that returns of corporations must be filed on the 15th day of the third month following the close of the fiscal year;

(3) returns for a fractional part of a year must be filed on the 15th day of the fourth month following the end of the month in which falls the last day of the period for which the return is made, except that the returns of corporations must be filed on the 15th day of the third month following the end of the tax year of the unitary group in which falls the last day of the period for which the return is made;

(4) in the case of a final return of a decedent for a fractional part of a year, the return must be filed on the 15th day of the fourth month following the close of the 12-month period that began with the first day of that fractional part of a year;

(5) in the case of the return of a cooperative association, returns must be filed on or before the 15th day of the ninth month following the close of the taxable year;

(6) if a corporation has been divested from a unitary group and files a return for a fractional part of a year in which it was a member of a unitary business that files a combined report under section 290.34, subdivision 2, the divested corporation's return must be filed on the 15th day of the third month following the close of the common accounting period that includes the fractional year;

(7) returns of entertainment entities must be filed on April 15 following the close of the calendar year;

(8) returns required to be filed under section 289A.08, subdivision 4, must be filed on the 15th day of the fifth month following the close of the taxable year;

(9) returns of mining companies must be filed on May 1 following the close of the calendar year; and

(10) returns required to be filed with the commissioner under section 289A.12, subdivision 2; or 4 to 10, ~~or 14~~, must be filed within 30 days after being demanded by the commissioner.

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

Sec. 5. Minnesota Statutes 2006, section 289A.60, subdivision 27, is amended to read:

Subd. 27. **Reportable transaction understatement.** (a) If a taxpayer has a reportable transaction understatement for any taxable year, an amount equal to 20 percent of the amount of the reportable transaction understatement must be added to the tax.

(b)(1) For purposes of this subdivision, "reportable transaction understatement" means the product of:

(i) the amount of the increase, if any, in taxable income that results from a difference between the proper tax treatment of an item to which this section applies and the taxpayer's treatment of that item as shown on the taxpayer's tax return; and

(ii) the highest rate of tax imposed on the taxpayer under section 290.06 determined without regard to the understatement.

(2) For purposes of clause (1)(i), any reduction of the excess of deductions allowed for the taxable year over gross income for that year, and any reduction in the amount of capital losses which would, without regard to section 1211 of the Internal Revenue Code, be allowed for that year, must be treated as an increase in taxable income.

(c) This subdivision applies to any item that is attributable to:

(1) any listed transaction under section 289A.121; and

(2) any reportable transaction, other than a listed transaction, if a significant purpose of that transaction is the avoidance or evasion of federal income tax liability.

(d) Paragraph (a) applies by substituting "30 percent" for "20 percent" with respect to the portion of any reportable transaction understatement with respect to which the disclosure requirements of section 289A.121, subdivision 5, and section 6664(d)(2)(A) of the Internal Revenue Code are not met.

(e)(1) No penalty applies under this subdivision with respect to any portion of a reportable transaction understatement if the taxpayer shows that there was reasonable cause for the portion and that the taxpayer acted in good faith with respect to the portion. This paragraph applies only if:

(i) the relevant facts affecting the tax treatment of the item are adequately disclosed as required under section 289A.121;

(ii) there is or was substantial authority for the treatment; and

(iii) the taxpayer reasonably believed that the treatment was more likely than not the proper treatment.

(2) A taxpayer who did not adequately disclose under section 289A.121 meets the requirements of clause (1)(i), if the commissioner abates the penalty imposed by subdivision 26, paragraph (d), under section 270C.34 subdivision 26, paragraph (g).

(3) For purposes of clause (1)(iii), a taxpayer is treated as having a reasonable belief with respect to the tax treatment of an item only if the belief:

(i) is based on the facts and law that exist when the return of tax which includes the tax treatment is filed; and

(ii) relates solely to the taxpayer's chances of success on the merits of the treatment and does not take into account the possibility that a return will not be audited, the treatment will not be raised on audit, or the treatment will be resolved through settlement if it is raised.

(4) An opinion of a tax advisor may not be relied upon to establish the reasonable belief of a taxpayer if:

(i) the tax advisor:

(A) is a material advisor, as defined in section 289A.121, and participates in the organization, management, promotion, or sale of the transaction or is related (within the meaning of section 267(b) or 707(b)(1) of the Internal Revenue Code) to any person who so participates;

(B) is compensated directly or indirectly by a material advisor with respect to the transaction;

(C) has a fee arrangement with respect to the transaction which is contingent on all or part of the intended tax benefits from the transaction being sustained; or

(D) has a disqualifying financial interest with respect to the transaction, as determined under United States Treasury regulations prescribed to implement the provisions of section 6664(d)(3)(B)(ii)(IV) of the Internal Revenue Code; or

(ii) the opinion:

(A) is based on unreasonable factual or legal assumptions, including assumptions as to future events;

(B) unreasonably relies on representations, statements, findings, or agreements of the taxpayer or any other person;

(C) does not identify and consider all relevant facts; or

(D) fails to meet any other requirement as the Secretary of the Treasury may prescribe under federal law.

(f) The penalty imposed by this subdivision applies in lieu of the penalty imposed under subdivision 4.

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

Sec. 6. Minnesota Statutes 2006, section 290.01, subdivision 19d, is amended to read:

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

(1) the amount of foreign dividend gross-up added to gross income for federal 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~~ work opportunity 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)~~ (9), 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 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;

(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)~~ (15) 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)~~ (16) 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

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11.1 the foreign operating corporation, an amount equal to 1.23 multiplied by the amount of
11.2 income excluded under section 114 of the Internal Revenue Code, provided the income is
11.3 not income of a foreign operating company;

11.4 ~~(18)~~ (17) any decrease in subpart F income, as defined in section 952(a) of the
11.5 Internal Revenue Code, for the taxable year when subpart F income is calculated without
11.6 regard to the provisions of section ~~614~~ 103 of Public Law ~~107-147~~ 109-222;

11.7 ~~(19)~~ (18) in each of the five tax years immediately following the tax year in which
11.8 an addition is required under subdivision 19c, clause (15), an amount equal to one-fifth
11.9 of the delayed depreciation. For purposes of this clause, "delayed depreciation" means
11.10 the amount of the addition made by the taxpayer under subdivision 19c, clause (15). The
11.11 resulting delayed depreciation cannot be less than zero; and

11.12 ~~(20)~~ (19) in each of the five tax years immediately following the tax year in which an
11.13 addition is required under subdivision 19c, clause (16), an amount equal to one-fifth of the
11.14 amount of the addition.

11.15 **EFFECTIVE DATE.** The amendment to clause (2) is effective the day following
11.16 final enactment. The rest of this section is effective for taxable years beginning after
11.17 December 31, 2006.

11.18 Sec. 7. Minnesota Statutes 2006, section 290.06, subdivision 33, is amended to read:

11.19 Subd. 33. **Bovine testing credit.** (a) An owner of cattle in Minnesota may take a
11.20 credit against the tax due under this chapter for an amount equal to one-half the expenses
11.21 incurred during the taxable year to conduct tuberculosis testing on those cattle.

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

11.25 (c) The amount necessary to pay claims for the refund provided in this subdivision is
11.26 appropriated from the general fund to the commissioner of revenue.

11.27 (d) Expenses incurred in a calendar year in which tuberculosis testing of cattle in
11.28 Minnesota is not federally required are not allowed in claiming the credit under paragraph
11.29 (a).

11.30 **EFFECTIVE DATE.** This section is effective for tax years beginning after
11.31 December 31, 2007.

11.32 Sec. 8. Minnesota Statutes 2006, section 290.067, subdivision 2b, is amended to read:

Subd. 2b. **Inflation adjustment.** The commissioner shall adjust the dollar amount of the income threshold at which the maximum credit begins to be reduced under subdivision 2 must be adjusted for inflation. The commissioner shall make the inflation adjustments in accordance with section 1(f) of the Internal Revenue Code except that for the purposes of this subdivision the percentage increase must be determined from the year starting September 1, 1999, and ending August 31, 2000, as the base year for adjusting for inflation for the tax year beginning after December 31, 2000. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act. 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 must not be considered a "rule" and is not subject to the Administrative Procedure Act contained in chapter 14. The threshold 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.

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

Sec. 9. Minnesota Statutes 2006, section 290.0671, subdivision 7, is amended to read:

Subd. 7. **Inflation adjustment.** The earned income amounts used to calculate the credit and the income thresholds at which the maximum credit begins to be reduced in subdivision 1 must be adjusted for inflation. The commissioner shall ~~make the inflation adjustments in accordance with section 1(f) of the Internal Revenue Code 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 the tax year beginning after December 31, 2000.~~ adjust 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 earned income thresholds as adjusted for inflation must be rounded to the nearest \$10 amount. If the amount ends

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13.1 in \$5, the amount is rounded up to the nearest \$10 amount. The determination of the
13.2 commissioner under this subdivision is not a rule under the Administrative Procedure Act.

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

13.5 Sec. 10. Minnesota Statutes 2006, section 290.0677, subdivision 1, is amended to read:

13.6 Subdivision 1. **Credit allowed.** (a) An individual is allowed a credit against the tax
13.7 due under this chapter equal to \$59 for each month or portion thereof that the individual
13.8 was in active military service in a designated area after September 11, 2001, while a
13.9 Minnesota domiciliary.

13.10 (b) For active service performed after September 11, 2001, and before December 31,
13.11 2006, the individual may claim the credit in the taxable year beginning after December 31,
13.12 2005, and before January 1, 2007.

13.13 (c) For active service performed after December 31, 2006, the individual may claim
13.14 the credit for the taxable year in which the active service was performed.

13.15 ~~(d) If a Minnesota domiciliary is killed while performing active military service in a~~
13.16 ~~designated area, the individual's surviving spouse or dependent child may take the credit~~
13.17 ~~in the taxable year of the death. If a Minnesota domiciliary was killed while performing~~
13.18 ~~active military service in a designated area between September 11, 2001, and December~~
13.19 ~~31, 2006, the individual's surviving spouse or dependent child may claim this credit in~~
13.20 ~~the taxable year beginning after December 31, 2005, and before January 1, 2007. an~~
13.21 individual entitled to the credit died prior to January 1, 2006, the individual's estate or
13.22 heirs at law, if the individual's probate estate has closed or the estate was not probated,
13.23 may claim the credit.

13.24 **EFFECTIVE DATE.** This section is effective retroactively for tax years beginning
13.25 after December 31, 2005.

13.26 Sec. 11. Minnesota Statutes 2006, section 290.091, subdivision 3, is amended to read:

13.27 Subd. 3. **Exemption amount.** (a) For purposes of computing the alternative
13.28 minimum tax, the exemption amount is:

13.29 ~~(1) for taxable years beginning before January 1, 2006, the exemption determined~~
13.30 ~~under section 55(d) of the Internal Revenue Code, as amended through December 31,~~
13.31 ~~1992; and~~

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(2) for taxable years beginning after December 31, 2005, \$60,000 for married couples filing joint returns, \$30,000 for married individuals filing separate returns, estates, and trusts, and \$45,000 for unmarried individuals.

(b) The exemption amount determined under this subdivision is subject to the phase out under section 55(d)(3) of the Internal Revenue Code, except that alternative minimum taxable income as determined under this section must be substituted in the computation of the phase out.

(c) For taxable years beginning after December 31, 2006, the exemption amount under paragraph (a), clause (2), must be adjusted for inflation. ~~The commissioner shall make the inflation adjustments in accordance with section 1(f) of the Internal Revenue Code except that for the purposes of this subdivision the percentage increase must be determined from the year starting September 1, 2005, and ending August 31, 2006, as the base year for adjusting for inflation for the tax year beginning after December 31, 2006.~~ The commissioner shall adjust the exemption amount 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 "2005" shall be substituted for the word "1992." For 2007, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2005, to the 12 months ending on August 31, 2006, and in each subsequent year, from the 12 months ending on August 31, 2005, to the 12 months ending on August 31 of the year preceding the taxable year. The exemption amount as adjusted must be rounded to the nearest \$10. If the amount ends in \$5, it must be rounded up to the nearest \$10 amount. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act.

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

Sec. 12. Minnesota Statutes 2006, section 290.191, subdivision 8, is amended to read:

Subd. 8. **Deposit; definition.** (a) "Deposit," as used in subdivision ~~7~~ 6, paragraph (n), has the meanings in this subdivision.

(b) "Deposit" means the unpaid balance of money or its equivalent received or held by a financial institution in the usual course of business and for which it has given or is obligated to give credit, either conditionally or unconditionally, to a commercial, checking, savings, time, or thrift account whether or not advance notice is required to withdraw the credited funds, or which is evidenced by its certificate of deposit, thrift certificate, investment certificate, or certificate of indebtedness, or other similar name, or a check or draft drawn against a deposit account and certified by the financial institution,

or a letter of credit or a traveler's check on which the financial institution is primarily liable. However, without limiting the generality of the term "money or its equivalent," any such account or instrument must be regarded as evidencing the receipt of the equivalent of money when credited or issued in exchange for checks or drafts or for a promissory note upon which the person obtaining the credit or instrument is primarily or secondarily liable, or for a charge against a deposit account, or in settlement of checks, drafts, or other instruments forwarded to the bank for collection.

(c) "Deposit" means trust funds received or held by the financial institution, whether held in the trust department or held or deposited in any other department of the financial institution.

(d) "Deposit" means money received or held by a financial institution, or the credit given for money or its equivalent received or held by a financial institution, in the usual course of business for a special or specific purpose, regardless of the legal relationship so established. Under this paragraph, "deposit" includes, but is not limited to, escrow funds, funds held as security for an obligation due to the financial institution or others, including funds held as dealers reserves, or for securities loaned by the financial institution, funds deposited by a debtor to meet maturing obligations, funds deposited as advance payment on subscriptions to United States government securities, funds held for distribution or purchase of securities, funds held to meet its acceptances or letters of credit, and withheld taxes. It does not include funds received by the financial institution for immediate application to the reduction of an indebtedness to the receiving financial institution, or under condition that the receipt of the funds immediately reduces or extinguishes the indebtedness.

(e) "Deposit" means outstanding drafts, including advice or another such institution, cashier's checks, money orders, or other officer's checks issued in the usual course of business for any purpose, but not including those issued in payment for services, dividends, or purchases or other costs or expenses of the financial institution itself.

(f) "Deposit" means money or its equivalent held as a credit balance by a financial institution on behalf of its customer if the entity is engaged in soliciting and holding such balances in the regular course of its business.

(g) Interinstitution fund transfers are not deposits.

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

Sec. 13. Minnesota Statutes 2006, section 290A.03, subdivision 7, is amended to read:

Subd. 7. **Dependent.** "Dependent" means any person who is considered a dependent under sections 151 and 152 of the Internal Revenue Code. ~~In the case of a son,~~

~~stepson, daughter, or stepdaughter of the claimant, amounts received as a Minnesota family investment program grant, allowance to or on behalf of the child, surplus food, or other relief in kind supplied by a governmental agency must not be taken into account in determining whether the child received more than half of the child's support from the claimant.~~

EFFECTIVE DATE. This section is effective for property tax refunds based on rents paid after December 31, 2006, and property taxes payable after December 31, 2007.

Sec. 14. 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.~~ Except as otherwise provided in section 291.075, the value of all property includable in the Minnesota gross estate of a decedent may be independently determined under said sections for Minnesota estate tax purposes.

EFFECTIVE DATE. This section is effective retroactively for estates of decedents dying after December 31, 2005.

ARTICLE 2

SALES AND USE TAXES

Section 1. Minnesota Statutes 2006, section 289A.40, subdivision 2, is amended to read:

Subd. 2. **Bad debt loss.** If a claim relates to an overpayment because of a failure to deduct a loss due to a bad debt or to a security becoming worthless, the claim is considered timely if filed within seven years from the date prescribed for the filing of the return. A claim relating to an overpayment of taxes under chapter 297A must be filed within 3-1/2 years from the date ~~prescribed for filing the return, plus any extensions granted for filing the return, but only if filed within the extended time~~ when the bad debt was (1) written off as uncollectible in the taxpayer's books and records, and (2) either eligible to be deducted for federal income tax purposes or would have been eligible for a bad debt deduction for federal income tax purposes if the taxpayer were required to file a federal income tax return, or within one year from the date the taxpayer's federal income tax return is timely

17.1 filed claiming the bad debt deduction, whichever period is later. The refund or credit is
17.2 limited to the amount of overpayment attributable to the loss. "Bad debt" for purposes
17.3 of this subdivision, has the same meaning as that term is used in United States Code,
17.4 title 26, section 166, except that for a claim relating to an overpayment of taxes under
17.5 chapter 297A the following are excluded from the calculation of bad debt: financing
17.6 charges or interest; sales or use taxes charged on the purchase price; uncollectible amounts
17.7 on property that remain in the possession of the seller until the full purchase price is
17.8 paid; expenses incurred in attempting to collect any debt; and repossessed property. For
17.9 purposes of reporting a payment received on previously claimed bad debt under chapter
17.10 297A, any payments made on a debt or account are applied first proportionally to the
17.11 taxable price of the property or service and the sales tax on it, and secondly to interest,
17.12 service charges, and any other charges.

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

17.14 Sec. 2. Minnesota Statutes 2006, section 289A.56, is amended by adding a subdivision
17.15 to read:

17.16 Subd. 8. **Border city zone refunds.** Notwithstanding subdivision 3, for refunds
17.17 payable under section 469.1734, subdivision 6, interest is computed from 90 days after the
17.18 refund claim is filed with the commissioner.

17.19 **EFFECTIVE DATE.** This section is effective for refund claims filed on or after
17.20 July 1, 2007.

17.21 Sec. 3. Minnesota Statutes 2006, section 297A.61, subdivision 3, is amended to read:

17.22 Subd. 3. **Sale and purchase.** (a) "Sale" and "purchase" include, but are not limited
17.23 to, each of the transactions listed in this subdivision.

17.24 (b) Sale and purchase include:

17.25 (1) any transfer of title or possession, or both, of tangible personal property, whether
17.26 absolutely or conditionally, for a consideration in money or by exchange or barter; and

17.27 (2) the leasing of or the granting of a license to use or consume, for a consideration
17.28 in money or by exchange or barter, tangible personal property, other than a manufactured
17.29 home used for residential purposes for a continuous period of 30 days or more.

17.30 (c) Sale and purchase include the production, fabrication, printing, or processing of
17.31 tangible personal property for a consideration for consumers who furnish either directly or
17.32 indirectly the materials used in the production, fabrication, printing, or processing.

- 18.1 (d) Sale and purchase include the preparing for a consideration of food.
18.2 Notwithstanding section 297A.67, subdivision 2, taxable food includes, but is not limited
18.3 to, the following:
- 18.4 (1) prepared food sold by the retailer;
 - 18.5 (2) soft drinks;
 - 18.6 (3) candy;
 - 18.7 (4) dietary supplements; and
 - 18.8 (5) all food sold through vending machines.
- 18.9 (e) A sale and a purchase includes the furnishing for a consideration of electricity,
18.10 gas, water, or steam for use or consumption within this state.
- 18.11 (f) A sale and a purchase includes the transfer for a consideration of prewritten
18.12 computer software whether delivered electronically, by load and leave, or otherwise.
- 18.13 (g) A sale and a purchase includes the furnishing for a consideration of the following
18.14 services:
- 18.15 (1) the privilege of admission to places of amusement, recreational areas, or athletic
18.16 events, and the making available of amusement devices, tanning facilities, reducing
18.17 salons, steam baths, turkish baths, health clubs, and spas or athletic facilities;
 - 18.18 (2) lodging and related services by a hotel, rooming house, resort, campground,
18.19 motel, or trailer camp, including furnishing the guest of the facility with access to
18.20 telecommunication services, and the granting of any similar license to use real property
18.21 in a specific facility, other than the renting or leasing of it for a continuous period of
18.22 30 days or more under an enforceable written agreement that may not be terminated
18.23 without prior notice;
 - 18.24 (3) nonresidential parking services, whether on a contractual, hourly, or other
18.25 periodic basis, except for parking at a meter;
 - 18.26 (4) the granting of membership in a club, association, or other organization if:
 - 18.27 (i) the club, association, or other organization makes available for the use of its
18.28 members sports and athletic facilities, without regard to whether a separate charge is
18.29 assessed for use of the facilities; and
 - 18.30 (ii) use of the sports and athletic facility is not made available to the general public
18.31 on the same basis as it is made available to members.
- 18.32 Granting of membership means both onetime initiation fees and periodic membership
18.33 dues. Sports and athletic facilities include golf courses; tennis, racquetball, handball, and
18.34 squash courts; basketball and volleyball facilities; running tracks; exercise equipment;
18.35 swimming pools; and other similar athletic or sports facilities;

(5) delivery of aggregate materials and concrete block by a third party if the delivery would be subject to the sales tax if provided by the seller of the aggregate material or concrete block; and

(6) services as provided in this clause:

(i) laundry and dry cleaning services including cleaning, pressing, repairing, altering, and storing clothes, linen services and supply, cleaning and blocking hats, and carpet, drapery, upholstery, and industrial cleaning. Laundry and dry cleaning services do not include services provided by coin operated facilities operated by the customer;

(ii) motor vehicle washing, waxing, and cleaning services, including services provided by coin operated facilities operated by the customer, and rustproofing, undercoating, and towing of motor vehicles;

(iii) building and residential cleaning, maintenance, and disinfecting services and pest control and exterminating services;

(iv) detective, security, burglar, fire alarm, and armored car services; but not including services performed within the jurisdiction they serve by off-duty licensed peace officers as defined in section 626.84, subdivision 1, or services provided by a nonprofit organization for monitoring and electronic surveillance of persons placed on in-home detention pursuant to court order or under the direction of the Minnesota Department of Corrections;

(v) pet grooming services;

(vi) lawn care, fertilizing, mowing, spraying and sprigging services; garden planting and maintenance; tree, bush, and shrub pruning, bracing, spraying, and surgery; indoor plant care; tree, bush, shrub, and stump removal, except when performed as part of a land clearing contract as defined in section 297A.68, subdivision 40; and tree trimming for public utility lines. Services performed under a construction contract for the installation of shrubbery, plants, sod, trees, bushes, and similar items are not taxable;

(vii) massages, except when provided by a licensed health care facility or professional or upon written referral from a licensed health care facility or professional for treatment of illness, injury, or disease; and

(viii) the furnishing of lodging, board, and care services for animals in kennels and other similar arrangements, but excluding veterinary and horse boarding services.

In applying the provisions of this chapter, the terms "tangible personal property" and "retail sale" include taxable services listed in clause (6), items (i) to (vi) and (viii), and the provision of these taxable services, unless specifically provided otherwise.

Services performed by an employee for an employer are not taxable. Services performed by a partnership or association for another partnership or association are not taxable if

one of the entities owns or controls more than 80 percent of the voting power of the equity interest in the other entity. Services performed between members of an affiliated group of corporations are not taxable. For purposes of the preceding sentence, "affiliated group of corporations" means those entities that would be classified as members of an affiliated group as defined under United States Code, title 26, section 1504, disregarding the exclusions in section 1504(b).

(h) A sale and a purchase includes the furnishing for a consideration of tangible personal property or taxable services by the United States or any of its agencies or instrumentalities, or the state of Minnesota, its agencies, instrumentalities, or political subdivisions.

(i) A sale and a purchase includes the furnishing for a consideration of telecommunications services, ~~including~~ ancillary services associated with telecommunication services, cable television services and, direct satellite services, and ring tones. ~~Telecommunications~~ Telecommunication services include, but are not limited to, the following services, as defined in section 297A.669: air-to-ground radiotelephone service, mobile telecommunication service, postpaid calling service, prepaid calling service, prepaid wireless calling service, and private communication services. The services in this paragraph are taxed to the extent allowed under federal law.

(j) A sale and a purchase includes the furnishing for a consideration of installation if the installation charges would be subject to the sales tax if the installation were provided by the seller of the item being installed.

(k) A sale and a purchase includes the rental of a vehicle by a motor vehicle dealer to a customer when (1) the vehicle is rented by the customer for a consideration, or (2) the motor vehicle dealer is reimbursed pursuant to a service contract as defined in section 65B.29, subdivision 1, clause (1).

EFFECTIVE DATE. This section is effective for sales and purchases made on or after January 1, 2008.

Sec. 4. Minnesota Statutes 2006, section 297A.61, subdivision 7, is amended to read:

Subd. 7. **Sales price.** (a) "Sales price" means the measure subject to sales tax, and means the total amount of consideration, including cash, credit, personal property, and services, for which personal property or services are sold, leased, or rented, valued in money, whether received in money or otherwise, without any deduction for the following:

(1) the seller's cost of the property sold;

21.1 (2) the cost of materials used, labor or service cost, interest, losses, all costs of
21.2 transportation to the seller, all taxes imposed on the seller, and any other expenses of
21.3 the seller;

21.4 (3) charges by the seller for any services necessary to complete the sale, other than
21.5 delivery and installation charges;

21.6 (4) delivery charges, except the percentage of the delivery charge allocated to
21.7 delivery of tax exempt property, when the delivery charge is allocated by using either (i) a
21.8 percentage based on the total sales price of the taxable property compared to the total sales
21.9 price of all property in the shipment, or (ii) a percentage based on the total weight of the
21.10 taxable property compared to the total weight of all property in the shipment; and

21.11 (5) installation charges; and

21.12 (6) the value of exempt property given to the purchaser when taxable and exempt
21.13 personal property have been bundled together and sold by the seller as a single product
21.14 or piece of merchandise.

21.15 (b) Sales price does not include:

21.16 (1) discounts, including cash, terms, or coupons, that are not reimbursed by a third
21.17 party and that are allowed by the seller and taken by a purchaser on a sale;

21.18 (2) interest, financing, and carrying charges from credit extended on the sale of
21.19 personal property or services, if the amount is separately stated on the invoice, bill of sale,
21.20 or similar document given to the purchaser; and

21.21 (3) any taxes legally imposed directly on the consumer that are separately stated on
21.22 the invoice, bill of sale, or similar document given to the purchaser.

21.23 (c) Sales price includes consideration received by the seller from third parties if:

21.24 (1) the seller actually receives consideration from a party other than the purchaser
21.25 and the consideration is directly related to a price reduction or discount on the sale;

21.26 (2) the seller has an obligation to pass the price reduction or discount through to
21.27 the purchaser;

21.28 (3) the amount of the consideration attributable to the sale is fixed and determinable
21.29 by the seller at the time of the sale of the item to the purchaser; and

21.30 (4) one of the following criteria is met:

21.31 (i) the purchaser presents a coupon, certificate, or other documentation to the seller
21.32 to claim a price reduction or discount when the coupon, certificate, or documentation is
21.33 authorized, distributed, or granted by a third party with the understanding that the third
21.34 party will reimburse any seller to whom the coupon, certificate, or documentation is
21.35 presented;

22.1 (ii) the purchaser identifies himself or herself to the seller as a member of a group or
22.2 organization entitled to a price reduction or discount. A "preferred customer" card that is
22.3 available to any customer does not constitute membership in such a group; or

22.4 (iii) the price reduction or discount is identified as a third-party price reduction or
22.5 discount on the invoice received by the purchaser or on a coupon, certificate, or other
22.6 documentation presented by the purchaser.

22.7 **EFFECTIVE DATE.** This section is effective for sales and purchases made on or
22.8 after January 1, 2008, except that the amendment to paragraph (a), clause (4), is effective
22.9 the day following final enactment.

22.10 Sec. 5. Minnesota Statutes 2006, section 297A.61, subdivision 10, is amended to read:

22.11 Subd. 10. **Tangible personal property.** (a) "Tangible personal property" means
22.12 personal property that can be seen, weighed, measured, felt, or touched, or that is in any
22.13 other manner perceptible to the senses. "Tangible personal property" includes, but is not
22.14 limited to, electricity, water, gas, steam, and prewritten computer software, ~~and prepaid~~
22.15 ~~calling cards.~~

22.16 (b) Tangible personal property does not include:

22.17 (1) large ponderous machinery and equipment used in a business or production
22.18 activity which at common law would be considered to be real property;

22.19 (2) property which is subject to an ad valorem property tax;

22.20 (3) property described in section 272.02, subdivision 9, clauses (a) to (d); and

22.21 (4) property described in section 272.03, subdivision 2, clauses (3) and (5).

22.22 **EFFECTIVE DATE.** This section is effective for sales and purchases made on
22.23 or after January 1, 2008.

22.24 Sec. 6. Minnesota Statutes 2006, section 297A.61, subdivision 24, is amended to read:

22.25 Subd. 24. **Telecommunications services.** (a) "Telecommunications services" means
22.26 the electronic transmission, conveyance, or routing of voice, data, audio, video, or any
22.27 other information or signals to a point, or between or among points, ~~by or through any~~
22.28 ~~electronic, satellite, optical, microwave, or other medium or method now in existence or~~
22.29 ~~hereafter devised, regardless of the protocol used for such transmission, conveyance,~~
22.30 ~~or routing.~~

22.31 (b) Telecommunications services ~~includes the furnishing for consideration of access~~
22.32 ~~to telephone services by a hotel to its guests.~~ include transmission, conveyance, or routing
22.33 in which computer processing applications are used to act on the form, code, or protocol

23.1 of the content for purposes of transmission, conveyance, or routing, without regard to
23.2 whether the service is referred to as voice over Internet protocol services or is classified by
23.3 the Federal Communications Commission as enhanced or value added.

23.4 (c) Telecommunications services do not include:

23.5 ~~(1) services purchased with a prepaid telephone calling card;~~

23.6 ~~(2) private communication service purchased by an agent acting on behalf of the~~
23.7 ~~State Lottery;~~

23.8 ~~(3) information services; and~~

23.9 ~~(4) purchases of telecommunications when the purchaser uses the purchased services~~
23.10 ~~as a component part of or integrates such service into another telecommunications service~~
23.11 ~~that is sold by the purchaser in the normal course of business.~~

23.12 ~~(d) For purposes of this subdivision, "information services" means the offering of~~
23.13 ~~the capability for generating, acquiring, storing, transforming, processing, retrieving,~~
23.14 ~~utilizing, or making available information.~~

23.15 (1) data processing and information services that allow data to be generated,
23.16 acquired, stored, processed, or retrieved and delivered by an electronic transmission to
23.17 a purchaser when the purchaser's primary purpose for the underlying transaction is the
23.18 processed data or information;

23.19 (2) installation or maintenance of wiring or equipment on a customer's premises;

23.20 (3) tangible personal property;

23.21 (4) advertising, including, but not limited to, directory advertising;

23.22 (5) billing and collection services provided to third parties;

23.23 (6) Internet access service;

23.24 (7) radio and television audio and video programming services, regardless of the
23.25 medium, including the furnishing of transmission, conveyance, and routing of such
23.26 services by the programming service provider. Radio and television audio and video
23.27 programming services includes, but is not limited to, cable service as defined in United
23.28 States Code, title 47, section 522(6), and audio and video programming services delivered
23.29 by commercial mobile radio service providers, as defined in Code of Federal Regulations,
23.30 title 47, section 20.3;

23.31 (8) ancillary services; or

23.32 (9) digital products delivered electronically, including, but not limited to, software,
23.33 music, video, reading materials, or ring tones.

23.34 **EFFECTIVE DATE.** This section is effective for sales and purchases made on
23.35 or after January 1, 2008.

H.F. No. 496, 1st Engrossment - 85th Legislative Session (2007-2008)

24.1 Sec. 7. Minnesota Statutes 2006, section 297A.61, is amended by adding a subdivision
24.2 to read:

24.3 Subd. 39. **Ancillary services.** "Ancillary services" means services that are
24.4 associated with or incidental to the provision of telecommunications services, including,
24.5 but not limited to, conference bridging service, detailed telecommunications billing,
24.6 directory assistance, vertical service, and voice mail services.

24.7 **EFFECTIVE DATE.** This section is effective for sales and purchases made on
24.8 or after January 1, 2008.

24.9 Sec. 8. Minnesota Statutes 2006, section 297A.61, is amended by adding a subdivision
24.10 to read:

24.11 Subd. 40. **Conference bridging service.** "Conference bridging service" means an
24.12 ancillary service that links two or more participants of an audio or video conference call
24.13 and may include the provision of a telephone number. Conference bridging service does
24.14 not include the telecommunications services used to reach the conference bridge.

24.15 **EFFECTIVE DATE.** This section is effective for sales and purchases made on
24.16 or after January 1, 2008.

24.17 Sec. 9. Minnesota Statutes 2006, section 297A.61, is amended by adding a subdivision
24.18 to read:

24.19 Subd. 41. **Detailed telecommunications billing service.** "Detailed
24.20 telecommunications billing service" means an ancillary service of separately stating
24.21 information pertaining to individual calls on a customer's billing statement.

24.22 **EFFECTIVE DATE.** This section is effective for sales and purchases made on
24.23 or after January 1, 2008.

24.24 Sec. 10. Minnesota Statutes 2006, section 297A.61, is amended by adding a
24.25 subdivision to read:

24.26 Subd. 42. **Directory assistance.** "Directory assistance" means an ancillary service
24.27 of providing telephone number information or address information, or both.

24.28 **EFFECTIVE DATE.** This section is effective for sales and purchases made on
24.29 or after January 1, 2008.

H.F. No. 496, 1st Engrossment - 85th Legislative Session (2007-2008)

25.1 Sec. 11. Minnesota Statutes 2006, section 297A.61, is amended by adding a
25.2 subdivision to read:

25.3 Subd. 43. **Vertical service.** "Vertical service" means an ancillary service that is
25.4 offered in connection with one or more telecommunications services and which offers
25.5 advanced calling features that allow customers to identify callers and to manage multiple
25.6 calls and call connections, including conference bridging services.

25.7 **EFFECTIVE DATE.** This section is effective for sales and purchases made on
25.8 or after January 1, 2008.

25.9 Sec. 12. Minnesota Statutes 2006, section 297A.61, is amended by adding a
25.10 subdivision to read:

25.11 Subd. 44. **Voice mail service.** "Voice mail service" means an ancillary service that
25.12 enables the customer to store, send, or receive recorded messages. Voice mail service
25.13 does not include any vertical services that the customer may be required to have in order
25.14 to utilize the voice mail service.

25.15 **EFFECTIVE DATE.** This section is effective for sales and purchases made on
25.16 or after January 1, 2008.

25.17 Sec. 13. Minnesota Statutes 2006, section 297A.61, is amended by adding a
25.18 subdivision to read:

25.19 Subd. 45. **Ring tone.** "Ring tone" means a digitized sound file that is downloaded
25.20 onto a device and that may be used to alert the customer of a telecommunication service
25.21 with respect to a communication.

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

25.23 Sec. 14. Minnesota Statutes 2006, section 297A.665, is amended to read:

25.24 **297A.665 PRESUMPTION OF TAX; BURDEN OF PROOF.**

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

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

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

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

25.31 ~~However, the seller may take from the purchaser at the time of the sale a fully completed~~

~~exemption certificate which conclusively relieves the seller from collecting and remitting the tax. This~~ However, a seller is relieved of liability if:

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

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

(i) obtains in good faith a fully completed exemption certificate or all the relevant information required by section 297A.72, subdivision 2, from the purchaser; or

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

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

(1) fraudulently fails to collect the tax; or

(2) solicits purchasers to participate in the unlawful claim of an exemption. ~~If a seller claiming that certain sales are exempt is not in possession of the required exemption certificates within 60 days after receiving written notice from the commissioner that the certificates are required, deductions claimed by the seller that required delivery of the certificates must be disallowed. If the certificates are delivered to the commissioner within the 60-day period, the commissioner may verify the reason or basis for the exemption claimed in the certificates before allowing any deductions. A deduction must not be granted on the basis of certificates delivered to the commissioner after the 60-day period.~~

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

EFFECTIVE DATE. This section is effective for sales and purchases made on or after January 1, 2008.

Sec. 15. Minnesota Statutes 2006, section 297A.669, subdivision 3, is amended to read:

Subd. 3. **Defined telecommunications services sourcing.** The sale of the following telecommunication services shall be sourced to each level of taxing jurisdiction in paragraphs (a) to (d).

(a) A sale of mobile telecommunications services, other than air-to-ground radiotelephone service and prepaid calling service, is sourced to the customer's place of primary use as required by the Mobile Telecommunications Sourcing Act.

(b) A sale of postpaid calling service is sourced to the origination point of the telecommunications signal as first identified by either:

- (1) the seller's telecommunications system; or
- (2) information received by the seller from its service provider, where the system used to transport such signals is not that of the seller.

(c) A sale of prepaid calling service or prepaid wireless calling service is sourced in accordance with section 297A.668, subdivision 2. However, in the case of a sale of ~~mobile telecommunications service~~ that is a prepaid telecommunications wireless calling service, the rule provided in section 297A.668, subdivision 2, paragraph (f), shall include as an option the location associated with the mobile telephone number.

(d) A sale of a private communication service is sourced as follows:

(1) service for a separate charge related to a customer channel termination point is sourced to each level of jurisdiction in which the customer channel termination point is located;

(2) service where all customer termination points are located entirely within one jurisdiction or levels of jurisdiction is sourced in such jurisdiction in which the customer channel termination points are located;

(3) service for segments of a channel between two customer channel termination points located in different jurisdictions and which segment of channel are separately charged is sourced 50 percent in each level of jurisdiction in which the customer channel termination points are located; and

(4) service for segments of a channel located in more than one jurisdiction or levels of jurisdiction and which segments are not separately billed is sourced in each jurisdiction based on the percentage determined by dividing the number of customer channel termination points in the jurisdiction by the total number of customer channel termination points.

EFFECTIVE DATE. This section is effective for sales and purchases made on or after January 1, 2008.

Sec. 16. Minnesota Statutes 2006, section 297A.669, subdivision 13, is amended to read:

Subd. 13. **Postpaid calling service.** "Postpaid calling service," for purposes of this section, means the telecommunications service obtained by making a payment on a call-by-call basis either through the use of a credit card or payment mechanism such as a bank card, travel card, credit card, or debit card, or by a charge made to a telephone number that is not associated with the origination or termination of the

28.1 telecommunications service. A postpaid calling service includes a telecommunications
28.2 service, except a prepaid wireless calling service, that would be a prepaid calling service
28.3 except it is not exclusively a telecommunication service.

28.4 **EFFECTIVE DATE.** This section is effective for sales and purchases made on
28.5 or after January 1, 2008.

28.6 Sec. 17. Minnesota Statutes 2006, section 297A.669, subdivision 14, is amended to
28.7 read:

28.8 Subd. 14. **Prepaid calling service.** "Prepaid calling service," for purposes of this
28.9 section, means a telecommunications service that:

28.10 (1) provides the right to access exclusively telecommunications services,~~which;~~

28.11 (2) must be paid for in advance~~and which;~~

28.12 (3) enables the origination of calls using an access number or authorization code,
28.13 whether manually or electronically dialed;~~and that~~

28.14 (4) is sold in predetermined units or dollars of which the number declines with
28.15 use in a known amount.

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

28.17 Sec. 18. Minnesota Statutes 2006, section 297A.669, is amended by adding a
28.18 subdivision to read:

28.19 Subd. 14a. **Prepaid wireless calling service.** "Prepaid wireless calling service," for
28.20 purposes of this section, means a telecommunications service that:

28.21 (1) provides the right to utilize mobile wireless service as well as other
28.22 nontelecommunications services, including the download of digital products delivered
28.23 electronically, content, and ancillary services;

28.24 (2) must be paid for in advance; and

28.25 (3) is sold in predetermined units or dollars of which the number declines with
28.26 use in a known amount.

28.27 **EFFECTIVE DATE.** This section is effective for sales and purchases made on
28.28 or after January 1, 2008.

28.29 Sec. 19. Minnesota Statutes 2006, section 297A.669, is amended by adding a
28.30 subdivision to read:

28.31 Subd. 17. **Ancillary service.** The sale of an ancillary service is sourced to the
28.32 customer's place of primary use.

29.1 **EFFECTIVE DATE.** This section is effective for sales and purchases made on
29.2 or after January 1, 2008.

29.3 Sec. 20. Minnesota Statutes 2006, section 297A.67, subdivision 9, is amended to read:

29.4 Subd. 9. **Baby products.** Breast pumps, baby bottles and nipples, pacifiers, teething
29.5 rings, and infant syringes are exempt.

29.6 **EFFECTIVE DATE.** This section is effective for sales and purchases made on or
29.7 after the day following final enactment.

29.8 Sec. 21. Minnesota Statutes 2006, section 297A.68, subdivision 11, is amended to read:

29.9 Subd. 11. **Advertising materials.** Materials designed to advertise and promote the
29.10 sale of merchandise or services are exempt if these materials are mailed or transferred to a
29.11 person outside the state for use solely outside the state. Mailing and reply envelopes and
29.12 cards and other shipping materials including, but not limited to, boxes, labels, containers,
29.13 and banding, used exclusively in connection with these advertising and promotional
29.14 materials are included in this exemption. The exemption applies regardless of where the
29.15 mailing occurs. The storage of these materials in the state for the purpose of subsequently
29.16 shipping or otherwise transferring the material out of state is also exempt if the other
29.17 conditions in this subdivision are met. For purposes of this subdivision, materials that have
29.18 a primary purpose other than advertising, such as fulfilling a legal obligation or furnishing
29.19 nonadvertising information, are not materials designed to advertise and promote the sale
29.20 of merchandise or services even if they do include advertising content.

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

29.22 Sec. 22. Minnesota Statutes 2006, section 297A.68, subdivision 16, is amended to read:

29.23 Subd. 16. **Packing materials.** Packing materials used to pack and ship household
29.24 goods and that are provided to and remain with the customer of a for-hire carrier are
29.25 exempt if the ultimate destination of the goods is outside Minnesota and if the ~~goods~~
29.26 packing materials are not later returned to a point within Minnesota, except in the course
29.27 of interstate commerce. This exemption does not apply to tools, equipment, pads, or
29.28 accessories owned or leased by the for-hire carrier.

29.29 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
29.30 June 30, 2007.

29.31 Sec. 23. Minnesota Statutes 2006, section 297A.68, subdivision 35, is amended to read:

Subd. 35. **Telecommunications, cable television, and direct satellite equipment.**

(a) Telecommunications, cable television, or direct satellite machinery and equipment purchased or leased for use directly by a telecommunications, cable television, or direct satellite service provider primarily in the provision of telecommunications, cable television, or direct satellite services that are ultimately to be sold at retail are exempt, regardless of whether purchased by the owner, a contractor, or a subcontractor.

(b) For purposes of this subdivision, "telecommunications, cable television, or direct satellite machinery and equipment" includes, but is not limited to:

(1) machinery, equipment, and fixtures utilized in receiving, initiating, amplifying, processing, transmitting, retransmitting, recording, switching, or monitoring telecommunications, cable television, or direct satellite services, such as computers, transformers, amplifiers, routers, bridges, repeaters, multiplexers, and other items performing comparable functions;

(2) machinery, equipment, and fixtures used in the transportation of telecommunications, cable television, or direct satellite services, radio transmitters and receivers, satellite equipment, microwave equipment, and other transporting media, but not wire, cable, fiber, poles, or conduit;

(3) ancillary machinery, equipment, and fixtures that regulate, control, protect, or enable the machinery in clauses (1) and (2) to accomplish its intended function, such as auxiliary power supply, test equipment, towers, heating, ventilating, and air conditioning equipment necessary to the operation of the telecommunications, cable television, or direct satellite equipment; and software necessary to the operation of the telecommunications, cable television, or direct satellite equipment; and

(4) repair and replacement parts, including accessories, whether purchased as spare parts, repair parts, or as upgrades or modifications to qualified machinery or equipment.

~~(c) For purposes of this subdivision, "telecommunications services" means telecommunications services as defined in section 297A.61, subdivision 24, paragraphs (a), (c), and (d).~~

EFFECTIVE DATE. This section is effective for sales and purchases made on or after January 1, 2008.

Sec. 24. Minnesota Statutes 2006, section 297A.70, subdivision 7, is amended to read:

Subd. 7. **Hospitals and outpatient surgical centers.** (a) Sales, except for those listed in paragraph (c), to a hospital are exempt, if the items purchased are used in providing hospital services. For purposes of this subdivision, "hospital" means a hospital organized and operated for charitable purposes within the meaning of section 501(c)(3) of

the Internal Revenue Code, and licensed under chapter 144 or by any other jurisdiction, and "hospital services" are services authorized or required to be performed by a "hospital" under chapter 144.

(b) Sales, except for those listed in paragraph (c), to an outpatient surgical center are exempt, if the items purchased are used in providing outpatient surgical services. For purposes of this subdivision, "outpatient surgical center" means an outpatient surgical center organized and operated for charitable purposes within the meaning of section 501(c)(3) of the Internal Revenue Code, and licensed under chapter 144 or by any other jurisdiction. For the purposes of this subdivision, "outpatient surgical services" means: (1) services authorized or required to be performed by an outpatient surgical center under chapter 144; and (2) urgent care. For purposes of this subdivision, "urgent care" means health services furnished to a person whose medical condition is sufficiently acute to require treatment unavailable through, or inappropriate to be provided by, a clinic or physician's office, but not so acute as to require treatment in a hospital emergency room.

(c) This exemption does not apply to the following products and services:

(1) purchases made by a clinic, physician's office, or any other medical facility not operating as a hospital or outpatient surgical center, even though the clinic, office, or facility may be owned and operated by a hospital or outpatient surgical center;

(2) sales under section 297A.61, subdivision 3, paragraph (g), clause (2), and prepared food, candy, and soft drinks;

(3) building and construction materials used in constructing buildings or facilities that will not be used principally by the hospital or outpatient surgical center;

(4) building, construction, or reconstruction materials purchased by a contractor or a subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed maximum price covering both labor and materials for use in the construction, alteration, or repair of a hospital or outpatient surgical center; or

(5) the leasing of a motor vehicle as defined in section 297B.01, subdivision 5.

(d) A limited liability company also qualifies for exemption under this subdivision if (1) it consists of a sole member that would qualify for the exemption, and (2) the items purchased qualify for the exemption.

(e) An entity that contains both a hospital and a nonprofit unit may claim this exemption on purchases made for both the hospital and nonprofit unit provided that:

(1) the nonprofit unit would have qualified for exemption under subdivision 4; and

(2) the items purchased would have qualified for the exemption.

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

Sec. 25. Minnesota Statutes 2006, section 297A.70, is amended by adding a subdivision to read:

Subd. 17. **Private communication service for State Lottery.** Private communication service, as defined in section 297A.61, subdivision 26, is exempt if the service is purchased by an agent acting on behalf of the State Lottery.

EFFECTIVE DATE. This section is effective for sales and purchases made on or after January 1, 2008.

Sec. 26. Minnesota Statutes 2006, section 297A.72, is amended to read:

297A.72 EXEMPTION CERTIFICATES.

Subd. 2. **Content and form of exemption certificate.** An exemption certificate must be substantially in the form prescribed by the commissioner ~~and~~. To be fully completed, the exemption certificate must:

(1) either be signed by the purchaser if it is a paper form, or meet the requirements of section 270C.304 if in electronic form;

(2) bear the name and address of the purchaser; and

(3) indicate the ~~sales tax account~~ identification number, if any, issued to the purchaser; as follows:

(i) the purchaser's Minnesota tax identification number;

(ii) if the purchaser does not have a Minnesota tax identification number, then the purchaser's state tax identification number that is issued by a state other than Minnesota, and the name of that state;

(iii) if the purchaser does not have an identification number described in either item (i) or (ii), then the purchaser's federal Employer Identification Number; or

(iv) if the purchaser does not have an identification number described in item (i), (ii), or (iii), then either the number of the purchaser's state-issued driver's license, if valid in the state of issue, or if the purchaser does not have a driver's license, a valid state-issued identification number, and the name of the state of issue;

(4) indicate the purchaser's type of business, using a business-type coding system prescribed by the commissioner; and

(5) indicate the reason for the exemption, using an exemption reason coding system prescribed by the commissioner.

Subd. 3. **Purchaser requirement.** A blanket exemption certificate is an exemption certificate used for continuing future purchases. A purchaser using a blanket exemption

33.1 certificate must update it as needed to accurately reflect the information that is required
33.2 under subdivision 2.

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

33.4 Sec. 27. Minnesota Statutes 2006, section 297A.90, subdivision 2, is amended to read:

33.5 Subd. 2. **Payment of tax.** (a) Persons who are registered as retailers may make
33.6 purchases in this state or import property into this state without payment of the sales or use
33.7 taxes imposed by this chapter at the time of purchase or importation, if the purchases or
33.8 importations come within the provisions of this section and are made in strict compliance
33.9 with the rules of the commissioner.

33.10 (b) A person described in subdivision 1 may elect to pay directly to the commissioner
33.11 any sales or use tax that may be due under this chapter for the acquisition of mobile
33.12 transportation equipment and parts and accessories attached or to be attached to such
33.13 equipment registered under section 168.187.

33.14 (c) The total cost of such equipment and parts and accessories attached or to be
33.15 attached to such equipment must be multiplied by a fraction. The numerator of the fraction
33.16 is the Minnesota mileage as reported on the current pro rata application provided for in
33.17 section 168.187 and the denominator of the fraction is the total mileage reported on the
33.18 current pro rata registration application. The amount so determined must be multiplied by
33.19 the tax rate to obtain the tax due.

33.20 In computing the tax under this section "sales price" does not include the amount of any
33.21 ~~tax, except any manufacturer's or importer's excise tax, imposed by the United States~~
33.22 ~~upon or with respect to retail sales, whether~~ taxes imposed directly on the retailer or the
33.23 consumer that are separately stated on the invoice, bill of sale, or similar document given
33.24 to the purchaser.

33.25 (d) A retailer covered by this section shall make a return and remit to the
33.26 commissioner the tax due for the preceding calendar month in accordance with sections
33.27 289A.11 and 289A.20, subdivision 4.

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

33.29 Sec. 28. Minnesota Statutes 2006, section 297B.035, subdivision 1, is amended to read:

33.30 Subdivision 1. **Ordinary course of business.** Except as provided in this section,
33.31 motor vehicles purchased solely for resale in the ordinary course of business by any motor
33.32 vehicle dealer, as defined in section 168.011, subdivision 21, who is licensed under section

34.1 168.27, subdivision 2 or 3, including vehicles which bear dealer plates as authorized by
34.2 section 168.27, subdivision 16, shall be exempt from the provisions of this chapter.

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

34.4 Sec. 29. Minnesota Statutes 2006, section 469.1734, subdivision 6, is amended to read:

34.5 Subd. 6. **Sales tax exemption; equipment; construction materials.** (a) The gross
34.6 receipts from the sale of machinery and equipment and repair parts are exempt from
34.7 taxation under chapter 297A, if the machinery and equipment:

34.8 (1) are used in connection with a trade or business;

34.9 (2) are placed in service in a city that is authorized to designate a zone under section
34.10 469.1731, regardless of whether the machinery and equipment are used in a zone; and

34.11 (3) have a useful life of 12 months or more.

34.12 (b) The gross receipts from the sale of construction materials are exempt, if they are
34.13 used to construct:

34.14 (1) a facility for use in a trade or business located in a city that is authorized to
34.15 designate a zone under section 469.1731, regardless of whether the facility is located in a
34.16 zone; or

34.17 (2) housing that is located in a zone.

34.18 The exemptions under this paragraph apply regardless of whether the purchase is made by
34.19 the owner, the user, or a contractor.

34.20 (c) A purchaser may claim an exemption under this subdivision for tax on the
34.21 purchases up to, but not exceeding:

34.22 (1) the amount of the tax credit certificates received from the city, less

34.23 (2) any tax credit certificates used under the provisions of subdivisions 4 and 5, and
34.24 section 469.1732, subdivision 2.

34.25 (d) The tax on sales of items exempted under this subdivision shall be imposed and
34.26 collected as if the applicable rate under section 297A.62 applied. Upon application by the
34.27 purchaser, on forms prescribed by the commissioner, a refund equal to the tax paid shall
34.28 be paid to the purchaser. The application must include sufficient information to permit
34.29 the commissioner to verify the sales tax paid and the eligibility of the claimant to receive
34.30 the credit. No more than two applications for refunds may be filed under this subdivision
34.31 in a calendar year. The provisions of section 289A.40 apply to the refunds payable
34.32 under this subdivision. There is annually appropriated to the commissioner of revenue
34.33 the amount required to make the refunds, which must be deducted from the amount of

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35.1 the city's allocation under section 469.169, subdivision 12, that remains available and its
35.2 limitation under section 469.1735.

35.3 (e) The amount to be refunded shall bear interest at the rate in section 270C.405
35.4 from the date 90 days after the refund claim is filed with the commissioner.

35.5 **EFFECTIVE DATE.** This section is effective for refund claims filed on or after
35.6 July 1, 2007.

35.7 Sec. 30. **REPEALER.**

35.8 (a) Minnesota Statutes 2006, section 297A.61, subdivision 20, is repealed.

35.9 (b) Minnesota Statutes 2006, section 297A.668, subdivision 6, is repealed.

35.10 (c) Minnesota Statutes 2006, section 297A.67, subdivision 22, is repealed.

35.11 **EFFECTIVE DATE.** Paragraph (a) is effective for sales and purchases made on
35.12 or after January 1, 2008; and paragraphs (b) and (c) are effective the day following final
35.13 enactment.

35.14 **ARTICLE 3**
35.15 **SPECIAL TAXES**

35.16 Section 1. Minnesota Statutes 2006, section 62I.06, subdivision 6, is amended to read:

35.17 Subd. 6. ~~Deficits~~ **Deficit assessments.** The association shall certify to the
35.18 commissioner the estimated amount of any deficit remaining after the stabilization reserve
35.19 fund has been exhausted and payment of the maximum final premium for all policyholders
35.20 of the association. Within 60 days after the certification, the commissioner shall authorize
35.21 the association to recover the members' respective shares of the deficit by assessing
35.22 all members an amount sufficient to fully fund the obligations of the association. The
35.23 assessment of each member shall be determined in the manner provided in section 62I.07.
35.24 An assessment made pursuant to this section shall be deductible by the member from ~~past~~
35.25 ~~or future~~ premium taxes due the state as provided in section 297I.20, subdivision 2.

35.26 **EFFECTIVE DATE.** This section is effective for tax returns due on or after January
35.27 1, 2008.

35.28 Sec. 2. Minnesota Statutes 2006, section 71A.04, subdivision 1, is amended to read:

35.29 Subdivision 1. **Premium tax.** The attorney-in-fact, ~~in lieu of all taxes, state, county,~~
35.30 ~~and municipal,~~ shall file with the commissioner of revenue all returns and pay to the
35.31 commissioner of revenue all amounts required under chapter 297I.

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

36.2 Sec. 3. Minnesota Statutes 2006, section 287.22, is amended to read:

36.3 **287.22 EXEMPTIONS.**

36.4 The tax imposed by section 287.21 does not apply to:

36.5 (1) An executory contract for the sale of real property under which the purchaser is
36.6 entitled to or does take possession of the real property, or any assignment or cancellation
36.7 of the contract;

36.8 (2) A mortgage or an amendment, assignment, extension, partial release, or
36.9 satisfaction of a mortgage;

36.10 (3) A will;

36.11 (4) A plat;

36.12 (5) A lease, amendment of lease, assignment of lease, or memorandum of lease;

36.13 (6) A deed, instrument, or writing in which the United States or any agency or
36.14 instrumentality thereof is the grantor, assignor, transferor, conveyor, grantee, or assignee;

36.15 (7) A deed for a cemetery lot or lots;

36.16 (8) A deed of distribution by a personal representative;

36.17 (9) A deed to or from a co-owner partitioning their undivided interest in the same
36.18 piece of real property;

36.19 (10) A deed or other instrument of conveyance issued pursuant to a permanent
36.20 school fund land exchange under section 92.121 and related laws;

36.21 (11) A referee's or sheriff's certificate of sale in a mortgage or lien foreclosure sale;

36.22 (12) A referee's, sheriff's, or certificate holder's certificate of redemption from a
36.23 mortgage or lien foreclosure sale issued to the redeeming mortgagor or ~~hence~~ to the
36.24 redeeming mortgagor's assignee, heir, personal representative, or successor;

36.25 (13) A deed, instrument, or writing which grants, creates, modifies, or terminates an
36.26 easement; and

36.27 (14) A decree of marriage dissolution, as defined in section 287.01, subdivision 4,
36.28 or a deed or other instrument between the parties to the dissolution made pursuant to
36.29 the terms of the decree.

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

36.31 Sec. 4. Minnesota Statutes 2006, section 287.2205, is amended to read:

36.32 **287.2205 TAX-FORFEITED LAND.**

Before a state deed for tax-forfeited land may be issued, the deed tax must be paid by the purchaser of tax-forfeited land whether the purchase is the result of a public auction or private sale or a repurchase of tax-forfeited land. State agencies and local units of government that acquire tax-forfeited land by purchase or any other means are subject to this section. The deed tax is \$1.65 for a conveyance of tax-forfeited lands to a governmental subdivision for an authorized public use under section 282.01, subdivision 1a, or for redevelopment purposes under section 282.01, subdivision 1b.

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

Sec. 5. Minnesota Statutes 2006, section 295.52, subdivision 4, is amended to read:

Subd. 4. **Use tax; prescription drugs.** (a) A person that receives prescription drugs for resale or use in Minnesota, other than from a wholesale drug distributor that is subject to tax under subdivision 3, is subject to a tax equal to the price paid to the wholesale drug distributor multiplied by the tax percentage specified in this section. Liability for the tax is incurred when prescription drugs are received or delivered in Minnesota by the person.

~~(b) A person that receives prescription drugs for use in Minnesota from a nonresident pharmacy required to be registered under section 151.19 is subject to a tax equal to the price paid by the nonresident pharmacy to the wholesale drug distributor or the price received by the nonresident pharmacy, whichever is lower, multiplied by the tax percentage specified in this section. Liability for the tax is incurred when prescription drugs are received in Minnesota by the person.~~

~~(c)~~ (b) A tax imposed under this subdivision does not apply to purchases by an individual for personal consumption.

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

Sec. 6. Minnesota Statutes 2006, section 295.52, subdivision 4a, is amended to read:

Subd. 4a. **Tax collection.** A wholesale drug distributor with nexus in Minnesota, who is not subject to tax under subdivision 3, on all or a particular transaction ~~or a nonresident pharmacy with nexus in Minnesota,~~ is required to collect the tax imposed under subdivision 4, from the purchaser of the drugs and give the purchaser a receipt for the tax paid. The tax collected shall be remitted to the commissioner in the manner prescribed by section 295.55, subdivision 3.

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

Sec. 7. Minnesota Statutes 2006, section 295.54, subdivision 2, is amended to read:

Subd. 2. **Pharmacy refund.** A pharmacy may claim an annual refund against the total amount of tax, if any, the pharmacy owes during that calendar year under section 295.52, subdivision 2. The refund shall equal the amount paid by the pharmacy to a wholesale drug distributor subject to tax under section 295.52, subdivision 3, for legend drugs delivered by the pharmacy outside of Minnesota, multiplied by the tax percentage specified in section 295.52. If the amount of the refund exceeds the tax liability of the pharmacy under section 295.52, subdivision ~~4b~~ 2, the commissioner shall provide the pharmacy with a refund equal to the excess amount. Each qualifying pharmacy must apply for the refund on the annual return as provided under section 295.55, subdivision 5. The refund must be claimed within one year of the due date of the return. Interest on refunds paid under this subdivision will begin to accrue 60 days after the date a claim for refund is filed. For purposes of this subdivision, the date a claim is filed is the due date of the return or the date of the actual claim for refund, whichever is later.

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

Sec. 8. Minnesota Statutes 2006, section 297F.25, is amended by adding a subdivision to read:

Subd. 3a. **Consumer use tax; use tax return; cigarette consumer.** (a) On or before the 18th day of each calendar month, a consumer who, during the preceding calendar month, has acquired title to or possession of cigarettes for use or storage in this state, upon which the sales tax imposed by this section has not been paid, shall file a return with the commissioner showing the quantity of cigarettes so acquired or possessed. The return must be made in the form and manner prescribed by the commissioner, and must contain any other information required by the commissioner. The return must be accompanied by a remittance for the full unpaid sales tax liability shown by it.

(b) The tax imposed under paragraph (a) does not apply if (1) the consumer has acquired title to or possession of cigarettes for use or storage in this state in quantities of 200 or fewer in the month, and (2) the cigarettes were carried into this state by that consumer.

EFFECTIVE DATE. This section is effective for cigarettes which a consumer has acquired title to or possession of on or after July 1, 2007.

Sec. 9. Minnesota Statutes 2006, section 297I.06, subdivision 1, is amended to read:

Subdivision 1. **Insurance policies surcharge.** (a) Except as otherwise provided in subdivision 2, each insurer engaged in writing policies of homeowner's insurance

authorized in section 60A.06, subdivision 1, clause (1)(c), or commercial fire policies or commercial nonliability policies shall collect a surcharge equal to 0.65 percent of the gross premiums and assessments, less return premiums, on direct business received by the company, or by its agents for it, for homeowner's insurance policies, commercial fire policies, and commercial nonliability insurance policies in this state.

(b) The surcharge amount collected under paragraph (a) or subdivision 2, paragraph (b), may not be considered premium for any other purpose. The surcharge amount must be separately stated on either a billing or policy declaration sent to an insured.

(c) Amounts collected by the commissioner under this section must be deposited in the fire safety account established pursuant to subdivision 3.

EFFECTIVE DATE. This section is effective July 1, 2007, and applies to policies written or renewed on or after July 1, 2007.

Sec. 10. Minnesota Statutes 2006, section 297I.06, subdivision 2, is amended to read:

Subd. 2. **Exemptions.** (a) This section does not apply to a farmers' mutual fire insurance company or township mutual fire insurance company in Minnesota organized under chapter 67A.

(b) An insurer described in section 297I.05, subdivisions 3 and 4, authorized to transact business in Minnesota shall elect to remit to the Department of Revenue for deposit in the fire safety account either (1) the surcharge amount ~~collected~~ imposed under ~~this section~~ subdivision 1 on all premiums subject to that surcharge, or (2) a surcharge of one-half of one percent on the gross fire premiums and assessments, less return premiums, on all direct business received by the insurer or agents of the insurer in Minnesota, in cash or otherwise, during the year.

(c) The election must be made prior to July 1, 2007, for policies written or renewed between July 1, 2007, and December 31, 2007, and by December 31 of each year for insurance for policies written or renewed in the succeeding calendar year. An insurer who elects to remit the one-half of one percent surcharge on gross fire premiums and assessments must not charge the insured the surcharge imposed under subdivision 1.

~~(c)~~ (d) For purposes of this subdivision, "gross fire premiums and assessments" includes premiums on policies covering fire risks only on automobiles, whether written or under floater form or otherwise.

EFFECTIVE DATE. The requirement for certain insurers to make an election before July 1, 2007, is effective the day following final enactment. The rest of this section

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40.1 is effective July 1, 2007, and applies to insurance policies written or renewed on or after
40.2 that date.

40.3 Sec. 11. Minnesota Statutes 2006, section 297I.20, subdivision 2, is amended to read:

40.4 Subd. 2. **Joint Underwriting Association offset.** An insurance company may offset
40.5 against its premium tax liability to this state any amount paid for an assessment made
40.6 pursuant to section 62I.06, subdivision 6, ~~shall be deductible by the member from past~~
40.7 ~~or future premium taxes due the state.~~ The offset against premium tax liability must be
40.8 claimed beginning with the taxable year that the assessment is paid. To the extent that the
40.9 allowable offset exceeds the tax liability, the remaining offset must be carried forward to
40.10 succeeding taxable years until the entire offset has been credited against the insurance
40.11 company's liability for premium tax under this chapter.

40.12 **EFFECTIVE DATE.** This section is effective for tax returns due on or after January
40.13 1, 2008.

40.14 Sec. 12. Minnesota Statutes 2006, section 297I.40, subdivision 5, is amended to read:

40.15 Subd. 5. **Definition of tax.** The term "tax" as used in this section means the tax
40.16 imposed by section 297I.05, subdivisions 1 to 6, 11, and 12, paragraphs (a), clauses (1)
40.17 to (5), (b), and ~~(c) (d), without regard to the retaliatory provisions of section 297I.05,~~
40.18 ~~subdivision 11, and the~~ less any offset in section 297I.20.

40.19 **EFFECTIVE DATE.** This section is effective for tax returns due on or after January
40.20 1, 2008.

40.21 **ARTICLE 4**

40.22 **PROPERTY TAXES AND AIDS**

40.23 Section 1. Minnesota Statutes 2006, section 270.071, subdivision 7, is amended to read:

40.24 Subd. 7. **Flight property.** "Flight property" means all aircraft and flight equipment
40.25 used in connection therewith, including spare flight equipment. Flight property also
40.26 includes computers and computer software used in operating, controlling, or regulating
40.27 aircraft and flight equipment.

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

40.29 Sec. 2. Minnesota Statutes 2006, section 270.072, subdivision 2, is amended to read:

Subd. 2. **Assessment of flight property.** ~~The~~ Flight property ~~of that~~ is owned by, or is leased, loaned, or otherwise made available to all airline companies operating in Minnesota shall be assessed and appraised annually by the commissioner with reference to its value on January 2 of the assessment year in the manner prescribed by sections 270.071 to 270.079. Aircraft with a gross weight of less than 30,000 pounds and used on intermittent or irregularly timed flights shall be excluded from the provisions of sections 270.071 to 270.079.

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

Sec. 3. Minnesota Statutes 2006, section 270.072, subdivision 3, is amended to read:

Subd. 3. **Report by airline company.** Each year, on or before July 1, every airline company engaged in air commerce in this state shall file with the commissioner ~~on or before the time fixed by the commissioner~~ a report under oath setting forth specifically the information prescribed by the commissioner to enable the commissioner to make the assessment required in sections 270.071 to 270.079, unless the commissioner determines that the airline company or person should be excluded from filing because its activities do not constitute air commerce as defined herein. ~~A penalty of five percent of the tax being assessed is imposed on a late filing of the annual report. If the report is not filed within 30 days, an additional penalty of five percent of the assessed tax is imposed for each additional 30 days or fraction of 30 days until the return is filed. The penalty imposed under this section must not exceed the lesser of \$25,000 or 25 percent of the assessed tax.~~

EFFECTIVE DATE. This section is effective beginning January 2, 2007, for taxes payable in 2008 and thereafter.

Sec. 4. Minnesota Statutes 2006, section 270.072, subdivision 6, is amended to read:

Subd. 6. **Airflight property tax lien.** The tax imposed under sections 270.071 to 270.079 is a lien on all real and personal property within this state of the airline company in whose name the property is assessed. ~~For purposes of sections 270C.62 and 270C.63, the date of assessment for the tax imposed under sections 270.071 to 270.079 is~~ The lien attaches on January 2 of each year for the taxes payable in the following year.

EFFECTIVE DATE. This section is effective beginning January 2, 2007, for taxes payable in 2008 and thereafter.

Sec. 5. **[270.0725] PENALTIES.**

Subdivision 1. **Penalty for late filing.** If an airline company does not file its annual report by the date designated in section 270.072, subdivision 3, a penalty of five percent of the tax being assessed is imposed on that company. On August 1, and on the first day of each succeeding calendar month, an additional five percent penalty is imposed if the report has not yet been filed. For each airline company, the penalties imposed under this subdivision for any one year are limited to the lesser of \$25,000 or 25 percent of the assessed tax.

Subd. 2. **Penalty for repeated instances of late filing.** If there is a pattern of repeated failures by an airline company to timely file the report required by this section, a penalty of ten percent of the tax being assessed is imposed on that company.

Subd. 3. **Penalty for frivolous report.** If an airline company files a frivolous annual report, a penalty of 25 percent of the tax being assessed is imposed on that company. A frivolous report under this section is a report that would fulfill the criteria for a frivolous return under section 289A.60, subdivision 7, notwithstanding the restriction in section 289A.01. In a proceeding involving the issue of whether or not an airline company is liable for this penalty, the burden of proof is on the commissioner.

Subd. 4. **Penalty for fraudulent report.** If an airline company files a false or fraudulent annual report with intent to evade or defeat the tax, a penalty equal to 50 percent of the tax being assessed is imposed on that company.

Subd. 5. **Penalties added to tax.** Penalties imposed under this section are added to the tax and collected as a part of it.

EFFECTIVE DATE. This section is effective for annual reports due on or after July 1, 2007.

Sec. 6. [270.0735] EXAMINATION; INVESTIGATIONS; SUBPOENAS.

In addition to the powers granted to the commissioner in this chapter, and in order to determine net tax capacities and issue notices of net tax capacity and tax under sections 270.071 to 270.079, the commissioner has the powers contained in sections 270C.31 and 270C.32, for which purpose the word "taxpayer" as defined in section 270C.01 includes an airline company.

EFFECTIVE DATE. This section is effective beginning January 2, 2007, for taxes payable in 2008 and thereafter.

Sec. 7. Minnesota Statutes 2006, section 270.074, subdivision 3, is amended to read:

Subd. 3. **Tax capacity.** (a) The net tax capacity of the flight property of every airline company shall have a tax capacity of is 70 percent of the value thereof apportioned to this state under subdivision 1, except that the net tax capacity of quiet aircraft shall have a tax capacity of is 40 percent of the value determined under subdivision 1. Quiet aircraft shall include "Quiet aircraft" means turboprops and aircraft defined as stage III or IV by the Federal Aeronautics Administration. If, in the opinion of the commissioner, other aircraft may be qualified as quiet aircraft, the commissioner may adopt rules providing additional qualifications.

(b) The flight property of an airline company that owns or leases aircraft the majority of which are turboprops, and which provides, during six months or more of the year that taxes are levied, scheduled passenger service to three or more airports inside or outside of this state that serve small or medium sized communities, shall be assessed at 50 percent of the assessment percentage otherwise set by paragraph (a).

EFFECTIVE DATE. This section is effective beginning January 2, 2007, for taxes payable in 2008 and thereafter.

Sec. 8. Minnesota Statutes 2006, section 270.076, subdivision 1, is amended to read:

Subdivision 1. **Appeal.** ~~Any airline company against which a tax has been imposed under sections 270.071 to 270.079 shall have the right to appeal within 60 days from the date of notice of the levy of the tax~~ The notices of net tax capacity and of tax required under section 270.075, subdivision 2, are orders of the commissioner. These orders must be issued in conformance with section 270C.33, subdivisions 1 and 2, but are not subject to administrative review under section 270C.35. These orders may be appealed to the Tax Court in the manner provided by law in section 271.06 for appealing official orders of the commissioner that do not deal with valuation, assessment, or taxation for property tax purposes, and the provisions of section 273.125, subdivisions 4 and 5, and chapter 278 do not apply.

EFFECTIVE DATE. This section is effective beginning January 2, 2007, for taxes payable in 2008 and thereafter.

Sec. 9. Minnesota Statutes 2006, section 270.41, subdivision 1, is amended to read:

Subdivision 1. **Creation; purpose; powers.** A Board of Assessors is created. The board shall ~~establish, conduct,~~ review, supervise, coordinate, and approve courses in assessment practices, and establish criteria for determining assessor's qualifications. The board shall also consider other matters relating to assessment administration brought

44.1 before it by the commissioner of revenue. The board may grant, renew, suspend, or revoke
44.2 an assessor's license.

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

44.4 Sec. 10. Minnesota Statutes 2006, section 270.41, is amended by adding a subdivision
44.5 to read:

44.6 Subd. 1a. **Definition.** For purposes of sections 270.41 to 270.50, "board" means
44.7 the Board of Assessors.

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

44.9 Sec. 11. Minnesota Statutes 2006, section 270.41, subdivision 2, is amended to read:

44.10 Subd. 2. **Members.** The board shall consist of nine members, who shall be
44.11 appointed by the commissioner of revenue, in the manner provided herein. The members
44.12 shall include:

44.13 (1) two from the Department of Revenue;

44.14 (2) two county assessors;

44.15 (3) two assessors who are not county assessors, one of whom shall be a township
44.16 assessor;

44.17 (4) one from the private appraisal field holding a professional appraisal designation;
44.18 and

44.19 (5) two public members as defined by section 214.02.

44.20 The appointment provided in clauses (2) and (3) may be made from ~~two lists~~ a list
44.21 of not less than three names ~~each, one~~ submitted to the commissioner of revenue by the
44.22 Minnesota Association of Assessing Officers or its successor organization containing
44.23 recommendations for the appointment of appointees described in ~~clause~~ clauses (2);
44.24 ~~and one by the Minnesota Association of Assessors, Inc. or its successor organization~~
44.25 ~~containing recommendations for the appointees described in clause (3) and (3).~~ The lists
44.26 list must be submitted 30 days before the commencement of the term. In the case of a
44.27 vacancy, a new list shall be furnished to the commissioner ~~by the respective organization~~
44.28 immediately. A member of the board who is no longer engaged in the capacity ~~listed~~
44.29 ~~above~~ that was the basis of appointment is disqualified from membership in the board.

44.30 The board shall annually elect a chair and a ~~secretary~~ vice-chair of the board.

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

44.32 Sec. 12. Minnesota Statutes 2006, section 270.41, subdivision 3, is amended to read:

Subd. 3. **Licenses; refusal or revocation.** The board may refuse to grant or renew, or may suspend or revoke, a license of an applicant or licensee for any of the following causes or acts:

(1) failure to complete required training;

(2) inefficiency or neglect of duty;

(3) ~~"unprofessional conduct" which means knowingly neglecting to perform a duty required by law, or violation of the laws of this state relating to the assessment of property or unlawfully exempting property or knowingly and intentionally listing property on the tax list at substantially less than its market value or the level required by law in order to gain favor or benefit, or knowingly and intentionally misclassifying property in order to gain favor or benefit~~ failure to comply with the Code of Conduct and Ethics for Licensed Minnesota Assessors adopted by the board pursuant to Laws 2005, First Special Session chapter 3, article 1, section 38;

(4) conviction of a crime involving moral turpitude; or

(5) any other cause or act that in the board's opinion warrants a refusal to issue or suspension or revocation of a license.

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

Sec. 13. Minnesota Statutes 2006, section 270.41, subdivision 5, is amended to read:

Subd. 5. **Prohibited activity.** ~~An assessor, deputy assessor, assistant assessor, appraiser,~~ A licensed assessor or other person employed by an assessment jurisdiction or contracting with an assessment jurisdiction for the purpose of valuing or classifying property for property tax purposes is prohibited from making appraisals or analyses, accepting an appraisal assignment, or preparing an appraisal report as defined in section 82B.02, subdivisions 2 to 5, on any property within the assessment jurisdiction where the individual is employed or performing the duties of the assessor under contract. Violation of this prohibition shall result in immediate revocation of the individual's license to assess property for property tax purposes. This prohibition must not be construed to prohibit an individual from carrying out any duties required for the proper assessment of property for property tax purposes. If a formal resolution has been adopted by the governing body of a governmental unit, which specifies the purposes for which such work will be done, this prohibition does not apply to appraisal activities undertaken on behalf of and at the request of the governmental unit that has employed or contracted with the individual. The resolution may only allow appraisal activities which are related to condemnations, right-of-way acquisitions, or special assessments.

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

46.2 Sec. 14. Minnesota Statutes 2006, section 270.44, is amended to read:

46.3 **270.44 CHARGES FOR COURSES, EXAMINATIONS OR MATERIALS.**

46.4 The board shall charge the following fees:

46.5 (1) \$105 for a senior accredited Minnesota assessor license;

46.6 (2) \$80 for an accredited Minnesota assessor license;

46.7 (3) \$65 for a certified Minnesota assessor specialist license;

46.8 (4) \$55 for a certified Minnesota assessor license;

46.9 ~~(5) \$50 for a course challenge examination;~~

46.10 ~~(6) (5) \$35 for grading a form appraisal;~~

46.11 ~~(7) (6) \$60 for grading a narrative appraisal;~~

46.12 ~~(8) (7) \$30 for a reinstatement fee;~~

46.13 ~~(9) (8) \$25 for a record retention fee; and~~

46.14 ~~(10) (9) \$20 for an educational transcript; and~~

46.15 ~~(11) \$30 for all retests of board-sponsored educational courses.~~

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

46.17 Sec. 15. Minnesota Statutes 2006, section 270.45, is amended to read:

46.18 **270.45 DISPOSITION OF FEES.**

46.19 All fees so established and collected shall be paid to the commissioner of finance for
46.20 deposit in the general fund. The expenses of carrying out the provisions of sections 270.41
46.21 to 270.53 shall be paid from appropriations made to the board ~~of Assessors.~~

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

46.23 Sec. 16. Minnesota Statutes 2006, section 270.46, is amended to read:

46.24 **270.46 TRAINING COURSES, ~~ESTABLISHMENT; OTHER COURSES,~~**
46.25 **REGULATION.**

46.26 The board shall ~~establish~~ review and approve training courses on assessment
46.27 practices ~~and shall review and approve courses on assessment practices, techniques of~~
46.28 assessment, and ethics offered by schools, colleges ~~and~~ universities ~~as well as courses that~~
46.29 ~~are offered by any units of government on techniques of assessment. Courses shall be~~
46.30 ~~established in various places throughout the state and be offered on regular intervals, units~~
46.31 of government, and other entities.

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

47.2 Sec. 17. Minnesota Statutes 2006, section 270.47, is amended to read:

47.3 **270.47 RULES.**

47.4 The board shall ~~establish the~~ adopt rules necessary to accomplish the purpose of
47.5 ~~section~~ sections 270.41 to 270.51, and shall establish criteria required of assessing officials
47.6 in the state. Separate criteria may be established depending upon the responsibilities of the
47.7 assessor. ~~The board shall prepare and give examinations from time to time to determine~~
47.8 ~~whether assessing officials possess the necessary qualifications for performing the~~
47.9 ~~functions of the office. Such tests shall be given immediately upon completion of courses~~
47.10 ~~required by the board, or to persons who already possess the requisite qualifications under~~
47.11 ~~the rules of the board.~~ An action of the board in refusing to grant or renew a license or in
47.12 suspending or revoking a license is subject to review in accordance with chapter 14.

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

47.14 Sec. 18. Minnesota Statutes 2006, section 270.48, is amended to read:

47.15 **270.48 LICENSURE OF QUALIFIED PERSONS.**

47.16 The board ~~shall~~ may license persons as possessing the necessary qualifications of an
47.17 assessing official. Different levels of licensure may be established as to classes of property
47.18 which assessors may be certified to assess at the discretion of the board. Every person,
47.19 except a local or county assessor, regularly employed by the assessor to assist in making
47.20 decisions regarding valuing and classifying property for assessment purposes ~~shall be~~
47.21 ~~required to~~ must become licensed within three years of the date of employment. Licensure
47.22 shall be required for local and county assessors as ~~otherwise~~ provided in ~~sections 270.41~~
47.23 ~~to 270.53~~ section 273.061 and rules adopted by the board.

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

47.25 Sec. 19. Minnesota Statutes 2006, section 270.50, is amended to read:

47.26 **270.50 EMPLOYMENT OF LICENSED ASSESSORS.**

47.27 No assessor shall be employed who has not been licensed as qualified by the board,
47.28 provided the time to comply may be extended after application to the board upon a
47.29 showing that licensed assessors are not available for employment. The board may license
47.30 ~~that~~ a county or local assessor who has not received the training, but possesses the
47.31 necessary qualifications for performing the functions of the office by the passage of an

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approved examination or may waive the examination if such person has demonstrated competence in performing the functions of the office for a period of time the board deems reasonable. ~~The county or local assessing district shall assume the cost of training of its assessors in courses approved by the board for the purpose of obtaining the assessor's license to the extent of course fees, mileage, meals and lodging, and recognized travel expenses not paid by the state. If the governing body of any township or city fails to employ an assessor as required by sections 270.41 to 270.53, the assessment shall be made by the county assessor.~~

~~In the case of cities incorporated or townships organized after April 11, 1974, except cities or towns located in Ramsey county or which have elected a county assessor system in accordance with section 273.055, the board shall allow the city or town 90 days from the date of incorporation or organization to employ a licensed assessor.~~

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

Sec. 20. Minnesota Statutes 2006, section 270C.306, is amended to read:

270C.306 COMMISSIONER MAY REQUIRE SOCIAL SECURITY OR IDENTIFYING NUMBERS ON FORMS.

Notwithstanding the provisions of any other law except section 272.115, the commissioner may require that a form required to be filed with the commissioner include the Social Security number, federal employer identification number, or Minnesota taxpayer identification number of the taxpayer or applicant.

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

Sec. 21. Minnesota Statutes 2006, section 270C.34, subdivision 1, is amended to read:

Subdivision 1. **Authority.** (a) The commissioner may abate, reduce, or refund any penalty or interest that is imposed by a law administered by the commissioner as a result of the late payment of tax or late filing of a return, if the failure to timely pay the tax or failure to timely file the return is due to reasonable cause, or if the taxpayer is located in a presidentially declared disaster area.

(b) The commissioner shall abate any part of a penalty or additional tax charge under section 289A.25, subdivision 2, or 289A.26, subdivision 4, attributable to erroneous advice given to the taxpayer in writing by an employee of the department acting in an official capacity, if the advice:

(1) was reasonably relied on and was in response to a specific written request of the taxpayer; and

(2) was not the result of failure by the taxpayer to provide adequate or accurate information.

(c) The commissioner may abate a penalty imposed under section 270.0725, subdivision 1 or 2, if the failure to timely file is due to reasonable cause, or if the airline company is located in a presidentially declared disaster area.

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

Sec. 22. Minnesota Statutes 2006, section 272.02, subdivision 64, is amended to read:

Subd. 64. **Job opportunity building zone property.** (a) Improvements to real property, and personal property, classified under section 273.13, subdivision 24, and located within a job opportunity building zone, designated under section 469.314, are 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.

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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 market value of the property. The certificate shall include financing terms and conditions of the sale which are necessary to determine the actual, present value of the sale price for purposes of the sales ratio study. The commissioner of revenue shall 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. However, a married person who is not an owner of record and who is signing a conveyance instrument along with the person's spouse solely because of the requirement in section 507.02 that spouses of owners must sign certain conveyances is not a grantor for the purpose of the preceding sentence. 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 of value filed on or after July 1, 2007.

Sec. 24. Minnesota Statutes 2006, section 273.05, is amended by adding a subdivision to read:

Subd. 3. Cities and townships; employment of licensed assessor. In the case of cities or townships, except cities or towns located in Ramsey County or which have elected a county assessor system in accordance with section 273.055, the commissioner

51.1 shall allow the city or town 90 days from the date of incorporation or organization to
51.2 employ a licensed assessor.

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

51.4 Sec. 25. **[273.0535] COUNTY OR LOCAL ASSESSING DISTRICT TO ASSUME**
51.5 **COST OF TRAINING.**

51.6 The county or local assessing district must assume the cost of training its assessors
51.7 in courses approved by the board for the purpose of obtaining the assessor's license to
51.8 the extent of course fees, mileage, meals, and lodging, and recognized travel expenses
51.9 not paid by the state.

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

51.11 Sec. 26. Minnesota Statutes 2006, section 273.111, subdivision 3, is amended to read:

51.12 Subd. 3. **Requirements.** (a) Real estate consisting of ten acres or more or a nursery
51.13 or greenhouse, and qualifying for classification as class 1b, 2a, or 2b under section 273.13,
51.14 shall be entitled to valuation and tax deferment under this section only if it is primarily
51.15 devoted to agricultural use, and meets the qualifications in subdivision 6, and either:

51.16 (1) is the homestead of the owner, or of a surviving spouse, child, or sibling of the
51.17 owner or is real estate which is farmed with the real estate which contains the homestead
51.18 property; or

51.19 (2) has been in possession of the applicant, the applicant's spouse, parent, or sibling,
51.20 or any combination thereof, for a period of at least seven years prior to application for
51.21 benefits under the provisions of this section, or is real estate which is farmed with the
51.22 real estate which qualifies under this clause and is within four townships or cities or
51.23 combination thereof from the qualifying real estate; or

51.24 (3) is the homestead of a shareholder in a family farm corporation as defined in
51.25 section 500.24, notwithstanding the fact that legal title to the real estate may be held in the
51.26 name of the family farm corporation; or

51.27 (4) is in the possession of a nursery or greenhouse or an entity owned by a proprietor,
51.28 partnership, or corporation which also owns the nursery or greenhouse operations on
51.29 the parcel or parcels.

51.30 (b) Valuation of real estate under this section is limited to parcels the ownership of
51.31 which is in noncorporate entities except for:

51.32 (1) family farm corporations organized pursuant to section 500.24; and

(2) corporations that derive 80 percent or more of their gross receipts from the wholesale or retail sale of horticultural or nursery stock.

~~Corporate entities who previously qualified for tax deferment pursuant to this section and who continue to otherwise qualify under subdivisions 3 and 6 for a period of at least three years following the effective date of Laws 1983, chapter 222, section 8, will not be required to make payment of the previously deferred taxes, notwithstanding the provisions of subdivision 9. Special assessments are payable at the end of the three-year period or at time of sale, whichever comes first.~~

(c) Land that previously qualified for tax deferment under this section and no longer qualifies because it is not primarily used for agricultural purposes but would otherwise qualify under subdivisions 3 and 6 for a period of at least three years will not be required to make payment of the previously deferred taxes, notwithstanding the provisions of subdivision 9. Sale of the land prior to the expiration of the three-year period requires payment of deferred taxes as follows: sale in the year the land no longer qualifies requires payment of the current year's deferred taxes plus payment of deferred taxes for the two prior years; sale during the second year the land no longer qualifies requires payment of the current year's deferred taxes plus payment of the deferred taxes for the prior year; and sale during the third year the land no longer qualifies requires payment of the current year's deferred taxes. Deferred taxes shall be paid even if the land qualifies pursuant to subdivision 11a. When such property is sold or no longer qualifies under this paragraph, or at the end of the three-year period, whichever comes first, all deferred special assessments plus interest are payable in equal installments spread over the time remaining until the last maturity date of the bonds issued to finance the improvement for which the assessments were levied. If the bonds have matured, the deferred special assessments plus interest are payable within 90 days. The provisions of section 429.061, subdivision 2, apply to the collection of these installments. Penalties are not imposed on any such special assessments if timely paid.

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

Sec. 27. Minnesota Statutes 2006, section 273.117, is amended to read:

273.117 CONSERVATION PROPERTY TAX VALUATION.

Real property which is subject to a conservation restriction or easement ~~shall~~ may be entitled to reduced valuation under this section if:

(a) The restriction or easement is for a conservation purpose as defined in section 84.64, subdivision 2, and is recorded on the property;

53.1 (b) The property is being used in accordance with the terms of the conservation
53.2 restriction or easement.

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

53.4 Sec. 28. Minnesota Statutes 2006, section 273.121, is amended to read:

53.5 **273.121 VALUATION OF REAL PROPERTY, NOTICE.**

53.6 Any county assessor or city assessor having the powers of a county assessor, valuing
53.7 or classifying taxable real property shall in each year notify those persons whose property
53.8 is to be included on the assessment roll that year if the person's address is known to the
53.9 assessor, otherwise the occupant of the property. The notice shall be in writing and shall be
53.10 sent by ordinary mail at least ten days before the meeting of the local board of appeal and
53.11 equalization under section 274.01 or the review process established under section 274.13,
53.12 subdivision 1c. Upon written request by the owner of the property, the assessor may send
53.13 the notice in electronic form or by electronic mail instead of on paper or by ordinary mail.

53.14 It shall contain: (1) the market value for the current and prior assessment, (2) the limited
53.15 market value under section 273.11, subdivision 1a, for the current and prior assessment,
53.16 (3) the qualifying amount of any improvements under section 273.11, subdivision 16,
53.17 for the current assessment, (4) the market value subject to taxation after subtracting the
53.18 amount of any qualifying improvements for the current assessment, (5) the classification
53.19 of the property for the current and prior assessment, (6) a note that if the property is
53.20 homestead and at least 45 years old, improvements made to the property may be eligible
53.21 for a valuation exclusion under section 273.11, subdivision 16, (7) the assessor's office
53.22 address, and (8) the dates, places, and times set for the meetings of the local board of
53.23 appeal and equalization, the review process established under section 274.13, subdivision
53.24 1c, and the county board of appeal and equalization. The commissioner of revenue shall
53.25 specify the form of the notice. The assessor shall attach to the assessment roll a statement
53.26 that the notices required by this section have been mailed. Any assessor who is not
53.27 provided sufficient funds from the assessor's governing body to provide such notices,
53.28 may make application to the commissioner of revenue to finance such notices. The
53.29 commissioner of revenue shall conduct an investigation and, if satisfied that the assessor
53.30 does not have the necessary funds, issue a certification to the commissioner of finance
53.31 of the amount necessary to provide such notices. The commissioner of finance shall
53.32 issue a warrant for such amount and shall deduct such amount from any state payment
53.33 to such county or municipality. The necessary funds to make such payments are hereby
53.34 appropriated. Failure to receive the notice shall in no way affect the validity of the

54.1 assessment, the resulting tax, the procedures of any board of review or equalization, or
54.2 the enforcement of delinquent taxes by statutory means.

54.3 **EFFECTIVE DATE.** This section is effective for notices required in 2007 and
54.4 thereafter.

54.5 Sec. 29. Minnesota Statutes 2006, section 273.123, subdivision 2, is amended to read:

54.6 Subd. 2. **Reassessment of homestead property.** The county assessor shall reassess
54.7 all homestead property located within a disaster or emergency area which is physically
54.8 damaged by the disaster or emergency and shall adjust the valuation for taxes payable the
54.9 following year to reflect the loss in market value caused by the damage as follows: Subtract
54.10 the market value of the property as reassessed from the market value of the property as
54.11 assessed under section 273.01 for January 1 of the year in which the disaster or emergency
54.12 occurred; multiply the remainder by a fraction, the numerator of which is the number of
54.13 full months remaining in the year on the date the disaster or emergency occurred, and the
54.14 denominator of which is 12; subtract the product of the calculation from the market value
54.15 of the property as assessed for January 1 of the year in which the disaster or emergency
54.16 occurred; the remainder is the estimated market value to be used for taxes payable the
54.17 following year. The assessor shall report to the county auditor the net tax capacity based
54.18 on the assessment of January 1 of for the year in which the disaster or emergency occurred
54.19 and the net tax capacity based on the reassessment made pursuant to this subdivision.

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

54.21 Sec. 30. Minnesota Statutes 2006, section 273.123, subdivision 3, is amended to read:

54.22 Subd. 3. **Computation of local tax rates.** ~~When computing~~ Local tax rates; must
54.23 be computed by the county auditor shall use based upon the valuation as of January 2 as
54.24 reported by the assessor for the assessment made on January 1 of the year in which the
54.25 disaster or emergency occurred, and as returned by the local, county, and state boards of
54.26 review and equalization and the commissioner of revenue.

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

54.28 Sec. 31. Minnesota Statutes 2006, section 273.124, subdivision 13, is amended to read:

54.29 Subd. 13. **Homestead application.** (a) A person who meets the homestead
54.30 requirements under subdivision 1 must file a homestead application with the county
54.31 assessor to initially obtain homestead classification.

~~(b) On or before January 2, 1993, each county assessor shall mail a homestead application to the owner of each parcel of property within the county which was classified as homestead for the 1992 assessment year. The format and contents of a uniform homestead application shall be prescribed by the commissioner of revenue. The commissioner shall consult with the chairs of the house and senate tax committees on the contents of the homestead application form. The application must clearly inform the taxpayer that this application must be signed by all owners who occupy the property or by the qualifying relative and returned to the county assessor in order for the property to continue receiving homestead treatment. The envelope containing the homestead application shall clearly identify its contents and alert the taxpayer of its necessary immediate response.~~

(e) Every property owner applying for homestead classification must furnish to the county assessor the Social Security number of each occupant who is listed as an owner of the property on the deed of record, the name and address of each owner who does not occupy the property, and the name and Social Security number of each owner's spouse who occupies the property. The application must be signed by each owner who occupies the property and by each owner's spouse who occupies the property, or, in the case of property that qualifies as a homestead under subdivision 1, paragraph (c), by the qualifying relative.

If a property owner occupies a homestead, the property owner's spouse may not claim another property as a homestead unless the property owner and the property owner's spouse file with the assessor an affidavit or other proof required by the assessor stating that the property qualifies as a homestead under subdivision 1, paragraph (e).

Owners or spouses occupying residences owned by their spouses and previously occupied with the other spouse, either of whom fail to include the other spouse's name and Social Security number on the homestead application or provide the affidavits or other proof requested, will be deemed to have elected to receive only partial homestead treatment of their residence. The remainder of the residence will be classified as nonhomestead residential. When an owner or spouse's name and Social Security number appear on homestead applications for two separate residences and only one application is signed, the owner or spouse will be deemed to have elected to homestead the residence for which the application was signed.

The Social Security numbers or affidavits or other proofs of the property owners and spouses are private data on individuals as defined by section 13.02, subdivision 12, but, notwithstanding that section, the private data may be disclosed to the commissioner of revenue, or, for purposes of proceeding under the Revenue Recapture Act to recover personal property taxes owing, to the county treasurer.

~~(d)~~ (c) If residential real estate is occupied and used for purposes of a homestead by a relative of the owner and qualifies for a homestead under subdivision 1, paragraph (c), in order for the property to receive homestead status, a homestead application must be filed with the assessor. The Social Security number of each relative and spouse of a relative occupying the property ~~and the Social Security number of each owner who is related to an occupant of the property~~ shall be required on the homestead application filed under this 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)~~ (d) 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)~~ (e) 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)~~ (f) 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)~~ (g) 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 to the extent that the current owner agrees in writing. On all demands, billings, property tax statements, and related correspondence, the county must list and state separately the amounts of homestead benefits, penalty, interest and costs being demanded, billed or assessed.

~~(f)~~ (h) Any amount of homestead benefits recovered by the county from the property owner shall be distributed to the county, city or town, and school district where the property is located in the same proportion that each taxing district's levy was to the total of the three taxing districts' levy for the current year. Any amount recovered attributable to taconite homestead credit shall be transmitted to the St. Louis County auditor to be deposited in the taconite property tax relief account. Any amount recovered that is attributable to supplemental homestead credit is to be transmitted to the commissioner of revenue for deposit in the general fund of the state treasury. The total amount of penalty collected must be deposited in the county general fund.

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

~~(k)~~ (j) In addition to lists of homestead properties, the commissioner may ask the counties to furnish lists of all properties and the record owners. The Social Security numbers and federal identification numbers that are maintained by a county or city assessor for property tax administration purposes, and that may appear on the lists retain their classification as private or nonpublic data; but may be viewed, accessed, and used by the county auditor or treasurer of the same county for the limited purpose of assisting the commissioner in the preparation of microdata samples under section 270C.12.

~~(k)~~ (k) On or before April 30 each year beginning in 2007, each county must provide the commissioner with the following data for each parcel of homestead property by electronic means as defined in section 289A.02, subdivision 8:

(i) the property identification number assigned to the parcel for purposes of taxes payable in the current year;

(ii) the name and Social Security number of each occupant of homestead property who is the property owner and, property owner's spouse, as shown on the tax rolls for the current and the prior assessment year qualifying relative of a property owner, or spouse of a qualifying relative;

(iii) the classification of the property under section 273.13 for taxes payable in the current year and in the prior year;

(iv) an indication of whether the property was classified as a homestead for taxes payable in the current year ~~or for taxes payable in the prior year~~ because of occupancy by a relative of the owner or by a spouse of a relative;

(v) the property taxes payable as defined in section 290A.03, subdivision 13, for the current year and the prior year;

(vi) the market value of improvements to the property first assessed for tax purposes for taxes payable in the current year;

(vii) the assessor's estimated market value assigned to the property for taxes payable in the current year and the prior year;

(viii) the taxable market value assigned to the property for taxes payable in the current year and the prior year;

(ix) whether there are delinquent property taxes owing on the homestead;

(x) the unique taxing district in which the property is located; and

(xi) such other information as the commissioner decides is necessary.

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.

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

Sec. 32. Minnesota Statutes 2006, section 273.124, subdivision 21, is amended to read:

Subd. 21. **Trust property; homestead.** Real property held by a trustee under a trust is eligible for classification as homestead property if:

(1) the grantor or surviving spouse of the grantor of the trust occupies and uses the property as a homestead;

(2) a relative or surviving relative of the grantor who meets the requirements of subdivision 1, paragraph (c), in the case of residential real estate; or subdivision 1, paragraph (d), in the case of agricultural property, occupies and uses the property as a homestead;

(3) a family farm corporation, joint farm venture, limited liability company, or partnership operating a family farm rents the property held by a trustee under a trust, and the grantor, the spouse or surviving spouse of the grantor, or the ~~son~~ child or ~~daughter~~ grandchild of the grantor, who is also a shareholder, member, or partner of the corporation, joint farm venture, limited liability company, or partnership occupies and uses the property as a homestead, or is actively farming the property on behalf of the corporation, joint farm venture, limited liability company, or partnership; or

(4) a person who has received homestead classification for property taxes payable in 2000 on the basis of an unqualified legal right under the terms of the trust agreement to occupy the property as that person's homestead and who continues to use the property as a homestead or a person who received the homestead classification for taxes payable in 2005 under clause (3) who does not qualify under clause (3) for taxes payable in 2006 or thereafter but who continues to qualify under clause (3) as it existed for taxes payable in 2005.

For purposes of this subdivision, "grantor" is defined as the person creating or establishing a testamentary, inter Vivos, revocable or irrevocable trust by written instrument or through the exercise of a power of appointment.

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

Sec. 33. 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

61.1 reason of amputation, ankylosis, progressive muscular dystrophies, or paralysis, of both
61.2 lower extremities, such as to preclude motion without the aid of braces, crutches, canes, or
61.3 a wheelchair; and

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

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

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

61.12 Property is classified and assessed pursuant to clause (1) only if the commissioner of
61.13 revenue certifies to the assessor that the homestead occupant satisfies the requirements
61.14 of this paragraph or the county assessor has approved the occupant's declaration under
61.15 section 273.1315.

61.16 Permanently and totally disabled for the purpose of this subdivision means a
61.17 condition which is permanent in nature and totally incapacitates the person from working
61.18 at an occupation which brings the person an income. The first \$32,000 market value of
61.19 class 1b property has a net class rate of .45 percent of its market value. The remaining
61.20 market value of class 1b property has a class rate using the rates for class 1a or class 2a
61.21 property, whichever is appropriate, of similar market value.

61.22 (c) Class 1c property is commercial use real property that abuts a lakeshore line and
61.23 is devoted to temporary and seasonal residential occupancy for recreational purposes but
61.24 not devoted to commercial purposes for more than 250 days in the year preceding the
61.25 year of assessment, and that includes a portion used as a homestead by the owner, which
61.26 includes a dwelling occupied as a homestead by a shareholder of a corporation that owns
61.27 the resort, a partner in a partnership that owns the resort, or a member of a limited liability
61.28 company that owns the resort even if the title to the homestead is held by the corporation,
61.29 partnership, or limited liability company. For purposes of this clause, property is devoted
61.30 to a commercial purpose on a specific day if any portion of the property, excluding the
61.31 portion used exclusively as a homestead, is used for residential occupancy and a fee is
61.32 charged for residential occupancy. The portion of the property used as a homestead is class
61.33 1a property under paragraph (a). The remainder of the property is classified as follows:
61.34 the first \$500,000 of market value is tier I, the next \$1,700,000 of market value is tier II,
61.35 and any remaining market value is tier III. The class rates for class 1c are: tier I, 0.55
61.36 percent; tier II, 1.0 percent; and tier III, 1.25 percent. If a class 1c resort property has any

62.1 market value in tier III, the entire property must meet the requirements of subdivision 25,
62.2 paragraph (d), clause (1), to qualify for class 1c treatment under this paragraph.

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

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

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

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

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

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

62.16 **EFFECTIVE DATE.** This section is effective for taxes payable in 2009 and
62.17 thereafter.

62.18 Sec. 34. Minnesota Statutes 2006, section 273.13, subdivision 25, is amended to read:

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

62.26 (b) Class 4b includes:

62.27 (1) residential real estate containing less than four units that does not qualify as class
62.28 4bb, other than seasonal residential recreational property;

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

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

62.32 (4) unimproved property that is classified residential as determined under subdivision
62.33 33.

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

62.35 (c) Class 4bb includes:

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

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

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

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

63.9 (d) Class 4c property includes:

63.10 (1) except as provided in subdivision 22, paragraph (c), real property devoted to
63.11 temporary and seasonal residential occupancy for recreation purposes, including real
63.12 property devoted to temporary and seasonal residential occupancy for recreation purposes
63.13 and not devoted to commercial purposes for more than 250 days in the year preceding
63.14 the year of assessment. For purposes of this clause, property is devoted to a commercial
63.15 purpose on a specific day if any portion of the property is used for residential occupancy,
63.16 and a fee is charged for residential occupancy. In order for a property to be classified as
63.17 class 4c, seasonal residential recreational for commercial purposes, at least 40 percent of
63.18 the annual gross lodging receipts related to the property must be from business conducted
63.19 during 90 consecutive days and either (i) at least 60 percent of all paid bookings by lodging
63.20 guests during the year must be for periods of at least two consecutive nights; or (ii) at least
63.21 20 percent of the annual gross receipts must be from charges for rental of fish houses,
63.22 boats and motors, snowmobiles, downhill or cross-country ski equipment, or charges for
63.23 marina services, launch services, and guide services, or the sale of bait and fishing tackle.
63.24 For purposes of this determination, a paid booking of five or more nights shall be counted
63.25 as two bookings. Class 4c also includes commercial use real property used exclusively
63.26 for recreational purposes in conjunction with class 4c property devoted to temporary
63.27 and seasonal residential occupancy for recreational purposes, up to a total of two acres,
63.28 provided the property is not devoted to commercial recreational use for more than 250
63.29 days in the year preceding the year of assessment and is located within two miles of the
63.30 class 4c property with which it is used. Owners of real property devoted to temporary and
63.31 seasonal residential occupancy for recreation purposes and all or a portion of which was
63.32 devoted to commercial purposes for not more than 250 days in the year preceding the year
63.33 of assessment desiring classification as class 1c or 4c, must submit a declaration to the
63.34 assessor designating the cabins or units occupied for 250 days or less in the year preceding
63.35 the year of assessment by January 15 of the assessment year. Those cabins or units and a
63.36 proportionate share of the land on which they are located will 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, and (4) other nonresidential facility operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreation purposes shall 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 of land owned by a nonprofit community service oriented organization; provided that 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. For purposes of this clause, 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, "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 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;

(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)~~ (7) 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)~~ (8) 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~~ clause (2) and (6) has a class rate of 1.25 percent, and (vi) that portion of the market value of property in clause ~~(9)~~ (8) 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. This section is effective for taxes payable in 2008 and thereafter.

Sec. 35. Minnesota Statutes 2006, section 273.1398, subdivision 4, is amended to read:

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

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

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

EFFECTIVE DATE. This section is effective retroactively for taxes payable in 2001 and thereafter.

Sec. 36. Minnesota Statutes 2006, section 273.33, subdivision 2, is amended to read:

Subd. 2. **Listing and assessment by commissioner.** The personal property, consisting of the pipeline system of mains, pipes, and equipment attached thereto, of pipeline companies and others engaged in the operations or business of transporting natural gas, gasoline, crude oil, or other petroleum products by pipelines, shall be listed with and assessed by the commissioner of revenue and the values provided to the city or county assessor by order. This subdivision shall not apply to the assessment of the products transported through the pipelines nor to the lines of local commercial gas companies engaged primarily in the business of distributing gas to consumers at retail nor to pipelines used by the owner thereof to supply natural gas or other petroleum products exclusively for such owner's own consumption and not for resale to others. If more than 85 percent of the natural gas or other petroleum products actually transported over the pipeline is used for the owner's own consumption and not for resale to others, then this subdivision shall not apply; provided, however, that in that event, the pipeline shall be assessed in proportion to the percentage of gas actually transported over such pipeline that is not used for the owner's own consumption. On or before June 30, the commissioner shall certify to the auditor of each county, the amount of such personal property assessment against each company in each district in which such property is located.

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

Sec. 37. Minnesota Statutes 2006, section 273.37, subdivision 2, is amended to read:

Subd. 2. **Listing and assessment by commissioner.** Transmission lines of less than 69 kv, transmission lines of 69 kv and above located in an unorganized township, and distribution lines, and equipment attached thereto, having a fixed situs outside the corporate limits of cities except distribution lines taxed as provided in sections 273.40 and 273.41, shall be listed with and assessed by the commissioner of revenue in the county where situated and the values provided to the city or county assessor by order. The commissioner shall assess such property at the percentage of market value fixed by law; and, on or before June 30, shall certify to the auditor of each county in which such

68.1 property is located the amount of the assessment made against each company and person
68.2 owning such property.

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

68.4 Sec. 38. Minnesota Statutes 2006, section 273.371, subdivision 1, is amended to read:

68.5 Subdivision 1. **Report required.** Every electric light, power, gas, water, express,
68.6 stage, and transportation company and pipeline doing business in Minnesota shall
68.7 annually file with the commissioner on or before March 31 a report under oath setting
68.8 forth the information prescribed by the commissioner to enable the commissioner to make
68.9 valuations, recommended valuations, and equalization required under sections 273.33,
68.10 273.35, 273.36, ~~and~~ 273.37, and 273.3711. If all the required information is not available
68.11 on March 31, the company or pipeline shall file the information that is available on or
68.12 before March 31, and the balance of the information as soon as it becomes available.

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

68.14 Sec. 39. **[273.3711] RECOMMENDED AND ORDERED VALUES.**

68.15 For purposes of sections 273.33, 273.35, 273.36, 273.37, 273.371, and 273.372,
68.16 all values not required to be listed and assessed by the commissioner of revenue are
68.17 recommended values.

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

68.19 Sec. 40. Minnesota Statutes 2006, section 274.01, subdivision 1, is amended to read:

68.20 Subdivision 1. **Ordinary board; meetings, deadlines, grievances.** (a) The town
68.21 board of a town, or the council or other governing body of a city, is the board of appeal
68.22 and equalization except (1) in cities whose charters provide for a board of equalization or
68.23 (2) in any city or town that has transferred its local board of review power and duties to
68.24 the county board as provided in subdivision 3. The county assessor shall fix a day and
68.25 time when the board or the board of equalization shall meet in the assessment districts
68.26 of the county. Notwithstanding any law or city charter to the contrary, a city board of
68.27 equalization shall be referred to as a board of appeal and equalization. On or before
68.28 February 15 of each year the assessor shall give written notice of the time to the city or
68.29 town clerk. Notwithstanding the provisions of any charter to the contrary, the meetings
68.30 must be held between April 1 and May 31 each year. The clerk shall give published and
68.31 posted notice of the meeting at least ten days before the date of the meeting.

The board shall meet at the office of the clerk to review the assessment and classification of property in the town or city. No changes in valuation or classification which are intended to correct errors in judgment by the county assessor may be made by the county assessor after the board has adjourned in those cities or towns that hold a 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. 41. 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.

72.1 (7) The board does not have the authority to grant an exemption or to order property
72.2 removed from the tax rolls.

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

72.4 Sec. 42. **[274.135] COUNTY BOARDS; APPEALS AND EQUALIZATION**
72.5 **COURSE AND MEETING REQUIREMENTS.**

72.6 **Subdivision 1. Handbook for county boards.** By no later than January 1, 2009, the
72.7 commissioner of revenue must develop a handbook detailing procedures, responsibilities,
72.8 and requirements for county boards of appeal and equalization. The handbook must
72.9 include, but need not be limited to, the role of the county board in the assessment process,
72.10 the legal and policy reasons for fair and impartial appeal and equalization hearings, county
72.11 board meeting procedures that foster fair and impartial assessment reviews and other best
72.12 practices recommendations, quorum requirements for county boards, and explanations
72.13 of alternate methods of appeal.

72.14 **Subd. 2. Appeals and equalization course.** Beginning in 2009, and each year
72.15 thereafter, there must be at least one member at each meeting of a county board of appeal
72.16 and equalization who has attended an appeals and equalization course developed or
72.17 approved by the commissioner within the last four years, as certified by the commissioner.
72.18 The course may be offered in conjunction with a meeting of the Minnesota Association
72.19 of Assessment Officers. The course content must include, but need not be limited to, a
72.20 review of the handbook developed by the commissioner under subdivision 1.

72.21 **Subd. 3. Proof of compliance; transfer of duties.** (a) Any county that
72.22 conducts county boards of appeal and equalization meetings must provide proof to the
72.23 commissioner by December 1, 2009, and each year thereafter, that it is in compliance
72.24 with the requirements of subdivision 2. Beginning in 2009, this notice must also verify
72.25 that there was a quorum of voting members at each meeting of the board of appeal and
72.26 equalization in the current year. A county that does not comply with these requirements
72.27 is deemed to have transferred its board of appeal and equalization powers to the special
72.28 board of equalization appointed pursuant to section 274.13, subdivision 2, beginning
72.29 with the following year's assessment and continuing unless the powers are reinstated
72.30 under paragraph (c). A county that does not comply with the requirements of subdivision
72.31 2 and has not appointed a special board of equalization shall appoint a special board of
72.32 equalization before the following year's assessment.

72.33 (b) The county shall notify the taxpayers when the board of appeal and equalization
72.34 for a county has been transferred to the special board of equalization under this subdivision
72.35 and, prior to the meeting time of the special board of equalization, the county shall make

73.1 available to those taxpayers a procedure for a review of the assessments, including, but
73.2 not limited to, open book meetings. This alternate review process must take place in
73.3 April and May.

73.4 (c) A county board whose powers are transferred to the special board of equalization
73.5 under this subdivision may be reinstated by resolution of the county board and upon proof
73.6 of compliance with the requirements of subdivision 2. The resolution and proofs must be
73.7 provided to the commissioner by December 1 in order to be effective for the following
73.8 year's assessment.

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

73.10 Sec. 43. Minnesota Statutes 2006, section 275.065, subdivision 3, is amended to read:

73.11 Subd. 3. **Notice of proposed property taxes.** (a) The county auditor shall prepare
73.12 and the county treasurer shall deliver after November 10 and on or before November 24
73.13 each year, by first class mail to each taxpayer at the address listed on the county's current
73.14 year's assessment roll, a notice of proposed property taxes. Upon written request by
73.15 the taxpayer, the treasurer may send the notice in electronic form or by electronic mail
73.16 instead of on paper or by ordinary mail.

73.17 (b) The commissioner of revenue shall prescribe the form of the notice.

73.18 (c) The notice must inform taxpayers that it contains the amount of property taxes
73.19 each taxing authority proposes to collect for taxes payable the following year. In the case
73.20 of a town, or in the case of the state general tax, the final tax amount will be its proposed
73.21 tax. In the case of taxing authorities required to hold a public meeting under subdivision 6,
73.22 the notice must clearly state that each taxing authority, including regional library districts
73.23 established under section 134.201, and including the metropolitan taxing districts as
73.24 defined in paragraph (i), but excluding all other special taxing districts and towns, will
73.25 hold a public meeting to receive public testimony on the proposed budget and proposed or
73.26 final property tax levy, or, in case of a school district, on the current budget and proposed
73.27 property tax levy. It must clearly state the time and place of each taxing authority's
73.28 meeting, a telephone number for the taxing authority that taxpayers may call if they have
73.29 questions related to the notice, and an address where comments will be received by mail.

73.30 (d) The notice must state for each parcel:

73.31 (1) the market value of the property as determined under section 273.11, and used
73.32 for computing property taxes payable in the following year and for taxes payable in the
73.33 current year as each appears in the records of the county assessor on November 1 of the
73.34 current year; and, in the case of residential property, whether the property is classified as

homestead or nonhomestead. The notice must clearly inform taxpayers of the years to which the market values apply and that the values are final values;

(2) the items listed below, shown separately by county, city or town, and state general tax, net of the residential and agricultural homestead credit under section 273.1384, voter approved school levy, other local school levy, and the sum of the special taxing districts, and as a total of all taxing authorities:

(i) the actual tax for taxes payable in the current year; and

(ii) the proposed tax amount.

If the county levy under clause (2) 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 a town or the state general tax, the final tax shall also be its proposed tax unless the town changes its levy at a special town meeting under section 365.52. If a school district has certified under section 126C.17, subdivision 9, that a referendum will be held in the school district at the November general election, the county auditor must note next to the school district's proposed amount that a referendum is pending and that, if approved by the voters, the tax amount may be higher than shown on the notice. In the case of the city of Minneapolis, the levy for the Minneapolis Library Board and the levy for Minneapolis Park and Recreation shall be listed separately from the remaining amount of the city's levy. In the case of the city of St. Paul, the levy for the St. Paul Library Agency must be listed separately from the remaining amount of the city's levy. In the case of Ramsey County, any amount levied under section 134.07 may be listed separately from the remaining amount of the county's levy. In the case of a parcel where tax increment or the fiscal disparities areawide tax under chapter 276A or 473F applies, the proposed tax levy on the captured value or the proposed tax levy on the tax capacity subject to the areawide tax must each be stated separately and not included in the sum of the special taxing districts; and

(3) the increase or decrease between the total taxes payable in the current year and the total proposed taxes, expressed as a percentage.

For purposes of this section, 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.

(e) The notice must clearly state that the proposed or final taxes do not include the following:

(1) special assessments;

(2) levies approved by the voters after the date the proposed taxes are certified, including bond referenda and school district levy referenda;

(3) a levy limit increase approved by the voters by the first Tuesday after the first Monday in November of the levy year as provided under section 275.73;

(4) amounts necessary to pay cleanup or other costs due to a natural disaster occurring after the date the proposed taxes are certified;

(5) amounts necessary to pay tort judgments against the taxing authority that become final after the date the proposed taxes are certified; and

(6) the contamination tax imposed on properties which received market value reductions for contamination.

(f) Except as provided in subdivision 7, failure of the county auditor to prepare or the county treasurer to deliver the notice as required in this section does not invalidate the proposed or final tax levy or the taxes payable pursuant to the tax levy.

(g) If the notice the taxpayer receives under this section lists the property as nonhomestead, and satisfactory documentation is provided to the county assessor by the applicable deadline, and the property qualifies for the homestead classification in that assessment year, the assessor shall reclassify the property to homestead for taxes payable in the following year.

(h) In the case of class 4 residential property used as a residence for lease or rental periods of 30 days or more, the taxpayer must either:

(1) mail or deliver a copy of the notice of proposed property taxes to each tenant, renter, or lessee; or

(2) post a copy of the notice in a conspicuous place on the premises of the property.

The notice must be mailed or posted by the taxpayer by November 27 or within three days of receipt of the notice, whichever is later. A taxpayer may notify the county treasurer of the address of the taxpayer, agent, caretaker, or manager of the premises to which the notice must be mailed in order to fulfill the requirements of this paragraph.

(i) For purposes of this subdivision, subdivisions 5a and 6, "metropolitan special taxing districts" means the following taxing districts in the seven-county metropolitan area that levy a property tax for any of the specified purposes listed below:

(1) Metropolitan Council under section 473.132, 473.167, 473.249, 473.325, 473.446, 473.521, 473.547, or 473.834;

(2) Metropolitan Airports Commission under section 473.667, 473.671, or 473.672; and

(3) Metropolitan Mosquito Control Commission under section 473.711.

For purposes of this section, 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 included with the appropriate county's levy and shall be discussed at that county's public hearing.

(j) The governing body of a county, city, or school district may, with the consent of the county board, include supplemental information with the statement of proposed property taxes about the impact of state aid increases or decreases on property tax increases or decreases and on the level of services provided in the affected jurisdiction. This supplemental information may include information for the following year, the current year, and for as many consecutive preceding years as deemed appropriate by the governing body of the county, city, or school district. It may include only information regarding:

(1) the impact of inflation as measured by the implicit price deflator for state and local government purchases;

(2) population growth and decline;

(3) state or federal government action; and

(4) other financial factors that affect the level of property taxation and local services that the governing body of the county, city, or school district may deem appropriate to include.

The information may be presented using tables, written narrative, and graphic representations and may contain instruction toward further sources of information or opportunity for comment.

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

Sec. 44. Minnesota Statutes 2006, section 275.065, subdivision 5a, is amended to read:

Subd. 5a. **Public advertisement.** (a) A city that has a population of more than 2,500, county, a metropolitan special taxing district as defined in subdivision 3, paragraph (i), a regional library district established under section 134.201, or school district shall advertise in a newspaper a notice of its intent to adopt a budget and property tax levy or, in the case of a school district, to review its current budget and proposed property taxes payable in the following year, at a public hearing, if a public hearing is required under subdivision 6. The notice must be published not less than two business days nor more than six business days before the hearing.

The advertisement must be at least one-eighth page in size of a standard-size or a tabloid-size newspaper. The advertisement must not be placed in the part of the newspaper where legal notices and classified advertisements appear. The advertisement must be

published in an official newspaper of general circulation in the taxing authority. The newspaper selected must be one of general interest and readership in the community, and not one of limited subject matter. The advertisement must appear in a newspaper that is published at least once per week.

For purposes of this section, the metropolitan special taxing district's advertisement must only be published in the Minneapolis Star and Tribune and the Saint Paul Pioneer Press.

In addition to other requirements, a county and a city having a population of 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

78.1 The (city/county) governing body or board of commissioners will hold a public hearing to
78.2 discuss the budget and to vote on the amount of property taxes to collect for services the
78.3 (city/county) will provide in (year).

78.4 SPENDING: The total budget amounts below compare (city's/county's) (year) total actual
78.5 budget with the amount the (city/county) proposes to spend in (year).

78.6	(Year) Total Actual	Proposed (Year)	Change from
78.7	Budget	Budget	(Year)-(Year)
78.8	\$.....	\$.....	%

78.9 TAXES: The property tax amounts below compare that portion of the current budget
78.10 levied in property taxes in (city/county) for (year) with the property taxes the (city/county)
78.11 proposes to collect in (year).

78.12	(Year) Property	Proposed (Year)	Change from
78.13	Taxes	Property Taxes	(Year)-(Year)
78.14	\$.....	\$.....	%

78.15 LOCAL TAX RATE COMPARISON: The current local tax rate, the local tax rate if no tax
78.16 levy increase is adopted, and the proposed local tax rate if the proposed levy is adopted.

78.17	(Year) Tax Rate	(Year) Tax Rate if NO	(Year) Proposed
78.18		Levy Increase	Tax Rate
78.19			

78.20 ATTEND THE PUBLIC HEARING

78.21 All (city/county) residents are invited to attend the public hearing of the (city/county) to
78.22 express your opinions on the budget and the proposed amount of (year) property taxes.

78.23 The hearing will be held on:

78.24 (Month/Day/Year/Time)
78.25 (Location/Address)

78.26 If the discussion of the budget cannot be completed, a time and place for continuing the
78.27 discussion will be announced at the hearing. You are also invited to send your written
78.28 comments to:

78.29 (City/County)
78.30 (Location/Address)"

78.31 (d) For purposes of this subdivision, the budget amounts listed on the advertisement
78.32 mean:

78.33 (1) for cities, the total government fund expenditures, as defined by the state auditor
78.34 under section 471.6965, less any expenditures for improvements or services that are

79.1 specially assessed or charged under chapter 429, 430, 435, or the provisions of any other
79.2 law or charter; and

79.3 (2) for counties, the total government fund expenditures, as defined by the state
79.4 auditor under section 375.169, less any expenditures for direct payments to recipients or
79.5 providers for the human service aids listed below:

79.6 (i) Minnesota family investment program under chapters 256J and 256K;

79.7 (ii) medical assistance under sections 256B.041, subdivision 5, and 256B.19,
79.8 subdivision 1;

79.9 (iii) general assistance medical care under section 256D.03, subdivision 6;

79.10 (iv) general assistance under section 256D.03, subdivision 2;

79.11 (v) emergency assistance under section 256J.48;

79.12 (vi) Minnesota supplemental aid under section 256D.36, subdivision 1;

79.13 (vii) preadmission screening under section 256B.0911, and alternative care grants
79.14 under section 256B.0913;

79.15 (viii) general assistance medical care claims processing, medical transportation and
79.16 related costs under section 256D.03, subdivision 4;

79.17 (ix) medical transportation and related costs under section 256B.0625, subdivisions
79.18 17 to 18a;

79.19 (x) group residential housing under section 256I.05, subdivision 8, transferred from
79.20 programs in clauses (iv) and (vi); or

79.21 (xi) any successor programs to those listed in clauses (i) to (x).

79.22 (e) A city with a population of over 500 but not more than 2,500 that is required to
79.23 hold a public hearing under subdivision 6 must advertise by posted notice as defined in
79.24 section 645.12, subdivision 1. The advertisement must be posted at the time provided in
79.25 paragraph (a). It must be in the form required in paragraph (b).

79.26 (f) For purposes of this subdivision, the population of a city is the most recent
79.27 population as determined by the state demographer under section 4A.02.

79.28 (g) The commissioner of revenue, ~~subject to the approval of the chairs of the house~~
79.29 ~~and senate tax committees~~, shall annually prescribe the specific form and format of the
79.30 advertisements required under this subdivision, including such details as font size and
79.31 style, and spacing for the required items. The commissioner may prescribe alternate and
79.32 additional language for the advertisement for a taxing authority or for groups of taxing
79.33 authorities. At least two weeks before November 29 each year, the commissioner shall
79.34 provide a copy of the prescribed advertisements to the chairs of the committees of the
79.35 house of representatives and the senate with jurisdiction over taxes.

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

Sec. 45. Minnesota Statutes 2006, section 275.067, is amended to read:

**275.067 SPECIAL TAXING DISTRICTS; ORGANIZATION DATE;
CERTIFICATION OF LEVY OR SPECIAL ASSESSMENTS.**

Special taxing districts as defined in section 275.066 organized on or before July 1 in ~~a~~ the current calendar year ~~may~~, and special taxing districts organized in a prior year that have not previously certified a levy to the county auditor, are allowed to certify a levy to the county auditor in ~~that same~~ the current year for property taxes or special assessments to be payable in the following calendar year to the extent that the special taxing district is authorized by statute or special act to levy taxes or special assessments, but only if the county auditor receives written notice from the district on or before July 1 of the current year that the district may be certifying a levy in the current year, and the notice includes a complete list or other description of the tax parcels in the district and a map showing the boundaries of the district. Special taxing districts organized after July 1 in a calendar year may not certify a levy of property taxes or special assessments to the county auditor under the powers granted to them by statute or special act and subject to the requirements of this section until the following calendar year. All special taxing districts must notify the county auditor by July 1 in order for its boundaries for the levy to be certified that year to be different than its boundaries for levies certified in prior years, and the notice must include a complete list or other description of the tax parcels within the new boundaries and a map showing the new boundaries of the district.

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

Sec. 46. Minnesota Statutes 2006, section 276.04, is amended by adding a subdivision to read:

Subd. 5. Electronic tax statements. Upon written request by the owner of real property located in the county, or by the owner's agent, a county may send tax statements by electronic means instead of by mailing. For the purposes of the payment deadlines specified in section 279.01, the postmark date on the envelope containing these property tax statements is the date the statements were sent by electronic means.

EFFECTIVE DATE. This section is effective for tax statements for taxes payable in 2008 and thereafter.

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81.1 Sec. 47. Minnesota Statutes 2006, section 277.01, subdivision 2, is amended to read:

81.2 Subd. 2. **Partial payments.** The county treasurer may accept payments of more or
81.3 less than the exact amount of a tax installment due. Payments must be applied first to the
81.4 oldest installment that is due but which has not been fully paid. If the accepted payment is
81.5 less than the amount due, ~~payments must be~~ the payment is applied first to the penalty
81.6 accrued for the year ~~the payment is made~~ or the installment being paid. Acceptance of
81.7 partial payment of tax does not constitute a waiver of the minimum payment required as a
81.8 condition for filing an appeal under section 278.03 or any other law, nor does it affect the
81.9 order of payment of delinquent taxes under section 280.39.

81.10 **EFFECTIVE DATE.** This section is effective for payments made on or after the
81.11 day following final enactment.

81.12 Sec. 48. Minnesota Statutes 2006, section 279.01, subdivision 1, is amended to read:

81.13 Subdivision 1. **Due dates; penalties.** Except as provided in subdivision 3 or 4, on
81.14 May 16 or 21 days after the postmark date on the envelope containing the property tax
81.15 statement, whichever is later, a penalty ~~shall accrue~~ accrues and thereafter ~~be~~ is charged
81.16 upon all unpaid taxes on real estate on the current lists in the hands of the county treasurer.
81.17 The penalty ~~shall be~~ is at a rate of two percent on homestead property until May 31 and
81.18 four percent on June 1. The penalty on nonhomestead property ~~shall be~~ is at a rate of four
81.19 percent until May 31 and eight percent on June 1. This penalty ~~shall~~ does not accrue until
81.20 June 1 of each year, or 21 days after the postmark date on the envelope containing the
81.21 property tax statements, whichever is later, on commercial use real property used for
81.22 seasonal residential recreational purposes and classified as class 1c or 4c, and on other
81.23 commercial use real property classified as class 3a, provided that over 60 percent of the
81.24 gross income earned by the enterprise on the class 3a property is earned during the months
81.25 of May, June, July, and August. ~~Any property owner of such class 3a property who pays~~
81.26 In order for the first half of the tax due on the class 3a property to be paid after May 15
81.27 and before June 1, or 21 days after the postmark date on the envelope containing the
81.28 property tax statement, whichever is later, ~~shall~~ without penalty, the owner of the property
81.29 must attach an affidavit to the payment attesting to compliance with the income provision
81.30 of this subdivision. Thereafter, for both homestead and nonhomestead property, on the
81.31 first day of each month beginning July 1, up to and including October 1 following, an
81.32 additional penalty of one percent for each month ~~shall accrue~~ accrues and ~~be~~ is charged on
81.33 all such unpaid taxes provided that if the due date was extended beyond May 15 as the
81.34 result of any delay in mailing property tax statements no additional penalty shall accrue
81.35 if the tax is paid by the extended due date. If the tax is not paid by the extended due

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date, then all penalties that would have accrued if the due date had been May 15 shall be charged. When the taxes against any tract or lot exceed \$50, one-half thereof may be paid prior to May 16 or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later; and, if so paid, no penalty ~~shall attach~~ attaches; the remaining one-half ~~shall~~ may be paid at any time prior to October 16 following, without penalty; but, if not so paid, then a penalty of two percent ~~shall accrue~~ accrues thereon for homestead property and a penalty of four percent on nonhomestead property. Thereafter, for homestead property, on the first day of November an additional penalty of four percent ~~shall accrue~~ accrues and on the first day of December following, an additional penalty of two percent ~~shall accrue~~ accrues and ~~be~~ is charged on all such unpaid taxes. Thereafter, for nonhomestead property, on the first day of November and December following, an additional penalty of four percent for each month ~~shall accrue~~ accrues and ~~be~~ is charged on all such unpaid taxes. If one-half of such taxes ~~shall~~ are not ~~be~~ paid prior to May 16 or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later, the same may be paid at any time prior to October 16, with accrued penalties to the date of payment added, and thereupon no penalty ~~shall attach~~ attaches to the remaining one-half until October 16 following.

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

A county may provide by resolution that in the case of a property owner that has multiple tracts or parcels with aggregate taxes exceeding \$50, payments may be made in installments as provided in this subdivision.

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

EFFECTIVE DATE. This section is effective for payments made on or after the day following final enactment.

Sec. 49. Minnesota Statutes 2006, section 290C.02, subdivision 3, is amended to read:

Subd. 3. **Claimant.** (a) "Claimant" means:

(1) a person, as that term is defined in section 290.01, subdivision 2, who owns forest land in Minnesota and files an application authorized by the Sustainable Forest Incentive Act. ~~Claimant includes:~~

(2) a purchaser or grantee if property enrolled in the program was sold or transferred after the original application was filed and prior to the annual incentive payment being made; or

(3) an owner of land previously covered by an auxiliary forest contract that automatically qualifies for inclusion in the Sustainable Forest Incentive Act program pursuant to section 88.49, subdivision 9a, or 88.491, subdivision 2.

The purchaser or grantee must notify the commissioner in writing of the sale or transfer of the property. Owners of land that qualifies for inclusion pursuant to section 88.49, subdivision 9a, or 88.491, subdivision 2, must notify the commissioner in writing of the expiration of the auxiliary forest contract or land trade with a governmental unit and submit an application to the commissioner by August 15 in order to be eligible to receive a payment by October 1 of that same year. For purposes of section 290C.11, claimant also includes any person bound by the covenant required in section 290C.04.

(b) No more than one claimant is entitled to a payment under this chapter with respect to any tract, parcel, or piece of land enrolled under this chapter that has been assigned the same parcel identification number. When enrolled forest land is owned by two or more persons, the owners must determine between them which person is eligible to claim the payments provided under sections 290C.01 to 290C.11. In the case of property sold or transferred, the former owner and the purchaser or grantee must determine between them which person is eligible to claim the payments provided under sections 290C.01 to 290C.11. The owners, transferees, or grantees must notify the commissioner in writing which person is eligible to claim the payments.

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

Sec. 50. Minnesota Statutes 2006, section 290C.04, is amended to read:

290C.04 APPLICATIONS.

(a) A landowner may apply to enroll forest land for the sustainable forest incentive program under this chapter. The claimant must complete, sign, and submit an application to the commissioner by September 30 in order for the land to become eligible beginning in the next year. The application shall be on a form prescribed by the commissioner and must include the information the commissioner deems necessary. At a minimum, the application must show the following information for the land and the claimant: (i) the

claimant's Social Security number or state or federal business tax registration number and date of birth, (ii) the claimant's address, (iii) the claimant's signature, (iv) the county's parcel identification numbers for the tax parcels that completely contain the claimant's forest land that is sought to be enrolled, (v) the number of acres eligible for enrollment in the program, (vi) the approved plan writer's signature and identification number, and (vii) proof, in a form specified by the commissioner, that the claimant has executed and acknowledged in the manner required by law for a deed, and recorded, a covenant that the land is not and shall not be developed in a manner inconsistent with the requirements and conditions of this chapter. The covenant shall state in writing that the covenant is binding on the claimant and the claimant's successor or assignee, and that it runs with the land for a period of not less than eight years. The commissioner shall specify the form of the covenant and provide copies upon request. The covenant must include a legal description that encompasses all the forest land that the claimant wishes to enroll under this section or the certificate of title number for that land if it is registered land.

(b) In all cases, the commissioner shall notify the claimant within 90 days after receipt of a completed application that either the land has or has not been approved for enrollment. A claimant whose application is denied may appeal the denial as provided in section ~~290C.11, paragraph (a)~~ 290C.13.

(c) Within 90 days after the denial of an application, or within 90 days after the final resolution of any appeal related to the denial, the commissioner shall execute and acknowledge a document releasing the land from the covenant required under this chapter. The document must be mailed to the claimant and is entitled to be recorded.

(d) The Social Security numbers collected from individuals under this section are private data as provided in section 13.355. The federal business tax registration number and date of birth data collected under this section are also private data on individuals or nonpublic data, as defined in section 13.02, subdivisions 9 and 12, but may be shared with county assessors for purposes of tax administration and with county treasurers for purposes of the revenue recapture under chapter 270A.

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

Sec. 51. Minnesota Statutes 2006, section 290C.05, is amended to read:

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

85.1 section, the original claimant is the person that filed the first application under section
85.2 290C.04 to enroll the land in the program. The claimant must sign the certification,
85.3 attesting that the requirements and conditions for continued enrollment in the program are
85.4 currently being met, and must return the signed certification form to the commissioner by
85.5 August 15 of that same year. If the claimant does not return an annual certification form
85.6 by the due date, the provisions in section 290C.11 apply.

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

85.8 Sec. 52. Minnesota Statutes 2006, section 290C.11, is amended to read:

85.9 **290C.11 PENALTIES FOR REMOVAL.**

85.10 (a) If the commissioner determines that land enrolled in the sustainable forest
85.11 incentive program is in violation of the conditions for enrollment as specified in section
85.12 290C.03, the commissioner shall notify the claimant of the intent to remove all enrolled
85.13 land from the sustainable forest incentive program. The claimant has 60 days to appeal
85.14 this determination under the provisions of section 290C.13. ~~The appeal must be made~~
85.15 ~~in writing to the commissioner, who shall, within 60 days, notify the claimant as to the~~
85.16 ~~outcome of the appeal. Within 60 days after the commissioner denies an appeal, or within~~
85.17 ~~120 days after the commissioner received a written appeal if the commissioner has not~~
85.18 ~~made a determination in that time, the owner may appeal to Tax Court under chapter 271~~
85.19 ~~as if the appeal is from an order of the commissioner.~~

85.20 (b) If the commissioner determines the land is to be removed from the sustainable
85.21 forest incentive program, the claimant is liable for payment to the commissioner in the
85.22 amount equal to the payments received under this chapter for the previous four-year
85.23 period, plus interest. The claimant has 90 days to satisfy the payment for removal of land
85.24 from the sustainable forest incentive program under this section. If the penalty is not paid
85.25 within the 90-day period under this paragraph, the commissioner shall certify the amount
85.26 to the county auditor for collection as a part of the general ad valorem real property taxes
85.27 on the land in the following taxes payable year.

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

85.29 Sec. 53. **[290C.13] APPEALS.**

85.30 Subdivision 1. Claimant right to reconsideration. A claimant may obtain
85.31 reconsideration by the commissioner of a determination removing enrolled land from the
85.32 sustainable forest incentive program, a determination denying an application to enroll land
85.33 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 the claimant, or the claimant's representative authorized by the claimant to enter into an agreement. The agreement is final and conclusive and, except upon a showing of fraud or malfeasance, or misrepresentation of a material fact, the case must not be reopened as to the matters agreed upon.

Subd. 8. **Appeal to Tax Court.** 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 claimant may appeal to Tax Court under chapter 271 as if the appeal is from an order of the commissioner.

Subd. 9. **Exemption from Administrative Procedure Act.** This section is not
subject to chapter 14.

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

Sec. 54. REPEALER.

(a) Minnesota Statutes 2006, section 270.073, is repealed.

(b) Minnesota Statutes 2006, sections 270.41, subdivision 4; 270.43; 270.51; 270.52;
and 270.53, are repealed.

(c) Minnesota Statutes 2006, section 279.01, subdivision 2, is repealed.

EFFECTIVE DATE. This section is effective the day following final enactment, except that paragraph (a) is effective beginning January 2, 2007, for taxes payable in 2008 and thereafter.

ARTICLE 5

MISCELLANEOUS

Section 1. **[270C.435] REFUNDS NOT SUBJECT TO ATTACHMENT OR**
GARNISHMENT.

No amount of a tax refund or other payment payable by the commissioner to a taxpayer is assignable or subject to execution, levy, attachment, garnishment, lien foreclosure, or other legal process, except as specifically provided by law.

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

Sec. 2. Minnesota Statutes 2006, section 270C.446, subdivision 2, is amended to read:

Subd. 2. **Required and excluded tax preparers.** (a) Subject to the limitations of paragraph (b), the commissioner must publish lists of tax preparers as defined in section 289A.60, subdivision 13, paragraph (f), who have been convicted under section 289A.63 or assessed penalties in excess of \$1,000 under section 289A.60, subdivision 13, paragraph (a).

(b) For the purposes of this section, tax preparers are not subject to publication if:

- 88.1 (1) an administrative or court action contesting the penalty has been filed or served
88.2 and is unresolved at the time when notice would be given under subdivision 3;
88.3 (2) an appeal period to contest the penalty has not expired; or
88.4 (3) the commissioner has been notified that the tax preparer is deceased.

88.5 **EFFECTIVE DATE.** This section is effective for penalties on returns filed after
88.6 December 31, 2007.

88.7 Sec. 3. Minnesota Statutes 2006, section 424A.10, subdivision 3, is amended to read:

88.8 Subd. 3. **State reimbursement.** (a) ~~By February 15 of each year, the treasurer of~~
88.9 ~~the relief association shall apply to the commissioner of revenue~~ Each year, to be eligible
88.10 for state reimbursement of the amount of supplemental benefits paid under subdivision 2
88.11 during the preceding calendar year, the relief association must apply to the commissioner
88.12 of revenue by February 15. By March 15 the commissioner shall reimburse the relief
88.13 association for the amount of the supplemental benefits paid to qualified recipients.

88.14 (b) The commissioner of revenue shall prescribe the form of and supporting
88.15 information that must be supplied as part of the application for state reimbursement.
88.16 The commissioner of revenue shall reimburse the relief association by paying the
88.17 reimbursement amount to the treasurer of the municipality where the association is located.
88.18 Within 30 days after receipt, the municipal treasurer shall transmit the state reimbursement
88.19 to the treasurer of the association if the association has filed a financial report with the
88.20 municipality. If the relief association has not filed a financial report with the municipality,
88.21 the municipal treasurer shall delay transmission of the reimbursement payment to the
88.22 association until the complete financial report is filed. If the association has dissolved or
88.23 has been removed as a trustee of state aid, the treasurer shall deposit the money in a
88.24 special account in the municipal treasury, and the money may be disbursed only for the
88.25 purposes and in the manner provided in section 424A.08. When paid to the association,

88.26 ~~(e)~~ the reimbursement payment must be deposited in the special fund of the relief
88.27 association.

88.28 ~~(d)~~ (c) A sum sufficient to make the payments is appropriated from the general fund
88.29 to the commissioner of revenue.

88.30 **EFFECTIVE DATE.** This section is effective January 1, 2007, and thereafter.